

Lease and Rent Management Policy.

**Corporate Property
Strategy 2024-2029**

**Date
Version 1**



1. Introduction

This policy applies to the lease and rent management for commercial and non-residential property. It sets out procedures designed to be open, transparent and consistent.

Within this framework the policy will ensure that Milton Keynes City Council achieves best consideration as set out in Section 123 of the Local Government Act 1972, act within the appropriate legal framework, and perform in a demonstrably fair and open manner.

The Council owns a large portfolio of property which is managed by the Property and Development Department on behalf of key client teams. The majority of this land and property is used under formal agreements (leases, licenses, and annual periodic tenancies) by third parties. Failure by either party to comply with the terms of the agreement may result in court action, therefore the Council will not enter into leases or licenses without appropriate due diligence checks.

The leases/licence agreements the Council enters into fall into three categories:

- (i) Agreement with a commercial or non-commercial interest or group for the purpose of supporting a council function or furthering a council interest, including revenue generation.
- (ii) Agreement for a property that the council holds to fulfil its strategic objectives or service needs.
- (iii) Agreement for purposes other than for those that satisfy a council function or further a council interest, provided they do not interfere with any other council functions, e.g. telecommunications facility, unused right of way, temporary occupation of a surplus property etc.

Vacant property available for lease will be advertised on the council website www.milton-keynes.gov.uk and in most cases, a commercial agent will also be appointed. Heads of Terms will be aligned with the principles of this policy and where appropriate the RICS Code for leasing business premises. Heads of Terms may also contain additional or alternative obligations which will be site specific.

2. Our Commitment

The Council operates a Corporate Landlord model whereby property decisions are made centrally in consultation with the service areas. Property and Development will lead on lease and licence agreements for commercial and corporate property transactions on behalf of Milton Keynes City Council.

We will:

- Act in accordance with the RICS Professional Standards.
- Ensure that any lease/licence agreement entered into meets service requirements and customers' expectations and needs.
- Work with service areas that have ongoing responsibilities for ensuring the appropriate management of property.
- Ensure leases and licences minimise ongoing risk and liabilities for the Council.
- Follow the requirements set out under any Service Level Agreement (SLA) in managing a portfolio on behalf of a third party.
- Monitor the local property market and relevant external influences so that lettings reflect the optimum value and increase revenue to the council.
- Hold an accurate and up to date record of all lease and licence agreements on the Council's Property Asset Management System.
- Manage rentals and lease terminations in order to optimise the value of the estate.
- Actively pursue debtors for non-payment of rent, licence fee or other monies owing to the Council.
- Report key metrics to Strategic Property Board or to clients, as required.
- Send instructions for new lettings to the Legal Property Team in a timely way, providing a full set of heads of terms, authority and lease plan.

Client Departments will:

- Ensure that the Property and Development department is engaged with for all property transactions at an early stage.
- Provide the Property Department with clear instructions, having sought authority from their relevant programme board.
- Not enter into negotiations with tenants without seeking advice from the Property Team.

3. Process

Selecting tenants

A number of factors are reviewed when selecting tenants; these include, but are not limited to:

- Ability to satisfy statutory best consideration requirements.
- Economic impact.
- Community engagement.
- Job creation.

- Commercial viability.
- Operational risk.
- Financial acceptability.
- Sustainable model of management.

Where there are a number of potential tenants for a property, applicants may be required to submit an Expression of Interest which will be reviewed against the criteria listed above, plus any specific criteria relating to the property under consideration. Tenant selection will be based upon the recommendation of the commercial agent (where one has been appointed) or by a panel of officers.

Model Heads of Terms

Heads of Terms set out the main elements between both parties and are agreed prior to a lease being produced and entered into. In effect it is a record of the agreed points following negotiation between Landlord and Tenant. MKCC standard Heads of Terms should follow the RICS code where appropriate and should include:

Heads of Term	Notes
Agreement type	Lease or licence.
Permitted use	Including hours of operation, if applicable.
Term	How long the agreement runs for
Rent	Assessed to reflect the open market value for the property based on comparable evidence of similar properties. In exceptional circumstances, community or social value may be considered as a full or partial abatement of rent where the use of the property supports the Council's aims and objectives. This must be clearly set out in the decision report.
Rent Review	Usually set at a three- or five-year interval. Where the annual passing rent is lower than £25,000, rent review clauses should be drafted to an RPI or fixed uplift only.
Maintenance	All new leases will be agreed, where possible, on a full repairing basis with the tenant being responsible for all repairs; licences differ by their nature and will have reduced tenant responsibilities.
Alterations	Must not be agreed or completed without the necessary statutory approval(s) in place (where applicable) and will require the Landlord's consent. The nature of landlord's consent will vary by the property and lease term ¹
Charging	The Council does not permit tenants to place a charge on the property (e.g. to secure finance)

¹ Landlord's consent does not replace any statutory consents, such as Planning, Listed Building, or Building Control which may be additionally required.

Alienation	All leases should include a relevant alienation clause – i.e. no assignment or underletting without Landlord’s consent, as appropriate.
Statutory Compliance	The tenant will be responsible for ongoing statutory compliance, this will be monitored in accordance with this policy.
Insurance	MKC will insure its buildings and recharges the tenant. Public liability insurance to a minimum indemnity level of £5 million will also usually be required.
Business Tenancies	All new leases will be contracted out of the Landlord and Tenant Act 1954 where appropriate, noting this will not be possible for any lease renewals which are already inside the Act.
End of Lease Procedures	Including responsibility for dilapidations. All new agreements will spell out clearly what the expectations are upon both parties at the end of the term.

New lease or licence or lease renewal

- For any lease renewals inside the Landlord and Tenant Act 1954, the relevant renewal notice will be sent to the tenant inside the statutory timescales unless there is a strategic reason for allowing the lease to hold over.
- We will enter into negotiations with prospective tenants and service areas with the aim of reaching an agreed set of Heads of Terms.
- Anti-money laundering checks must be completed for all new tenants in accordance with the Council’s [Anti Money Laundering Policy](#)
- New leases will reflect open market values and be supported with comparables for transparency purposes.
- A full suite of statutory compliance document will be presented to the tenant on completion of the lease.
- The Council has a standard set of fees for dealing with new leases and renewals which are published on the Council’s website. This fee is in addition to the ongoing rent payment.
- Lessees and Licensees will be given an estimated time for completion when the transaction commences and will be regularly kept informed of progress as agreements progress.

4. Applications for Consents

Leases will contain restrictions on the tenant to assign or underlet their lease or undertake alterations without the consent of the Council as Landlord.

The Council's policy is not to consider any applications without the relevant application fee being paid by the tenant up-front. Fees and charges are agreed annually and published on the Council's website and are due whether or not the matter proceeds to completion. We will aim to deal with all applications as quickly as possible and will set out proposed timescales at the time of application, subject all the required information being provided by the tenant. Applicants will be regularly kept informed of progress as agreements progress.

Tenants should note that in some cases, additional consents will be required such as Building Regulations, Planning, or Listed Building Consents.

5. Statutory Compliance Monitoring

All new tenants will be given a suite of statutory compliance documents on lease completion. Thereafter it will be the ongoing responsibility of the tenant to ensure compliance within their premises (unless stated otherwise within the lease).

Periodically, the Council will ask tenants for up-to-date statutory compliance documents alongside evidence of any completed remedial works. Failure to comply will be considered a breach of lease conditions and the Council may start forfeiture proceedings against tenants in breach of their lease covenants.

6. Rent and Arrears

Under the terms of their agreements with the council, tenants and licensees are required to pay rent/a licence fee for their occupation and use of the council's property or land.

Generally, payments will be required quarterly or monthly. The amount of rent and the payments cycle will be clearly set out within the agreement and non-payment of rent is therefore a breach of lease/licence.

Tenants with arrears of more than £1,000 or where payments have not been made for more than 30 days will be offered a suitable payment plan to recover the arrears. The current status of debtors is reported to the Strategic Property Board (SPB). If payment is not forthcoming by an allotted deadline or a payment plan is not adhered to, the Council will consider legal action.

The Council will make every effort to recover any monies owed. Non-payment of rent/licence fee is treated seriously and may result in legal action against the tenant/licensee. We will also use debt recovery agents to collect any monies owed.

7. Governance

The Director of Environment and Property has authority under the Leader's Scheme of Delegation and Officer Scheme of Delegation to deal with Property Management matters, which includes the grant and renewal of leases, surrenders, licences, wayleaves, easements, and application of tenant consent.

8. Version Control

Version Number	Date issued	Author	Update information
1	27/09/2019	Bee Lewis/ Peter Beer	First published version
2	18/11/2021	Leon Howell	Contact details and accessibility
3	19/02/2024	Peter Beer	Additions to Heads of Terms and process New Section Client Department responsibility, application for consent and statutory compliance
4	13 August 2024	Bee Lewis	New template. Policy reviewed in line with the Corporate Property Strategy 2024-2029

