

Full Business Case (FBC)			
1. General Information			
Directorate	Economy	Portfolio/Committee	Cabinet 27 th June 2017
Project Title	Development of an investment vehicle for commercial property	Project Code	
Project Description	<p>The establishment of a Council wholly owned company (WOC) for the purpose of delivering a commercial property investment strategy, which will acquire, lease and dispose of properties to generate a financial return in line with the approach adopted across a number of local authorities in response to budget pressures.</p> <p>A project definition document was developed and presented to the Councils Commercialism Board in April 2017 outlining the proposed aims and objectives of the approach. The board approved the continued development of the project in to a Full Business Case.</p> <p><u>Objectives of Approach</u></p> <p>The establishment of the WOC will support the Council in achieving its aims for a commercial and investment property approach, which has the following objectives:</p> <ul style="list-style-type: none"> • Acquisition and management of selected property assets to enable a sustainable net income stream for the Council • The building of a diverse, balanced investment property portfolio (in both type and location) that balances risk and financial opportunity • Ongoing increase in capital value of the commercial estate <p>The performance criteria for the WOC will focus largely on financial return and financial risk exposure.</p>		
Links to Corporate and Service Outcomes	<p>The establishment of a wholly owned company to support a commercial investment strategy meets the following Council priorities:</p> <p><u>Council Financial Plan 2017+</u></p> <p>The development of an investment vehicle will support the Council in utilising a temporary mechanism made available by Central Government to utilise capital receipts to fund transformation activity to produce future revenue savings. The Financial Plan 2017+ includes the generation of substantial capital receipts for this purpose.</p> <p>In addition the Council is developing a contingency strategy of new savings proposals during the financial year 2017/18, which will support the sustainability of the Council's overall financial position and reduce the risk of a corporate overspend. This approach forms part of the contingency strategy.</p>		

	<p><u>Council Vision and Forward Plan:</u></p> <p>This proposal supports the 'Jobs and Skills' priority to build upon the City Council assets for the benefit of our citizens.</p> <p><u>Commercialism:</u></p> <p>Commercialism focuses on enhancing the value of assets within the organisation to drive a financial return, which will enable the authority to protect other services to Birmingham. As part of the Commercialism approach work is taking place across the organisation to identify income opportunities to enable the continued provision of key services to citizens.</p> <p>An investment property approach has been identified as a key strand of the Commercialism activity and it is anticipated that such activity will deliver a financial return to the Council.</p>		
Project Definition Document Approved by	Commercialism Board	Date of Approval	24 April 2017
Benefits Quantification- Impact on Outcomes	Measure		Impact
	Net revenue return (i.e. investment income exceeds cost of borrowing and management of portfolio, by a margin which commercially compensates the Council for taking the investment risks)		<ul style="list-style-type: none"> - Development of sustainable and increasing revenue stream for the Council, supporting the achievement of corporate savings - Council manages and potentially grows its property portfolio to maximise returns at an appropriately low level of risk
	Establishment of diverse and low risk portfolio (i.e. portfolio balance achieved including type and location of assets)		<ul style="list-style-type: none"> - Council's risk of vulnerability to market issues in a region/section of the market is managed
	Capital value of commercial estate increases		<ul style="list-style-type: none"> - Council's overall capital asset value increases by acquisition of properties that achieve capital growth - Disposal of poorer performing commercial property assets enables the Council to achieve a better performing portfolio
Project Deliverables	<p>A company wholly owned by the Council will be established which is able to operate successfully within the investment property market, able to acquire, lease and dispose of property on a commercial basis.</p> <p>In addition the following will be established as part of the project that will create the environment for the WOC to be operate successfully in commercial and investment property:</p> <ul style="list-style-type: none"> - Robust investment criteria - Funding and financial arrangements - Appropriate delegations and flexibilities for the WOC - Establishment of governance and performance criteria 		

Scope	<p>The scope of this project is to establish a vehicle that will enable the Council to operate successfully in commercial and investment property, providing a sustainable net revenue return to the Council. The project includes establishing the most appropriate investment vehicle and terms of operation that will deliver the most advantageous financial terms to the Council.</p> <p>The project is operating under a phased basis, with the scope of each phase set out below:</p> <ol style="list-style-type: none"> 1) Phase 1 – Pilot Phase and Establishment of WOC (June 2017) <ol style="list-style-type: none"> a. Establishment of WOC, including external advice on the most advantageous company set up b. Develop governance c. Establish funding arrangements and capital and revenue implications d. Purchase of pilot properties (either externally or from the existing commercial property portfolio) e. Establishment of commercial financial relationship between the WOC and the Council (i.e. terms of commercial loan, use of Council resources) 2) Phase 2 – Establishment of Full Investment Property Strategy and Plan (to be reported to Cabinet Autumn 2017) <ol style="list-style-type: none"> a. Agree investment criteria b. Establish capital financing arrangements c. Approve flexibilities and delegations d. Establish financial targets and performance management approach e. Formalise relationship between WOC and Council and purposes for appropriate usage 3) Phase 3 – Business as Usual Operations (October 2017 onwards)
Scope exclusions	<p>The objectives of this approach are focussed on the efficient management of the Council's commercial property to deliver a commercial return. The Council will seek a balanced and low risk approach to property investment, and high-risk investment is outside scope. The management of operational property and service delivery is outside the scope of this activity</p>
Dependencies on other projects or activities	<ul style="list-style-type: none"> • Availability of capital finance • Establishing the WoC • Ongoing provision within legislation permitting local authorities and subsidiary companies to operate within commercial and investment property • Preparation of commercial documents eg loan agreements
Achievability	<ul style="list-style-type: none"> • Legal aspects to the proposal have been considered and there are no barriers to the establishment of the WOC • Sufficient treasury management experience is contained with the Council to achieve a robust business plan for the project , which has been bolstered by independent financial advice. • The Council has experience of acquisition, leasing and disposal of commercial and investment property within existing estate • Further investment and property advice will be obtained in the course of Phase 2
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Budget Holder	Kathryn James, Assistant Director of Property (interim) Tel 0121 303 3844 kathryn.james@birmingham.gov.uk
Sponsor	Waheed Nazir: Corporate Director, Economy Tel 464 7735/ Waheed.nazir@birmingham.gov.uk
Project Accountant	Martin Easton, Head of Financial Strategy (Capital) / Tel 0121 303 2384 / martin.k.easton@birmingham.gov.uk

Project Board Members	<ul style="list-style-type: none"> • Waheed Nazir / Corporate Director, Economy • Kathryn James / Assistant Director of Property (interim) / as above • Martin Easton / Head of Financial Strategy / as above • Stuart Evans / Legal Services / Head of Legal (Economy) / stuart.j.evans@birmingham.gov.uk 0121 303 4868 • Ken Lyon / Head of Commercialism / 07712 436640 Ken.Lyon@birmingham.gov.uk 		
Head of City Finance (HoCF)	Martin Easton	Date of HoCF Approval:	
Planned Start date for delivery of the project	June 2017	Planned Date of Technical completion	October 2017

3. Checklist of Documents Supporting the FBC		
Item	Mandatory attachment	Number attached
Financial Case and Plan		
<ul style="list-style-type: none"> • Financials and Funding Strategy 	Mandatory	Private Report
<ul style="list-style-type: none"> • Statement of required resource (people, equipment, accommodation) – append a spreadsheet or other document 	Mandatory	Appendix A
<ul style="list-style-type: none"> • Milestone Dates/ Project Critical Path 	Mandatory	Appendix A
Project Development products		
<ul style="list-style-type: none"> • Populated Issues and Risks register – Public 	Mandatory	Appendix A
<ul style="list-style-type: none"> • Populated Issues and Risks register – Private 	Mandatory	Private Report