

Birmingham City Council

Report to Cabinet

21 July 2020



Subject: Purchase of Aston Community Learning Centre, Whitehead Road, Aston Birmingham B6

Report of: Director Education and Skills - Dr Tim O'Neill
Acting Director, Inclusive Growth – Ian MacLeod

Relevant Cabinet Member: Councillor Ian Ward, Leader of the Council
Councillor Jayne Francis - Education, Skills and Culture

Relevant O & S Chair(s): Councillor Kath Scott - Education and Children's Social Care
Councillor Lou Robson - Economy and Skills
Councillor Sir Albert Bore - Resources

Report author: Azmat Mir – Head of Property Consultancy
0121 303 3298 / 07868719713
azmat.mir@birmingham.gov.uk

Are specific wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s): Aston		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 007657/2020		
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 type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential:		

1 Executive Summary

- 1.1 The purpose of the report is to make a recommendation to purchase the freehold interest of Aston Learning Centre, Whitehead Road, Aston currently rented by the City Council from South and City College Birmingham.

2 Recommendations

2.1 That Cabinet

- 2.1.1 Approves the full business case set out in Appendix 3.
- 2.1.2 Authorises the Assistant Director of Property to negotiate and finalise the Heads of Terms for Aston Learning Centre, which comprises a 3 storey Adult Education building with parking, as shown edged Red on the plan included in Appendix 1 in accordance with the terms set out in Appendix 2.
- 2.1.3 Authorises the City Solicitor to prepare, negotiate, execute and complete all relevant legal documents and associated agreements for the use and operation of the building to give effect to the above recommendation.
- 2.1.4 Authorises prudential borrowing of £1.27m to finance the purchase to be funded from existing revenue budget for lease rental.

3 Background

- 3.1 The centre provides educational opportunities for Adults in a deprived area of Birmingham.
- 3.2 The Council currently occupies Aston Learning Centre on a 5-year lease and are responsible for all maintenance and repairs. The lease expired in September 2019 and the Council are currently holding over on existing lease terms. Discussions have been ongoing in recent months regarding renewing the Council's lease for a 5 year term at an increased rental.
- 3.3 The College is now looking to sell the property with the Council as a sitting tenant on a new 5 year full repairing lease at an increased rent from September 2019.
- 3.4 Although not part of the planned scope of acquisitions, an opportunity to purchase the Freehold interest of the property arose when discussing the lease renewal with the College. This is an ideal opportunity to take control of this property that should not be missed as it will help mitigate future costs.
- 3.5 Searches in the locality in the last decade have identified no other suitable alternative premises from which the Council could deliver this provision.
- 3.6 The Education and Skills Directorate is committed to ensuring the economic prosperity of the people of Birmingham and purchase of the centre will provide a continuing Adult Education Service in an area of high deprivation.
- 3.7 The service provides an opportunity to enhance learning potential and employability by developing appropriate skills. It works closely with employers to ensure that it is delivering in areas of skills shortage that are closely aligned with the West Midlands Combined Authority and other local authority plans. The Aston Ward requires investment in skills and the presence of the Adult Education Service in the area allows people to access local provision to bridge the skills gap. Securing the Freehold of the building at Aston will mean that the Service can continue to deliver a vital service in the area.

- 3.8 The effect on the existing budget is minimal, as the cost of borrowing would compensate for the increase in rental and the Council will no longer have a dilapidations liability. The purchase also takes away any future rental increases so provides greater certainty, in addition the purchase will secure a Freehold asset for the Council.

4 Options considered and Recommended Proposal

- 4.1 It is recommended to proceed with the acquisition outlined in this report and in line with the Heads of Terms as set out in Appendix 2. Alternative options are as follows:
- 4.2 Do nothing – Don't proceed with the acquisition. Negotiations would continue for a new 5 year lease at an increased rent. The Dilapidations liability that is significant (currently estimated at £200,000) would remain and potentially increase in the future and South and City College Birmingham would proceed with a sale to another party and the Council will have a new landlord.
- 4.3 Find alternative accommodation to lower costs – A search for suitable alternative premises over the last decade has failed to find an alternative venue that is suitable for the delivery of this service.

5 Consultation

- 5.1 There has been no formal public consultation as the proposed purchase is a confidential contractual issue with South and City College Birmingham and will see the continuation of the existing service unaltered.
- 5.2 Local Ward Members have been consulted and are supportive of the proposal. See attached Appendix 5.

6 Risk Management

- 6.1 If the Council do not secure the freehold or a new lease then it will be unable to continue to provide the service to the detriment of adults in a deprived area of the city.
- 6.2 If the property is sold to another party, the Council will have a new Landlord that may wish to re-develop the site at the end of the new 5-year term, this could also crystallise the dilapidations and potentially cause a budgetary pressure at the end of the lease.

7 Compliance Issues:

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

- 7.1.1 The proposal is consistent with the Birmingham City Council Plan 2018-2022 (updated in 2019). Birmingham is an entrepreneurial city to learn, work and invest in and by purchasing the learning centre from South and

City College Birmingham, we can ensure continued delivery of vital skills and services to the people of Aston and the wider area.

7.1.2 Birmingham is a fulfilling city to age well in and Birmingham Adult Education Service is committed to providing learning and development opportunities to the citizens of Birmingham. This helps to support people who may suffer from social isolation and gives opportunities for people to have fulfilling lives.

7.1.3 The College sits within scope of the A34 corridor leading to the site of the 2022 Commonwealth games, which will be creating local jobs for local people and leaving a legacy of investment in the area. Birmingham Adult Education Service are linking in with the skills needs as well as the volunteering courses to support the games.

7.2 Legal Implications

7.2.1 The power for local authorities to acquire and manage assets in land and property for the purposes of any of their functions is contained in Section 120 of the Local Government Act 1972.

7.2.2 S1 of the Localism Act 2011 contains the Council's general power of competence and S111 of the Local Government Act 1972 contains the Council's financial powers to expend and borrow money required for the discharge of its functions including the acquisition of property.

7.3 Financial Implications

7.3.1 Acquisition costs. The purchase will be funded in accordance with the information as set out in the business case at Appendix 3.

7.3.2 Prudential borrowing of £1.27m will be funded from existing revenue budget for lease rental. Annual borrowing costs are expected to be lower than current lease rental leaving an ongoing saving for contingencies.

7.3.3 Other running costs for the building should remain the same as under the current leasing arrangements and will be funded from existing revenue budgets. There is a possibility that if the purchase does not go ahead then the planned increase in lease rental will be backdated to September 2019. This would result in an additional one-off cost of £10k.

7.4 Procurement Implications

7.4.1 N/A

7.5 Human Resources Implications (if required)

7.5.1 Internal resources will be used to evaluate and execute the acquisition.

7.6 Public Sector Equality Duty

7.6.1 An initial Equality Impact Assessment has been undertaken for this report Ref No: EQUA516 dated 20 May 2020, attached at Appendix 4 which discloses that the recommendations are unlikely to have an adverse impact on the

characteristics and groups protected under the Equality Act 2010 providing the purchase of the building ensure all floors are accessible for people with disabilities whether staff or public. A full Equality Assessment is not required for the purpose of this report as it will see the continuation of the existing service unaltered.

8

8.1 List of appendices accompanying this report:

Appendix 1 – Site plan

Appendix 2 – Heads of Terms

Appendix 3 – Business case

Appendix 4 – Equality Assessment

Appendix 5 – Ward Councillor comments