

Birmingham City Council
Report to Cabinet Committee Property
 26 June 2024



Subject: Sale of 10 Woodcock Street, Birmingham B7 1BL

Report of: Strategic Director of Place, Prosperity, and Sustainability
 – Philip Nell

Relevant Cabinet Member: Councillor Sharon Thompson – Deputy Leader of the Council

Relevant O&S Chair(s): Councillor Katherine Iroh – Economy, Skills & Culture

Report author: Kathryn James– Assistant Director – Investment and Valuation
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Are specific wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No – All
If yes, name(s) of ward(s): Nechells		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 011225/2023		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, state which appendix is exempt, and provide exempt information paragraph number or reason if confidential: Exempt Appendices 2, 3, 4, 6 and 8 - Local Government Act 1972 Schedule 12A Paragraph 3 (As amended) – Information relating to the financial or business affairs of any particular person (including the Council)		

1 Executive Summary

- 1.1 This report seeks authority for the freehold sale of the Councils offices at 10 Woodcock Street, Aston, Birmingham B7 1BL
- 1.2 The subject property provides circa 200,000 sqft of office accommodation as show edged bold black on the attached plan at Appendix 1.

2 Recommendations

- 2.1 Authorises the Assistant Director of Investment and Valuation to conclude the sale of the surplus Council asset at 10 Woodcock Street subject to vacant possession being provided for a capital sum as set out in Exempt Appendix 2.
- 2.2 Delegates approval of the final sale terms agreed under 2.1, including any terms as to payment and holding of a deposit, to the Assistant Director of Investment and Valuation.
- 2.3 Notes the purchaser will also pay a contribution towards the Councils surveyor and legal costs, as detailed in Exempt Appendix 2.
- 2.4 Authorises the City Solicitor to prepare, negotiate, execute, and complete all relevant legal documents to give effect to the above.
- 2.5 Note the feedback from the Economy, Skills and Culture Overview and Scrutiny Committee, and the response, as set out in paragraph 5.6 and Appendix 6.

3 Background

- 3.1 10 Woodcock Street was constructed in 2009 as part of the Working for the Future Business Transformation Programme which transformed the City Council's back-office portfolio from 55 buildings down to a portfolio of only 5 assets.
- 3.2 The building provides circa 200,000 sq.ft. of open plan office accommodation over 3.5 floors together with meeting rooms and other facilities usually associated with a public sector administration orientated building which pre 2020 was used by over 2,500 staff each day.
- 3.3 In July 2021 Cabinet approved an Enhanced Business Case for the New Ways of Working Programme (NWOW) which set out the transformation required to adopt more agile working practices and more specifically the agreement to the closure and disposal of 1 Lancaster Circus, one of the Council's main office bases at that time with the loss of 1,960 workstations.
- 3.4 The NWOW programme set out further mechanisms of managing and improving this agility in working style, resulting in additional opportunities to reduce the Central Administration Buildings (CAB) footprint through more intensive rationalisation linked to a template for more locality working. Proposals within the Medium-Term Financial Plan included the potential for the Council to divest itself

of a number of other office buildings including for the disposal of Woodcock Street.

- 3.5 During the Covid pandemic, like many organisations, many office-based Council staff were required to work at home for a time. As the pandemic receded, hybrid working has now become the norm and Woodcock Street occupancy levels have remained consistently low.
- 3.6 The Council has only fully operated the ground and second floor of Woodcock Street and plateaus in occupancy rates over the last 18 months indicate it is highly unlikely either the void space or the floors which are fully accessible will ever be fully utilised again, and the building will never return to its former occupancy levels. Occupancy levels are constantly monitored with average usage of around 300 building user visits per day, compared to the pre-Covid average occupancy of circa. 2,500 building user visits per day.
- 3.7 To mitigate the ongoing revenue pressures on the Council it was decided that alternative use options needed to be identified for the building at the earliest opportunity. Property Consultants Cushman and Wakefield were appointed by the Council to act in this matter and secure a divestment proposal which represented best value.
- 3.8 A preferred purchaser has been identified and terms agreed. Under the terms of the sale the purchaser will be required to exchange contracts as soon as practical after grant of consent to the Purchaser's change of use Planning Application and expiration of the Judicial Review Period. Details of the financial terms are set out in Exempt Appendix 2 of this report.
- 3.9 A S151 spend board approval has been obtained for circa. £200k to cover the cost of removals and decommissioning in respect of yielding up vacant possession of the Woodcock Street building to the purchaser. In parallel a S151 spend board submission is being considered in relation to an enabling works package to enable the reprovision of office facilities and the better utilisation of the space currently available in the Council House, Council House Extension and Library of Birmingham.
- 3.10 The proposed sale terms negotiated represent best consideration under S123 of the Local Government Act 1972 and has been validated by Cushman and Wakefield and the Assistant Director of Investment and Valuation.

4 Options considered and Recommended Proposal

4.1 Option 1 – Do Nothing

10 Woodcock Street is and will remain under – utilised. The building costs in the region of £2 million per annum to run and in terms of a daily average, it rarely has more than 400 building user visits making it a very expensive building to maintain and run when calculating this on a per capita bias. In this scenario the negotiated capital receipt would not be realised either and would not be available to support the Council's Financial Recovery Plan 2024.

4.2 Option 2 – Council retains and leases out the unoccupied floors.

Professional advice received indicated there is no substantive office requirement in this location from a single occupier and the most likely tenants would come from the educational sector. The design of the building does not readily lend itself to multiple occupations or the splitting of floors therefore subdivision would be prohibitively expensive rendering alternative options unviable. However, consideration has been given to alternative options and discounted on viability grounds.

4.3 Option 3 – Proceed with the Agreed Transaction.

It is recommended to proceed with the transaction outlined in this report in line with the aims of the current strategy and the external advice obtained, to deliver a capital receipt to support the Councils Financial recovery plan and savings in annual running costs of the corporate estate by £2 million per annum and deliver savings to the revenue budget.

5 Consultation

- 5.1 The Nechells Ward member has been consulted on the content of this report and the comments are noted in the Ward member consultation form. The Ward member has made comments which include the site's location within the Knowledge Quarter, the potential increase in value that may arise once the HS2 station is opened and whether pausing the sale should be considered given the above. Officers will be meeting the Ward member before the committee meeting on the 26th of June to clarify and address these concerns.
- 5.2 Trade Union Consultation has focused on the re-provision of facilities for building users and a dialogue is ongoing to ensure appropriate and accessible working conditions are maintained.
- 5.3 An engagement strategy to communicate the proposals and the details of re-provision arrangements is in train and regular comms messaging will be cascaded to all impacted staff. Detailed consultation has taken place with relevant officers in leadership and management positions to ensure any impact on service delivery related to the building closure are minimised.
- 5.4 As potential closure of the building approaches to both realise early revenue savings and obtain vacant possession in advance of any disposal, engagement and communications has been ramped up over recent weeks, this has involved regular updates to CTU and DTU meetings as appropriate and also targeted comms to impacted managers, teams and indeed all building users to invite further dialogue to ensure any and all re-provision solutions can be considered adequate in the short term at least, where proposed immediate solutions are sub-optimal alternative options are being considered for the more medium term.
- 5.5 A particular priority as part of the communications and messaging has been ensuring the Corporate Landlord service, People Services and Occupation Health are fully aligned in making sure adequate and appropriate re-provision

arrangements are being put in place for displaced building users with identified (or previously unidentified) reasonable adjustment requirements. The engagement in this area is essential to ensure all such needs are captured and addressed.

5.6 The Economy, Skills and Culture Overview and Scrutiny Committee undertook pre decision scrutiny on 12 June 2024. Exempt Appendix 6 sets out their recommendations, the key points arising from their discussions and the response in more detail. In summary, the Committee made three recommendations:

1.1 The Committee is satisfied in line with section 123(2) of the Local Government Act 1972, that the Council is intending to dispose of land for consideration at the best that can be reasonably obtained. However, the Committee had concerns that the wider context has not been considered properly including benefitting from potential higher market values in the future. Furthermore, the Committee would like to understand whether there is any retained debt for this site and whether the Council will have any liabilities from an asset it no longer owns.

1.2 Although the Committee accepted the sales approach adopted in this proposed asset disposal, the Committee questioned whether this sets a precedent for other asset disposals.

1.3 The Committee is concerned that the Council House is not suitable to meet the needs of a modern workforce especially with regards to recruitment and retention of staff.

5.7 This is a summary of a more detailed response in Exempt appendix 6 which includes Officer responses to the Committee comments.

6 Risk Management

6.1 The proposed sale structure maximises the value of the building and capital receipt back to the City Council whilst also removing the ongoing revenue cost and maintenance liability.

7 Compliance Issues:

7.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?

7.1.1 The decisions recommended in this report will facilitate the repurposing of the building.

7.1.2 The proposed sale transaction and generation of a capital receipt supports the Financial Recovery Plan by generating resources and thus helping to achieve a balanced budget.

7.1.3 It is consistent with the City Council Financial Plan 2020-2024 and Financial Plan 2021-2025 as the additional income helps the Council to meet the aspirations to be:

- Prosperous: through continued economic growth, tackling unemployment, attracting inward investment and infrastructure. The scheme will deliver on actions within the Council Plan to concentrate on significant areas of opportunity, by facilitating jobs and training opportunities in an area of deprivation within East Birmingham, using the City Council's property assets to accelerate regeneration and investment.
- Inclusive: through empowered citizens, supporting young people to fulfil potential, and promoting diversity, opportunities, and culture.
- Safe: through tackling anti-social behaviour & hate crime, housing provision and addressing homelessness, and improving living environments, civic pride & culture.
- Healthy: through tackling health inequalities, encouraging and enabling physical activity and healthy living, quality of care, and helping to support mental health.
- Green: by improving the cleanliness of our city and its streets, improving the environment and air quality, carbon reduction and enabling an inclusive green transition.

7.2 Legal Implications

- 7.2.1 Sections 120 to 123 of the Local Government Act 1972 authorises the Council to acquire, appropriate, and dispose of land. The disposal power in S123 of the Local Government Act 1972 is subject to the best consideration test. The Assistant Director Investment & Valuation has confirmed the recommended sale, as detailed in Exempt Appendices 2, 3 and 4 represents best consideration and satisfies the Council's obligations under the Act.
- 7.2.2 Section 1 of the Localism Act 2011 contains the Council's general power of competence, which is circumscribed only to the extent of any applicable pre – commencement restrictions and any specific post – commencement statutory restriction of the power, and Section 111 of the Local Government Act 1972 contains the Council's ancillary financial and expenditure powers in relation to the discharge of its functions, including the disposal and acquisition of property.
- 7.2.3 The Local Government Act 2003 and guidance issued under it authorises the Council's investment management functions.
- 7.2.4 Exempt information: Schedule 12A of the Local Government Act 1972 (as amended) Paragraph 3. Information relating to the financial or business affairs of any particular person (including the Council). Exempt Appendices 2, 3 and 4 are considered to contain commercially sensitive information of a financial or business nature, which if disclosed to the public could be prejudicial to a named person, individual or company and in the public interest to keep exempt.

7.2.5 The Council's in-house legal team will complete all legal matters associated with the transaction.

7.3 Financial Implications

7.3.1 The transaction will generate a capital receipt for the Council, as set out in Exempt Appendix 2. The use of the capital receipt from this asset together with the ongoing revenue saving is intended to support the City Council's Financial Recovery plan to ensure a balanced budget and prioritise the generation of capital receipts.

7.3.2 External advice has been obtained on the proposed sale and it is considered that the proposal represents best consideration.

7.3.3 The purchaser will pay a contribution towards the Council's professional surveyor and legal fees related to the disposal as detailed in Exempt Appendix 2.

7.3.4 Upon exchange of contracts the purchaser will pay a non-refundable deposit of 10% as set out in Exempt Appendix 2.

7.4 Procurement Implications

7.4.1 N/A.

7.5 Human Resources Implications

7.5.1 In line with the wider CAB Reduction savings initiative and the recent round of targeted voluntary redundancies it is not anticipated that the closure will have any significant impact on staff in building and facilities management roles, remaining staff being redeployed to other buildings etc.

7.5.2 In light of the above and on account of the likely delay between the closure of the building, the completion of the sale and then the reoccupation by the purchaser for a different use, it is envisaged that TUPE regulations will be unlikely to apply to any Council officers employed at the date of transfer.

7.5.3 It is recognised that a significant proportion of Council employees have Woodcock Street referenced as their main administration base, consultation has commenced in respect of engaging with these staff in respect of re-provision arrangements in terms of accommodation and as such this will need to be addressed in terms of providing an alternative administrative centre which in most instances is likely to be the Council House.

7.6 Public Sector Equality Duty

7.6.1 An Equality Assessment has been carried out in connection with the building closure and the other space reductions applicable to the CAB portfolio and this document is attached at Appendix 5. This identifies no adverse impacts on any groups protected under the Equality Act 2010.

7.6.2 As referenced in the consultation section of this paper a number of relevant services have worked collaboratively to ensure that all building users with reasonable adjustment requirements who may have had dedicated and/or specialist provision in the Woodcock Street facility are enabled to continue to work effectively from the revised accommodation profile post any building closure and disposal.

8 Appendices

8.1

- Appendix 1 – Plan
- Exempt Appendix 2 – Private Report
- Exempt Appendix 3 – Heads of Terms
- Exempt Appendix 4 - Agent report
- Appendix 5 - Equality Assessment
- Exempt Appendix 6 - Overview and Scrutiny Pre Decision Summary 12 June 2024.
- Appendix 7 – Ward Member Consultation Public
- Exempt Appendix 8 – Ward Member Consultation