Business Infrastructure & Growth Committee -

13 March 2025

Title	*Ashford Victory Place Disposal*
Purpose of the report	To make a recommendation.
Report Author	*Coralie Holman – Group Head Assets*
Ward(s) Affected	All
Exempt	*Main Report – No* *Appendices 1 & 2 - Yes*
Exemption Reason	As to Appendix 1 & 2, these Appendices 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	Resilience and Addressing Housing Need
Recommendations	**Committee is asked to:** 1. Select the preferred bidder for the disposal of the development site known as Ashford Victory Place in Ashford as set out in more detail in the confidential Appendices to this report; and 2. Recommend to the Council to: a) Approve the preferred bidder set out in para 1 above and the disposal of the development site known as Ashford Victory Place in Ashford as set out in more detail in the confidential Appendices attached to this report. b) Delegate authority to the Group Head of Assets in consultation with the Chair and Vice Chair of Business Infrastructure and Growth Committee to agree detailed Heads of Terms in respect of the disposal of Ashford Victory with the preferred bidder.

	c) Delegate Authority to the Group Head of Corporate Governance to enter into a transfer and any ancillary legal documentation required in relation to the disposal of Ashford Victory Place to the preferred bidder.
Reason for Recommendation	The disposal will contribute towards the Financial Resilience of the Council, by generating capital receipts and delivering affordable housing provision. The disposal will also end on-going borrowing and holding costs in respect of the site, which will relieve pressure on the Council's Revenue Budget and Medium-Term Financial Plan. The Council has a statutory obligation to achieve best consideration from its land and property transactions.

1. Summary of the report

What is the situation	Why we want to do something
• As the Council is no longer undertaking direct delivery of regeneration and residential development on its land and property, a Development Delivery Strategy was adopted in October 2024 which makes provision for progression of the development on specified sites via partnership working which may take the form of disposal or joint venture style agreements • A report was brought to this Committee in December 2024 regarding the disposal of Ashford Victory Place. Following this Committee asked interested parties to re-consider their offer to include a greater provision of affordable housing. • Only two of the originally interested parties have made amended or fresh bids for the sites to include a greater focus on affordable housing (detailed in Appendix 1).	• Enable a third-party developer to build out /convert the site to provide much needed affordable housing within the Borough. • The Council has statutory obligations to achieve best consideration in relation to its land and property transactions 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.

This is what we want to do about it	These are the next steps
• Select a preferred bidder from those set out in Appendix 1 and a agree a disposal of this development site on a freehold sale basis to that bidder.	• Seek approval from the Council to progress disposal of the site and select a preferred offer. • Prepare detailed heads of terms based on the preferred offer and instruct solicitors to complete the disposal.

2. Key issues

2.1 The Council agreed to end direct delivery of its development sites in the Autumn 2023, due to on-going financial viability challenges resultant from higher borrowing and construction costs. In October 2024, the Council agreed adoption of a Development Delivery Strategy, which provides for developments on Council owned sites specified in the strategy, to be progressed via disposals or joint venture style partnerships.

2.1 Those sites specified within the Development Delivery Strategy were prioritised over a 10-year period. The initial focus being sites with the highest financial holding costs, which included Ashford Victory Place. The site has been independently marketed, using a well know regional commercial surveying practice Vail Williams. Utilising the expertise of Vail Williams has ensured comprehensive marketing and demonstrates best consideration avoiding the need for an independent valuation.

3. Current Position

3.1 Following the Disposals report brought to this committee in December 2024, it was concluded none of the offers provided sufficient affordable housing provision for the Committee to agree to the recommended disposal option. The Committee instructed officers to revert back to the bidders to seek amended or fresh bids with a greater affordable housing provision and a further report to be brought back to committee.

3.2 Only two of the original bidders have amended their offers, details of which can be found in Appendix 1. Both offers include enhanced affordable housing provision and revised financial offers to purchase the site. There is a difference of £1.7m between the offers, with the higher offer from bidder A offer including 30 affordable housing units and the lower offer from Bidder B including 100% affordable housing provision.

3.3 Affordable housing provision can be split into different tenures. Both bidders have confirmed they would be happy, subject to any amendment needed to the Unilateral Undertaking (this sets out the provision of 22 affordable housing units as part of the planning approval) to provide social and affordable rent tenures; both would directly benefit the requirements of Spelthorne’s housing register.

3.4 *Bidder A's proposal includes provision of 30 affordable units, which they would be happy to apportion between social and affordable rent as the Council requires to benefit the council's housing register.*

3.5 *Bidder B would provide 48 shared ownership units and 48 rent to buy units, 8 social rent and 23 affordable rents. It is only the social and affordable rent units that would benefit those people on the Council's housing list. Hence Bidder B's offer would provide 31 units which would be of direct benefit to those on the housing register.*

3.6 Whilst occupiers of the new affordable or social rent units would not all be taken from requirements on the housing register. Housing colleagues have advised it is not possible to quantify how many families from the housing register would occupy the new units, however it costs the Council c. £20,000 per annum to house a family in temporary accommodation, hence it is expected this transaction would provide the Council will some revenue budget savings.

3.7 Whilst there is minimal difference between the two offers in terms of direct benefit to the housing register. Bidder B's offer does provide two other forms of affordable housing, which needs to be considered against the additional £1.7m financial value of Bidder A's offer.

3.8 The Council owns a large portfolio of land and assets, which are held for a variety of purposes. The Council has a statutory responsibility to achieve best value from all its property holdings. A disposal of Ashford Victory place will enable the Council to obtain a capital receipt and offset purchase and other holding costs, which will result in borrowing associated with each site being ended. This will longer term relieve pressure on the Council's revenue budget, as will the annual budget savings from each offer, referred to above and should be considered with the £1.7m difference between the two financial offers for the site.

3.9 The overall borrowing costs increase year on year and are currently being funded from the Council's annual revenue budget. Incurring these costs on a long-term basis place greater strain on the Council's financial resources. So, whilst market values are currently low, it is not prudent to retain the assets longer term and continue to incur annual holding costs. In the short term any capital costs that exceed the disposal price would be offset against Council reserves.

3.7 Progressing a disposal of Ashford Victory Place addresses Corporate Plan priorities in respect of resilience the provision of affordable housing. If the Council opts not to approve these disposals, Ashford Victory Place would remain in its existing condition and continue to place financial pressure on the Council's revenue budget through on-going financing and holding costs.

4. Next Steps

4.1 This Committee select a preferred bidder and support the recommendation to progress the matter to Full Council. Final approval to progress the disposals will be sought at an Extraordinary Full Council meeting on 18th March 2025. If approved external solicitors will be instructed and the sale will be progressed as quickly as possible.

5. Options

5.1 Option 1 i) Committee select a preferred bidder and ii) recommends that the Council approves the bidder and the disposal of Ashford Victory Place to that bidder. **This is the recommended option** as it ensures the Council achieves best consideration from its land and property assets, meeting statutory best value requirements and delivers much needed affordable housing.

5.2 Option 2 – do not select a preferred bidder from those set out in Appendix 1. **This is not the recommended option** as the site has been fully marketed for a variety of housing related purposes and it is not expected any more favourable offers can be identified, without a disposal being considerably delayed/deferred.

6. Financial Implications

6.1 The disposal of the site, will extinguish all of the Council's previous development proposals, impacting both capital and revenue reserves. Capital reserves will address any surplus/deficit from the actual financial receipt once the cost the council incurred in respect of the site acquisition has been deducted. Revenue reserves will be reduced by the total abortive capital expenditure (project costs) after acquisition, set out below.

6.2 Total capital costs total £9.23m being acquisition costs of £5.24m and abortive project costs of £3.99m. The disposal receipt (from preferred bidder) will result in net losses to be met from capital reserves e.g.

Bidder A £9.24m less offer of £5.2 = £4.04m loss to be offset by reserves

Bidder B £9.24m less £3.5m = £5.74m loss to be offset by reserves

6.3 A disposal of the site will also produce some revenue budget savings via the provision of affordable housing to meet the needs of the Council's housing register. See para 3.3 & 3.4 above.

7. Risk Management

7.1 Once the Council disposes of its interest in the site it loses control of any future change in proposals by the owner of the building, other than via the Planning Committee.

7.2 As the provision of affordable housing is linked to each developer partnering with a Registered Provider of Social Housing (RP), hence it can be assumed a further agreement between the developer and RP will need to be completed as part of this transaction.

7.3 The Unilateral Undertaking that formed part of the original planning application may need to be varied, pending the final split of affordable housing tenures. The planning approval requires the scheme to deliver 22 affordable units, so both offers now exceed this.

8. Procurement comments

8.1 As this is a disposal, there are no direct procurement implications, which typically relate to purchasing. However, by marketing the sites the Council has ensured they have been exposed to any interested parties to allow bids to be submitted.

9. Legal comments

9.1 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.

9.2 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 this transaction and external legal advice will be obtained if required.

9.3 Any disposal must meet the requirements of Best Duty Value under the provisions of the Local Government Act 1999.

10. Other considerations

10.1 Meeting best value requirements and achieving the best consideration must be a key part of the Council's decision-making process.

11 Equality and Diversity

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

12 Sustainability/Climate Change Implications

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

13 Timetable for implementation

13.1 Immediately if approved.

14 Contact

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

Background papers: Appendix 1: Schedule of Offers
Appendix 2: Financial costs of Ashford Victory Place