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| Council name               | <b>COTSWOLD DISTRICT COUNCIL</b>   |
| Name and date of Committee | <b>CABINET – 4 JUNE 2026</b>   |
| Subject                    | <b>ASSET MANAGEMENT – OUT OF DISTRICT INVESTMENT PROPERTIES</b>  |
| Wards affected             | All  |
| Accountable member         | Patrick Coleman – Cabinet Member for Finance<br>Email: <a href="mailto:patrick.coleman@cotswold.gov.uk">patrick.coleman@cotswold.gov.uk</a>  |
| Accountable officer        | David Stanley – Deputy Chief Executive & Section 151 Officer<br>Email: <a href="mailto:david.stanley@cotswold.gov.uk">david.stanley@cotswold.gov.uk</a>  |
| Report author              | David Stanley – Deputy Chief Executive & Section 151 Officer<br>Email: <a href="mailto:david.stanley@cotswold.gov.uk">david.stanley@cotswold.gov.uk</a>  |
| Summary/Purpose            | To seek Cabinet's approval to pursue options for the disposal of out of district investment property(ies)  |
| Annexes                    | Exempt Annex A – Out of District Investment Properties   |
| Recommendation(s)          | That Cabinet resolves to:<br><ol style="list-style-type: none"><li>1. Approve the recommendation to actively market all 3 out of district investment properties for disposal.</li><li>2. Delegate to the Strategic Head of Housing, Property and Assets to progress negotiations with support from the Assistant Director –Legal Services.</li></ol> |
| Corporate priorities       | <ul style="list-style-type: none"><li>• Preparing for the future</li><li>• Delivering Good Services</li></ul>  |
| Key Decision               | NO   |
| Exempt                     | NO (Exempt Annex A)  |
| Consultees/ Consultation   | Corporate Leadership Team, Leader, Cabinet Member for Finance  |



## **1. EXECUTIVE SUMMARY**

- 1.1** The Council acquired 3 out of district investment properties in 2010 for a combined capital outlay of £5.076m. The financial performance (net rental income) from these assets has deteriorated since 2022/23.
- 1.2** This report seeks Cabinet approval to actively market the properties for disposal.

## **2. BACKGROUND**

- 2.1** In July 2009, Cabinet and Council approved the allocation of £5m in the Capital Programme for the acquisition of suitable investment properties to help the Council achieve a stable investment yield in excess of long-term rates available in money markets through rental income rather than an over reliance upon interest rates.
- 2.2** The Capital Strategy set an investment target of 6% to enable the council to generate a net income stream of at least 4% above the interest rate at the time (0.50%). The report to Cabinet and Council outlined that to generate £200,000 of additional income the Council would need to invest in the region of £5,000,000, hence the recommendation to include this sum within the Council's capital programme. A maximum lot size of £3m was recommended.
- 2.3** The Council acquired the three out of district investment properties for a combined purchase price of £5.076m.
- 2.4** The Asset Management Strategy adopted by this council on 09 May 2024 stated a Strategy Objective of 'Preparation for Disposal of out of District investments at the right time, re-investing in more local investment opportunities.'



### 3. FINANCIAL PERFORMANCE, ASSET MANAGEMENT ISSUES

3.1 Table 1 below sets out the relevant financial information regarding the out of district investment properties, with Exempt Annex A providing more detail on each property.

**Table 1: Out of District Investment Properties**

|                               | Property                   |                     |                             |                |
|-------------------------------|----------------------------|---------------------|-----------------------------|----------------|
|                               | 60-70 Great Bridge, Tipton | Eign Gate, Hereford | 1 Sutton Park Road, Seaford | All properties |
| Date of acquisition           |                            |                     |                             |                |
| Purchase Price (£'000)        | 1,980                      | 1,777               | 1,155                       | 4,912          |
| Capitalised fees (£'000)      | 104                        | 0                   | 60                          | 164            |
| Capital Cost (£'000)          | 2,084                      | 1,777               | 1,215                       | 5,076          |
|                               |                            |                     |                             |                |
| Net Book Valuation 31/03/2025 | 505                        | 320                 | 820                         | 1,645          |
| <b>Net Loss (against NBV)</b> | <b>1,579</b>               | <b>1,457</b>        | <b>395</b>                  | <b>3,431</b>   |
| Estimated Market Value        | 775                        | 350                 | 1,057                       | 2,182          |

3.2 As can be seen from the table, there has been a material reduction in the Net Book Value (NBV) of the properties. At the last published balance sheet date (31 March 2025), the properties were valued at £1.645m – a reduction of £3.431m against the capital cost at acquisition.

3.3 As set out Section 2, the Council's decision to acquire investment property was to generate a net income stream (from rental income) of at least 4% above the interest rate at the time (0.50%).

3.4 Table 2 shows the net rental income for the financial years 2012/13 to 2025/26 as recorded on the Council's financial system. Although the properties were acquired prior to 2012/13, financial information covering the period before 2012/13 is not readily available as these were held in previous financial system. Whilst an estimate of the income for 2010/11 and 2011/12 has not been made, it is not a material consideration for this report.



**Table 2: Net Rental income (2012/13 to 2026/27)**

|  | 60-70 Great<br>Bridge,<br>Tipton | Eign Gate,<br>Hereford | 1 Sutton<br>Park Road,<br>Seaford | All<br>properties |
|--|----------------------------------|------------------------|-----------------------------------|-------------------|
| <b>Net Rental Income</b>               |                                  |                        |                                   |                   |
| 2012/13 (£'000)                        | (121)                            | (110)                  | (73)                              | (304)             |
| 2013/14 (£'000)                        | (119)                            | (110)                  | (77)                              | (306)             |
| 2014/15 (£'000)                        | (122)                            | (110)                  | (81)                              | (314)             |
| 2015/16 (£'000)                        | (119)                            | (109)                  | (92)                              | (321)             |
| 2016/17 (£'000)                        | (123)                            | (109)                  | (82)                              | (314)             |
| 2017/18 (£'000)                        | (135)                            | (109)                  | (82)                              | (325)             |
| 2018/19 (£'000)                        | (123)                            | (105)                  | (82)                              | (311)             |
| 2019/20 (£'000)                        | (125)                            | (63)                   | (82)                              | (270)             |
| 2020/21 (£'000)                        | (120)                            | (62)                   | (98)                              | (279)             |
| 2021/22 (£'000)                        | (122)                            | (63)                   | (94)                              | (279)             |
| 2022/23 (£'000)                        | (112)                            | (62)                   | (92)                              | (266)             |
| 2023/24 (£'000)                        | (5)                              | (61)                   | (90)                              | (156)             |
| 2024/25 (£'000)                        | 100                              | (36)                   | (67)                              | (3)               |
| 2025/26 (£'000)                        | 96                               | (23)                   | (52)                              | 21                |
| 2026/27 (£'000) (est)                  | (80)                             | (36)                   | (72)                              | (188)             |
| <b>Cum. 2012/13 to 2026/27 (£'000)</b> | <b>(1,231)</b>                   | <b>(1,168)</b>         | <b>(1,215)</b>                    | <b>(3,615)</b>    |

**3.5** Rental income peaked in 2017/18 (£0.325m) and declined until 2022/23 (£0.266m). However, with a void period at the property in Great Bridge, the reduction in net income accelerated with 2024/25 net rental income reducing to just £3k. The level of budgeted net income for 2026/27 is £0.188m based on current occupation and lease arrangements.

**3.6** Members should note that the impact on the revenue budget since 2022/23 has been mitigated through:

- Annual revenue budget and Medium-Term Financial Strategy (MTFS) adjusted to take into account reduced level and certainty of rental income
- Rental income from in-district investment properties remained in-line/above budgeted levels for the relevant periods.
- Higher level of investment income from cash balances through Treasury Management investments.

**3.7** In terms of Asset Management, as the investment properties are outside of the district, and property management/landlord obligations are fulfilled through external agents rather than through the Council's Property and Assets team. Whilst any costs



of management are funded from the gross rental income and is not considered a material consideration, there is still a draw on internal resources to management relationships and outcomes.

#### **4. OPTIONS**

- 4.1** Whilst the Council's portfolio of out of district investment properties is relatively modest, the Council's investments are not diversified. All properties are within the commercial retail sector and property values in this sector have reduced as the wider retail economy has contracted post-Covid as consumer behaviour has changed.
- 4.2** Based on the current financial performance and wider asset management requirements outlined above there are a number of options to consider.
- Continue to hold all out-of-district investment properties and maintain realistic revenue budget/MTFS income projections.
  - Assess market appetite/actively market the properties for sale leading to a future decision on disposal of all out of district commercial investment properties
  - Assess market appetite/actively market the properties for sale leading to a future decision on disposal of one or two district commercial investment properties, retaining one or two.
- 4.3** At this stage of the process, no decision is being taken on disposal or otherwise. The report is requesting approval from Cabinet to assess market appetite/actively market the investment properties.
- 4.4** At the point a formal and proceedable offer for a property is made, delegation is sought for the Strategic Head of Housing, Property and Assets to progress negotiations with support from the Assistant Director – Legal Services. Any decision on disposal will revert to members in line with the Council's constitution.
- 4.5** In assessing any potential offers, consideration will need to be given to the revenue and capital financing implications. There is a balance to be achieved in terms of ensuring the revenue budget is not adversely impacted in the immediate short-term



whilst assessing the longer-term position in terms of rental income and expenditure projections.

- 4.6** In terms of the capital position, whilst there may be a capital receipt to the council from disposal, this will need to be assessed against the net book value, market assessment/valuation, and a realistic view on both the likelihood of achieving a disposal outcome within the next 6 to 12 months and at an appropriate level.
- 4.7** Whilst it is not an immediate consideration for this report, the financial implications section of the report (Section 7) set out the way in which any disposal will be accounted for.
- 4.8** Should a disposal be considered at a future point, any net capital receipt would be utilised to finance the capital programme in 2026/27 and 2027/28.

## **5. CAPITAL FINANCING FRAMEWORK**

### **5.1** MHCLG and CIPFA rules/guidance on commercial property investment

**5.2** The Government have tightened the Capital Finance Framework since 2021 with further guidance to Local Authorities on Out-of-Area Property investments and disposals, approach to Capital Receipts, and the wider implications on Capital Finance and PWLB Lending Terms. This in part is due to the investment positions at a small number of local authorities such as Slough, Spelthorne, Woking, and Thurrock. The key points are set out below

- MHCLG and CIPFA have adopted a progressively more restrictive stance due to concerns that the local authority sector is over-exposed to the financial risks associated with commercial property investments.
- Since 2020, the regulatory and professional framework has evolved from a permissive regime to one with stronger guardrails on borrowing and investment risk, increased scrutiny of commercial and non-treasury activity, and greater emphasis on long-term financial sustainability and transparency. The combined effect is that capital finance decisions must now demonstrate clear strategic alignment (not yield-driven), robust governance and risk management, and explicit affordability within the revenue budget.



- **Prudential Code for Capital Finance in Local Authorities (2021 Edition)** strengthened focus on proportionality of debt to resources and included explicit discouragement of borrowing for yield (debt for commercial return). The Code introduced enhanced requirements for Capital Strategy reporting and classification of investments (service, treasury, commercial).
- **Treasury Management in the Public Services: Code of Practice (2021 Edition)** reinforced risk management and governance expectations, integration between treasury strategy and wider financial strategy. The code also expanded coverage of Non-treasury investment risks within Treasury Management Practices (TMPs).

**5.3** In summary, there is an implied policy and guidance position from MHCLG and CIPFA that local authorities should consider disinvestment from commercial property.

## **6. CONCLUSIONS**

- 6.1** The report outlines the broad options – continue to hold the investment properties, dispose of all, dispose of one or two.
- 6.2** Net Book Valuations and assessment of the market value of the properties indicates that two of the three properties (Hereford, Great Bridge) have significantly reduced in value. The third property (Seaford) is held on the balance sheet at a lower Net Book Value than the acquisition cost although the market assessment is above this. Given the wider retail property market is somewhat depressed, it is considered unlikely that either Great Bridge or Hereford would return close to their acquisition values. Seaford has held its value.
- 6.3** Table 2 highlights the past financial performance of each property. As with the capital values, the revenue performance of Great Bridge and Hereford properties has reduced significantly since 2017/18. The Seaford property has maintained a relatively stable level of rental income over the same period.
- 6.4** It is recommended that all properties are actively marketed (for disposal) to assess appetite. Any decision on whether to dispose or hold will be taken at a future point.



## **7. FINANCIAL IMPLICATIONS**

- 7.1** The difference between the properties' net book value and disposal proceeds will be recognised as a gain or loss within the Council's Comprehensive Income and Expenditure Statement (within the Surplus/Deficit on Provision of Services). This gain or loss is not chargeable to the General Fund and will be reversed out through the Movement in Reserves Statement via the Capital Adjustment Account.
- 7.2** The proceeds from any sale will be credited to the Capital Receipts Reserve and will be available to support the Council's capital programme.
- 7.3** Any disposal will result in a reduction in net revenue income. Table 1 of the report sets out the financial performance since 2012/13 with a forecast and revenue budget of £0.188m for 2026/27.
- 7.4** The Medium-Term Financial Statement (MTFS), as approved by Council in February 2026, prudently reduced the investment property income by £0.100m reflecting current market conditions and potential void period costs.

## **8. LEGAL IMPLICATIONS**

- 8.1** If all or some properties are sold, the Council would no longer be the owner of the properties or be entitled to any income from them.
- 8.2** The Council's legal team would complete the work required for any sale.
- 8.3** If retained, the Council's legal team may be required to carry out work in relation to a new Lease in the event that Superdrug exercise their break clause in 2027 and vacate 27 Eign Gate, Hereford.

## **9. RISK ASSESSMENT**

- 9.1** Whilst there is no material risk associated with the recommendation in this report, there is a risk that:
- 9.2** The Council may not be able to attract any interest in the investment properties resulting the Council continuing to hold the investment properties.
- 9.3** The Council may not receive offers at a suitable level to be able to demonstrate best value consideration.



**COTSWOLD**  
District Council

**10. EQUALITIES IMPACT**

**10.1** None

**11. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS**

**11.1** None

**12. BACKGROUND PAPERS**

**12.1** None

(END)