

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to:	CABINET
Report of:	Director of Property
Date of Decision:	26th January 2016
SUBJECT:	PURCHASE OF THE RED ROSE SHOPPING CENTRE, SUTTON COLDFIELD – FULL BUSINESS CASE
Key Decision: Yes	Relevant Forward Plan Ref: 001292/2016
If not in the Forward Plan: (please "X" box)	Chief Executive approved X O&S Chairman approved X
Relevant Cabinet Member(s):	Councillor Ian Ward – Deputy Leader of the Council Councillor Tahir Ali – Cabinet Member for Development, Transport and the Economy
Relevant O&S Chairman:	Councillor Waseem Zaffar - Corporate Resources Councillor Victoria Quinn - Economy, Skills and Sustainability
Wards affected:	Sutton Trinity

1. Purpose of report:
1.1 To seek the authority to purchase the Red Rose Shopping Centre in Sutton Coldfield (site plan attached as Appendix 1), the details of which are contained in a report on the Private agenda.
1.2 The acquisition of this asset will enable the City Council to manage its current leasehold interests in the complex, which will result in the opportunity to produce significant operational revenue savings and also enable strategic input into the management of Sutton Coldfield town centre.
1.3 This matter was not included in the Forward Plan because the City Council's offer to purchase the Red Rose Centre has only just been accepted and terms confirmed following its exposure to the open market.

2. Decision(s) recommended:
That Cabinet:
2.1 Note the contents of this report.

Lead Contact Officer(s):	Philip Andrews
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3. Consultation

3.1 Internal

The Chief Executive and Chair of Corporate Resources Overview & Scrutiny Committee have been consulted on and approved the submitting of this report to the January Cabinet meeting. The Deputy Leader, Cabinet Members for Development Transport & Economy and Skills Learning & Culture, local members representing Sutton Trinity ward and the Executive Member for Sutton Coldfield District have all been consulted on the proposal and support it going forward to an executive decision. Officers in Place Directorate, Birmingham Property Services, Legal and Democratic Services and City Finance have been involved in the preparation of this report.

3.2 External

Representatives of the Sutton Coldfield Parish Council Steering Group have been advised of the proposal.

4. Compliance Issues:

4.1 Are the recommended decisions consistent with the Council's policies, plans and strategies?

The decision to purchase the freehold of the Red Rose Centre closely aligns to the strategic objectives of the Council Business Plan 2015+, specifically to help deliver a balanced budget.

4.2 Financial Implications

The freehold purchase and associated costs will be funded by prudential borrowing, the revenue consequences of which will be supported by the rental income from the shopping centre's tenants. The Private report on the agenda outlines the detailed financial consideration.

4.3 Legal Implications

The Council has a duty to efficiently manage its assets and has power to hold and dispose of land under Sections 120-123 of the Local Government Act 1972.

The Council's general competence power is under Section 1 of the Localism Act 2011 and the power to prudentially borrow money is contained in Section 1 of the Local Government Act 2003.

4.4 Public Sector Equality Duty

A copy of the initial equality assessment screening undertaken on 21st January 2016 is attached to this document – Appendix 2. This confirms that a full Equality Assessment is not required.

5. Relevant background/chronology of key events:

- 5.1 The Red Rose Shopping Centre is a retail complex developed in the mid 1970s and located on the corner of Lower Parade and South Parade in Sutton Coldfield town centre, opposite the Gracechurch Shopping Centre. The centre, comprising 101,321 square feet of accommodation and a multi-storey car park on a 1.5 acre site, is fully let with tenants including national retailers such as J Sainsbury (on a long lease), Greggs, Specsavers and Thomas Cook, producing a current rental income of £821,725 a year (including the rents currently paid by the City Council).
- 5.2 The City Council has two long leasehold interests in the shopping centre with significant lease terms unexpired – the upper floors of the centre with approximately 25,300 square foot of accommodation houses Sutton Coldfield Library while the adjacent Victoria Road multi-storey car park has a maximum capacity of 550 spaces. Both leases contain a number of onerous clauses which impact on the City Council's operation and management of the facilities.
- 5.3 An opportunity has arisen through the recent placing on the market of the freehold interest in the Red Rose Shopping Centre complex in late 2015.
- 5.4 It is not the intention of the City Council to become a long-term landlord but instead use the acquisition of the freehold interest of the shopping centre to enable the City Council to develop a range of active estate management strategies which, allied to the emerging and developing Future Operating Models for both the Library and District car park services, would facilitate significant revenue savings opportunities for the City Council without significantly altering the capital value of the overall asset. The City Council would undertake extensive due diligence, including surveys, prior to the completion of any transaction
- 5.5 The community library provision on the first and second floor is, compared with other large sites, relatively costly and therefore is in scope for an options appraisal to be undertaken linked to the new model for library delivery citywide. Any re-imagining of the service would require appropriate consultation; however scope for innovative solutions would be enhanced by the release from the restrictive lease arrangements that currently exist. The future of the Library Service is incorporated within the Open For Learning project under the Future Council Programme with proposed City-wide revenue savings stepping up to £10.688m in Financial Year 2019/2020 within the Budget Consultation 2016+.
- 5.6 In addition, the large multi-storey Victoria Road car park could be considered for more advantageous management arrangements and use of the site, retaining the car parking utility to support a vibrant centre but adopting potential partnering arrangement to invest in its ongoing refurbishment and management. The Local Car Park Service has a proposed savings target of £234,000 for Financial Year 2019/20 as proposed under the Budget Consultation 2016+.

6. Evaluation of alternative option(s):

- 6.1 Do nothing. The City Council would retain two long leasehold interests with little opportunity to exit from or renegotiate the liabilities associated with them.
- 6.2 Surrender the existing leases. Previous attempts to surrender the leases back to the freeholder or renegotiate the terms have not been favourably met within available resources.

7. Reasons for Decision(s):
7.1 The proposal to purchase the freehold of the Red Rose Shopping Centre in Sutton Coldfield would enable the City Council to effectively manage its current interests in the premises (in accordance with the emerging Future Operating Models for the respective services) and reduce its liability and revenue costs associated with them.

Signatures	<u>Date</u>
Cllr Ian Ward Deputy Leader of the Council
Cllr Tahir Ali Cabinet Member for Development Transport and the Economy
Peter Jones Director of Property

Report Version	10	Dated	21 st January 2016
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List of Background Documents used to compile this Report:
Relevant Officer's file(s) on the matter, save for confidential documents
List of Appendices accompanying this Report (if any):
Appendix 1 – Site plan of the Red Rose Centre, Sutton Coldfield
Appendix 2 – Equality Assessment