

Birmingham City Council

Report to Cabinet Committee- Property

24 October 2024



Title:	THE BRASSHOUSE, SHEEPCOTE STREET BIRMINGHAM B16 8AE
Lead Cabinet Portfolio:	Councillor Thompson the Deputy Leader and Cabinet Member for Economy and Skills
Relevant Overview and Scrutiny Committee:	Economy, Skills and Culture
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Authorised by:	Philip Nell, Strategic Director Place Prosperity & Sustainability Directorate
Is this a Key Decision?	Yes
If this is a Key Decision, is this decision listed on the Forward Plan?	Yes – 013026/2024
Reason(s) why not included on the Forward Plan:	Not Applicable.
Is this a Late Report?	No
Reason(s) why Late:	Not Applicable.
Is this decision eligible for ‘call in?’	Yes
If not eligible, please provide reason(s):	Not Applicable.
Wards:	Ladywood

Does this report contain exempt or confidential information?

Yes

Exempt Information

Exempt Appendices 2, 3 and 4 are exempt from disclosure by virtue of the following Paragraphs of schedule 12A to the Local Government Act, 1972 as amended:
Paragraph 3 - Information relating to the financial or business affairs of a particular person (including the authority holding that information).

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

Reasons why not included on the Notification: Not Applicable.

1 EXECUTIVE SUMMARY

- 1.1** This report updates the Cabinet Committee Property following the previous report on this matter on the 28th of March 2024 and 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 approximately 2762m² (0.68 acres) and is shown edged bold black on the attached plan at Appendix 1.
- 1.3** The recommendations contained in this report and the Exempt Appendices 2, 3 and 4 will generate a capital receipt supporting the Council’s Financial Recovery Plan by generating resources and thus helping to achieve a balanced budget.
- 1.4** Options for this land have been fully considered and the sale of the site provides the best outcomes for the city as detailed in Exempt Appendix 2.

2 COMMISSIONERS’ REVIEW

- 2.1** Commissioners would wish to highlight the significant delay between the decision to dispose of the site in March 2016 and the five years taken by BMHT to assess the viability of developing the site, before it was then first marketed in 2021.

3 RECOMMENDATIONS

That Cabinet Committee Property

- 3.1** Authorises the Assistant Director of Investment & Valuation to conclude an unconditional sale of the surplus Council owned property, by the grant of a new 250 year lease to “the Purchaser” as detailed in Exempt Appendices 2 and 3.
- 3.2** Note that the purchaser will also pay a contribution towards the Council’s surveyor and legal costs, as detailed in exempt appendix 2.
- 3.3** Authorises the City Solicitor to prepare, negotiate, execute and complete all relevant legal documentation to give effect to the above.

4 KEY INFORMATION

4.1 Context

The Property comprises a four storey office premises fronting Sheepcote Street, located on the south west side of the city centre, 0.3 miles east of Five Ways in an area of residential and commercial use.

- 4.2** The property is owned freehold by the City Council and is currently vacant, having most recently been used by the Council as office accommodation.

- 4.3** The Property was declared surplus by Cabinet on 22nd March 2016, under a report entitled “Disposal of Surplus Properties”. The property was under consideration for development by the Councils BMHT for a period until being released for sale as it was considered unviable to deliver housing at this location. The property was marketed in 2021 but the winning party failed to perform due to a loss of funding. Following a review of market sentiment and demand for development opportunities of this type, the decision was taken to remarket the property, again in 2023.
- 4.4** Since the last report in March the preferred bidder has withdrawn its offer due to changes in legislation and the agents have reverted to all the previous underbidders, the outcome of which is reported in exempt appendix 2 and 3. The proposed sale represents best consideration as confirmed by JLL 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.
- 4.5** The capital receipt will directly contribute to the City Council’s current Financial Recovery Plan.

4.6 Proposal and Reasons for Recommendations

4.6.1 Proceed with Agreed Transaction. It is recommended to proceed with the transaction outlined in this report, in line with the aims of the Property Investment Strategy, supported by external advice from the Council’s retained agent JLL. The capital receipt generated will assist with delivery of the Council’s Financial Recovery Plan, and the sale of the property will also allow the development of additional city centre housing.

4.7 Other Options Considered

4.7.1 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 Investment 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 assist with delivery of the Council’s Financial Recovery Plan, with there being no guarantee of a future 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.

4.7.2 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.

5 RISK MANAGEMENT

- 5.1** The property is currently vacant, with significant holding costs including security, rates and maintenance liabilities. The recommended disposal would remove these liabilities by the end of 2024.
- 5.2** The recommended course of action seeks to mitigate the risk of a sale falling through again and remove uncertainty around the future value of the property.
- 5.3** The 'risk' of not proceeding could only be seen in terms of a lost opportunity to generate a capital receipt to support the Council's Financial Recovery Plan.

6 CONSULTATION

- 6.1** The Property Investment Board comprising officers from Investment & Valuation, Finance and Legal recommends proceeding with the transaction.
- 6.2** No further external consultation is necessary for this commercial transaction.

7 MEMBER ENGAGEMENT

Ward Councillor(s)

- 7.1** The Ladywood ward members have been notified of the proposed sale of this property.

Overview and Scrutiny

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

8 IMPACT AND IMPLICATIONS

Finance

- 8.1** The transaction will generate a capital receipt for the Council, as set out in Exempt Appendix 2.
- 8.2** The Assistant Director of Investment & Valuations and external advisors consider this proposed sale represents best consideration based on analysis of the bidder's proposals as per Exempt Appendix 3.
- 8.3** The property is currently vacant and is secured, maintained with all relevant rates and utilities paid creating significant holding costs to the Council.
- 8.4** The purchaser will pay a contribution towards the Council's professional costs related to the disposal as detailed in exempt appendix 2.
- 8.5** Upon exchange of contracts the purchaser will pay a nonrefundable deposit as set out in exempt appendix 2.

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

Legal

- 8.7** Sections 120-123 of the Local Government Act 1972 authorise 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 & Valuation 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.
- 8.8** 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 in relation to the discharge of its functions, including the expenditure or borrowing of money and the disposal and acquisition of property.
- 8.9** The Local Government Act 2003 and guidance issued under it authorises the Council's investment management functions.
- 8.10** 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.
- 8.11** The Council's in-house legal team will complete all legal matters associated with the transaction.

Equalities

- 8.12** An Equality Assessment has been carried out EQUA764 dated 26th September 2023 and is attached at Appendix 5. This identifies no adverse impacts on any groups protected under the Equality Act 2010.

9 APPENDICES

- 9.1** Appendix 1 – Sale of the Brasshouse - Site Plan
- 9.2** Exempt Appendix 2 – Sale of Brasshouse Recommendation Report
- 9.3** Exempt Appendix 3 – Brasshouse Disposal Strategy Report by JLL
- 9.4** Exempt Appendix 4 – Financial justification for unconditional disposal
- 9.5** Appendix 5 - Equalities Impact Assessment

10 BACKGROUND PAPERS

- 10.1** Disposal of Surplus Properties (approved by Cabinet – March 2016)
- 10.2** Sale of the Brasshouse, 50 Sheepcote Street, Birmingham, B16 8AJ (approved by Cabinet Committee Property 13th March 2024).