



## Operational Property Holdings

05 July 2005

Report to the City Council

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# Operational Property Holdings



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## Report – Amendment Operational Property Holdings 5<sup>th</sup> July 2005

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Following the presentation of this report to the City Council, Members agreed to the following amendment:

“That recommendation 2, as contained in the original report, becomes Recommendation 2a and that the following becomes Recommendation 2b:

The accountability for these reviews in relation to council property must be clearly placed with elected Members on District committees and those of properties of partner organisations must be clearly placed within their governance structures. However, the District Strategic partnerships should be a partner in work, to achieve joint asset management amongst partners and the development of joint local asset management plans.”



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## Operational Property Holdings

# Preface

**By Councillor Randal Brew**

Lead Review Member  
Regeneration Overview and Scrutiny Committee



The City Council has two main assets, the most important being the staff who serve the Council and, through it, the citizens of Birmingham. The second most important asset is its property portfolio. Over many years policies and strategies have been developed to support our employees but sometimes that level of commitment has not been applied to our property portfolio.

Our financial balance sheet at 31st March 2005 shows a total property value of £4.85 billion, of which £339m is let commercially to external tenants. At that date we also had 70,332 residential properties (houses and flats) let to Council tenants, with an aggregate book value of £2.2 billion.

We also have 468 schools, with an aggregate property value of £1.28 billion for which the City Council has overall responsibility but is now largely delegated down to School Governing Bodies.

The balance of the properties within the City Council's ownership fall within the operational properties portfolio together with certain leased properties.

In recent years the Council has developed an Asset Management Plan which is published on an annual basis which records, in increasing detail, the properties held, their structural state and other relevant information.

This scrutiny has been somewhat unusual as, with the co-operation of everyone, it has crossed departmental and portfolio boundaries; I am extremely grateful to all concerned, but in particular the Chair of the Co-ordinating Overview and Scrutiny Committee, Councillor Michael Wilkes, who was instrumental in ensuring that the planned terms of reference were carried through.

The following report contains an element of the historical status and practice, and comes up with a number of recommendations that we believe are required to ensure that the property portfolio, that we hold as stewards for the citizens of Birmingham, is more adequately serviced and maintained.



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I would like to thank my colleagues involved in the review, Councillors Fergus Robinson, Ian Ward and David Radcliffe for their extremely active participation in the evidence gathering sessions and compilation of the report that follows. We are all of the opinion that the final phrase within the report – “Doing nothing is not an option” – summarises well the situation.

Finally I would like to thank the officers who have done the brunt of the day-to-day work of the scrutiny, arranging evidence taking sessions, and assisting with the draft and final report, particularly Jill Short of the Scrutiny Office, David Fletcher and Sue McFadyen.

We commend the recommendations to you.

A handwritten signature in purple ink, which appears to read "Michael Bloor". The signature is written in a cursive style and is underlined with a single horizontal stroke.



## 1 Summary

- 1.1.1 The Scrutiny Review of Operational Property Holdings was established to:
- Explore how Asset Management processes support Devolution and Localisation, and
  - Assess how effectively assets are being utilised by the Council both centrally and locally.
- 1.1.2 To develop the review further, specific areas for investigation were established. These included:
- Understanding the organisational arrangements for Corporate Asset Management.
  - To understand and consider operational and management planning in the Local Services Directorate by considering the pilot "practical" Asset Management Plan to be completed in Hodge Hill by end of March 2005 and exploring emerging issues in a non pilot District such as Northfield.
  - To consider how these processes support the process of Localisation and Devolution.
  - To explore how the existing incentive schemes work to encourage services and Districts to rationalise their property portfolios.
- 1.1.3 In order to take forward this Review it was agreed that the Scrutiny Review Working Group would initially review three specific areas. These were:
- Session 1 - setting the context/background including evidence from Officers and Members. This included how the Council dealt with purchases and sales (including lease).
  - Session 2 - the incentive scheme, including the 25% retention (by disposing directorates) and exploring ways in improving current thinking and how the Council deals with surplus land.
  - Session 3 - to examine the Hodge Hill pilot review.



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- 1.1.4 Evidence was received from a number of officers in relation to these areas, including:
- Steve Sprason – Development and Regeneration Interim Manager, Birmingham Property Services, Economic Development on Surplus Property/Property Disposals. The City Council has had processes for the disposal of surplus property for a number of years, and the Surplus Property Working Group was established in the mid 1980's. It is now recognised that the procedures need to be strengthened to meet the changing needs of the Council.
  - Julie Leah – Head of Property and Projects, Local Services Strategic Directorate on the Hodge Hill pilot review. This review concentrated on identifying all City Council operational property (not just Local Services) within the Hodge Hill District and linked to other public sector service providers together with the consideration of service outlets outside of the District but providing services to the people of Hodge Hill.
  - Martin Easton – Principal Accountant, Resources Directorate on Capital Resources allocation. This dealt with how the City Council receives and generates capital resources via grants, capital receipts etc. (This paper is attached in Appendix 3).
- 1.1.5 Whilst the Scrutiny Review Working Group would ideally have wished to receive comments and views from the private sector during the course of the review this did not prove possible. The Group did however receive papers from Leeds City Council (one of the first authorities to receive Beacon status for asset management) and Telford and Wrekin Council. Both of these authorities have recently introduced changes in the way that asset management is considered and addressed.
- 1.1.6 These sessions provoked some in-depth discussion around the various issues and provided Members with background information to enable the development of specific review areas.
- 1.1.7 Additionally, a questionnaire (Appendix 2) was circulated to all Members of the Council in relation to property matters and the Scrutiny Review Working Group would like to thank those Members that replied. It was pleasing to note the general support given to the aims and objectives of the review and the overall view of the need to rationalise the operational property portfolio.



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## 2 Recommendations

	<b>Recommendation</b>	<b>Responsibility</b>	<b>Completion Date</b>
1	<p>Establish a "Property Board", led by a senior City Council Member with cross-party support of Members. The role / powers of the Board will:</p> <ul style="list-style-type: none"> <li>• Take into account the requirements of the City Council's constitution;</li> <li>• "Champion" certain property matters (to be agreed); and</li> <li>• Operate as an Advisory Board, reporting directly to the Council Leader.</li> </ul>	Council Leader	November 2005
2	<p>Initiate a programme of reviews, on a District / Constituency basis, of the City Council's operational / service property portfolio to also take account of other public sector service providers, to:</p> <ul style="list-style-type: none"> <li>• Ensure Directorates participate and there is a corporate approach to property management;</li> <li>• Identify opportunities to improve the delivery of services through the creation of "one stop shops";</li> <li>• Prioritise needs for investment in the retained portfolio in conjunction with District Committees.</li> </ul>	Cabinet Member for Local Services and Community Safety	October 2005
3	<p>Undertake a review of ways to obtain better value from existing repair and maintenance budgets that will help to address the maintenance backlog that currently exists. The review will consider and develop processes to embrace whole life costing and sustainable solutions for repair, maintenance and improvement works.</p>	Council Leader	January 2006
4	<p>The Property Board to recommend to Cabinet, policies / practices to ensure that existing repair and maintenance budgets are used effectively and efficiently.</p>	Council Leader	March 2006
5	<p>To review the City Council's Office Accommodation Strategy to plan an exit strategy initially from major city centre leased locations with a target of relocating staff, where possible, to accommodation in the District / edge of city centre. The review will investigate how existing practices/policies influence and assist regeneration across Birmingham.</p>	Deputy Leader	March 2006
6	<p>To prepare a report on "Best Practice" models developed by other Local authorities and the private sector.</p>	Council Leader	November 2005
7	<p>To review the process for managing property declared surplus to requirements and the incentives to accelerate its disposal to generate capital receipts.</p>	Council Leader	November 2005
8	<p>Progress towards achievement of these recommendations should be reported to the Co-ordinating Overview and Scrutiny Committee in February 2006.</p> <p>Subsequent progress reports will be scheduled by the Committee thereafter, until all recommendations are implemented.</p>	Council Leader	February 2006



## 3 Introduction

### 3.1 Background

- 3.1.1 The outcomes expected from conducting this review included:
- Developing a wider understanding of the opportunities and constraints under which the asset management process works.
  - The consideration of how Districts can play more of a role in asset management locally.
- 3.1.2 The review findings were established following a series of meetings where reports were presented to Members and Officers provided with additional information based on requests from Members.

### 3.2 Scrutiny Review Working Group Membership

- 3.2.1 Members of the Scrutiny Review Working Group conducting this review were:
- Councillor Randal Brew (Chairman)
  - Councillor David Radcliffe
  - Councillor Fergus Robinson
  - Councillor Ian Ward

### 3.3 Terms of Reference

- 3.3.1 The terms of reference for this review were agreed at first meeting of the Scrutiny Review Working Group. These were:
- To explore how Asset Management processes support Devolution and Localisation.
  - To assess how effectively assets are being utilised both centrally and locally.
- 3.3.2 The objectives of the review and areas for investigation were:
- To understand the organisational arrangements for Corporate Asset Management.



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- To understand and consider operational and management planning in the Local services Directorate by considering the pilot “practical” Asset Management Plan to be completed in Hodge Hill by end of March 2005 and exploring emerging issues in a non pilot district such as Northfield.
- To consider how these processes support the process of Localisation and Devolution.
- To explore how the existing incentive schemes work to encourage services and Districts to rationalise their property portfolios.

### 3.4 Method of Investigation

- 3.4.1 The methodology for carrying out the review consisted of taking written and verbal evidence. Once the parameters for the review had been established the Scrutiny Review Working Group requested specific pieces of work aligned to the specific review areas.
- 3.4.2 This initially consisted of some very broad explanations of how the asset management process currently works and was followed up by more in-depth evidence in either verbal or written form. Members of the Group were given the opportunity to question and seek clarification on the specific issues raised during meetings.
- 3.4.3 Additionally, a questionnaire was sent all to City Council Members. This is set out in Appendix 2.



## 4 Findings

### 4.1 Progress of Review

- 4.1.1 Following the first four meetings of the Scrutiny Review Working Group a report was presented that reviewed the data presented to date and sought approval to further areas of review. What had become clear from the meetings to date was that Members of the Scrutiny Review Working Group needed further clarification on how Members generally could contribute to property related decisions both on a city wide basis and at the local level. This was particularly the case in relation to decisions where disposals of property generate significant capital receipts.
- 4.1.2 It was felt that there were five specific areas that could be considered further. These were:
- The “pilot” review of operational property in Hodge Hill.
  - The further development of the Office Accommodation Strategy and the decentralisation of office based staff to District accommodation.
  - The review and rationalisation of the operational property portfolio with the target of reducing the overall number of buildings and the reinvestment of resources in to those retained.
  - The review of current repair and maintenance budgets to ensure effective and efficient use.
  - The need for the establishment of a “Property Board”, or something similar.
- 4.1.3 Linked to contributions by Members at a local level, was the pilot review of property in Hodge Hill which highlighted a number of issues around the poor state of many service delivery buildings. This together with the fairly high number of properties in this relatively small area seemed to emphasise the need for a more co-ordinated and rational approach. It was felt that these reviews will be particularly important in taking forward the localisation/devolution agenda and the creation of coherent property and service delivery outlets in the Districts.



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- 4.1.4 The Hodge Hill review focussed on three main areas:
- Key City Council District Assets.
  - Those that are not “Key” but are generally in good condition.
  - Those that are “Key” but are in a poor condition and where rationalisation could be considered.
- 4.1.5 The lessons learnt from this pilot review highlighted that:
- This review whilst specific to Local Services property highlighted the need to take into account all Council and other public sector service delivery buildings and that to be effective there needed to be more of a corporate approach to this process;
  - There needed to be recognition/awareness of regeneration/housing schemes particularly where demographics would be altered.
  - There needed to be closer links to the Planning process regarding development proposals.
  - There is a need for extensive consultation, particularly with District Members and local communities to address their expectations.
  - Consideration needs to be given as to how the service is provided and whether we should explore further co-location / joint working with other service providers.
- 4.1.6 The work undertaken to date is very much at the commencement of the overall process and the review document is to be reported to a future meeting of the District Chairmen’s Group to take forward proposed actions.
- 4.1.7 It is anticipated that the process of developing “District Asset Management Plans” will help the Districts to develop a better understanding of asset management locally and provide further opportunities to play a greater role in influencing property related / service decisions.
- 4.1.8 In order to support the policy priority of moving Birmingham forward as a city of vibrant urban villages, the further decentralisation of office based staff needs to be fully considered. It was felt that by relocating those staff that in effect can operate from any location, this could have a considerable impact in the economic regeneration of many of the City’s suburbs. It was also thought that this approach would help to support the wider localisation / devolution agenda and improve service delivery at the local level.
- 4.1.9 It was also noted that if the Council is to make progress in improving the condition of its portfolio it will be necessary to review and rationalise the use of property holdings. It was also thought that the overall number of buildings needed to be reduced but there needed to be re-investment in those properties that the Council considers are key to the efficient and effective delivery of services locally in the future.



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- 4.1.10 Additionally, it was thought that the current fragmentation of repair and maintenance budgets and the lack of a corporate approach in the way we respond to repair and maintenance issues is creating problems in the development of a coherent planned maintenance programme.
- 4.1.11 The Scrutiny Review Working Group also recognised the recommendations made in the Service Improvement Plan, developed following the Best Value Cross Cutting Review of Property Management, that there is a need for a Property Board (or something similar) - with cross party representation - to be established, led by a Member Property "Champion" and supported by a senior Council officer.



# 5 Conclusions

5.1.1 Following the preliminary meetings of the Scrutiny Review Working Group the conclusions / areas for further work were identified as being in four main areas. These were:

- Operational Portfolio / Repair and Maintenance
- Office Accommodation Strategy
- Best Practice – Learning from Others
- Regeneration / Surplus Properties

## 5.2 Operational Portfolio / Repair and Maintenance

5.2.1 The Scrutiny Review Working Group considers that there is a need to review the amount of property from which the Council delivers its services. From the initial findings of the Hodge Hill District review it is fairly evident that service outlets have developed historically - not so much on the basis of their ability to service communities, but more on the availability of property at the time of inception of the service.

5.2.2 This has led to an uncoordinated approach to service delivery where different directorates / departments deliver services disparately and this often leads to confusion amongst service users. In order to overcome this situation it was thought that the establishment of a "one stop shop", at the centre of the communities being served would help to overcome service delivery issues. Additionally, the high number of buildings being utilised and the relatively limited level of resources to keep them maintained, has led to a situation where a high number of properties are in urgent need of improvement. The potential to rationalise portfolios with a view to establishing the "one stop shops" should therefore be further explored.

5.2.3 To illustrate the current problems in relation to the condition of the operational portfolio, the recently completed Corporate Asset Management Plan 2005 estimated the current level of repair and maintenance backlog to be in the region of £420m.



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- 5.2.4 The 2005 Asset Management Plan (AMP) is the latest of the series of annual plans that deals with the City Council's management of its property assets. In order to inform the Corporate AMP, individual services (Directorates / Departments) produce their own service AMPs which address problems / issues in relation to their property portfolio and its management. AMPs have been in place for a number of years as a requirement of the Office of the Deputy Prime Minister (ODPM) and the ODPM have inspected individual documents and rated their quality. The Birmingham AMPs have always received a "good" (the highest achievable score).
- 5.2.5 Clearly, the Council is unlikely to be able to address the issue of the current level of repair and maintenance backlog through its existing budgeting processes and therefore the Scrutiny Review Working Group came to the view that the only way to address the problem was to take a radical approach. This centred on the proposal to undertake further review of District / Constituency property with a view to rationalising and reducing numbers of the operational portfolio. The reduction in property holdings would help to generate capital receipts and running cost savings. The Scrutiny Review Working Group feels that if progress is to be made in improving the quality of the retained portfolio, the capital receipts should be in part re-invested in the property portfolio retained or replaced - as well as being used to reduce debt generally or invested in other priority strategic policies of the Council.
- 5.2.6 It was thought that the receipts diverted to improving the property portfolio should be administered corporately whereby Districts could bid for funding on the basis of need in their area. This approach recognises both the revisions made to the incentive scheme and the difference in land / property values across the City.
- 5.2.7 The City Council has, for several years, had an incentive scheme designed to encourage the release of property for sale or re-use. The scheme has recently been changed to give more of an incentive to the Districts to rationalise their operations and release property. Under the revised proposals property that is released as a consequence of property / service rationalisation will attract an incentive share of 25% (up to £710k per disposal) to the District and 10% (up to £290k per disposal) to the strategic service. All other non-Housing property disposals which are released as part of a property rationalisation will attract an incentive share of 25% (up to £1m per disposal) to the service.



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- 5.2.8 The Scrutiny Review Working Group, as previously indicated, felt that the current fragmentation of repair and maintenance budgets and the lack of a structured approach in the co-ordination of works was leading to inefficiency. It was also recognised that repair and maintenance budgets had, historically, been a "soft target" when directorates / departments had been faced with cuts. The Group felt that, in order to address this situation further consideration could be given to the allocation of repair and maintenance budgets on the basis of current need rather the situation which currently exists where budget allocation is based on historic spend. The Group felt that the City Council's Asset Management Plan should be used as the basis to inform decisions on budget allocation. Whilst this could create "tensions" between services it was thought that this could, over time, lead to a more structured (pre-planned) approach to repair and maintenance.
- 5.2.9 The table below, from the 2005 Corporate Asset Management Plan, gives an indication of the value and number of the City Council's (excluding municipal housing) property holding. The information in this table is derived from the City Council's Asset Register. Every Local authority needs to have a register of the property it owns and the valuation of that property for balance sheet purposes. The valuations (of any "significant" properties) need to be re-assessed at least every five years.

Type	Number	Value (from Asset Register)
Development – Economic Development	181	£5,197,000
Development – Highways	5	£1,971,015
Development – Car Parks	59	£18,755,769
Housing	594	£9,917,496
Learning and Culture – Schools	501	£980,678,209
Local Services	766	£11,770,409
CABs / Regulatory Services	56	£48,829,000
NEC Group (City Assets)	3	£257,829,233
Industrial / Commercial Portfolio	2,200	£200,600,000
Social Care and Health	140	£52,165,787
	<b>Total</b>	<b>£1,587,713,918</b>



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### 5.3 Office Accommodation Strategy

- 5.3.1 The City Council has had in place an Office Accommodation Strategy since the late 1980s and this initially centred on proposals to relocate staff from city centre to district accommodation. The strategy has continued to develop over time and significant revenue savings had been made in the overall costs of office provision.
- 5.3.2 The Scrutiny Review Working Group recognised the progress made over the previous years in moving the Office Accommodation Strategy forward by, where possible, decentralising staff from high cost city centre accommodation to district offices. Examples of this included the conversion of former school premises (Silvermere, Bierton and Portland Centres) and the acquisition of office buildings in Erdington (Orphanage Road) and Perry Barr (Tamebridge House) etc.
- 5.3.3 Notwithstanding the progress made to date, the Scrutiny Review Working Group felt that the further decentralisation of city centre based staff to the districts should be pursued. It was also noted that as a number of key city centre leases expire in 2009 and 2010 the opportunity exists, given the long lead in time, to effectively plan a strategy to provide alternative district accommodation. This process should, however, start as soon as possible. Commencing in 2009 the leases expiring include:
- 2 Floors at Norfolk House – 36,682 sq.ft. In December 2009
  - 12 Floors at Alpha Tower – 84,921 sq.ft. from June to October 2010
  - 1 Victoria Square – 8,525 sq.ft. in September 2010
  - Canterbury House – 13,852 sq.ft. in November 2010 and August 2011
- 5.3.4 In total, these leases add up to 143,980 sq.ft. and accommodate in the region of 1,350 staff. The annual rent payments total in the region of £2m per annum. Clearly, the giving up of these leases at expiry would provide the opportunity to relocate a significant number of staff from, relatively, expensive city centre accommodation. Additionally, this should help to support the localisation / devolution agenda.
- 5.3.5 Whilst there is a need to develop a strategy to exit the relatively, expensive buildings identified above, the Scrutiny Review Working Group would also recommend that the use/utilisation and suitability of City Council freehold buildings be scrutinised. It was recognised that some of the existing freehold buildings were no longer suitable as office bases and for delivery of Council services in the context of the radical changes that have arisen in the work place over the last 10 to 15 years.



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- 5.3.6 The Scrutiny Review Working Group also recognised that if the Council was to continue to attract quality staff that the working environment offered must be improved to compete with those provided by other large organisations / employers.

### 5.4 Best Practice – Learning from Others

- 5.4.1 As part of the Scrutiny Review process the Scrutiny Review Working Group received details of asset management processes from both Leeds City Council and the Borough of Telford and Wrekin Council.
- 5.4.2 Both pieces of work were pertinent and relevant to the review and have reinforced some of the thoughts of the Scrutiny Review Working Group. An example of this is Leeds where, in order to successfully implement the Council's Asset Management Plan, appropriate mechanisms have been put in place that facilitate the asset management process. Leeds made significant progress in this area by establishing an effective management framework within which asset management issues can be progressed. Their reporting mechanisms are now clearer and the Scrutiny Review Working Group thought that if this approach is adopted by Birmingham City Council a clearer coherent picture could emerge.
- 5.4.3 Additionally, Leeds City Council has successfully implemented a city centre office reorganisation project which has reduced total accommodation by 6%. They also have plans to make further efficiencies, although recognising that this will only be possible by adopting more flexible forms of working. This is something that Birmingham City Council has considered for some time but which has been difficult to action, certainly to any great extent.
- 5.4.4 It was also noted that Leeds City Council was one of the first authorities to gain Beacon status for their asset management.
- 5.4.5 Telford and Wrekin Borough Council, although significantly smaller than Birmingham City Council, faced problems in relation to its asset management planning processes and this prevented the development of a strategic approach to managing its assets. Historically, most repair and maintenance budgets were delegated to departments who directly managed the service.
- 5.4.6 In order to develop a more strategic / corporate approach to the way assets are managed the authority consolidated, in the 2004/05 financial year, all revenue and capital budgets relating to repair, maintenance and improvement works to a centrally administered budget.
- 5.4.7 Although, it is early days this action has already been successful in that it has allowed:
- Repair and Maintenance budgets to be prioritised using the Corporate Asset Management Planning process to target resources based on need.



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- The consolidation of budgets has enabled larger, one off, schemes to be undertaken.
  - Works have been progressed by property professionals, with a track record of managing budgets/projects.
  - It has been possible to develop a planned approach to maintenance, rather than the previous piecemeal / re-active approach.
- 5.4.8 This has already led to direct benefits for the authority, where service managers have experienced major benefits in relation to service delivery.
- 5.4.9 Both of these authorities, and no doubt there are many more, have taken actions that the Scrutiny Review Working Group feel Birmingham City Council needs to take if the required improvements in the property portfolio are to be achieved. The consolidation of property budgets, certainly for repair and maintenance, appears to have been a success for Telford and Wrekin. As previously indicated, notwithstanding the tensions that will no doubt arise, further consideration of how repair and maintenance budgets are allocated and controlled needs to be given if the Council is to address the problems that currently exist.
- 5.4.10 Whilst the Scrutiny Review Working Group endeavoured to seek views from the private sector as part of the Scrutiny review it was considered that the consultancy costs were excessive. This is, however, an area that needs further consideration.
- 5.4.11 The Scrutiny Review Working Group noted that the City Council had, on 25<sup>th</sup> March 2004, (via Urban Design, Development Directorate) entered into the Birmingham Construction Partnership with three contracting companies (Thomas Vale Construction, G F Tomlinson and Wates Group). The partnership operates on the basis of all larger capital works (contracts in excess of £100,000) being let to one of these contractors, based on performance and the suitability of each contractor to handle the types of work involved. This partnership is targeted at improving the overall quality of capital schemes and ensuring their delivery both within programme and budget.

### 5.5 Regeneration / Surplus Properties

- 5.5.1 The City Council has a defined process for the release of surplus property by directorates / departments and its future re-use by the Council or subsequent disposal. The Scrutiny Review Working Group Members felt however, from their own experiences, that the process is often very slow in actually achieving the disposal of sites and the resultant capital receipt.



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- 5.5.2 The term “surplus property” relates to property which is no longer required by a service and is declared surplus to its requirements. In most instances the property / site is reported to the multi-disciplinary “Surplus Properties Working Group”, which is administered by Birmingham Property Services, Development Directorate. The property availability is circulated to other directorates / departments to establish whether there is a need to “re-cycle” it or, as in most cases, it is to be offered for sale.
- 5.5.3 The Scrutiny Review Working Group was made aware that Birmingham Property Services, Economic Development, are currently reviewing the surplus property procedures recognising that the current system is “full of delays”. There is a proposal that once surplus property is identified, the process is handled centrally through the disposals team who will negotiate the withdrawal of the service function and then manage the whole process through to final disposal / re-allocation.
- 5.5.4 The speeding up of this process should help the wider Council's regeneration proposals and help to generate capital receipts for re-investment. This does, however, rely on service directorates / departments releasing property more readily than currently appears to be the case. The work undertaken as part of the Hodge Hill pilot review has identified potential opportunities to rationalise the portfolio and further consideration of property in adjoining Districts (although perhaps predominantly servicing a bordering District) needs to be taken account of. This is particularly the case where an option exists to release a property without detriment to service delivery.
- 5.5.5 Additionally, to support the Council's policy priority of moving Birmingham forward as a city of vibrant urban villages, as raised earlier, the further decentralisation of office based staff needs to be considered. The Scrutiny Review Working Group felt that by relocating staff outside of the city centre there was the potential to reduce the level of office costs and that better working practices could be introduced by extending the use of video conferencing and the introduction of web cams etc. The Scrutiny Review Working Group recognised that one of the key issues to this proposal was transportation and the required change in the management culture of the Council.
- 5.5.6 There was, however, recognition by the Scrutiny Review Working Group that by relocating staff to suburban areas that this could significantly help to boost local economies but could have some detrimental effect on local transport (unless additional services are provided to cater for increases) and congestion. There is also a need to ensure that the wider aspirations of staff are met and that they continue to feel that they are part of the organisation and do not feel isolated or abandoned.



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- 5.5.7 Attached, in Appendix 4, is a breakdown of potential cost efficiencies that could be achieved by, for example, relocating 200 staff from relatively high cost city centre accommodation to District locations. Although this is very much a “desk top” exercise there is a clear indication that significant on-going revenue savings can be made by relocating significant numbers of centrally based staff to District accommodation.
- 5.5.8 The Scrutiny Review Working Group is also keen to explore, where possible, the sustainability agenda and whole life costing, particularly where new build options are being proposed.

### 5.6 Proposals

- 5.6.1 The Scrutiny Review Working Group felt that, currently, there is a lack of clarity in relation to Member arrangements for property matters. In order to overcome this it was felt that the recommendation made in the Best Value Service Improvement Plan (Best Value Cross Cutting Review of Property Management) – the establishment of a “Property Board” – with cross party representation - should be pursued.
- 5.6.2 Members felt that in order to make significant progress in relation to asset management an effective senior management framework needs to be developed within which property issues can be reviewed and progressed.
- 5.6.3 The “Property Board” should be chaired by a senior Council Member, with support of other Members (cross party) with powers that accord with the City Council’s Constitution, to champion property matters with a direct reporting line to the Council’s Cabinet. In order to provide the right level of support to the Property Board a senior officer should be appointed to co-ordinate reporting mechanisms.
- 5.6.4 Subject to the establishment of the Property Board the Scrutiny Review Working Group propose that further work be undertaken by the Board to further develop the four themes set out in 5.1.1 above. These are:



## Operational Property Holdings

- **Operational Portfolio / Repair and Maintenance** – the further pursuance of District / Constituency review - the Scrutiny Review Working Group commended the work undertaken in Hodge Hill and recommended the acceleration of this process across the District / Constituency portfolios. It is anticipated that will allow the further rationalisation of the operational property portfolio and create opportunities for the re-investment of capital receipts. The Group recognised that the reviews are, in themselves, time consuming and support from the Corporate Property Team should be given to assist this process. It was also thought that this approach could assist in the provision of information and the development of strategic decisions in relation to property provision would support the localisation/devolution process and the provision of services at the local level. Additionally, obtaining better value from the existing repair and maintenance budgets should help in trying to overcome the maintenance backlog that currently exists.
- **Office Accommodation Strategy** – the development of a strategy to allow the release of the major city centre leases when they expire in 2009 / 2010 and the development of a strategy to further decentralise staff, where applicable, from the city centre to District accommodation. Additionally, this would include a review of all existing office accommodation, particularly freehold buildings within the inner ring road, to assess their current occupation, utilisation and suitability with a view to the further rationalisation of the portfolio. This, however, needs to take into account implications for staff, including accessibility, transport issues etc.
- **Best Practice – Learning from Others** – to further explore the work of other authorities and the private sector in addressing property problems/issues and learning and developing a best practice model from their experience.
- **Regeneration / Surplus Properties** – to fully explore how existing arrangements can be improved to realise capital receipts for the City Council at an earlier stage and to develop property policies to assist in the regeneration of the wider city suburban areas.

5.6.5 The Scrutiny Review Working Group felt strongly that if the Council is to seriously address the problems (£420m backlog of repair and maintenance works) it faces in relation to the deterioration of its property portfolio action must be taken – doing nothing is not an option!



# Appendix 1 Additional Papers

## Relevant Papers Considered by the Scrutiny Review Working Group

- Questionnaire to City Council Members (see Appendix 2)
- Capital Resources Allocation in Birmingham City Council (see Appendix 3)
- Details of relocation exercise – Proposal to relocate 200 staff from City Centre to District accommodation (see Appendix 4).

## Background Reports/Documentation

- Birmingham City Council Asset Management Plan 2005
- Best Value Cross Cutting Review of Property Management – Service Improvement Plan, December 2002
- Leeds City Council Capital Strategy/Asset Management Plan 2005 and Energy/Water Management Plan for 2003/2008
- Birmingham City Council – Energy and Water Management Plan
- The Borough of Telford and Wrekin – Paper titled “Delegated Repair and Maintenance budgets”



## Appendix 2 Questionnaire

### Scrutiny - Operational Property - Questionnaire from Cllr Randal Brew

#### How the Council makes property related decisions

Several different members and officers across the Council may be involved in decisions about major property matters - for example the sale of a property, the purchase or leasing of a property, the improvement of a property or the sharing of a property with another service.

1. Which of the following statements is closest to your view of this process? Please highlight in **bold** your chosen answer.

- All of the parties are working together well and understand their respective responsibilities.
- All of the parties are trying to work together - but responsibilities and leadership can be confusing, and delays may be caused. These difficulties can however usually be resolved by discussion.
- There often seems to be conflict and a lack of co-ordination, which can delay or jeopardise transactions. A member and an officer should take overall charge and steer such situations.
- No comment - I have no experience of these issues.

#### 1. Potential rationalisation of the Council's operational properties.

2. Which of the following statements best describes how you see the Council's operational property portfolio? Please highlight in **bold** your chosen answer.

- The property portfolio appears in acceptable order to me, by and large, so I do not see a need for rationalising our property holdings.
- Despite the poor condition and suitability of many of our properties, I would not support a reduction of the number of properties, as it is important that we provide services as close to each of our citizens as possible. The Council should find a way to divert resources to improve these properties.
- I would be content to see a reduction in the number of properties that we operate, providing that I knew that the reduction in numbers would mean improved quality of the remaining premises, and accessibility of services had been taken into account. Some people might have to travel further to access certain services by personal visit but that is an acceptable price to pay.
- No comment - I have no experience of these issues.

#### 2. Incentives to vacate operational property

At present, services giving up property as part of a rationalisation exercise are entitled under Birmingham City Council's internal incentive scheme (in most cases) to 25% of the capital receipt to reinvest in their other properties: the corporate centre adds the remaining 75% to the capital fund for redistribution.



## Operational Property Holdings

For District managed properties, the new arrangement is that the District giving up the property is to be entitled to 25%, the strategic service to 10% and the corporate centre to 65%. The ceiling on incentives is a total of £1m per sale.

Services may retain a greater percentage of the receipt ("earmark" it) if they require that larger sum to release the receipt - for example to replace a facility - and the proposal accords with City Council priorities (in summary).

3. *The Housing service may keep up to 80% of the value from non right-to-buy land receipts.*

4. *Having looked at the statements above concerning the incentives available to Council services to vacate property, which of the following statements best expresses your views? Please highlight in **bold** your chosen answer.*

- The current incentives are not generous enough. Services would release more property if they could keep more of the capital receipt generated.
- The current incentives are about right.
- The current incentives are excessive. Services should be prepared to release property for the corporate good without expecting payment.
- No comment - I have no experience of these issues.

### 3. Resources available for repair and maintenance of the portfolio

The Council does not decide repair and maintenance budgets revenue corporately. Individual services decide and spend their own budgets for the upkeep of their own buildings.

5. *Which of the following best expresses your view about setting repair and maintenance budgets? Please highlight in bold your chosen answer.*

- Services are best placed to decide what needs to be spent on their buildings. It is up to them to set priorities for the control of their budgets.
- There should be some minimum standards of maintenance set by the Council to ensure that buildings are kept in proper order by the various services that use them. Services should remain responsible for the upkeep of the buildings
- The Council as a whole should decide what needs to be spent on buildings, and control how it is spent, so that short term decisions are not made by particular services which may have long term costs for the Council as a whole.
- No comment - I have no experience of these issues.

**Thank you for your time.**

**Your name:** Councillor.....

**Any further comments** about Council operational property management which you may wish to make to the chair of the Scrutiny panel:



## Appendix 3 Capital Resources Allocation

### Note from Martin Easton, Finance Manager, Corporate Financial Planning, Resources Directorate

City Council Directorates seek capital resources from various sources:

**Specific capital resources** are the capital grants and other funding provided by external bodies to the City Council for spending on specific projects or programmes. Directorates apply direct to the funder for these resources.

**Corporate capital resources** are the non-specific or “unhypothecated” capital resources available for the Council to spend in accordance with its own priorities. Directorates submit capital project proposals which the City Council corporately reviews and prioritises against available Corporate Resources. This forms part of the annual budget process (providing there are resources available to distribute).

There are two particular types of corporate resource worth further explanation:

1. **Capital Receipts** are obtained by the Council from sales of its assets. Services are given an “incentive” share in some circumstances, to encourage disposal of under-utilised property. This is usually 25%, but in the case of District services, 25% goes to the District and a further 10% to the strategic service involved. Separate arrangements apply to disposals of housing land.
2. **“Prudential borrowing”** has been permitted by Government from 2004/05. Authorities are allowed to borrow to finance capital, providing they can afford the revenue consequences. This means that Directorates can bid for prudential borrowing during the annual budget process, providing they have sufficient revenue resources to meet interest and repayment charges as well as any running costs of the proposed capital project.

Directorates produce their own Asset Management Plans (AMPs) and Capital Strategies every year. These documents provide a framework within which Directorates and Portfolios can determine their capital and property strategies and priorities. They feed into the Corporate AMP and Capital Strategy, which are approved annually with the Council's Budget. Directorate bids for corporate resources are expected to be consistent with the Directorate Capital Strategy and AMP as well as responding to the Council's corporate priorities.



## Appendix 4 Relocation Exercise

### Comparison of City Centre/Edge of City Centre with District Accommodation

Comparison based on providing office accommodation for 200 staff (approximately 20,000 square feet (net)).

Leasehold	City Centre	District Accommodation
Rent	£ 280,000	£ 223,555
Service Charge	£ 65,300	£ 56,200
NNDR	£ 118,160	£ 105,500
Insurances	£ 4,500	£ 4,000
Energy Costs	£ 30,000	£ 30,000
Cleaning	£ 16,000	£ 16,000
Other General Running Costs	£ 30,000	£ 30,000
<b>Total Costs per annum</b>	<b>£ 543,960</b>	<b>£ 465,255</b>
<b>Potential Saving per annum</b>	<b>£ 78,705</b>	

City Centre: Figures based on current leases at Alpha Tower and Canterbury House

Districts: Figures based upon lease of accommodation at Fordhouse Lane Stirchley

This assumes that leased accommodation will be available where required.

Freehold	City Centre	District Accommodation
Site Value	£ 1,750,000	£ 625,000
Build Costs	£ 2,500,000	£ 2,500,000
<b>Capital Costs - Total</b>	<b>£ 4,250,000</b>	<b>£ 3,125,000</b>
<b>Running Costs</b>		
NNDR	£ 236,000	£ 135,000
Other Outgoings	£ 81,750	£ 81,750
<b>Revenue Costs - Total per annum</b>	<b>£ 317,750</b>	<b>£ 216,750</b>

Other Factors to be considered - but at this stage not quantified

Car Parking - City Centre spaces (if provided) will have a significant cost attached compared to out of city.

Relocation Expenses - Dependent upon distance and numbers of staff affected.