

Birmingham City Council

Report to Cabinet

26th May 2020



Subject: DISPOSAL OF 'THE CHAMBERLAIN BUILDINGS', CORPORATION STREET

Report of: INTERIM DIRECTOR INCLUSIVE GROWTH

Relevant Cabinet Member: Councillor Ian Ward – Leader of the Council

Relevant O &S Chair(s): Councillor Lou Robson – Economy and Skills
Councillor Sir Albert Bore – Resources

Report authors: Ian Chaplin, Head of Investment Property Management:
Email: ian.chaplin@birmingham.gov.uk Tel: 0121 303 2650

Are specific wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No – All wards affected
If yes, names of wards: Ladywood.		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: is 007189/2020.		
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
Exempt Appendices 3 and 4 - Exempt Information paragraph 3 Information relating to the financial or business affairs of any particular person (including the council).		

1 Executive Summary

- 1.1 This report provides information on the outcome of the informal tender process for the disposal of 'The Chamberlain Buildings' as one of the second phase disposals detailed in the Disposal of Surplus Properties report approved by Cabinet on 25th June 2019. This report seeks approval to the subsequent disposal of The Chamberlain Buildings, Corporation Street, Birmingham, as shown edged black on the plan attached at Appendix 1 on a long-leasehold basis.
- 1.2 Exempt Appendices 3 and 4 contain confidential commercially sensitive information which could impact on the tender process.

2 Recommendations

- 2.1 Approves the long-leasehold disposal (250-year lease) of the Council owned properties collectively known as The Chamberlain Buildings, at the highest recommendable offer as detailed in Exempt Appendix 3.
- 2.2 Authorises the Assistant Director Property Services to revert to the under bidders where appropriate should the recommended disposal not proceed to completion.
- 2.3 Delegates approval of the final disposal terms agreed under 2.2 above to the Leader of the Council in consultation with the Assistant Director Property Services.
- 2.4 Authorises the City Solicitor to negotiate, execute and complete all relevant documentation to give effect to the above recommendation.

3 Background

- 3.1 The strategic approach to the disposal of these properties was outlined in a report of the Director, Inclusive Growth entitled Property Strategy 2018/19-2023/24 (the Property Strategy) approved by Cabinet in November 2018. 'The Chamberlain Buildings' (which comprise Coleridge Chambers, Ruskin Building and King Edward Building) were declared surplus in the City Centre Chamberlain Buildings report approved by Cabinet on 28th June 2016.
- 3.2 The Chamberlain Buildings lie within the Steelhouse Lane Conservation Area and comprise two Grade II Listed buildings (Coleridge Chambers and Ruskin Building) together with King Edward Building (considered a heritage asset which positively contributes to the Conservation Area). The Chamberlain Buildings lend themselves to a mix of uses as currently occupied and have potential for upper floor conversion to residential or hotel use. As Listed Buildings located within the Conservation Area, prevailing planning policy restricts development in accordance with the Birmingham Development Plan.
- 3.3 The Chamberlain Buildings were offered for sale to the open unrestricted market through a two-stage informal tender process in the Birmingham Sites Prospectus 2 (June 2019). To assist prospective bidders, planning workshops were held to facilitate discussion and provide guidance and advice in relation to potential development proposals. First stage heritage bids were invited by 15th July 2019 and those bids satisfying the heritage criteria were invited to submit financial bids on a conditional (subject to planning) basis by 27th September 2019.
- 3.4 All offers received were reviewed and evaluated based on the level of financial offer, the proposed scheme plan/layout and the bidders' previous experience in dealing sympathetically with heritage assets. A panel comprising officers from Property and Legal Services reviewed and evaluated the offers.

- 3.5 The tender report detailing the outcome of the process is appended as Exempt Appendix 4 and provides confidential tender information.
- 3.6 The Chamberlain Buildings were marketed on an unrestricted basis to provide the maximum return to the Council and to ensure any development proposals brought forward by the successful bidder will be protected by the prevailing planning policy. Listed Buildings and properties located within Conservation Areas must be protected and mitigated as a result of any development in accordance with the Birmingham Development Plan.
- 3.7 The recommended disposal represents best consideration and has been validated by the Assistant Director Property Services based upon analysis of the offers received.
- 3.8 The Chamberlain Buildings form part of the Council's existing commercial property portfolio. The disposal will generate a capital receipt which will be earmarked for reinvestment into the Investment Portfolio in line with the stated aims of the Property Investment Strategy (approved by Cabinet on 31st July 2019). Working with the Council's recently appointed external investment advisor, future investment opportunities identified will need to meet the criteria outlined in the Property Investment Strategy to replace and exceed the income lost from the disposal of existing commercial properties.

4 Options Considered and Recommended Proposal

- 4.1 **Option 1 – Do Nothing:** Not proceeding with the disposal would mean not realising a capital receipt from the sale of the surplus asset.
- 4.2 **Option 2 – Proceed with the Sale:** The disposal of the Chamberlain Buildings will generate a capital receipt and remove an ongoing management liability to the Council. Disposal of the Chamberlain Buildings will promote private investment into the city region economy.

5. Consultation

- 5.1 The relevant ward members have been consulted and Councillor Bore as ward member for Ladywood Ward commented "I presume the disposal is on a leasehold basis and, if so, I can support the recommendations. This part of the city centre will be the focus of much investment/development opportunity in 10+ years". Councillor Hartley was also consulted but has not commented.
- 5.2 No other comments have been received in relation to the contents of this report. The detail of consultation is set out in Appendix 2 of this report.

- 5.3 Letters were sent to the tenants of 'The Chamberlain Buildings' to inform them of the proposed marketing process on 7th May 2019. Otherwise no external consultation has taken place regarding the contents of this report.

6. Risk Management

6.1 *Inability to meet property market timelines:*

To meet the expectations of the prevailing property market the Council has committed to deliver a second programme of land and property sales in accordance with the delivery milestones set out in the Birmingham Sites Prospectus 2 (June 2019). Approval of this report will support adherence to these milestones and enable earmarked capital receipts to be realised.

6.2 *Interim reduction in existing rental income:*

The disposal of assets will impact upon existing rental income budgets. The reduction in rental income from this disposal is detailed in the finance section below. Associated mitigation measures are noted in paragraph 7.3.4 of the finance section of this report.

7. Compliance Issues:

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

7.1.1 The Property Strategy is aligned with the strategic outcomes outlined in the Council Plan 2018-2022 (as updated in 2019); to create a city of growth where every child, citizen and place matters. Delivery of the Property Strategy (including the disposal of surplus assets on the open market and earmarking capital receipts from the Investment portfolio for reinvestment) will help to support the aims of making Birmingham an entrepreneurial city to learn, work and invest in.

7.1.2 The Birmingham Development Plan and Birmingham Connected support the reduction of carbon emissions to mitigate against climate change in planning and development, sustainable transport and parking. Any development proposals brought forward will be in accordance with the Birmingham Development Plan and in the context of Birmingham Connected encouraging the increased use of public transport, walking and cycling.

7.1.3 As the largest local authority in the country with the biggest property portfolio, the Council has an opportunity to utilise its property and land assets in a strategic way to deliver its priorities.

7.1.4 The Property Strategy (supported by the Property Investment Strategy approved by Cabinet on 31st July 2019) outlines a medium to long term strategic approach in terms of the way in which the City Council will utilise

its commercial property assets to ensure a balanced delivery of maximised commercial and social returns. Re-aligning the Council's commercial property portfolio will provide a catalyst for development and underpin the social fabric of communities across the city.

7.2 Legal Implications

7.2.1 The power to hold, appropriate and dispose of land is contained in Sections 120 - 123 of the Local Government Act 1972.

7.2.2 Section 1 of the Localism Act 2011 contains the Council's general power of competence 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 information in Exempt Appendices 3 and 4 is commercially sensitive with regard to the tender process. Exempt information is set out in section 12A of the Local Government Act 1972 (as amended) and includes information relating to the financial or business affairs of any particular person (including the council). The exempt appendices are considered to be in the public interest as they contain commercially sensitive information of a financial or business nature, which if disclosed to the public could be prejudicial to a named, individual or company.

7.3 Financial Implications

7.3.1 All offers received are detailed in the tender report attached as Exempt Appendix 4. Any unconditional offers received will be required to exchange contracts within six weeks and pay a 10% deposit, with the balance of the purchase monies payable 28 days thereafter.

7.3.2 The purchasers will be responsible for paying the Council's reasonable surveyors and legal fees.

7.3.3 The disposal will generate a capital receipt which will be earmarked for reinvestment into the Investment Portfolio in line with the stated aims of the Property Strategy and Property Investment Strategy and subject to Capital Board approval. To this end Cabinet approved the Property Investment Strategy on 31st July 2019 (Exempt Appendix 3 provides the detailed financial information).

7.3.4 Disposal of the Chamberlain Buildings will initially result in a reduction in net rental income of £0.352m per annum. This short-term loss of income will be mitigated by the allocation of the capital receipt generated by the disposal to either acquire better performing assets or for re-investment in the retained estate to generate increased returns. To this end the Council

has recently appointed an external investment advisor in order to support identification and progression of future investment opportunities.

Address	Ward / Portfolio	Tenure	Gross Rental Income 2018/19 £	Gross Expenditure 2018/19 * £	Net Rental Income Foregone £
The Chamberlain Buildings, Corporation Street, Birmingham.	Ladywood Commercial Portfolio	Leasehold disposal subject to all existing tenancies	(429,547.66)	77,256.84	(352,291.66)
Totals			(429,547.66)	77,256.84	(352,291.66)

* Gross expenditure comprises the total annual management cost associated with holding the asset, including costs of such items as necessary repairs, staff time/costs, statutory maintenance, void business rates and bad debt provision.

7.4 Procurement Implications

7.4.1 N/A

7.5 Human Resources Implications

7.5.1 Internal professional property, legal and planning resources only have thus far been utilised to deliver the programme of disposals generated by Birmingham Sites Prospectus 2.

7.6 Public Sector Equality Duty

7.6.1 The Birmingham Sites Prospectus 2 (June 2019) disposals programme has been undertaken in accordance with the stated aims of the Property Strategy and the Property Investment Strategy. The Property Strategy is a policy document setting out the strategy principles associated with property assets and at this stage there are no specific implications. An Equality Assessment Ref No. EQUA368 dated 12th September 2019, is attached as Appendix 5. The assessment confirms there is no adverse impact on the characteristics and groups protected under the Equality Act 2010 and a full Equality Assessment is not required for the purpose of this report.

8. Appendices

Appendix 1 (Site Plan)

Appendix 2 (Ward Member Consultation)

Exempt Appendix 3

Exempt Appendix 4 – Tender Report

Appendix 5 (Equality Assessment)

9. Background Documents

9.1 Property Strategy 2018/19-2023/24 – Cabinet report 13th November 2018

9.2 Property Investment Strategy – Cabinet report dated 31st July 2019