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**Asset Disposal Strategy**

Relevant Portfolio Holder	Councillor Matthew Dormer
Portfolio Holder Consulted	Yes
Relevant Head of Service	Claire Felton, Head of Legal, Democratic and Property Services
Report Author	Job Title: Head of Legal, Democratic and Property Services Contact <a href="mailto:c.felton@bromsgroveandredditch.gov.uk">c.felton@bromsgroveandredditch.gov.uk</a> email:
Wards Affected	All wards
Ward Councillor(s) consulted	N/A
Relevant Strategic Purpose(s)	An Effective and Sustainable Council
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

**1. RECOMMENDATIONS**

**The Executive Committee is asked to RESOLVE that:-**

**the Asset Disposal Strategy be approved for Implementation.**

**2. BACKGROUND**

- 2.1 The Council holds substantial non Housing Revenue Account (HRA) Land, Property and Equipment. The 2019/20 Statement of Accounts valued these assets at £52m.
- 2.2 This report details the proposed content of the Asset Disposal Strategy for the authority.

**3. FINANCIAL IMPLICATIONS**

- 3.1 Inevitably there are cost implications associated with works necessary to bring these buildings up to the required standard. There are instances where the outlay required will exceed the income potential or value of the premises. Significant material and structural changes may be necessary across the portfolio and cost implications outweigh the existing Repairs and Maintenance budget and return on investment.

**4. LEGAL IMPLICATIONS**

- 4.1 The Council's Facilities Management (compliance) Policy and Statutory Inspections Policy, stipulates that for all assets, there is a requirement

that they remain compliant in accordance with current legislation and safe and always fit for use. Repairs and Maintenance must be revised, programmed, and completed, to prevent unnecessary closure of buildings resulting in poor service delivery.

- 4.2 Energy Performance Regulation 2012 currently requires all non-domestic rental properties to have a minimum Energy Performance Certificate (EPC) rating of 'E'. By 2026, this requirement increases to a 'C' rating or greater, rising again in 2030 to a minimum 'B' rating. This impacts on much of the public building portfolio. The Council will be prohibited from leasing out buildings that fall short of the requirements.

**5. STRATEGIC PURPOSES - IMPLICATIONS**

**Relevant Strategic Purpose**

- 5.1 The proposals detailed in this report support the Council's strategic purpose 'An Effective and Sustainable Council'.

**Climate Change Implications**

- 5.2 Work by the Council to improve the EPC ratings of the authority's public buildings, as detailed at paragraph 4.2, should have a beneficial impact in the long-term on reducing the Council's carbon emissions.

**6. OTHER IMPLICATIONS**

**Equalities and Diversity Implications**

- 6.1 No specific equalities and diversity implications have been identified.

**Operational Implications**

- 6.2 A rolling programme of Condition Surveys and Energy Improvement Audits of the Council's property portfolio is in progress and will continue over the next 2 years; there is a significant cost associated with the surveys alone, but these are required to fully evaluate the extent of works and investment required.
- 6.3 The information obtained will provide valuable data required to make informed decisions that will contribute to a revised overall Property Holding Strategy.
- 6.4 Within this strategy, individual properties and associated land will be further evaluated to determine:
- The operational necessity and benefit.

- Projected cost of ensuring all elements of the buildings continue to meet legislative requirements and performance standards.
- Planned and cyclical maintenance costs for elements nearing end of their 'life' expectancy, ensuring service provision is maintained without unnecessary interruption.
- Costs associated with meeting future EPC rating minimum requirements.
- Rent levels (and net costs for each building) and revised leases.
- Alternative or rationalised portfolio or joint enterprises for service delivery

6.5 By evaluation of all factors cited above, informed decisions can be made to determine which assets are:

- No longer cost effective to run, where outlay exceeds earning potential.
- No longer viable for effective service delivery
- Surplus to requirements

6.6 Asset considerations will be presented to Executive on a half yearly basis, for approval for disposal, unless there is an urgent requirement for a decision.

## **7. RISK MANAGEMENT**

7.1 There is a risk to the authority that the asset portfolio will diminish in value in the context of the emerging regulations surrounding EPC ratings and it will be necessary for the Council to consider the appropriateness of all assets in line with Council priorities to ensure best value.

## **8. APPENDICES and BACKGROUND PAPERS**

Appendix A – Asset Disposal Strategy

Appendix B – Current EPC ratings of Commercial Properties

Appendix C – Letter from Savilles in Reference to Work being Undertaken

Appendix D – Redditch Asset Master List

Appendix E – Site Inspection Schedule

**Executive Committee**  
**2022**

25th October

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**9. REPORT SIGN OFF**

<b>Department</b>	<b>Name and Job Title</b>	<b>Date</b>
Portfolio Holder	Councillor Matthew Dormer	October 2022
Lead Director / Head of Service	Pete Carpenter, Interim Section 151 Officer	October 2022
Financial Services	Pete Carpenter, Interim Section 151 Officer	October 2022
Legal Services	Claire Felton, Head of Legal, Democratic and Property Services	October 2022

**Appendix A – Asset Disposal Strategy**

- 9.1 The Council has a duty to ensure that its fixed assets are continually reviewed to ensure they are fit for their strategic purpose, comply with legislative and regulatory requirements, and do not lose value. A comprehensive affordable repairs and maintenance programme is required to fulfil this.
- 9.2 In the latest Statement of Accounts (2019/20), there were £350m of Fixed Assets, stratified as:
- £297m of Council Dwellings
  - £10m of Land
  - £31m of Buildings
  - £4m of Vehicles, Plant and Equipment
  - £4m of Infrastructure Assets
  - £1m of Community Assets
  - £0.5m of Assets under Construction
  - £2m of Assets declared as Surplus
- 9.3 This stratification and associated valuation levels is being reviewed and updated for the 2020/21 and 2021/22 Statement of Accounts.
- 9.4 Council dwellings will link to the HRA and as such will be governed by HRA disposal regulations such as Right to Buy. Infrastructure assets generally relate to Highways.
- 9.5 All other classes have a requirement to be repeatedly reviewed, as set out in the report to Executive on the 12<sup>th</sup> July 2022, for Community Centres and Easemore Road. However, this should not be done in isolation.
- 9.6 Any disposal, as per the present MRP policy, goes into an overall “pot” which can then be reinvested to fund capital programme requirements, including potential acquisitions.

**Appendix B**

10.1 August 2022 current EPC levels of the commercial properties

<b>EPC rating</b>	
8	Grade A
3	Grade B
24	Grade C
27	Grade D
17	Grade E
1	Grade F
8	Grade G
7	Not required below 50m <sup>2</sup>
19	Due complete April 2023

Note

- The 'F' has been upgraded and awaiting a New EPC.
- The 'G' form part of Winyates Craft centre, currently under review for redevelopment in conjunction with the Shopping Centre and Flats.
- "Due By April 2023" are part of a batch due for completion by end of November 2022.