

To:
All members of the
Corporate Policy and Resources
Committee

Please reply to:
Contact: Karen Wyeth
Service: Committee Services
Direct line: 01784 446224
E-mail: k.wyeth@spelthorne.gov.uk
Date: 6 October 2026

Supplementary Agenda

Corporate Policy and Resources Committee - Monday, 12 October 2026

Dear Councillor

I enclose the following items which are addendums to items 12 and 13 on the agenda for the Corporate Policy and Resources Committee meeting to be held on Monday, 12 October 2026:

12. Disposal of Communications House, Staines

5 - 14

Committee is asked to:

- 1) Consider the proposed disposal terms as set out in this report;
and
- 2) Recommend that the Council:
 - 2.1 Approve the disposal terms set out in this report;
 - 2.2 Delegate authority to the Chief Finance Officer and Group Head of Assets, in consultation with Chair and Vice-Chair of Corporate Policy and Resources Committee to agree minor variations to the Heads of Terms and adjustments to the sale price; and
 - 2.3 Delegate authority to Group Head of Corporate Governance to enter into a transfer to complete the disposal and any ancillary legal documentation required in relation to the proposed disposal.

Appendices 1-5 (inclusive) contain exempt information within the meaning of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985 and by the Local Government (Access to Information) (Variation) Order 2006 Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information) and in all circumstances of the case, the public interest in

Spelthorne Borough Council, Council Offices, Knowle Green

Staines-upon-Thames TW18 1XB

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maintaining the exemption outweighs the public interest in disclosing the information because, disclosure to the public would prejudice the financial position of the authority in any contract or other type of negotiation with a prospective purchaser who could then know the position of the Council.

13. Disposal of 12 Hammersmith Grove, London W6

15 - 22

Committee is asked to:

- 1) Consider the proposed disposal terms as set out in this report; and
- 2) Recommend that the Council:
 - 2.1 Approve the disposal terms set out in this report;
 - 2.2 Delegate authority to the Chief Finance Officer and group Head of Assets, in consultation with Chair and Vice-Chair of Corporate Policy and Resources Committee to agree minor variations to the Heads of Terms and adjustments to the sale price; and
 - 2.3 Delegate authority to Group Head of Corporate Governance to enter into a transfer to complete the disposal and any ancillary legal documentation required in relation to the proposed disposal.

Appendices 2-6 (inclusive) contain exempt information within the meaning of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985 and by the Local Government (Access to Information) (Variation) Order 2006 Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information) and in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information because, disclosure to the public would prejudice the financial position of the authority in any contract or other type of negotiation with a prospective purchaser who could then know the position of the Council.

Yours sincerely

Karen Wyeth
Corporate Governance

To the members of the Corporate Policy and Resources Committee

Councillors:

G. Neall (Chair)
C. Bateson (Vice-Chair)

J. Button
D.C. Clarke

M.J. Lee
D. Saliagopoulos

M.M. Attewell
J.R. Boughtflower
M. Buck

S.M. Doran
R.V. Geach
S. Gyawali

J.R. Sexton
J.A. Turner
H.R.D. Williams

Substitute Members:

Councillors: S.N. Beatty, H.S. Boparai, T. Burrell, K. Howkins,
S.C. Mooney and K.E. Rutherford

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Committee Report Checklist

Please submit the completed checklists with your report. If final draft report does not include all the information/sign offs required, your item will be delayed until the next meeting cycle.

Stage 1

Report checklist – responsibility of report owner

ITEM	Yes / No	Date
Councillor engagement / input from Chair prior to briefing		
Relevant Group Head review	N/A	
MAT+ review (to have been circulated at least 5 working days before Stage 2)	Yes	11/9
This item is on the Forward Plan for the relevant committee		
	Reviewed by	
Finance comments (circulate to Finance)		
Risk comments (circulate to Lee O'Neil)	LO	11/09/26
Legal comments (circulate to legal@spelthorne.gov.uk)	JC	11/09/26
HR comments (if applicable)	N/A	

For reports with material financial or legal implications the author should engage with the respective teams at the outset and receive input to their reports prior to asking for MO or s151 comments.

Do not forward to stage 2 unless all the above have been completed.

Stage 2

Report checklist – responsibility of report owner

ITEM	Completed by	Date rec'd
Monitoring Officer commentary – at least 5 working days before MAT	L Heron	15/09/26
S151 Officer commentary – at least 5 working days before MAT	T.Collier	11/09/26
Commissioner engagement		
	Delete as applicable:	No issues Comments in S. 7
Relevant MAT member sign-off	PM	15/09/26
Report reviewed by Management Team		

Corporate Policy & Resources Committee

Monday 12th October 2026

Title	Disposal of Communications House, Staines
Purpose of the report	To make a recommendation to Council
Report Author	Coralie Holman – Group Head Assets
Ward(s) Affected	All Wards
Exempt	Report – No Appendices 1-5 (inclusive) - Yes
Exemption Reason	Appendices 1-5 (inclusive) contain exempt information within the meaning of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985 and by the Local Government (Access to Information) (Variation) Order 2006 Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information) and in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information because, disclosure to the public would prejudice the financial position of the authority in any contract or other type of negotiation with a prospective purchaser who could then know the position of the Council.
Corporate Priority	Resilience
Recommendations	Committee is asked to: 1) Consider the proposed disposal terms as set out in this report (summarised in Appendix 1); and 2) Recommend that the Council: 2.1 Approve the disposal terms set out in this report 2.2 Delegate authority to the Chief Finance Officer and Group Head of Assets, in consultation with Chair and Vice Chair of Corporate Policy and Resources Committee to agree minor variations to the Heads of Terms and adjustments to the sale price; and 2.3 Delegate authority to Group Head of Corporate Governance to enter into a transfer to complete the disposal and any ancillary legal documentation required in relation to the proposed disposal.

Reason for Recommendation	Agreement to the recommendations in this report will enable the approved Asset Rationalisation plan to be progressed towards achieving the agreed target level of capital receipts by 31 st March 2027.
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1. Executive summary of the report

What is the situation	Why we want to do something
The Council approved an asset rationalisation programme in December 2025.	The recommendation in this report implements relevant work required to further asset rationalisation.
This is what we want to do about it	These are the next steps
To progress the disposal of Communications House and generate a capital receipt.	- Report to be considered at Full Council on 22nd October 2026. - Enter into a contract to sell Communications House

2. Key issues

Background

- 2.1 Following the Council's decision in December 2025 to implement a commercial asset rationalisation plan, Knight Frank, a leading real estate agency, were appointed following a procurement exercise, to advise the Council on its asset rationalisation proposals and undertake the marketing of selected assets for disposal.
- 2.2 Knight Frank undertook a comprehensive review of all the Council's commercial assets and provided advice centred around a phased disposal programme to ensure best consideration (which is the requirement under s.123 of the Local Government Act 1972) would be achieved for each disposal. Consideration was given to the property specifics of each asset in terms of tenant profiles, security of income, forthcoming lease expiries and the level of vacant space within a building. These criteria were used and considered against the property market conditions and current investor preferences and risk, which in turn identified suitable assets for inclusion in the phase 1 disposals. As anticipated, phase 1 disposals have been marketed during the first half of the financial year 2026/27.

3. Asset Performance

- 2.3 Communications House was acquired in July 2018 as part of the Council's commercial property assets acquisition programme, which intended to realise additional income for the Council to fund discretionary front-line services.

- 2.4 Communications House has been identified as an underperforming asset. In the financial year to 31 March 2026, it negatively contributed to the revenue budget with the property income insufficient to cover the operating and financing costs. This asset has seen a significant fall in value since acquisition in 2018 (see confidential Appendix 4).
- 2.4 Communications House has remained partially vacant for a significant period, and it has been anticipated for several years the longer-term use for the site would be some form of residential conversion. Whilst 4 full floors and part of the 4th floor of the building are currently let, (81% of the building) there are only 2 tenants occupying the building on leases expiring or with a mutual break option in January 2029. The challenges of securing tenants previously and current reduced office take up more widely within this area of Staines all point to there being no realistic prospects of the asset's value returning to its purchase price as an office investment.

Marketing and Bids

- 2.5 A targeted marketing approach was adopted for this asset, as known residential to office developers had previously approached both the Council and Knight Frank regarding an 'off market' purchase. This approach was considered carefully before being progressed as it is essential that the disposal achieved best consideration in line with statutory requirements.
- 2.6 Two parties with a strong reputation for 'performing' and being able to offer top level pricing, were approached. Neither party partake in competitive tendering processes. On this basis it was concluded if the targeted parties were prepared to offer more than the top end of the target price range, this would achieve best consideration which could be substantiated via an independent Red Book Valuation.
- 2.7 The target pricing range suggested by Knight Frank for Communications House was 'sense checked' against bids received for the sale of the Council owned Thameside House, located adjacent to Communications House, which was also sold for residential conversion. Thameside House was openly marketed.
- 2.8 As with other disposals progressed in order that all interest could be progressed without conditionality a virtual data room, which contained all relevant information about the asset, was set up fully populated for parties to be able to view.
- 2.10 Both parties made offers, which are set out within the confidential Appendix 2 of this report, together with a summary of the price and terms of the disposal to assist the elected members. Knight Frank's recommendation regarding this disposal is included within Appendix 5. The recommended purchaser was selected on the basis of the highest financial offer. This was the only material difference between each offer. Heads of Terms can be found in confidential Appendix 1

Office Real Estate

- 2.11 The marketing focus of Communications House was targeted to residential developers as set out above, this was considered the approach to achieve the highest sale price.
- 2.12 The office investment market has experienced a significant decline since the asset was purchased in 2018. There has been a reduction in office asset sales and a huge drop in office asset values not just within the locality of this asset, but nationally due to structural shift in how people work, with many people now working on a hybrid basis with less emphasis on the requirement for 5 day a week office working, lowering demand for office space.
- 2.13 In addition, a rise in inflation and higher interest costs are impacting property returns and capital values. Sector data indicates that the overall share of the office sector as part of commercial property investment has fallen by 39% since 2019.
- 2.14 There remains a lot of uncertainty in how the office sector will perform over the next 12 months. Whilst there remains some optimism the key regional cities i.e. Central London will continue to see some improvement, any recovery will take time to filter into the regional areas. This, together with the reducing unexpired term of the occupational lease, is likely to negatively affect the asset's attractiveness in the market and the Council will continue to feel the impact of financing costs that exceed income levels.
- 2.15 The uncertainty within the office sector and demand from office occupiers for strong office locations, Category Grade A space has resulted in many secondary office locations like the town centre in Staines experiencing a huge decline in office take up, with buildings remaining unlet for a long period of time. Owners have therefore looked for alternative uses to convert offices to. Whilst conversion can be expensive, it can provide an economically viable solution and conversion of former offices to residential uses is now a common practice.
- 2.15 The calculation of the bid for the disposal of this asset will have been based on different valuation methodology than the valuations the Council undertakes for its year end valuations. The Council's value at 31st March 2026, was based on an office investment and income, whereas the bid will be based on a residential residual method of valuation. A residual method of valuation considers what a piece of land or a building which is beyond its useful economic life is worth by taking its final finished value, subtracting all the conversion costs plus the developer's profit.
- 2.16 The disposal will reduce this Council's exposure to commercial property risk and future vacant premises costs.

3 Options appraisal and proposal

3.1 Option 1 –Recommend the asset's disposal to Council for approval (recommended)

On occasions a targeted approach to marketing of an asset is the best way to determine its realisable value, therefore based on the circumstances set out

above, the disposal price is expected to be the highest price the Council will achieve for the asset. This is supported by the recommendation from Knight Frank and the Independent Red Book Valuation from Allsop & Co. (see Appendix 3).

The sale will save the Council substantial revenue budget costs in 2026/27 (and MRP financing costs from 2027/28) which is currently having a negative impact on the Council's financial position.

3.2 Option 2 – Decline the offer and progress to market the property

Full marketing is not expected to achieve a higher sale price, due to the level of bids already received. There is no evidence to support a higher sale price if undertake full marketing. This option is not recommended.

4 Risk implications

- 4.1 The Council's appointed advisers, Knight Frank and Clyde & Co, will undertake the mandatory money laundering checks on the company and any person of significant control within the company. The buyer has been professionally advised and has a UK based solicitor. We have no concerns over the intention or commitment of the buyer, however, until contracts are exchanged, as with any disposal the legal process proceeds at risk of going abortive. To mitigate this risk the sale process will be monitored by the Asset Management Team and Knight Frank.
- 4.2 The sale is subject to the legal due diligence process, a satisfactory report on title and an agreed contract. The Council's external legal advisers Clyde & Co will draft the sale contract and ensure all legal compliance. It is possible that an issue of concern to the purchaser is raised during the legal process which may result in the purchaser reducing their offer or withdrawing completely.
- 4.3 Even though the asset will no longer be within the Council's control once sold, the anticipated future use of residential conversion fits with the emerging Staines Masterplan proposals and will deliver much needed housing to the town centre.

5 Financial implications

- 5.1 Disposing of the asset for the sale price will generate a capital receipt in 2026/27. This will be used to reduce the Council's Capital Financing Requirement (CFR) and thus reduce the MRP charge to the Revenue Budget in 2027/28 and beyond. This is in line with the Statutory Direction to reduce debt. It will also avoid the likelihood future decline in the value of the asset and the ongoing annual loss.
- 5.2 Financial analysis, relating to the terms of the disposal, can be found in confidential Appendix 4 of this report.
- 5.3 Not disposing of this asset in 2026/27 would have financial implications for the new West Surrey Council in terms of not reducing its Minimum Revenue

Provision (MRP) in line with the current Medium-Term Financial Strategy (MTFS) projections and thereby increasing revenue budget costs because of higher financing costs.

6 Legal comments

- 6.1 Further to sections 120-123 of the Local Government Act 1972, the Council has the powers to acquire and dispose land and property subject to complying with the certain statutory requirements, one of which is securing the best consideration that can reasonably be obtained. To satisfy the best consideration requirement, an independent valuation and advice are strongly advisable.
- 6.2 Any disposal will be subject to the terms of the contract, transfer and any other necessary legal documentation. The Council's in-house Legal Services will support the sale with external legal advice.
- 6.3 Failure to obtain best consideration from the proposed disposal may expose the Council to risk of legal challenge by way of a judicial review which will result in substantial legal costs and reputational damage.
- 6.4 In accordance with part 3 (b) of the Constitution decisions on freehold disposal of investment assets are within the remit of Corporate Policy and Resources Committee. In view of the wider budgetary implications and the impact of each capital receipt on the Council's Treasury Management Strategy, this disposal is referred to Council for final approval.

Corporate Implications

7 Commissioners' comments

- 7.1 Commissioners strongly support the recommendations of this report, as they
 - align with the directions issued to the Council by the Secretary of State on 8 May 2025;
 - align with the principle of asset rationalisation agreed by Council on 17 November 2025;
 - enable the council to deliver on the 26/27 budget and reduce the risk of a need to make further savings during the current financial year; and
 - support the delivery of the MTFS over subsequent years and the sustainability of West Surrey Council and therefore reduce the risk to West Surrey residents of future cuts to services

8. S151 Officer comments

- 8.1 The Section 151 Officer confirms that all relevant financial implications have been identified and evaluated. The offer is at the top end of the anticipated offer range. The S151 Officer strongly supports the recommendation for disposal at the proposed price, as this is consistent with the approved decision of the

Council in December 2025 to undertake an investment asset rationalisation programme in compliance with the statutory Best Value Direction and is consistent with improving the Medium-Term financial sustainability of Spelthorne/West Surrey Councils, both by bringing to an end the ongoing net holding cost of the asset and by reducing future MRP.

9. Monitoring Officer comments

- 9.1 The Monitoring Officer has been consulted on this report and confirms that subject to the matters set out in the report, and provided that all applicable statutory requirements (including Best Value Directions of May 2025) have been addressed and proper process is followed, the proposal can be considered legally compliant.

10. Procurement comments

- 10.1 There are no procurement implications arising directly from the recommendations in this report.

11 Equality and Diversity

- 11.1 There are no direct equality and diversity issues arising from a property disposal as the sale doesn't impact the current operation of or occupiers of the asset. The marketing, viewing and bidding process was undertaken ensuring there was no discrimination against prospective buyers.

12. Sustainability/Climate Change Implications

- 12.1 Communications House has a valid EPC rating of B this complies with The Energy Performance of Buildings (England and Wales) Regulations 2012.

13. LGR / other considerations

- 13.1 Not disposing of this asset in 2026/27 would have significant financial implications for the new West Surrey Council in terms of not reducing its MRP in line with the current MTFS projections and thereby increasing revenue budget costs because of higher financing costs. In turn this will mean the reserves Spelthorne will be passing across to West Surrey will be used up more rapidly. This would prejudice the financial resilience of West Surrey Council and would have a significant impact on West Surrey's budget setting. Consequently, this is very likely to adversely affect their ability to continue to maintain services currently provided by Spelthorne Borough Council.
- 13.2 This property is anticipated to provide a negative contribution to the Council's/West Surrey Council's revenue budget over the next six years, if it is not disposed of.
- 13.3 Statement from West Surrey Council: Spelthorne council has provided its MTFS and financial information to West Surrey to assist it with the development of the MTFS and budget 2027/28. That information is based on implementing the asset disposal strategy agreed by Spelthorne Council in December 2025. It is vital to the financial position of West Surrey that this disposal strategy is

delivered to avoid any unfunded liabilities being passed onto West Surrey. Any delays in disposals will add to the financial challenges faced by West Surrey and to avoid this we would fully support Spelthorne council agreeing the disposal of all assets identified in the disposal programme. Minimizing the debt that is transferred to West Surrey will be a great help as we consider how to maintain local services.

14. Timetable for implementation

- 14.1 Following consideration by this Committee, this proposed disposal will be presented to Council on 22nd October 2026 for final decision.

15. Contact

- 15.1 Coralie Holman Group Head Assets c.holman@spelthorne.gov.uk

Appendices

Appendix 1 – Heads of Terms – Exempt

Appendix 2 – Schedule of Bids received - Exempt

Appendix 3 - Redbook Valuation - Exempt

Appendix 4 – Summary financial information – Exempt

Appendix 5 – Knight Frank Disposal Recommendation - Exempt

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Committee Report Checklist



Please submit the completed checklists with your report. If final draft report does not include all the information/sign offs required, your item will be delayed until the next meeting cycle.

Stage 1

Report checklist – responsibility of report owner

ITEM	Yes / No	Date
Councillor engagement / input from Chair prior to briefing		
Relevant Group Head review	N/A	
MAT+ review (to have been circulated at least 5 working days before Stage 2)		
This item is on the Forward Plan for the relevant committee		
	Reviewed by	
Finance comments (circulate to Finance)		
Risk comments (circulate to Lee O'Neil)	LO	11/09/26
Legal comments (circulate to legal@spelthorne.gov.uk)	LH	15/09/26
HR comments (if applicable)	N/A	

For reports with material financial or legal implications the author should engage with the respective teams at the outset and receive input to their reports prior to asking for MO or s151 comments.

Do not forward to stage 2 unless all the above have been completed.

Stage 2

Report checklist – responsibility of report owner

ITEM	Completed by	Date rec'd
Monitoring Officer commentary – at least 5 working days before MAT	L Heron	15/09/26
S151 Officer commentary – at least 5 working days before MAT	T.Collier	11/09/26
Commissioner engagement	LS	15/09/2026
	Delete as applicable:	Comments in S. 7
Relevant MAT member sign-off	PM	15/09/26
Report reviewed by Management Team		

Corporate Policy & Resources Committee

Monday 12th October 2026

Title	Disposal of 12 Hammersmith Grove, London W6
Purpose of the report	To make a recommendation to Council
Report Author	Coralie Holman – Group Head Assets
Ward(s) Affected	All Wards
Exempt	Report and Appendix 1 – No Appendices 2-6 (inclusive) - Yes
Exemption Reason	Appendices 2-6 (inclusive) contain exempt information within the meaning of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985 and by the Local Government (Access to Information) (Variation) Order 2006 Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information) and in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information because, disclosure to the public would prejudice the financial position of the authority in any contract or other type of negotiation with a prospective purchaser who could then know the position of the Council.
Corporate Priority	Resilience
Recommendations	Committee is asked to: 1) Consider the proposed disposal terms as set out in this report (summarised in Appendix 4); and 2) Recommend that the Council: 2.1 Approve the disposal terms set out in this report 2.2 Delegate authority to the Chief Finance Officer and Group Head of Assets, in consultation with Chair and Vice Chair of Corporate Policy and Resources Committee to agree minor variations to the Heads of Terms and adjustments to the sale price; and 2.3 Delegate authority to Group Head of Corporate Governance to enter into a transfer to complete the disposal and any ancillary legal documentation required in relation to the proposed disposal.

Reason for Recommendation	Agreement to the recommendations in this report will enable the approved Asset Rationalisation Programme to be progressed towards achieving the agreed target level of sales receipts by 31 st March 2027.
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1. Executive summary of the report

What is the situation	Why we want to do something
The Council approved an asset rationalisation programme in December 2025.	The recommendation in this report implements relevant work required to further asset rationalisation
This is what we want to do about it	These are the next steps
To progress the disposal of 12 Hammersmith Grove, London W6 and generate a capital receipt	- Full Council consider the terms for the disposal on 22nd October - Enter into a contract to sell 12 Hammersmith Gove, London W6

2. Key issues

Background

- 2.1 Following the Council's decision in December 2025 to implement a commercial asset rationalisation plan, Knight Frank, a leading real estate agency, were appointed following a procurement exercise, to advise the Council on its asset rationalisation proposals and undertake the marketing of selected assets for disposal.
- 2.2 Knight Frank undertook a comprehensive review of all the Council's commercial assets and provided advice centred around a phased disposal programme to ensure best consideration (which is the requirement under s.123 of the Local Government Act 1972) would be achieved for each disposal. Consideration was given to the property specifics of each asset in terms of tenant profiles, security of income, forthcoming lease expiries and the level of vacant space within a building. These criteria were used and considered against the property market conditions and current investor preferences and risk which in turn identified suitable assets for inclusion in the phase 1 disposals. As anticipated, phase 1 disposals have been marketed during the first half of the financial year 2026/27.

Asset Performance

- 2.3 The property known as 12 Hammersmith Grove, London W6 was acquired in January 2018 as part of the Council's commercial property assets acquisition programme, which intended to realise additional income for the Council to fund discretionary front-line services.

- 2.4 This property has been identified as an underperforming asset. In the financial year to 31 March 2026, it negatively contributed to the revenue budget with the property income insufficient to cover the operating and financing costs. This asset has seen a significant fall in value since acquisition in 2018(see confidential Appendix 5).
- 2.5 12 Hammersmith Grove was fully occupied in 2018 when purchased with most leases being for a term of 10 years expiring in 2027. Over the past year or two it has become apparent, this location in London does not generate strong demand for new lettings, and many tenants have decided to relocate and not renew their leases. This is resulting in a large element of the office becoming vacant with limited ability to re-let the space. Tenants that are prepared to renew leases have a strong negotiating position resulting in lower annual rents being agreed and longer rent-free periods being agreed as part of the tenant incentives to renew the lease. If these incentives were not offered a greater number of tenants would have vacated as they would be able to secure more competitive terms on other third party owned buildings. The resultant impact being lower annual rental income and greater landlord costs being incurred from vacant space within the building.

Marketing

- 2.6 Open marketing of this asset took place together with organisations being 'targeted' who were known to be seeking similar asset types in terms of use, location, financial return and risk. A marketing brochure was prepared and circulated to interested parties; this is included in Appendix 1. This was circulated widely to all known parties who may be interested in the property. Knight Frank's report in Appendix 6, details further information on the level of enquires and viewings.
- 2.7 Interested parties were given access to a virtual data room, which contained all relevant information about the asset, and were able to undertake a visit to the asset. Based on this information and site visits, following a marketing period, Knight Frank set a deadline for offers to be received from interested parties.

Bids received

- 2.9 There was strong positive interest in the asset, 2 rounds of initial bidding were undertaken. This then resulted in a final and third stage of bidding for the top 2 bidders. The final 2 rounds of bidding saw bids exceed the top end of the target price range. The bids received in the third and final bidding stage are set out in confidential Appendix 3.
- 2.10 Both final round bids have been carefully assessed, and a preferred bidder has been selected for approval by the Council. Draft Heads of Terms accompany this report in the confidential Appendix 2 of this report, together with key terms of the recommended offer being included in Appendix 4. Knight Frank's recommendation re this disposal is included within Appendix 6.

Office Real Estate

- 2.11 The office investment market has experienced a significant decline since the asset was purchased in 2017. There has been a reduction in office asset sales and a huge drop in office asset values not just within the locality of this asset, but nationally due to structural shift in how people work, with many people now working on a hybrid basis with less emphasis on the requirement for 5 day a week office working, lowering demand for office space.
- 2.12 In addition, a rise in inflation and higher interest costs are impacting property returns and capital values. Sector data indicates that the overall share of the office sector as part of commercial property investment has fallen by 39% since 2019.
- 2.13 There remains a lot of uncertainty in how the office sector will perform over the next 12 months. Whilst there remains some optimism that the key regional cities i.e. Central London will continue to see some improvement, any recovery will take time to filter into the regional areas. This, together with the reducing unexpired term of the occupational lease, is likely to negatively affect the asset's attractiveness in the market and the Council will continue to feel the impact of financing costs that exceed income levels.
- 2.14 The disposal will reduce this Council's exposure to commercial property risk. and future vacant premises costs.

3 Options appraisal and proposal

3.1 Option 1 – Recommend the asset's disposal to Council for approval (recommended)

The marketing of an asset is the best way to determine its realisable value, therefore based on the circumstances set out above, the disposal price is expected to be the highest price the Council will achieve for the asset. This is supported by the recommendation from Knight Frank.

The sale will save the Council substantial revenue budget costs in 2026/27 (and MRP financing costs from 2027/28) which is currently having a negative impact on the Council's financial position.

3.2 Option 2 – Decline the offer and continue to market the property

Further marketing is not expected to achieve a higher sale price, due to the level of bids already received. There is no evidence to support a higher sale price if we continue to market for a longer period or broaden the marketing to any interested party. This option is not recommended.

4 Risk implications

- 4.1 The Council's appointed advisers, Knight Frank and Clyde & Co, will undertake the mandatory money laundering checks on the company and any person of significant control within the company. The buyer has been professionally advised and has a UK based solicitor. We have no concerns over the intention

or commitment of the buyer, however, until contracts are exchanged, as with any disposal the legal process proceeds at risk of going abortive. To mitigate this risk the sale process will be monitored by the Asset Management Team and Knight Frank.

- 4.2 The sale is subject to the legal due diligence process, a satisfactory report on title and an agreed contract. The Council's external legal advisers Clyde & Co will draft the sale contract and ensure all legal compliance. It is possible that an issue of concern to the purchaser is raised during the legal process which may result in the purchaser reducing their offer or withdrawing completely.

5 Financial implications

- 5.1 Disposing of the asset for the sale price will generate a significant capital receipt in 2026/27. This will be used to reduce the Council's Capital Financing Requirement (CFR) and thus reduce the Minimum Revenue Provision (MRP) charge to Revenue Budget in 2027/28 and beyond. This is in line with the Statutory Direction to reduce debt. It will also avoid the future decline in the value of the asset and the ongoing annual loss.
- 5.2 Financial analysis, relating to the terms of the disposal, can be found in confidential Appendix 5 of this report.
- 5.3 Not disposing of this asset in 2026/27 would have significant financial implications for the new West Surrey Council in terms of not reducing its Minimum Revenue Provision (MRP) in line with the current Medium-Term Financial Strategy (MTFS) projections and thereby increasing revenue budget costs because of higher financing costs.

6 Legal comments

- 6.1 Further to sections 120-123 of the Local Government Act 1972, the Council has the powers to acquire and dispose land and property subject to complying with the certain statutory requirements, one of which is securing the best consideration that can reasonably be obtained. To satisfy the best consideration requirement, an independent valuation and advice are strongly advisable.
- 6.2 Any disposal will be subject to the terms of the contract, transfer and any other necessary legal documentation. The Council's in-house Legal Services will support the sale with external legal advice.
- 6.3 Failure to obtain best consideration from the proposed disposal may expose the Council to risk of legal challenge by way of a judicial review which will result in substantial legal costs and reputational damage.
- 6.4 In accordance with part 3(b) of the Constitution decisions on freehold disposal of investment assets are within the remit of Corporate Policy and Resources Committee. In view of the wider budgetary implications and the impact of each capital receipt on the Council's Treasury Management Strategy, this disposal is referred to Council for final approval.

Corporate Implications

7 Commissioners' comments

- 7.1 Commissioners strongly support the recommendations of this report, as they
- align with the directions issued to the Council by the Secretary of State on 8 May 2025;
 - align with the principle of asset rationalisation agreed by Council on 17 November 2025;
 - enable the council to deliver on the 26/27 budget and reduce the risk of a need to make further savings during the current financial year; and
 - support the delivery of the MTFS over subsequent years and the sustainability of West Surrey Council and therefore reduce the risk to West Surrey residents of future cuts to services

8. S151 Officer comments

- 8.1 The Section 151 Officer confirms that all relevant financial implications have been identified and evaluated. The S151 Officer strongly supports the recommendation for disposal at the proposed price, particularly as it is above the target range for the asset, and as this is consistent with the approved decision of the Council in December 2025 to undertake an investment asset rationalisation programme in compliance with the statutory Best Value Direction and is consistent with improving the Medium-Term financial sustainability of Spelthorne/West Surrey Councils, both by bringing to an end the ongoing net holding cost of the asset and by reducing future MRP.

9. Monitoring Officer comments

- 9.1 The Monitoring Officer has been consulted on this report and confirms that subject to the matters set out in the report, and provided that all applicable statutory requirements (including Best Value Directions of May 2025) have been addressed and proper process is followed, the proposal can be considered legally compliant.

10. Procurement comments

- 10.1 There are no procurement implications arising directly from the recommendations in this report.

11 Equality and Diversity

- 11.1 There are no direct equality and diversity issues arising from a property disposal as the sale doesn't impact the current operation of or occupiers of the asset. The marketing, viewing and bidding process was undertaken ensuring there was no discrimination against prospective buyers.

12. Sustainability/Climate Change Implications

- 12.1 12 Hammersmith Grove has an EPC rating of C, which comply with The Energy Performance of Buildings (England and Wales) Regulations 2012.

13. LGR / other considerations

- 13.1 Not disposing of this asset in 2026/27 would have significant financial implications for the new West Surrey Council in terms of not reducing its MRP in line with the current MTFS projections and thereby increasing revenue budget costs because of higher financing costs. In turn this will mean the reserves Spelthorne will be passing across to West Surrey will be used up more rapidly. This would prejudice the financial resilience of West Surrey Council and would have a significant impact on West Surrey's budget setting. Consequently, this is very likely to adversely affect their ability to continue to maintain services currently provided by Spelthorne Borough Council.
- 13.2 This property is anticipated to provide a negative contribution to the Council's/West Surrey Council's revenue budget over the next six years, if it is not disposed of.
- 13.3 Statement from West Surrey Council: Spelthorne council has provided its MTFS and financial information to West Surrey to assist it with the development of the MTFS and budget 2027/28. That information is based on implementing the asset disposal strategy agreed by Spelthorne Council in December 2025. It is vital to the financial position of West Surrey that this disposal strategy is delivered to avoid any unfunded liabilities being passed onto West Surrey. Any delays in disposals will add to the financial challenges faced by West Surrey and to avoid this we would fully support Spelthorne council agreeing the disposal of all assets identified in the disposal programme. Minimizing the debt that is transferred to West Surrey will be a great help as we consider how to maintain local services.

14. Timetable for implementation

- 14.1 Following consideration by this Committee, this proposed disposal will be presented to Council on 17th September 2026 for final decision.

15. Contact

- 15.1 Coralie Holman Group Head Assets c.holman@spelthorne.gov.uk

Appendix 1 – Marketing Brochure - Public

Appendix 2 – Heads of Terms – Exempt

Appendix 3 – Schedule of Bids received - Exempt

Appendix 4 – Summary of information to support recommendation - Exempt

Appendix 5 – Summary financial information – Exempt

Appendix 6 – Knight Frank Disposal Recommendation - Exempt