

Business Infrastructure & Growth Committee -

13 March 2025



Title	Council Land and Property Disposals
Purpose of the report	To seek approval to progress with the disposal of Thameside House
Report Author	Bruce Strong – Asset Manager
Ward(s) Affected	All
Exempt	Main Report – No Appendix 1 - Yes
Exemption Reason	The Appendix contains 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 the 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	Financial Resilience
Recommendations	The Committee is asked to: Agree to proceed with the re marketing of Thameside House offering the unencumbered freehold.
Reason for Recommendation	The disposal in the above manner will maximise the ability of gaining the highest and best value for the property and contribute towards the financial resilience of the Council, by generating a capital receipt. The Council has a statutory obligation to achieve best consideration from its land and property disposals. Additionally, the holding and finance costs need to be extinguished, running at £73,000 per month.

1. Summary of the report

What is the situation	Why we want to do something
• The property has been marketed twice in the last 6 months on a long leasehold and freehold basis and clarity is required on marketing and whether this will be unencumbered or where the height/mass will be restricted. • The Council's recently adopted Development Delivery Strategy makes provision for progression of the development of specified sites via partnership working which may take the form of a disposal or joint venture style agreements.	• Thameside House has recently been marketed receiving the offers in Appendix 1, but a freehold unencumbered disposal may increase the best offer/deliverability. We need the committee to agree a marketing approach which is then adhered to when evaluating offers in order to not lose credibility in the market. • The Council has statutory obligations to achieve best consideration in relation to its land and property disposals and this directs the Council to focus on financial resilience within its decision making, including disposing of assets, when possible, to relieve pressure on the annual revenue budget resultant from financing and holding costs from vacant sites. • A disposal would bring to an end the holding costs for the site that the Council is incurring which from 2025-26 will be charged to the Revenue Budget
This is what we want to do about it	These are the next steps
• The committee is asked to guide the officers on the basis the property should be marketed on, i.e. restricted or unrestricted.	• Market the property on the basis agreed at this committee. • Permit a for-sale board to be put on the property. • Subsequently bring a summary of the offers back to the Committee with a recommendation on which party to proceed with.

2. Key issues

- 2.1 The disposal of Thameside House will enable the Council to obtain a capital receipt and where applicable offset purchase and other holding costs and potentially will enable the ending of the borrowing associated with the property. This will, longer term, relieve pressure on the Council's revenue budget. In the short-term the disposal may result in any costs that exceed the disposal prices being offset against Council reserves, with respect to accumulated capitalised financing costs up to the end of 2024-25.
- 2.2 A sale will progress the site prioritisation within the Development Delivery Strategy.
- 2.3 The property has been marketed twice in the last 6 months and for market credibility we need to ensure the next marketing exercise brings the disposal to a conclusion. If the site is subsequently marketed for a 4th time this will impact the ability to achieve the best price as parties will lose confidence in our willingness to sell and so will not invest time in bidding preventing us from progressing a disposal and meeting our corporate objectives.
- 2.4 A disposal of the site with restrictions limiting the height of any redevelopment, while providing more control of the end development, is likely to reduce interest and the level of offers and therefore not deliver best value.
- 2.5 Conversely, marketing the site on an unencumbered basis, without restriction, is likely to generate a higher capital receipt, particularly where several parties are competing to acquire the property at a best bids stage. Therefore a 'restricted' disposal may result in sale at an undervalue and the market needs to be tested fully to assess whether this will be the case.
- 2.6 Holding costs for Thameside House in respect of business rates and security costs are c. £55,000 per month (£660k pa) and financing costs c. £216,000 pa and a disposal would stop this drain on Council finances. In addition, due to the previous marketing and offers received the agents were paid an interim fee of £22,455, in December and while this will be deducted from the final fee, if sold to a party who made any previous offer, it would have been more appropriate to pay a fee on exchange of a sale. This cost was incurred to keep the agent on board, maintain consistency in the marketing and ensure the Council was not seen as wasting the time of agents.

3. Current position

- 3.1 Marketing/disposal of Thameside House, on a long leasehold basis, was initially approved by the Council's Business Infrastructure and Growth Committee in June 2024.
- 3.2 More recently we obtained consent to market the site on a freehold basis with a summary of the offers from November and December 2024 in Appendix 1. The offers were based on a mixture of end uses but generally as a care home or residential, some being based on the ability to add a floor or two to the property. Most of the offers were between £3.1m and £5.75m with their proposals seen as deliverable. The highest offer of £11m was conditional on change of use and the developer entering into a lease with a care home operator making the timings of receiving the money and deliverability highly uncertain.

- 3.3 At the December Committee there was debate around the method of disposal and differing conclusions on the basis of the disposal, hence this report seeks clarification on the marketing approach to be adopted.
- 3.4 If the Committee decided that the property was to be disposed with a restriction on the height, then this can be undertaken in one of 2 ways:
- a) Selling the long leasehold, say 999-year lease, with a restrictive covenant.
 - b) Selling the freehold with a restriction on title. To be able to enforce this the Council may need to retain a meaningful amount of land around any proposed building. This would be difficult due to the configuration of the site and the Council would continue to have to maintain this land. Additionally, the new landowner could subsequently appeal to the Lands Tribunal to discharge the restriction or modify the covenant, reducing its enforceability in any event.

4. Options

- 4.1 Option 1 – Proceed with the re marketing of Thameside House offering the unencumbered freehold. **This is the recommended option** as it protects the Council against any challenge of breaching statutory requirements to achieve best consideration from its land and property assets, meeting statutory best value requirements, removes any ongoing liability for the property and would generate the highest possible receipt in terms of offsetting the finance on the site.
- 4.2 Option 2 – Freehold sale limiting the height of the building. Height limit to be agreed.
- 4.3 Option 3 – Long leasehold, 999 years, limiting the height of the building. Height limit to be agreed

Options 2 and 3 are **not the recommended options** as it would require the Council to dispose of the land potentially for less than best consideration. For example, a purchasers financing costs may be higher on a long leasehold basis reducing the offer. However, there is a reduced chance of the site being called in by the SoS where the undervalue does not exceed £2m and the disposal helps the social, economic and environmental well-being of the area.

5. Financial Implications

- 5.1 The financials for the site are summarised below:

Purchase Price (2018)	Discounted Loan Balance (27 February 2025)	Outstanding Loan Balance (27 February 2025)
£10,200,000	£5,863,836	£8,517,365

The discounted loan balance as above of £5.863m is the discounted rate that the loan may be settled at and this offer, whilst currently valid, is subject to daily change, if current Public Works Loans Board interest rates fall then the size of the discount will fall. The loan balance on 27 February 2025 of £8.517m is the amount the loan could be repurposed within the Council. When the property is sold, this will extinguish the Council's previous development proposals, with any accumulated losses being met by capital and/or revenue reserves. The Council cannot continue to incur these holding costs and needs to resolve the situation. The Chief Finance Officer strongly advises that the proposed approach is pursued. Reserves will address any surplus/deficit from the actual financial receipt of a sale once the cost the Council incurred, in respect of the site acquisition has been deducted.

- 5.3 It should be noted that it is anticipated that the Council will achieve higher capital receipts and reduce capital losses if disposals are made on an unencumbered basis.

6. Risk Management

- 6.1 Future marketing, beyond this third time, will affect the number of interested parties as they will not want to spend time and invest resource in offering on the site. Agreement on the method of disposal will be key to ensuring the site can be sold without further delay.
- 6.2 A sale on a restricted basis risks the disposal being called in by the SoS. To ensure this does not happen a unrestricted disposal can be undertaken.
- 6.3 Once the Council disposes of its interest in the site it loses direct control of any future proposals by the owner of the building, but they will still need to accord with planning regulations, for example on flooding.
- 6.4 Any redevelopment under permitted development for residential will mean the developer will not have to provide any affordable housing.
- 6.5 All reasonable due diligence will be undertaken on the preferred bidder, i.e. to check funding availability as well as other regular financial checks. However, until contracts are exchanged, as with any disposal, the legal process proceeds at risk of an abortive completion.

7. Procurement comments

- 7.1 As this is a disposal, there are no direct procurement implications, which typically relate to purchasing. However, by marketing the site the Council has ensured the property has been exposed to as many interested parties as possible to allow bids to be submitted.

8. Legal comments

- 8.1 Further to sections 120-123 of the Local Government Act 1972, the Council has the powers to acquire and dispose of land for the purpose of any of its functions. Any disposal will need to satisfy the valuation requirements of section 123 of this Act, and disposal for less than best consideration reasonably obtainable will require consent of the Secretary of State.
- 8.2 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 provide support and external legal advice will be obtained if required.

- 8.3 Any disposal must meet the requirements of Best Duty Value under the provisions of the Local Government Act 1999.
- 8.4 Failure to obtain best consideration from the proposed disposals 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.

9. Other considerations

- 9.1 Meeting best value requirements and achieving the best consideration must be a key part of the Council's decision-making process.
- 9.2 We are currently awaiting to see what commentary the Best Value Inspection report makes with respect to the Council's approach to maximising capital receipts from disposal of asset holdings.
- 9.3 Planning Comments:

Thameside House (Local Plan Ref ST1/037) is allocated for "up to 140 residential units" within years 1 - 5 of the Local Plan period (our five-year housing land supply figure is very marginally over the required 5 years). The 'up to' was put forward as a proposed Main Modification prior to Examination.

To satisfy EA concerns, a proposed Main Modification has been put forward which states that the built footprint within flood zone 3a (1% AEP) should not exceed the existing building (and where possible reduced), and that the site needs to be designed to a safe route for access and egress during a flood event.

A further proposed Main Modification to this (and other site allocations) states a detailed design of the site should be developed in collaboration between the applicant and LPA and that the use of a Design Review Panel will be encouraged where it is considered that it can positively shape development.

Any development will also need to comply with the Staines policy SP2 and all other relevant planning policies. A use other than residential will need to be justified in planning terms.

The Examination closed on 18 February 2025. Adoption of the Local Plan by Council could be in September 2025 (subject to the plan being found sound by the Inspector and public consultation undertaken on the Main Modifications).

Any development will need to comply with the Spelthorne Design Code once it is adopted, which is currently anticipated for Autumn 2025.

10 Equality and Diversity

- 10.1 There are no direct equality issues arising from a property disposal.

11 Sustainability/Climate Change Implications

- 11.1 Requirements relating to the sustainability of any development will be a developer responsibility.

12 Timetable for implementation

- 12.1 If the recommendation is approved the site will be remarketed with offers being brought back to committee together with full council signing off the approved purchaser/terms.

13 Contact

- 16.1 Bruce Strong, Asset Manager, b.strong@spelthorne.gov.uk.

Background papers: Appendix 1: Schedule of Offers