

Birmingham City Council

Report to the Leader of the Council jointly with Director, Inclusive Growth

[June 2019]



Subject: Sale: Summer Hill House Summer Hill Terrace City Centre
Birmingham B1 3RA

Report of: Assistant Director - Property

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

Relevant O &S Chair(s): Councillor Tahir Ali, Economy and Skills O&S Committee

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Are specific wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s): Soho and Jewellery Quarter		
Is this a key decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, add Forward Plan Reference:		
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 , provide exempt information paragraph number or reason if confidential: Exempt Appendix 1 - Proposed Sale Terms and Tender Evaluation Exempt information 12A of the Local Government Act 1972 (as amended) 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 property, Summer Hill House, Summer Hill Terrace, City Centre, Birmingham B1 3RA by the grant of a new lease at a premium to Claremont Land & New Homes Limited.
- 1.2 The subject property has a site area of 2912 sqm approximately and is shown edged black on the attached plan at Appendix 1.

- 1.3 This report supersedes the previous report under CMIS Reference 006599. The detail report is unchanged save as to revised commercially confidential details relating to the proposed terms of the transaction set out within Exempt Appendix 1.

2 Recommendations

- 2.1 Authorises the Assistant Director of Property to negotiate the grant of a new lease at a premium, plus the payment of the Council's surveyor's fee and legal costs, as detailed in Exempt Appendix 1.
- 2.2 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 subject property was declared surplus in a report of the Corporate Director Economy to Cabinet entitled "Property Strategy 2018/19-2023/24 (The Property Strategy) including First Phase Projects" in November 2018. The report also approved the subject property being offered for sale.
- 3.2 The property has subsequently been offered for sale to the open unrestricted market by informal tender with a closing date of 4th January 2019, as part of the Birmingham Sites Prospectus (Nov 2018).
- 3.3 Tenders were invited on either an unconditional or conditional (subject to planning only) basis.
- 3.4 By the closing date a total of 13 offers had been received.
- 3.5 The offers received were reported to Cabinet on 5th March 2019 within a report entitled "Property Prospectus – Tenders", with a recommendation to accept the highest unconditional offer. Unfortunately, this offer was withdrawn immediately post Cabinet.
- 3.6 In accordance the recommendations of the March 2019 Cabinet report, officers have invited best and final unconditional offers from the under bidders by a closing date of 29th March 2019.
- 3.7 Under the terms of an unconditional sale the purchaser will be expected be required to proceed to an exchange of contracts within 6 weeks of acceptance of offer with sale completion 28 days thereafter.
- 3.8 The outcome of the tender process and recommendations for sale are detailed in Exempt Appendix1.

4 Options considered and Recommended Proposal

- 4.1 Not to proceed would mean not realising a capital receipt from the sale of a surplus asset
- 4.2 The sale of this surplus asset will remove an ongoing management liability to the Council

- 4.3 The sale of the property will promote opportunity for private investment into the City region economy
- 4.4 The recommended sale terms detailed in the Exempt Appendix 1 represent best consideration and have been validated by the Assistant Director of Property based on an analysis of the offers received.

5 Consultation

5.1 Internal

- 5.1.1 The Leader of the Council has been consulted regarding the contents of the report, and is supportive of the report proceeding to an executive decision.
- 5.1.2 The relevant Ward Members have been consulted with no objections to the report's recommendations received. A record of this consultation is detailed in Appendix 2.
- 5.1.3 The relevant officers from Inclusive Growth, Finance, and Legal & Governance Directorates have been involved in the preparation of this report.

5.2 External

- 5.2.1 No external consultation has taken place regarding the content of this report.

6 Risk Management

- 6.1 Inability to meet the current expectations of the property market: To meet the expectations of the prevailing property Market, the Council has committed to deliver this sale in accordance with the Delivery Milestones set out in the Birmingham Sites Prospectus (Nov 2018). Adherence to these milestones will ensure a sale receipt being realised as early as July 2019.

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 – to create a city of inclusive growth where every child, citizen and place matters. The Property Strategy will help make Birmingham: a great city to learn, work and invest in; a great city to grow up in; a great city to age well in; a great city to live in; and for residents to gain maximum benefit from hosting the Commonwealth Games.
- 7.1.2 As the largest local authority in the country with the biggest property portfolio we have the opportunity to utilise the Council's property and land assets in a strategic way to deliver our priorities.

- 7.1.3 The Property Strategy takes a medium to long term strategic approach to how we utilise our unique asset base and will ensure a balanced delivery of maximised commercial and social returns. Re-aligning the Council's property 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 Exempt information 12A of the Local Government Act 1972 (as amended) 3. Information relating to the financial or business affairs of any particular person (including the Council). Exempt Appendix 1 is considered to be in the public interest as it contains 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.

7.3 Financial Implications

- 7.3.1 The disposal of this surplus asset will generate capital receipts for the Council to help support the Council Plan 2018-2022, and contribute to key business priorities.
- 7.3.2 Income generated from property will be treated in accordance with the Capital Board and Treasury Management guidelines. An Investment Property Strategy report will be produced annually for approval by Cabinet.
- 7.3.3 The property forms part of the Non-Investment Portfolio, and the capital receipts from the sale of this assets will be available to the Council's Capital Programme. It is to be noted that the sale of this asset will remove a current annual void property liability of £51,000.

7.4 Human Resources Implications (if required)

- 7.4.1 Internal professional property, legal and planning resources will be utilised to deliver this sales.

7.5 Public Sector Equality Duty

- 7.5.1 The proposed sales programme will be undertaken in accordance with the Property 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.

EQUA124 dated 25th September 2019, is attached as Appendix 3. 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

- 8.1 Appendix 1 – Site Plan
- 8.2 Appendix 2 – Ward Member Consultation
- 8.3 Appendix 3 - Equality Assessment
- 8.4 Exempt Appendix 1 – Proposed Sale Terms and Tender Evaluation

9 Background Documents

- 9.1 Property Strategy 2018/19-2023/24
- 9.2 Birmingham Sites Prospectus (Nov 2018)