

Place Scrutiny Commission

17th March 2016

Property Portfolio Item

This cover sheet is to provide clarification for the Property Portfolio presentations, which will be delivered at the Member only Property Portfolio Briefing on 10th March and the Place Scrutiny Commission's public meeting on 17th March.

The Focus and Agenda for the Property Portfolio Presentations

The presentations will focus on the Council's property (land and building assets) and the property service, a division within the Place Directorate. The agenda covering the above sessions is set out below.

Agenda Part one (Members only - Property Portfolio Briefing, 10th March)

- ◆ Total Asset Base
- ◆ Asset Management
- ◆ Property Service
- ◆ Property Structure and Process
- ◆ Operational Assets and Costs
- ◆ Development Pipeline
- ◆ Investment Assets and Income

Agenda Part two (public - Place Scrutiny Commission Meeting, 17th March)

- ◆ Service Manager Presentations
- ◆ SWOT Analysis
- ◆ Conclusions

Part One - Property Portfolio – Member only Briefing (10th March)

At this session Property will present and discuss the following:

- ◆ An overview of the Council's total asset base
- ◆ Asset Management, what it means, why it is important
- ◆ An overview of the Property Service, its purpose, guiding vision, its responsibilities and operating structure
- ◆ Information about the operational assets and operational costs
- ◆ Information about the development pipeline and deliverables
- ◆ Information about the investment assets including the types and the income generated

Part Two – public - Place Scrutiny Commission Meeting (17th March)

At this session Property will set out what it aims to achieve in each Service area:

- ◆ Each Service Manager will provide an overview of their service and the direction of travel
- ◆ An overarching SWOT Analysis will be discussed and conclusions drawn
- ◆ Information about the Council's asset base and Property Service responsibilities (presented at the Property Portfolio Briefing on 10 March) will be available for reference and questions only, if required

To Conclude

If any further information is required please contact Lin Lynett, Property Business Manager, telephone number 0117 9037605

Property Portfolio Briefing

10 March 2016

Council Property & The Property Service

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Agenda

- Total Asset Base
- Asset Management
- Property Service
- Property Structure & Process
- Operational Assets & Costs
- Development Pipeline
- Investment Assets & Income

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The Total Asset Base

- Property is held for Service Delivery & Income Generation
- The Total Asset Base

| Total Site Area (Hectares) | Count of Buildings | Book Value |
|-------------------------------|---------------------------------|------------|
| 5,137 | 1,695 (plus 27.5k dwellings) | £1.9 bn |

- Includes HRA & Highways – managed separately

HRA 1,431 hectares, value £900m

Highways 248 hectares, value £130m

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Asset Management

Context

The holistic process of managing assets to meet high level council requirements.

A strategic approach to asset management could secure better value for taxpayers' money. Strategic in this context means being based on a plan or thought-through analysis of the whole of a council's obligations, ambitions and budget. 'Room for Improvement'

Audit Commission report 2009



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The Property Service

Responsible for Operational & Investment properties
(all land except HRA & Highways)

The Mission

- To act as the property 'brain'
- To use the asset base and work with partners to achieve strategic priorities
- To achieve the optimum outcomes for the operational & investment estates



The Vision

- To implement best practice strategic property asset management

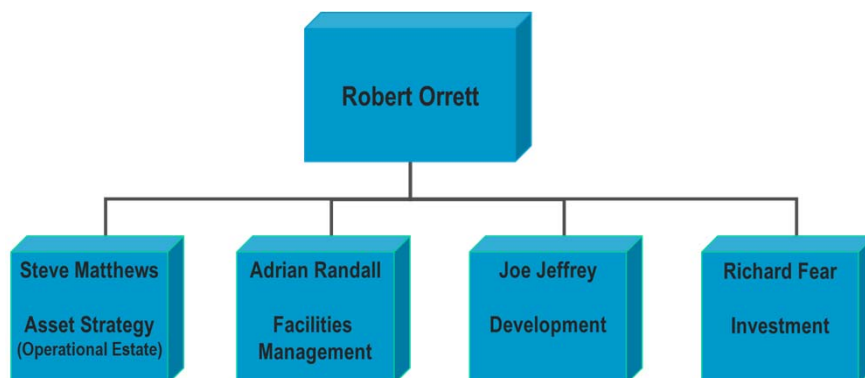
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Property Structure



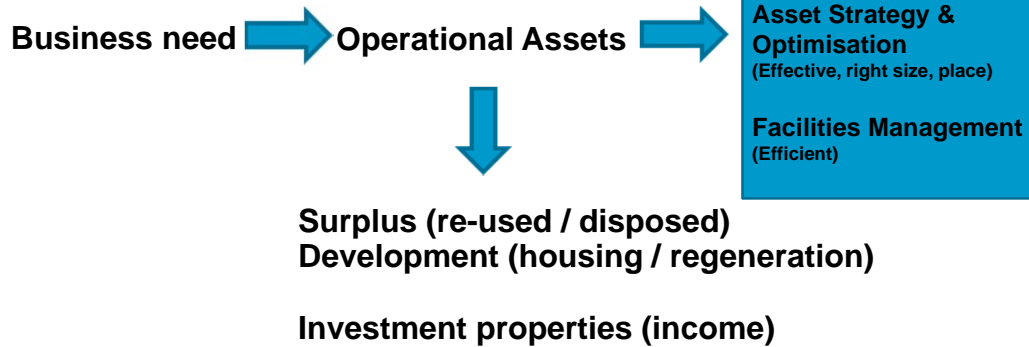
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Property Process



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Operational Assets

Operational properties comprise:

- 835 buildings
- c. 800,000 m² of accommodation
- c. 3,000 hectares of land
- Value c. £700 m
- Offices, libraries, schools, museums, parks, depots, crematoria, waste sites, docks, day care, etc.
- 265 operational indirect (c. 95 Education & c.125 Concessions)
- Concessionary lettings opportunity cost c. £1.5 m pa
- 44 surplus / 28 Informal Agreements
- 498 support direct service delivery

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Buildings by Service

| Building type | Total |
|---|-------|
| Education (Schools/Children's Centres) | 143 |
| House/Service occupancy | 69 |
| Offices (including BWP) | 55 |
| Store/Depot/Warehouses/Waste Facilities | 49 |
| Community, Youth clubs | 16 |
| Sports facilities/Playground | 25 |
| Public Conveniences | 43 |
| Social Care | 19 |
| Libraries | 27 |
| Museums | 10 |
| Children's Homes | 8 |
| Cemeteries/Church buildings | 11 |
| Car Parks/Multi-storey | 4 |
| Misc. | 19 |

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Operational Assets Costs

- Revenue costs £'s m

| Operational | Rents | Rates | Utilities | Insurance | TOTAL |
|-------------|-------|-------|-----------|-----------|-------|
| 23.8 | 4.2 | 6.8 | 5.5 | 0.5 | 40.8 |



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Development Pipeline

- Hengrove Phase 1 – 250 new homes Capital receipt over £5m
- Lawrence Weston ex City of Bristol College Site – New food store, 77 new homes, potential new community building – Capital receipt over £2m
- Brislington East – 300 new homes including 90 affordable homes – Capital receipt £3m
- Henacre – Lawrence Weston – 150 new homes – Capital receipt £2.5m
- Ambulance Station – 250 new homes . Capital receipt of over £2m
- Dunmail – 150 new homes Capital receipt of over £1.8m
- Waterfront Place – (next to Lloyds amphitheatre) New hotel, retail, offices, residential – Capital receipt over £2m
- Redcliffe Wharf – Offices, residential, workshops and restaurants development £1.2m
- Cattle Market Road (Ex Sorting Office) redevelopment - £6m plus
- O&M Sheds – Welsh Back – 3 new restaurants £750k

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Investment Income

- Annual rental income of c. £11 m
- 636 Assets
- 27% Industrial, 31% Retail/Leisure, 15% Offices, 10% Hotel, 5% Land, 12% Other
- Cabot Circus (geared rent) produces £775,000
- All properties with a handful of exceptions, are within the Bristol City Council administrative boundary
- The current balance sheet value of the portfolio is c. £200 m
- The majority of income is concentrated in a relatively small number of properties



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Investment Income Breakdown

| | No. of properties | Total rent | Percentage of total rental income | Av. Rent per property |
|---------------------------|-------------------|-------------|-----------------------------------|-----------------------|
| Top 10 (highest rents) | 10 | £3,102,006 | 29% | £310,201 |
| Top 20 (highest rents) | 20 | £4,109,019 | 39% | £205,451 |
| Top 30 (highest rents) | 30 | £4,865,462 | 46% | £162,182 |
| Top 50 (highest rents) | 50 | £5,997,171 | 56% | £119,943 |
| Top 100 (highest rents) | 100 | £7,670,252 | 72% | £76,703 |
| Top 250 (highest rents) | 250 | £9,702,446 | 91% | £38,810 |
| Bottom 365 (lowest rents) | 365 | £963,880 | 9% | £2,641 |
| Total rental income | | £10,666,326 | | |

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Place Scrutiny 17 March 2016

The Property Service Aims & Issues

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Agenda

- Service Manager Presentations:
 - Asset Strategy, Steve Matthews
 - Facilities Management, Adrian Randall
 - Development, Joe Jeffrey
 - Investment, Richard Fear
- SWOT Analysis
- Conclusions

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Operational Estate

Definition:

- Consists of all buildings currently in use to support delivery of Council Services
- Does not include Council Houses, highways land or property held for investment



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Current Statistics/Issues

- 498 direct service delivery buildings
- Revenue cost c £40 m pa
- 28 Service portfolios containing over 100 different service areas
- Estate too large, single uses, inflexible, under occupation
- Drive towards revenue reduction/MTFP savings
- Need to improve, consolidate and analyse building data

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What we want to achieve

- Reduction in number of operational buildings
- Contribution to MTFP revenue savings
- Fit for purpose accommodation
- Flexible and responsive to demands of the Service
- Maximise opportunities for shared BCC services
- Provide opportunities for sharing with wider public sector partners
- Create an environment for proactive portfolio management
- Embed methodology for continuous portfolio optimisation to generate further efficiencies



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How are we doing?



- **Engaged Arcadis** - Develop methodology for estate optimisation
- **Data gathering** – Clarity of supply
- **Corporate Plan / Service Plans** – Assessment of future demand
- **Service engagement** – Spring / summer 2016
- **One Public Estate** - Developing relationships with other public sector partners eg; UWE, NHS, GPU, HCA
- **Governance** – Change Board; Corporate Property Board; Bristol Property Board

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You can't manage what you can't measure!

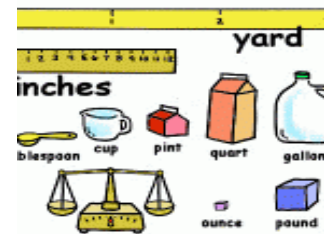
We need...

- Single source of truth - currently 33 different data bases
- Ability to easily interrogate data on a building by building basis
- Centralised and sufficient property budgets
- Property to be treated as "corporate resource" centrally managed

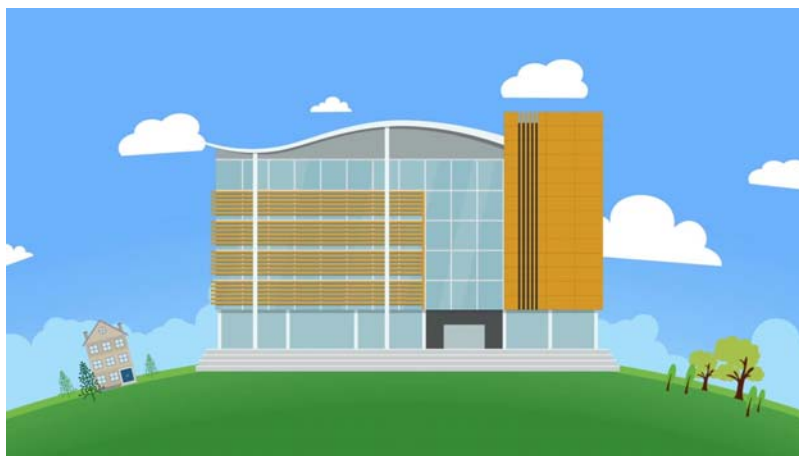
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Facilities Management



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What is Facilities Management?



Facilities management is the integration of services and processes which support and improve the effectiveness of the primary activity and the impact upon people and the workplace.

It encompasses multiple environments, including office accommodation, operational sites and the built environment.

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Bristol City Council Facilities Management

- BCC Facilities Management includes wide mix of services
- Hard and soft FM categories
- Various non-traditional FM services
- FM employs 404 FTE
- Annual spend of £25.9m

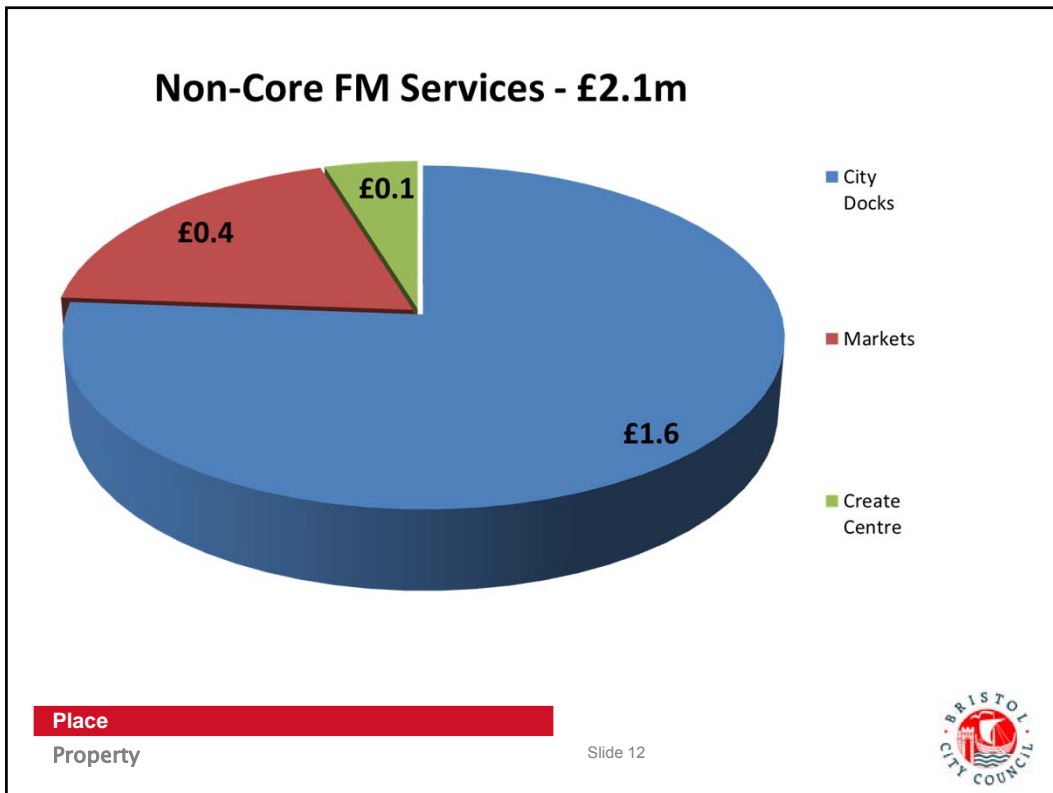
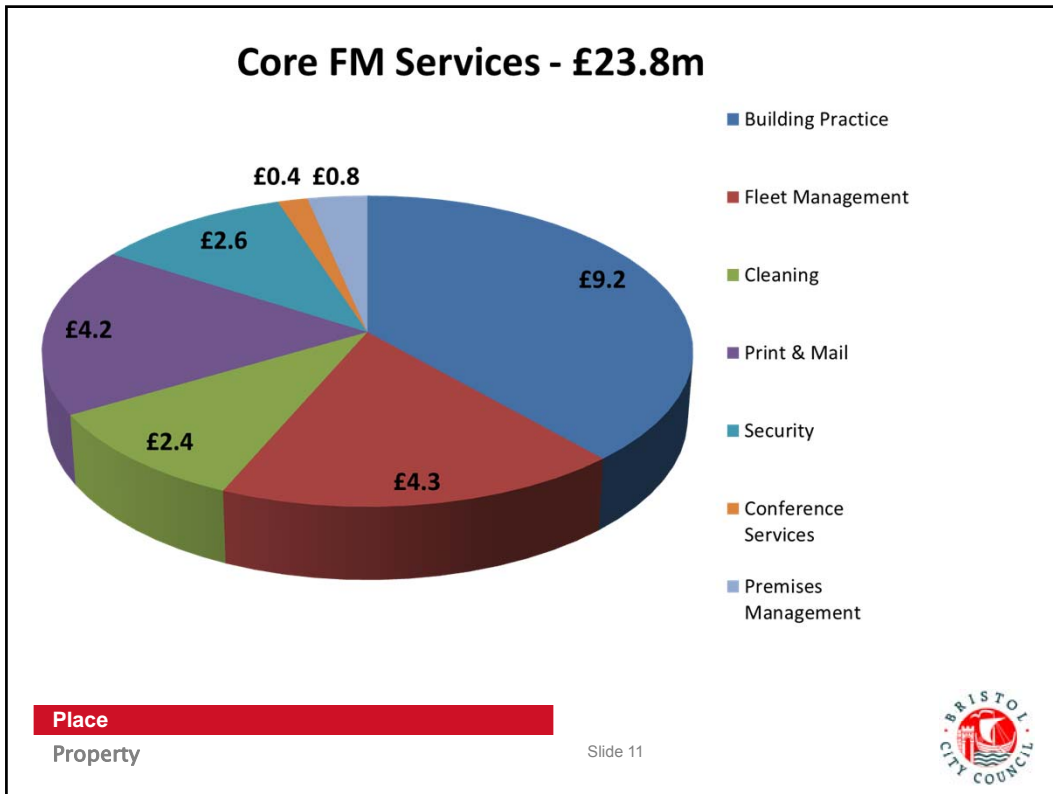


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FM Vision

- Integrated Facilities Management
- Financial baseline
- Consolidation of supply chain
- Alternate delivery models
- CAFM system platform



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Issues & Opportunities

- City Hall Flagship
- Centralised budgets
- Appetite for progressive change
- Unsighted facilities costs
- Income generation
- Helpdesk
- Digital by default



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Case Study

City Hall Operational Blueprint

| | |
|---|--|
| <p>Cohort 4</p> <ul style="list-style-type: none"> • Process re-engineering • Embracing Self Service • Corporate Booking System • Digital channel shift • Agile prototyping | <p>FM Redesign</p> <ul style="list-style-type: none"> • City Hall re-occupation • Fundamentally different model • Driving operational efficiencies • Reduced supply costs • Integrated Service • Alternate delivery model |
| <p>BWP Investment</p> <ul style="list-style-type: none"> • Building refurbishment • Technology • Cultural change • Any Place, Any Space | <p>FM Technology</p> <ul style="list-style-type: none"> • High number of disparate manual systems • Missing functionality – e.g. compliance reporting • Need to link access control, CBS, CAFM, BMS, supplier and finance systems, etc • 'Air Traffic Control' – real time view, plus strategic analytics |

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The Development Team: What Do We Do?

- Identify surplus /unused Council Land & Buildings and redevelop them – 150 hectares potential
- Find developers and use combined resources to develop our property
- Agree how to best achieve the Council's priorities
- Achieve best financial return to the Council
- Ensure development and regeneration happens
- Give the Community a voice

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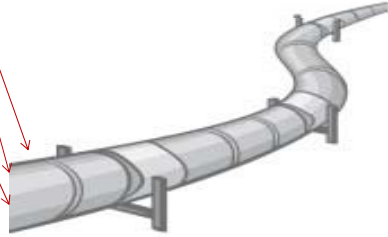
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Development Pipeline

Assets & Constraints:

Land & Buildings
 Strategy/Priorities
 Developers/Enabling
 Development Viability
 Budget
 Staff/Time
 Stakeholders
 Planning



Delivery / Success:

Development delivery
 Regeneration/Economic Growth
 Better Places for Better Lives
 Capital & Income
 Jobs Sustainability
 Infrastructure

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Where we need to be

- Bringing forward more developments
£150 m of opportunities
- Speeding up delivery
- Improving Quality/Sustainability
- Building flexible, futureproof buildings
- Giving Bristol what it needs
- Improving community involvement

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How we get there

- Development Team budget
- Fill Development Team vacancies
- Council-wide coordination at an early stage
- More preparation work for development sites
- Involve the Community at earlier stages
- Improvements to policy and delegations

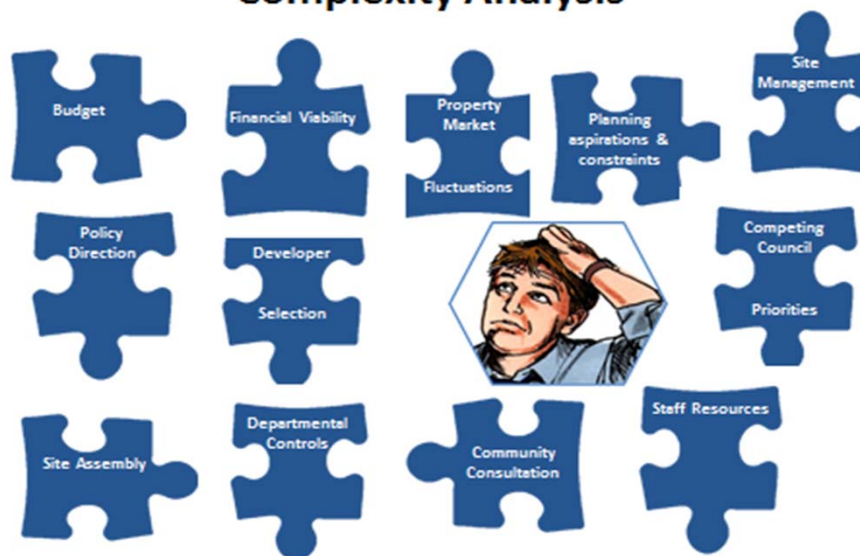
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Case Study 'Redcliffe Wharf' Complexity Analysis



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Redcliffe Wharf



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The Property Investment Estate –

Quiz question: What sort of investment property does the City really own?



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The answer is.....

Mainly **land**...

that has been **leased** to developers or investors...

for a very, very, **long time**...



Portfolio Value

| Number of Assets | Capital Value (£) | Gross Income (£) |
|------------------|-------------------|------------------|
| 636 | 200,000,000 | 11,000,000 |

Long-term income security

| Number of Assets | Capital Value (£) | Average remaining lease term |
|------------------|-------------------|------------------------------|
| 446 | 158,000,000 | 107 years |

Short-term income

| Number of Assets | Capital Value (£) | Average remaining lease term |
|------------------|-------------------|------------------------------|
| 224 | 42,000,000 | 10 years |

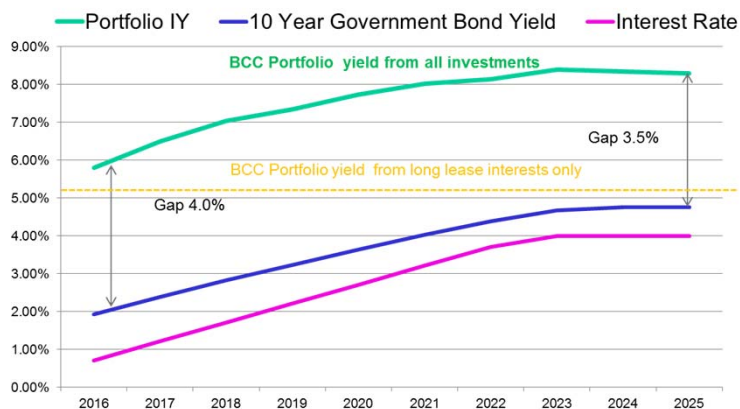
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BCC Portfolio IY vs 10 year Government yield



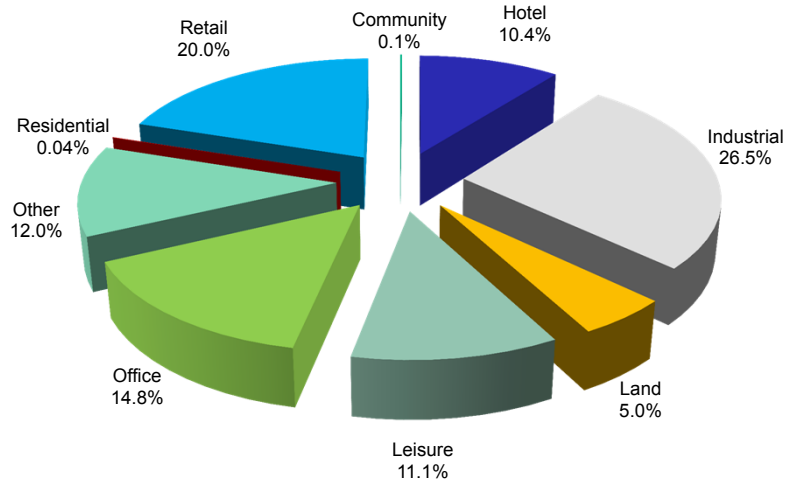
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Use of land and buildings by Capital value



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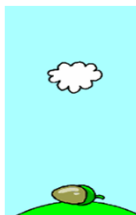


We are reviewing the current portfolio

There are **3**

GOALS

GROW short term rental income by £1.5 m p.a.



Develop a formal **Property Investment policy** and seek Cabinet approval to implement

Review Estate Management best practice and support systems in line with new policy



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