Birmingham City Council

Property Strategy

Kathryn James
Assistant Director of Property (Interim)

Nov 2018

Context

- Birmingham City Council is a major landowner - owning circa 26,000 acres of land - 21,000 acres within the municipal boundary amounting to 40% of the land within its area of control

- The Portfolio covered directly by the Property Strategy comprises circa 6,500 property assets, many with multiple legal interests (this excludes residential properties, infrastructure and schools which have their own Strategies)

- The Property Strategy Portfolio has an asset value of over £2.4 billion

- The income generating parts of the Portfolio generate £32 million in revenue and £30 million in capital receipts on average per annum which is used to support delivery of services

Challenges

Key challenges and constraints :

- Property decisions made locally in the Council - resulting in disjointed delivery
- Decisions based on short term financial lead rather than long term strategic and value capture
- Meeting the City’s growth aspirations – addressing housing shortage
- Many of the assets are in very poor condition due to budget cuts over the years – e.g. capital investment
- 80% of the revenue comes from 20% of the 5,900 property interests in the investment portfolio
- Need to expand commercial experience internally
- Operational and community stock is not consolidated to strategic advantage
- 78% of the land owned by the Council is not formally registered

Opportunity

Vision

“To maximise commercial and social returns through the City Council’s property assets, ensuring they act as a catalyst for development and regeneration initiatives to underpin the social fabric of communities across the city”

Approach

“A single ‘One- Council’ strategy with a long term strategic view across all of our real estate – driving a proactive and joined up approach to the review, rationalisation, improvement and on-going effective management of the property estate.”

The Framework

Investment

To drive an increase in revenue and capital value

Growth and Development

To enable strategic development and economic growth

Operational

To provide economical accommodation for delivery of services

Community

To enable 3rd party service delivery and neighbourhood development

Birmingham City Council

Big Moves / Objectives

- Drive greater returns - develop an investment property portfolio run on a commercial basis- delivering medium growth in gross income, including inflation, by 2024
- Catalysts for growth - utilise land and buildings across the portfolio to unlock development and regeneration aligned to the city's key growth areas
- Drive housing delivery - release assets in key locations to support the delivery of 1000's of new homes
- Support communities – encourage a 'Sharing Economy' and 'Capacity Building' through the support of third party organisations to deliver culture, sport, community and neighbourhood activities
- Be operationally efficient - provide a fit for purpose operational property portfolio

Investment

Objective

To create a commercially driven, financially focused Investment Portfolio which can respond promptly to property market cycles to delivery the highest returns

Approach

- Establish an ‘Investment’ sub-committee to the Property and Asset Board (PAB) and ‘Investment Property Fund’
- Re-classify the portfolio in to Retail; Industrial; Offices; Other – instead of existing 13 sub-portfolios
- Asset Management decision matrix / Delivery Plan: cleanse portfolio of assets which are not best investment e.g. underperforming assets; assets which have been identified to drive social value; assets held for quasi-statutory reasons
- Secure capital receipts to be recycled into an ‘Investment Property Fund’ and re-invested in improving existing Investment Portfolio assets or acquiring new assets – subject to annual approval from Cabinet.
- Investment framework - Target Return - Security of income - Diversification
- Joint Venture partnerships - e.g. to maximise the industrial portfolio and the heritage potential of the Jewellery Quarter
- Imperative to respond promptly to changes in property market – e.g. current high demand for industrial assets / deteriorating condition of heritage buildings

Outcomes

- Grow gross and net income
- Increase the capital value* of the investment assets
- Deliver a net yield* (after costs) in line with appropriate Birmingham property market yields

Growth and Development

Objective

Utilise property to support the growth agenda, working in partnership with public and private sector partners by reducing constraints and risk, providing confidence, stimulating investment and creating a positive environment for growth

Approach

- Spatial approach .. Growth areas and SHLAA sites
- Where the City is major landowner – Joint Ventures
- Where the City is minority landowner – disposal / development agreement
- Acquisitions to secure value capture
- Remediation and de-risking
- Pre – development activities to provide infrastructure

Outcomes

- Increase social value .. e.g. Peddimore - £1m
- Job creation
- Delivery of homes
- Sustainability

Community

Objective

Where there is need - enable third parties (non-governmental, not for personal profit, social value driven partners) to independently deliver the Council's core objectives, enabling service delivery, developing neighbourhoods, encouraging social cohesion, building capacity, and leveraging external funding through sport, culture and community activities

Approach

- Re-allocate properties from the Investment Portfolio and Operational Portfolio to create a new Community Portfolio – which are not let on full commercial terms. Removal from the Investment Portfolio will allow more creative treatment of these assets.
- Manage existing assets to provide best use – within existing legal agreements (Assets are currently let on: peppercorn or nominal rents; grant for rent terms; or, as Community Asset Transfers (CATs).
- Establish an 'Community' sub-committee to the PAB
- Commission sports/culture/community partners to deliver local services by offering 'fit for purpose' properties in return for social value – building trust in the Council's intentions to attract 'best in class' partner organisations
- Employ cross service area strategic approach - avoiding repetition of current adhoc practices.

Outcomes

- Reduced need for Council delivered services – increased provision and diversity of sport, culture, community and wellbeing
- Self-supporting neighbourhoods with ongoing capacity building
- Increased social cohesion – reduction in crime levels

Birmingham City Council

Operational

Objective

To hold and develop “fit for purpose” property which meets modern standards and service specific defined objectives - consolidating properties and services to achieve maximum efficiency in delivery

Approach

- Rationalisation of stock - benchmark tests to include: gross and net property running costs, maintenance backlog, suitability, co-location opportunities, agility rates etc.
- Deliver a network of Public Service Hubs and ‘spokes’
- Where property identified as surplus to operational need the assets will be offered for sale on open market
- Cross internal and external service area working
- Delivery of a 3 year service asset management plan in line with LTFS

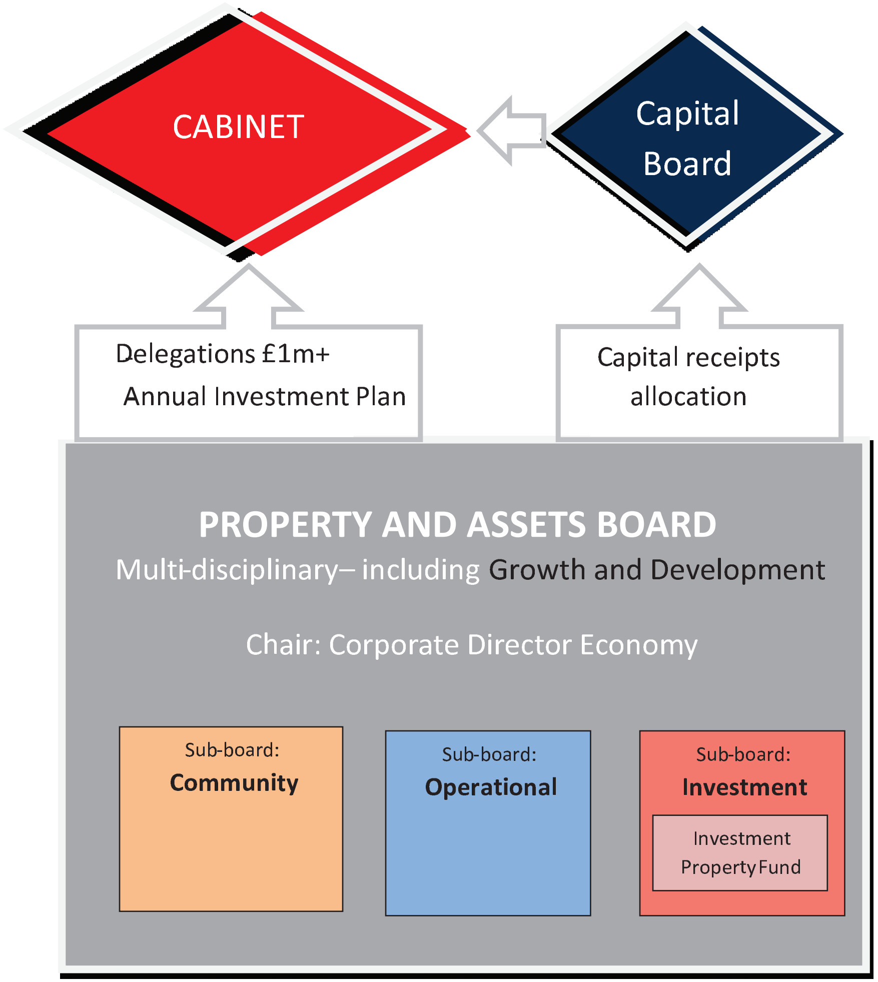
Outcomes

- Deliver a 20% reduction over 3 years in directly managed property in response to budget reductions embedded in the Council’s LTFS

Delivery

- Encourage culture shift across the Council in relation to property – including implementation of new future operating model to enable Birmingham Property Services to deliver the Property Strategy
- Build robust data management methods to support realignment of assets and enable performance monitoring
- Undertake individual and cross portfolio Property Asset Reviews
- Develop individual and cross portfolio Asset Management and Delivery Plans

New Corporate Governance Arrangements



Birmingham City Council

Questions?