

Property Strategy 2018/19-2023/24

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.”

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

Key Facts and Figures - Current

- **26,000 acres** of land owned by the Council
- Council owns **40%** of municipal area
- **6,500** property assets
- **3000+** tenants
- Property Portfolio asset value of **£2.4bn** (exc. Housing and Infrastructure)
- **£30m** capital receipts from sales - average per annum
- **£32m** revenue income from commercial properties - average per annum
- Need to provide **89,000** homes by 2031
- **£7.5m** savings from rationalisation of Central Administrative Buildings pa
- Support not for personal profit organisations with property to the value of **£2.4m** per annum
- Peddimore Industrial Development delivered **£350m** to local economy including **£1m** social value

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

A New Framework of Sub-Portfolios to Enable Focussed Delivery

Investment

To drive an increase in revenue and capital value



Growth and Development

To enable strategic development and economic growth



Community

To enable 3rd party service delivery and neighbourhood development



Operational

To provide economical accommodation for delivery of services



Investment

Approach

- Establish an 'Investment' sub-board to the existing Property and Asset Board (PAB) and an 'Investment Property Fund'
- Re-classify the portfolio in line with industry norms to Retail; Industrial; Office; Other
- Asset Management decision matrix / Delivery Plan: cleanse portfolio of assets which are not best investment
- Secure capital receipts to be recycled into the 'Investment Property Fund' and re-invested in the Portfolio subject to an annual property investment strategy
- Investment framework - target return - security of income - diversification
- Joint Venture partnerships
- Respond promptly to changes in property market

Outcomes

- Grow gross income
- Increase the capital value of the investment assets
- Deliver a net yield in line with appropriate Birmingham property market yields

Growth and Development

Approach

- Establish an 'Operational' sub-committee to the PAB
- 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
- Job creation
- Delivery of homes
- Sustainability

Community

Approach

- Create a new Community Portfolio of properties which are not let on full commercial terms or have commercial potential.
- Manage existing assets to provide best use
- Establish a 'Community' sub-board to the Property Asset Board
- Commission sports/culture/community partners to deliver local services - building trust in the Council's intentions to attract 'best in class' partner organisations
- Employ cross service area strategic approach

Outcomes

- Reduced need for Council delivered services
- Self-supporting neighbourhoods with ongoing capacity building
- Increased social cohesion – reduction in crime levels

Operational

Approach

- Rationalisation of stock - benchmark tests to include: gross and net property running costs, maintenance backlog, suitability, co-location opportunities, agility rates etc.
- Cross internal and external service area working
- Delivery of a 3 year service asset management plan in line with LTFS
- Delivery of public service hubs
- Integration of third sector service provision
- Integration with One Public Estate

Outcomes

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

Delivery and Governance

Delivery and Culture Shift

- Encourage culture shift across the Council in relation to property
- Implementation of new future operating model to enable Birmingham Property Services to deliver the Property Strategy long term and identification of short-term extra resource support required
- 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

Governance

- Existing Property Asset Board to have sub-boards for Investment, Operational and Community portfolios
 - Investment Fund capital to be allocated according to Cabinet approved annual investment property plan
 - Delegation financial levels to be increased to accommodate increase in property transaction values
 - Service Area investment property budgets to be reviewed and managed to provide joined up decision making regards expenditure
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