

# Brighton & Hove City Council

## Cabinet

## Agenda Item 192

**Subject:** Capital Asset Strategy

**Date of meeting:** Thursday, 24 April 2025

**Report of:** Cabinet Member for Finance & City Regeneration

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**Ward(s) affected:** All Wards

**Key Decision:** Yes

**Reason(s) Key:** Expenditure which is, or the making of savings which are, significant having regard to the expenditure of the City Council's budget, namely above £1,000,000.

### For general release

#### 1. Purpose of the report and policy context

- 1.1 This report sets out principles for the ongoing strategic management of the council's asset portfolio (excluding the Seafront Portfolio) and sets out a Capital Asset Strategy for managing and identifying assets to support capital receipts for the council's Innovation Fund and Capital Investment Programme.
- 1.2 The proposed strategy supports the Council Plan 2023 – 2027, specifically:
  - **Outcome 1:** A city to be proud of is supported through enabling new homes and investment to regenerate the city and through improving sustainability within the property portfolios and also supports biodiversity and the council's City Downland Estate Plan.
  - **Outcome 2:** A fair and inclusive city is supported through increasing housing supply.
  - **Outcome 4:** A responsive council with well-run services is supported by providing critical investment for the Innovation Fund which uses the government's capital receipt flexibilities to invest in improvements to service delivery, achieve savings and efficiencies, improve the council's digital services and enable best use of the council's assets to deliver capital investment and financial sustainability.

#### 2. Recommendations

- 2.1 Cabinet approves the Capital Asset Strategy which comprises the 5 principles set out in paragraph 3.6.

- 2.2 Cabinet agrees to the appropriation for housing purposes or disposal of the assets identified at paragraph 3.8 and in Part 2 of this report in the manner set out in this report.
- 2.3 Cabinet delegates authority to the Director Property & Finance in consultation with the Director Governance & Law and the Cabinet Member for Finance and City Regeneration to approve terms and take any necessary steps to facilitate and complete the appropriation for housing purposes or disposals of the properties identified in the Part 2 report and achieve best consideration.

### 3. Context and background information

#### Capital Asset Strategy

- 3.1 The council owns a significant amount of land and property. The assets held in the General Fund can broadly be categorized as follows:
- **Operational** – buildings occupied by the council or its service providers to deliver council services, including schools and civic buildings.
  - **Commercial** – the commercial investment portfolio, currently managed by Avison Young.
  - **Agricultural** – the council's farmland within its City Downland Estate, currently managed by Savills.
  - **Seafront** – the commercial, sport, leisure, community and heritage buildings from Hove Lagoon to Saltdean managed in-house.
  - **In-house** – a smaller portfolio of community and miscellaneous properties managed in-house.
- 3.2 The management of these portfolios supports and delivers the Council Plan through everything from enabling service delivery and access points to supporting the council's budget.
- 3.3 The property portfolios are subject to continual review to identify further opportunities for the delivery of Council Plan objectives and/or to improve performance.
- 3.4 The Capital Asset Strategy is aimed at further supporting delivery of the Council Plan and providing critical capital resources to support the council's Innovation and investment priorities. The property portfolios have been reviewed and following detailed analysis a key set of principles has been formulated to provide a strategic framework for identifying rationalisation and development opportunities and to improve performance.
- 3.5 The Capital Asset Strategy can result in the generation of significant capital resources. A core principle of the council's accompanying Capital Strategy (approved annually by Budget Council) is that all unringfenced capital resources should be pooled and applied to investment schemes in accordance with the Capital Strategy and aligned to council priorities. The

Capital Strategy sets out a number of conditions and considerations for the allocation and use of capital resources but, in summary, determines the allocation of capital resources as follows:

- To defined strategic funds (Strategic Investment Fund, Asset Management Fund, Planned Maintenance, IT&D Future Fund and Commercial Asset Investment Fund);
- To the Innovation Fund to support delivery of Innovation and savings programmes to support medium-term financial sustainability.
- To other capital investment schemes in accordance with priorities.

### **Strategic Principles**

3.6 The proposed principles that will guide the strategic management of the portfolio are:

#### **1. Rationalisation of Operational Properties**

The council has undergone a rationalisation of its operational assets over many years and this process is ongoing. This supports many objectives including efficiency, carbon reduction, improved ways of working and best use of resources. Assets considered for rationalisation include those where:

- occupational ratios are low or the property is underused;
- occupational costs are high;
- the asset has a high level of functional or physical obsolescence and is in need of significant investment to improve functionality, condition and/or energy efficiency;
- they are outlying assets accommodating teams who can be relocated elsewhere;
- they are surplus assets which no longer have a service requirement;
- the assets would provide a greater opportunity for refurbishment or redevelopment and regeneration.

This strategy links to the Workspace Innovation programme for determining the most effective use of operational administrative properties.

#### **2. Regeneration priority for Urban Fringe and Development Sites**

The council owns a number of the Urban Fringe sites identified in the City Plan Part 2 (CPP2) within its Commercial and Agricultural Portfolios. There are also other sites, not urban fringe, with residential development potential, some of which are for low unit numbers and therefore below the threshold for an allocation in the CPP2. These sites will be considered by the Estates Regeneration Team for the delivery of affordable housing and regeneration. Where the cost v benefit ratio is low they will be considered for disposal.

#### **3. Performance of Commercial Properties**

Within the Commercial Property Portfolio there are a number of secondary and tertiary properties where income is low, income growth is not maintaining pace with inflation, management costs are proportionately higher and the risk of tenant default higher. Where tenants' businesses fail, the council is often left with repair liabilities and properties may prove difficult to relet. The release of these assets therefore reduces the inherent risk in the Commercial Property Portfolio. Ongoing review of the portfolio will be undertaken to identify properties for disposal.

Similarly, within the Commercial Property Portfolio tenancy changes, such as lease expiries, terminations, and Landlord break clauses provide an opportunity to obtain vacant possession of properties and sites for release where properties are high risk and/or poor performing or where sites can be redeveloped.

#### **4. Unsolicited offers and special interest purchasers**

Within the Commercial Property Portfolio the council receives offers from commercial tenants and long lessees to acquire the freehold or re-gear their lease. Such offers, being from parties with a special interest, can represent favourable terms for the council and are therefore considered on a case-by-case basis. Alternatively, the council may approach a tenant or special interest party rather than advertise an asset on the open market to achieve best consideration. In all cases, such transfers are subject to an independent valuation to ensure best consideration is achieved.

#### **5. Heritage Assets**

These assets are best maintained when occupied and in use. Vacant and Listed buildings are a significant drain on the council's resources requiring costly maintenance and repair and significant investment to provide any occupiable space and even then, providing limited ability to create revenue, therefore making investment in heritage assets unviable. Grant funding may be available in some cases but also requires resources to apply for and is competitive and therefore not guaranteed. Funding is also limited and will normally still require the council to carry significant cost risk. These assets require further, more detailed consideration to better understand the costs and benefits of retention but release of these assets for an alternative and beneficial use should be a primary consideration.

- 3.7 When considering alternative options for land and properties, any land or properties that can be used for the provision of housing will first be offered for appropriation to the Housing Revenue Account at best consideration.
- 3.8 Applying the principles summarized in 3.6 to the portfolio has enabled a number of properties to be identified to support the Capital Asset Strategy to be either approved for appropriation to the HRA or disposal. These properties include:
- 10 Stanmer Village

- 10 Hangleton Way
- 8 Shenfield Way
- Homewood School

Details of all of the properties identified, including those that are commercially sensitive, are summarised in Part 2 of this report.

#### **4. Analysis and consideration of alternative options**

- 4.1 The retention of surplus operational assets will incur ongoing occupational costs including NNDR (business rates), utilities, cleaning, Health & Safety testing and inspections, security, repair and maintenance. The cost of these is an ongoing pressure on the council's Corporate Landlord budgets. By releasing these assets, Corporate Landlord expenditure is therefore reduced and, where budgets are currently sufficient, revenue savings can be made.
- 4.2 The unnecessary retention of sites suitable for development presents a missed opportunity to provide additional housing for the city or development for regeneration, supporting businesses and employment. Unless best consideration cannot be achieved due to market conditions, these sites should not normally be retained.
- 4.3 The retention of commercial properties will result in the retention of income streams but for higher risk properties in the portfolio where there is risk of tenant default, or indeed for those properties that are already vacant, the council will become liable for the occupational costs of the building and potentially repairs and dilapidations. Rationalisation of these properties should be considered.
- 4.4 In accordance with the council's capital strategy the council will look at the potential community use of assets that it no longer has a use for and considers all land and property for potential housing supply or development.
- 4.5 In all circumstances, by retaining properties the council will forgo a capital receipt which if invested as part of the Innovation Fund would yield savings in the council's service delivery and/or improvement of service delivery.

#### **5. Community engagement and consultation**

- 5.1 The council has sought advice from its managing agents, Avison Young and Savills as well as building surveyors. Advice has also been sought from Housing officers and the Estates Regeneration Team. Consultation has been undertaken with the Downland Advisory Panel.

## **6. Financial implications**

- 6.1 The council's Capital Strategy, agreed at Budget Council on 27 February 2025, highlighted the need for capital receipts to support the council's current Innovation and change programmes as part of the Medium Term Financial Plan. The report identified the need for £20 million net receipts in addition to the Strategic, Asset Management and ICT investment funds. Capital receipts are an essential component to support innovation and transformation of services, the delivery of savings and support financial resilience and sustainability over the medium term. The demand for capital receipts will grow further as the council identifies new investment requirements to meet the Innovation ambition.
- 6.2 The recommendations set out in this report and proposed disposals within the accompanying Part 2 report will contribute towards the capital receipts requirement. Where the transfer of a property results in a loss of rent, part of the capital receipt will be used to repay debt or investment to offset the rent loss and therefore reduce the net capital receipt available.

Finance officer consulted: James Hengeveld Date consulted:24/03/2025

## **7. Legal implications**

- 7.1 The Council has the power to dispose of the land under section 123 of the Local Government Act 1972 ("LGA 72") subject to obtaining the best consideration reasonably obtainable. Where a site is open space, under section 123 (2A) of the LGA 1972, this power is also subject to a requirement to advertise the proposed disposal in a local paper for two consecutive weeks and to consider any objections raised before taking a decision on whether to dispose of the land. In the event of a proposal for land to be appropriated for housing purposes, section 122 of the LGA 72 will apply. Section 122 LGA 72 enables the Council to appropriate (transfer) land it owns from one use to another, as long as (1) the new use is for a purpose it could have purchased the land and (2) the land is no longer required to be held for the purpose for which it is held immediately before the appropriation. The meaning of the words "no longer required for the purpose for which it was held immediately before the appropriation" in law means "not required" or "not needed in the public interest of the locality." Where land is open space, section 122(2A) LGA 72 also has a requirement to advertise the proposed appropriation in a local newspaper for two consecutive weeks and to consider any objections raised before taking a decision on whether to appropriate the land. In exercising the delegations set out in this report, the Director Property & Finance in consultation with the Director Governance & Law and the Cabinet Member for Finance and City Regeneration will need to be satisfied that these requirements are met.
- 7.2 Prior to any sale or appropriation of the properties it will also be necessary for Legal Services to review the titles to the properties to confirm that no interests exist that may prevent a transfer. If any restrictions or covenants exist, the reviews will ascertain whether or not they are still capable of being enforced.

## **8. Risk Implications**

- 8.1 The main risks identified are those that occur as a result of retaining the properties identified. This would include the ongoing costs and liability of retaining properties, both occupational costs but also investment needed; the opportunity forgone to create additional housing and regenerative developments; and the capital receipt forgone and the impact this would have on funding for the Innovation Fund.

## **9. Equalities implications**

- 9.1 The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have 'due regard' to: i. The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010; ii. The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and; iii. Foster good relations between those who have protected characteristics and those who do not. Note: 'Protected characteristics' are age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment. An EqHIA (Equality and Health Impact Assessment) is usually carried out when a current or planned service/policy/activity is likely to affect staff, service users, or other residents. For the sites proposed for disposal that are no longer operational, there is no material impact upon groups with protected characteristics. For the remaining sites identified the Director of Finance and Property will take into consideration the equalities implications as necessary in advance of taking forward any transaction.

## **10. Sustainability implications**

- 10.1 For those properties identified it is anticipated that following transfer the properties would be subject to investment, which would include elements to improve energy efficiency. Any redevelopment would be completed in compliance with current standards and requirements.

## **11. Health and Wellbeing Implications:**

- 11.1 The transfer or appropriation for housing purposes of the properties listed in Part 2 of this report will allow them to be refurbished or redeveloped and occupied as housing or commercial space supporting employment, therefore contributing in a small way to the wider factors influencing health and well-being.

## **12. Conclusion**

- 12.1 The council's property portfolios undergo continual review to improve performance and identify opportunities to support the Council Plan. This includes the achievement of capital receipts to provide funding for the council's Innovation Fund.

- 12.2 Part 1 of this report sets out the strategic principles to support the identification of opportunities to release assets. With the exception of the Seafront Portfolio these principles have been applied to all portfolios and a list of properties identified for disposal or appropriation to the HRA for housing purposes has been summarised in Part 2 of this report with recommendations.
- 12.3 With regard to the council's Heritage Assets it is recommended that a more detailed review be completed to determine the costs and benefits of retaining these assets with a recommended strategy for their retention or transfer.

### **Supporting Documentation**

None