

Birmingham City Council

Report to Cabinet Committee - Property

18th December 2024



Title:	SALE OF FREEHOLD – LAND AT CRANBY ST & ADDERLEY RD, BIRMINGHAM B8 1JU
Lead Member:	Councillor Sharon Thompson, Deputy Leader and Economy and Skills
Relevant Overview and Scrutiny Committee:	Economy, Skills and Culture
Has this report been shared with the relevant Overview and Scrutiny Committee Chair?	Yes
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Authorised by:	Philip Nell – Strategic Director Place Prosperity & Sustainability Directorate
Is this a Key Decision?	No Forward Plan Reference: N/A
Reason(s) why not included on the Forward Plan and confirm who has authorised it to be considered:	N/A
Is this a Late Report?	N/A
Reason(s) why Late and confirm who has authorised it to be considered:	N/A
Is this decision eligible for ‘call in?’	Yes
If ‘call-in’ has been dis-applied, please provide reason(s) and confirm who has authorised:	N/A
Wards:	Alum Rock

Does this report contain exempt or confidential information?

Yes

Please delete both the section 'Exempt Information' and 'Confidential Information' if answered 'No' above. If only completing one of the sections below, please delete the other.

Exempt Information

Exempt Appendices 2,3,4 and 5 are exempt from disclosure by virtue of the following Paragraphs of schedule 12A to the Local Government Act, 1972 as amended: (please select the relevant criteria and delete otherwise).

- 3. Information relating to the financial or business affairs of a particular person (including the authority holding that information).

All exempt and/or confidential information must be provided using the exempt template and attached as an appendix to the report.

Has this decision been included on the Notification of Intention to consider Matters in Private? Yes

Reasons why not included on the Notification and confirm who has authorised it to be considered: N/A

1 EXECUTIVE SUMMARY

- 1.1 This report seeks authority for the sale of the Council's freehold interest in the Site at Cranby Street & Adderley Road, Birmingham B8 1JU to a successful bidder following marketing and a tender process.
- 1.2 The property has a site area of approximately 0.62 acres and is shown identified edged red on the attached plan at Appendix 1.
- 1.3 The recommendations contained in this report, and Exempt Appendices 2, 3 and 4 set out the provisionally agreed terms, and are fully in line with the Council's wider ambitions and plans for financial stability and income generation.

2 COMMISSIONERS' REVIEW

- 2.1 Commissioners support the recommendations.

3 RECOMMENDATIONS

That the Committee:

- 3.1 Authorises the Director of Property & Investment to conclude the sale of the property on the recommended terms as set out in Exempt Appendix 3 refer to Guidance
- 3.2 Authorises the City Solicitor to prepare, negotiate, execute, and complete all relevant legal documentation to give effect to the above.

4 KEY INFORMATION

Context

- 4.1 The subject site comprises of a predominantly flat, concrete covered area, surrounded by unmaintained grass verge and a small area of generally uneven, open land. The entirety of the site has deteriorated significantly due to being vacant for a number of years and has previously been illegally occupied on a number of occasions to the detriment of its upkeep. The site has also encountered a number of instances of antisocial behaviour, including fly tipping.
- 4.2 The property is owned freehold by the City Council and currently vacant land. There is no income attached to the site. Surrounding holdings of City Council commercial ownership have been disposed of in recent years in support of the Property Strategy and the Property Investment Strategy and this site represents one of the few remaining elements.
- 4.3 Following a comprehensive review of the Council's Commercial Property Portfolio, supported by appointed advisors (Avison Young) in 2020, The Council's interest in this property has been identified for potential sale. Therefore, in accordance with agreed process, Avison Young (on behalf of the City Council) have offered the property to the market via tender. An appropriate bid was

received and associated terms negotiated for the sale of the Council's freehold interest in the land have been offered and negotiated.

4.4 The negotiated settlement offer represents the best recommendable deal based on all of the market forces and surrounding circumstances and has been supported by our agents as being the best available.

4.5 The agreed Heads of Terms are outlined in Exempt Appendix 3. The transaction will generate a Capital Sum and will contribute to the City Council's Financial Recovery Plan 2024. The subject site does not currently generate an income but a potential Estimated Rental Value will be lost to the City Council. Given the priority to generate capital receipts to support the Council's Financial Recovery Plan, provision for loss of this income is being provided in the MTFP as a pressure to rebase the income budget.

Proposal and Reasons for Recommendations

4.6 To accept the recommendations outlined in Exempt Appendix 2 of this report on the basis the sale of this property to the recommended bidder is consistent with the aim to maximise the capital receipt from the disposal of parts of the Commercial Property Portfolio that are seen as a potential future income risk and assets that are not recommended for retention.

4.7 The site was subjected to the open market via a tender process operated by our appointed agents. A viable offer was received and provisional terms agreed with the successful bidder. The recommended sale demonstrates the requirement to achieve best consideration under Section 123 of the Local Government Act 1972 and is regarded as the best achievable in the market by our appointed agents (Avison Young).

4.8 The capital sum generated will directly contribute to the Council's Financial Recovery Plan 2024 targets in relation to the maximisation of revenue from assets which and no longer deemed as beneficial to be held within the Council's commercial property portfolio.

Other Options Considered

4.9 **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 Council expenditure, with there being no guarantee of a future market opportunity. The property is not allocated, nor does it have planning consent for an alternative use and is therefore not an immediate development opportunity. The property does not have an obvious alternative use which would benefit the Council.

- 4.10 **Option 2 – Disposal for Development/Retention for Development.** The positioning and the nature of the land is expected to lead to regeneration of the site and the level of bid supports this view. Retention for City Council development was considered but rejected due to the relatively small site in terms of ownership portfolio deficiencies and restricted use. Housing development would not be supported in this location.
- 4.11 **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 and help the Council's Financial Recovery Plan. The sale to the bidder will provide the ability to invest in the asset and secure/create jobs.

5 RISK MANAGEMENT

- 5.1 The risks associated with not proceeding are the usual commercial risks which arise when holding a vacant site such as security, clearance costs, maintenance, repairs and increased management time in both the active management of the site and the marketing of the property.
- 5.2 The risk of not proceeding in relation to the Capital sum are in relation to potential market reduction and the lost opportunity to generate a capital receipt (at a level recommend by a market leading agent) to go towards the Council's Financial Recovery Plan 2024.
- 5.3 There has previously been little interest in the land from a rental aspect and the potential income level would not alter the recommendation for sale of the site. Any proposed letting would likely be at nominal value and require market inducements to attract a potential occupier. The site has been vacant for a significant number of years and has been subject to repeated acts of antisocial behaviour, vandalism and illegal occupation which the City Council has had to resolve, requiring both capital resource and officer time in various directorates.

6 CONSULTATION

- 6.1 The Property Investment Board comprising officers from Investment & Valuation, Finance and Legal recommends proceeding with the transaction.
- 6.2 The Ward Councillor was initially notified on 14th March 2023 and has contacted us regarding the site subsequently. No further external consultation is necessary for this commercial transaction.

7 MEMBER ENGAGEMENT

Ward Councillor(s)

- 7.1 The Alum Rock ward members have been notified of the proposed sale of this property and were supportive of a sale to a local tenant organisation who intended to use the site as an open Car Park. This potential use was not supported by the

Planning Directorate and does not align with the Future City Masterplan which designates the site as being for industrial use. The prospect of the site being used for car parking was also opposed by the Cabinet Member for Transport as being against the aims of the Birmingham Transport Plan.

Overview and Scrutiny

- 7.2 The report has been notified to the chair of the Overview and Scrutiny Committee.

Other

- 7.3 N/A

8 IMPACT AND IMPLICATIONS

Finance and Best Value

- 8.1 The transaction will generate a capital receipt for the Council, as set out in Exempt Appendix 2.
- 8.2 The property is not currently subject to an annual rental and no immediate loss will be incurred by the City Council. Any potential rental income will not be achieved. Provision is being made in the Financial Plan 2024 to adjust the commercial portfolio income budget for disposals under the programme. The use of the capital receipt from this specific asset is intended to go towards the City Council's Financial Recovery Plan 2024 to ensure a balanced budget and prioritise the generation of capital receipts.
- 8.3 As the site is not currently let all holding costs related to the asset are the responsibility of the City Council, together with the additional BCC officer time incurred in managing the land. Whilst there has been no specific repair outlay on the land, the site is in poor state and is currently unsecured which has led to repeated antisocial behaviour and trespass. Officer time management costs are not specifically recorded or measured currently.
- 8.4 The purchaser will pay a contribution towards the City Council's professional costs related to the disposal as detailed in Exempt Appendix 2.
- 8.5 The purchase price, including any contribution towards the City Council's professional costs relating to the disposal, is exclusive of VAT. However, as the City Council has not opted to tax the site, nor intends to do so prior to the disposal, VAT is not chargeable on the purchase price.

Legal

- 8.6 Sections 120 - 123 of the Local Government Act 1972 authorises the Council to hold, 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 Director of Property & Investment has confirmed that the recommended letting, as detailed

in Exempt Appendices 2, 3 and 4 represents best consideration and satisfies the Council's obligations, under Section 123 of the Local Government Act 1972.

- 8.7 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 powers in relation to the discharge of its functions including the disposal and acquisition of property and incurring of expenditure.
- 8.8 The Local Government Act 2003 and guidance issued under it authorises the Council's investment management functions.
- 8.9 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, 4 and 5 are considered to be exempt as they 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.

Equalities

- 8.10 An Equality Assessment has been carried out (EIA000858 dated 22/10/2024) and is attached at Appendix 6. This identifies no adverse impacts on any groups protected under the Equality Act 2010.

Procurement

- 8.11 N/A

People Services

- 8.12 N/A

Climate Change, Nature and Net Zero

- 8.13 N/A

Corporate Parenting

- 8.14 N/A

Other

- 8.15 N/A

9 APPENDICES

- 9.1 List of Appendices accompanying this report:

Appendix 1 – Site Plan

Exempt Appendix 2 – Exempt Information Report

Exempt Appendix 3 – Heads of Terms

Exempt Appendix 4 – Agent Recommendation Report

Exempt Appendix 5 - Decision Matrix

Appendix 6 – Equality Impact Assessment EIA000858

10 BACKGROUND PAPERS

10.1 Property Strategy (Approved by Full Cabinet – November 2018)

10.2 Property Investment Strategy (Approved by Full Cabinet – July 2019)