

BIRMINGHAM CITY COUNCIL

ECONOMY AND SKILLS O&S COMMITTEE

1300 hours on 11th November 2020, Online Meeting – Actions

Present:

Councillor Lou Robson (Chair)

Councillors Nicky Brennan, Maureen Cornish, Zaheer Khan, Chaman Lal, Simon Morrall, Julien Pritchard and Lucy Seymour-Smith.

Also, Present:

Cllr Ian Ward, Leader

Philip Andrews, Head of Operational Property Management

Kathryn James, Assistant Director, Property

Karen Cheney, Head of Service – Neighbourhood Development & Support Unit (NDSU)

Chris Jordan, Assistant Director, Neighbourhoods

Ian Chaplin, Head of Investment Property Management

Azmat Mir, Head of Property Valuation and Sales

Eden Ottley, Property Strategy Delivery Manager

Ceri Saunders, Acting Group O&S Manager

Baseema Begum, Scrutiny Officer

1. NOTICE OF RECORDING/WEBCAST

The Chair advised those present that the meeting would be webcast for live and subsequent broadcast via the Council's Internet site and that Members of the press/public may record and take photographs except where there are confidential or exempt items.

2. APOLOGIES

None.

3. DECLARATIONS OF INTERESTS

None.

4. ACTION NOTES

The action notes of the meeting held on the 7th October were agreed. The Chair noted the response received and circulated to Members with regard to queries relating to the Brexit agenda item.

5. CITY COUNCIL OWNED INQUIRY – UPDATE ON PROPERTY STRATEGY

(See item No.5)

The Chair explained the purpose of the inquiry and set out the timescale for evidence gathering and finalising the report.

Kathryn James, Assistant Director then talked through her presentation that had been circulated and in reply to questions and comments from Members the following responses were made: -

- Generating social value is a key driver in the decision-making process for disposals of larger properties that the council owns.
- The Assistant Director, Property is responsible for commercial assets only and provides support in a corporate landlord capacity for other council owned assets that come under the operational portfolio and therefore responsibility and management of these are with the owning service area. This was addressed in the refreshed property strategy through the Property Team providing a professional view on leasehold and freehold assets especially those in the city centre. For those assets in local areas where there is not a strategic need then these can be negotiated on a freehold basis.
- The council works with tenants experiencing problems including smaller businesses to avoid properties being left empty. Support is provided if the tenant wishes to leave by the Property Team who will then put measures in place to remarket the property. For city centre retail space, the council enlists specialist consultants as this requires a different reach. The aim is to avoid empty units that will result in a cost to the city.
- There are not many vacant properties currently and the reason for this is varied including a tenant wishing to leave or surrendering their lease. The aim is to try and get properties let as soon as possible especially city centre units and there is a specialist council team who have responsibility for this. Strategic decisions are made on those properties that are not easy to let and, in some cases, this may result in these being sold rather than re-let.
- Compulsory Purchase Orders (CPOs) of empty commercial properties can be done on a case by case basis and colleagues in the Housing directorate are active in this area however the Property Team's role is to be supportive and negotiate the value and work with colleagues in Legal and Planning services as required.

- The council offers tenancies on a 6-month basis with a clause at 3 months to break if required. Businesses are offered the support where there is a feeling that it is not working out and this includes payment plans and working with colleagues in terms of sourcing funding from elsewhere to support overheads and increase sustainability. However, there are times where tenants do not contact the council and just leave.
- With the current pandemic officers are working harder to identify how to better support tenants in the coming months and setting up a bespoke package is being considered. Currently tenants are being contacted in priority order with regards to changes made to legislation however outstanding debt needs to be managed effectively to avoid tenants building up debt. Many of the tenants that the council deal with are start-up businesses.
- Support for commercial tenants has been provided through government packages and officers have worked together across the council to enable businesses to access these. Different sectors have qualified for different types of support at different times and work is ongoing in this area as new opportunities and initiatives become available.
- Property services are usually set a financial target by corporate finance to meet capital receipts and the money generated goes into the capital programme. These do differ year to year depending on disposals and other factors such as surplus properties and can be reflected in the level of capital receipts increasing or decreasing. For example, where there have been larger disposals these are programmed in and a deposit is taken from a developer and a larger capital payment is made when planning permission is approved. The final sum is then paid by the developer on the completion of a development.
- Set delegations are in place to deal with decision-making on a sale or to continue to rent to generate an income (where this is in the best interest of the council and best value as set out in section 123 of the Local Government Act 1972) on assets. An explanation of the Council's responsibility in relation to land disposal as outlined in the Local Government Act 1972, section 123 was shared in the chat function of the meeting.
- The council generates an income of £33m from rent and this goes to support frontline services.
- The Assistant Director, Property is responsible for signing off on all property deals. Assets over the value of £200k that need to be declared surplus are reported to cabinet and a decision taken by the cabinet member or cabinet as appropriate. Smaller assets are signed off by the Assistant Director, Property. Receipts generated from disposals is paid into the council's capital programme and the council makes a decision on how this is spent.
- The council has an investment strategy to grow its income and this includes using its capital to buy better quality assets in relation to its commercial portfolio. There are many assets currently that fall below the £20k rental income mark and decisions are made on whether some sites are worth the intensive work based on the return or whether it is better to sell the asset as it

costs the council to collect income in some cases so these assets are targeted for disposal.

- Council assets include those in the commercial and community portfolio. There are commercial assets that have become a Community Asset Transfer (CAT) and there are those that still receive grant funding from the council. The latter are a priority to move to a CAT as these sites have traditionally paid low rent and have been subsidised by the Council through grant funding. Currently about 100 assets are of this standard and do need to be worked through.
- Climate change considerations in relation to disposal of land is being worked on through Planning and officers are working with the Route to Zero (R20) Taskforce on this especially in terms of supporting assets and identifying sources of funding.
- Spend on repairs to council assets differs depending on the length of the lease. There has been additional pressure as budget cuts have presented challenges and this includes making assets Covid-secure for example and the ability for some businesses to re-open.
- Commercial assets are appropriately insured. Where tenants occupy on internal repairing terms the Council is responsible, but where let on full repairing and insuring terms, the onus is on the tenant to do so. With multi-occupied estates the landlord pays and recharges to the tenants via service charge arrangements.
- A tenant survey is being looked at to receive constructive feedback and see what changes can be implemented to the council's systems and processes that would provide better support.

The Chair then invited the Leader, Cllr Ian Ward to share his thoughts and he made the following points: -

- Interesting to hear the discussion and hope that the committee's work will be complementary to the work as set out in the Council's Delivery Plan that was presented to cabinet on 10th November. This highlighted the use of capital assets and how all council owned assets could be better utilised over the next 18 months to meet the council's key goals and objectives.
- Noted the contrast between community used assets and their management and those that are commercial properties and dealt with corporately.
- The issue of empty properties has been highlighted during the pandemic. This is likely to affect local centres (some of these are in council ownership) and this is an opportunity to consider how these areas are regenerated going forward as usage has changed over the last 8 months.
- CATs provide a solution for some organisations and the Council has to manage any assets that it has in line with its aims, priorities and objectives and therefore has to ensure that any organisations coming forward are viable and are provided with the correct support where appropriate.
- Emphasis on deriving more social value from assets has increased in the last few years however it should be noted that each piece of land asset can only

hold so much value. Furthermore, each asset won't be able to meet all the council's social value objectives as in the case of housing developments the value gained will depend on each asset and its location.

In response to the points raised, Cllr Robson clarified that the inquiry was keen to understand land management for those assets that form part of the commercial portfolio with an emphasis on how these can be managed to emphasise and contribute to the community wealth of the city. The Committee was also keen to learn about all assets of community value and how these are being managed to maximise the benefits to Birmingham. It was anticipated that the inquiry would receive expert input from external sources including other local authorities and academics to see what best practice exists and what the city can learn and do better in the future.

RESOLVED: -

1. The report was noted.
2. Kathryn James to provide further details to Cllr Cornish in respect of the decision-making process for Manor Lodge, Sutton Coldfield.
3. Further information to be provided on how long registration of council assets currently not listed with the Land Registry will take.

6. CITY COUNCIL OWNED INQUIRY – ASSETS OF COMMUNITY VALUE (ACV) PROCESS

(See item No.6)

Karen Cheney, Head of Service, NDSU outlined the key points from her presentation and in discussion with members the following points were made: -

- Helpful to clarify what the ACV process is and how it interlinks with CATs and how this applies to community groups and SMEs.
- Currently community organisations that pay an economic rent (this is the figure that the asset would be worth if a commercial rent were charged) are not being charged as the council looks to invest in its communities. Instead the economic rent figure is used to offset the amount of social value that is being provided in local neighbourhoods through a qualitative assessment of the services being provided.
- Officers from the Neighbourhoods and Inclusive Growth directorate are involved in joint on matters relating to CATs and ACV.
- In relation to CATs each individual property is dealt with by the appropriate service area that the property fits into and the NDSU advise different service areas. There is a corporate process in place that constantly reviews and updates the CAT process and a website has been developed for groups to access information and support and this is currently being updated and will be available for access soon.
- Locality is a national organisation that is interested in community ownership of buildings and have done work nationally on this agenda and have worked closely with officers in Birmingham. Think Local have also conducted

workshops in the city looking at local wealth building and in particular community use of buildings and ownership. Birmingham is 1 of 5 cities that is being used to analyse comparative data. A paper with their findings is expected soon and can be shared with Members.

RESOLVED: -

1. The report was noted.

7. WORK PROGRAMME

(See item No.7)

The Chair highlighted the additional meetings that had been scheduled including the 13th November to consider the Economic Recovery Strategy consultation and on 26th November as part of the Council Owned Assets Inquiry.

Cllr Robson also added that the Committee would continue to look at the impact of Covid across various sectors including the cultural, leisure and night-time economy.

RESOLVED: -

1. Members noted future items for discussion.

8. REQUEST(S) FOR CALL IN/COUNCILLOR CALL FOR ACTION/PETITIONS (IF ANY)

None.

9. OTHER URGENT BUSINESS

None.

10. AUTHORITY TO CHAIRMAN AND OFFICERS

Agreed.

RESOLVED: -

That in an urgent situation between meetings the Chair, jointly with the relevant Chief Officer, has authority to act on behalf of the Committee.

The meeting ended at 15:27 hours.