

# Birmingham City Council

## Report to Cabinet Committee - Property

29 February 2024



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**Subject:** Sale Of the Brasshouse, 50 Sheepcote Street, Birmingham, B16 8AJ

**Report of:** Strategic Director for Place, Prosperity, and Sustainability – Paul Kitson

**Relevant Cabinet Member:** Cllr John Cotton - Leader of the Council

**Relevant O & S Chairs:** Councillor Jack Deakin, Finance and Resources, Councillor Akhlaq Ahmed, Economy and Skills

**Report Author:** Azmat Mir MRICS Registered Valuer  
Head of Valuation and Sales  
0121 303 3298 / azmat.mir@birmingham.gov.uk

Are specific wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Ladywood		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 011780/2023		
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
Exempt Appendices 2, and 3 contain sensitive commercial information on the sale price and valuation. 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)		

## 1 Executive Summary

- 1.1 This report seeks authority for the sale of the surplus Council owned land and property "The Brasshouse", 50 Sheepcote Street, Birmingham, B16 8AJ by the grant of a new lease, at a premium.
- 1.2 The subject property has a site area of 2762 sqm approximately and is shown edged bold on the attached plan at Appendix 1.

## 2 Recommendations:

- 2.1 Authorises the Assistant Director of Investment & Valuation to conclude a conditional on planning sale of the surplus Council owned property, "The Brasshouse", 50 Sheepcote Street, Birmingham, B16 8AJ ("the Property") as shown edged bold on attached plan at Appendix 1, and extending to 2762 sqm, by the grant of a new 250 year lease to the Purchaser" as detailed in Exempt Appendix 2.
- 2.2 Notes that the purchaser will also pay a contribution towards the Council's surveyor and legal costs, as detailed in Exempt Appendix 2.
- 2.3 Authorises the City Solicitor to prepare, negotiate, execute and complete all relevant legal documentation to give effect to the above.

## 3 Background

- 3.1 The Property is situated within a locality of residential and commercial uses close to the city centre. The property is currently vacant, having most recently been used by the Council as office accommodation.
- 3.2 The Property was declared surplus by Cabinet on 22<sup>nd</sup> March 2016, under a report entitled "Disposal of Surplus Properties".
- 3.3 The property was under consideration for development by the Council's Birmingham Municipal Housing Trust (BMHT) for a period until the property was again released for sale due to it being considered unviable to deliver housing at this location.
- 3.4 Following the appointment of marketing agents, Jones Lang Lasalle, the property was offered for sale to the open unrestricted market by informal tender with a closing date of 9<sup>th</sup> June 2021. The outcome of this tender process was reported to Cabinet on 14<sup>th</sup> December 2021. Unfortunately, despite best endeavours the buyers were unable to progress their purchase due to withdrawal of their funding source.
- 3.5 Following a review of market sentiment and demand for development opportunities of this type, the decision was taken to remarket the property, again by informal tender with a closing date of 5<sup>th</sup> July 2023.
- 3.6 Tenders were invited on either an unconditional or conditional (subject to planning only) basis, and detailed planning guidance was produced to support and inform the process.

- 3.7 Under the terms of a conditional sale the Purchaser will be required to proceed to an exchange of contracts within six weeks of acceptance of the offer, with completion to take place upon the obtaining of satisfactory planning consent, within 18 months of exchange to allow for an appeals process.
- 3.8 The outcome of the tender process, tenders received and recommendations for sale are detailed at Exempt Appendix 2 and in Jones Lang Lasalle's Disposal Strategy Report at Exempt Appendix 3, which also includes an estimate of value of the Property, pre-sale.
- 3.9 The proposed sale represents best consideration and has been validated by Jones Lang Lasalle and the Assistant Director of Investment & Valuations, based upon analysis of the bidders' proposals. The offer represents the least risk to the Council in terms of deliverability and overall conditionality.

#### **4 Options Considered and Recommended Proposal**

- 4.1 **Option 1 - Do Nothing.** The Council is under no obligation to proceed with the proposal and would suffer no reputational consequences if it did not proceed. It would not, however, be in line with the aims of the Property Strategy or the external advice obtained to support delivery of the Strategy. The negotiated capital receipt would not be realised at this time and would not be available to fund the City Council's transformation programme and there would be no guarantee of a future opportunity.
- 4.2 **Option 2 – Property Retained for Reuse and / or Development by the Council.** In accordance with the Council's surplus property procedures, the property prior to being offered for sale on the open market, has been considered for potential internal reuse, and / or development by the Council to support its business priorities, with no interest expressed or identified.
- 4.3 **Option 3 – Proceed with Agreed Transaction.** It is recommended to proceed with the transaction outlined in this report, in line with the aims of the Property Strategy and the external advice obtained to support delivery of the Strategy, to deliver a capital receipt to fund the Council's transformation programme and remove the Council management obligation.

#### **5. Consultation**

- 5.1 The transaction is recommended by the Council's external agent Jones Lang Lasalle as detailed in the Disposal Strategy Report at Exempt Appendix 3.
- 5.2 The Ladywood ward members have been notified of the proposed sale of this property.

#### **6. Risk Management**

- 6.1 To meet the expectations of the prevailing property market, the Council has committed to deliver this sale in accordance with delivery milestones set out in the particulars of

sale. Failure to meet these milestones would result in a potential loss of the capital receipt.

## **7. Compliance Issues:**

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

7.1.1 The proposed sale transaction and generation of a capital receipt supports the Financial Plan 2021-2025 by generating resources and thus helping to achieve a balanced budget.

7.1.2 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, and maximising the opportunity of the Commonwealth Games.
- Inclusive: through empowered citizens, looking after vulnerable children, supporting young people to fulfil potential, and promoting diversity, opportunities, and culture.
- Safe: through tackling of anti-social behaviour & hate crime, housing provision and addressing homelessness, and improving living environments, civic pride & culture.
- Healthy: through the 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.

7.1.3 Whilst the property is not specifically identified in the approved Birmingham Property Strategy 2018-2023, the recommendations of this report fully support the Strategy's aims.

## **7.2 Legal Implications**

7.2.1 Sections 120-123 of the Local Government Act 1972 authorises the Council to acquire, appropriate and dispose of land. The disposal power in Section 123 of the Local Government Act 1972 is subject to the best consideration test. The Assistant Director of Investment & Valuations has confirmed that the recommended sale, as detailed in Exempt Appendices 2 and 3, represents best consideration and satisfies the Council's obligations under Section 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, 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 and 3 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 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 As confirmed in paragraph 3.9 the Assistant Director of Investment & Valuations and external advisors consider this proposed sale represents best consideration based upon analysis of the bidders' proposals.

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

7.3.4 Upon exchange of contracts the purchaser will pay a nonrefundable deposit as set out in Exempt Appendix 2.

7.3.5 The purchase price, including any contribution to the Council's costs, is exclusive of VAT.

### **7.4 Procurement Implications**

7.4.1 N/A

### **7.5 Human Resources Implications**

7.5.1 Internal resources are used to evaluate and execute the transaction and external consultants have been used to provide an independent assessment of value and sale recommendation.

## **7.6 Public Sector Equality Duty**

7.6.1 An Equality Assessment has been carried out EQUA764 dated 26<sup>th</sup> September 2023 and is attached at Appendix 4. This identifies no adverse impacts on any groups protected under the Equality Act 2010.

## **8. Appendices**

8.1 List of Appendices accompanying this Report (if any):

- Appendix 1 – Sale of the Brasshouse - Site Plan
- Exempt Appendix 2 – Sale of Brasshouse Recommendation Report
- Exempt Appendix 3 – Brasshouse Disposal Strategy Report by Jones Lang Lasalle
- Appendix 4 – Equality Impact Assessment EQUA000764

## **9 Background Documents**

- Disposal of Surplus Properties (Approved by Cabinet – March 2016)
- Property Strategy (Approved by Cabinet – November 2018)
- Sale of The Brasshouse, 50 Sheepcote Street, Birmingham B6 8AJ (Approved by Cabinet – December 2021)