

Business Infrastructure & Growth Committee -

11 September 2025

Thameside House



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	Yes	18/08/25
Commissioner engagement (if report focused on issues of concern to Commissioners such as Finance, Assets etc)	yes	01/09/25
Relevant Group Head review	yes	13 8 25
MAT+ review (to have been circulated at least 5 working days before Stage 2)	yes	14/08/25
This item is on the Forward Plan for the relevant committee	yes	11/9/25
	Reviewed by	
Risk comments	BS	27/08/25
Legal comments	LH	08/08/25
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
Monitoring Officer commentary – at least 5 working days before MAT	LH	11/08/25
S151 Officer commentary – at least 5 working days before MAT	TC	14/08/25
Confirm final report cleared by MAT	Yes	19/08/25

Business Infrastructure & Growth Committee -

11 September 2025

Title	Council Land and Property Disposals - Thameside House
Purpose of the report	To make a decision to progress with the disposal of Thameside House to the preferred bidder
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	Business Infrastructure and Growth Committee is asked to: 1) Recommend to Full Council to: a) Approve the disposal of Thameside House, Staines to the preferred bidder (A) as set out in more detail in the confidential Appendix 1 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 any variations to the terms of the disposal relating to Thameside House. c) Delegate authority to the 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 of Thameside House.
Reason for Recommendation	The disposal to the preferred bidder (A) will achieve the highest and best value for the property and contribute towards the financial resilience of the Council, by generating a capital receipt which will

	enable the Council to pay down early some of its debt. The disposal will also put a stop to the holding and finance costs associated with this site.
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1. Summary of the report

What is the situation	Why we want to do something
• Further to the previous marketing, the property has recently been marketed again on an extensive basis to ensure full market coverage and offering the unencumbered freehold. • Due to the similarity of highest offers we requested best bids from the top 6 highest offers. One further bid came in after the best bid deadline which is also included. All offers are listed in Appendix 1. • 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.	• A disposal would bring an end to the holding costs for the site that the Council is incurring which from 2025-26 are being charged to the Revenue Budget. These holding costs impacting on the Revenue Budget are rising significantly as a result of Minimum Revenue Provision accounting changes and moving forwards would equate to £2.5m per annum. • If the Council do not progress a sale based on current interest it is anticipated the market will lose confidence in the Council's intention to dispose of the site, which is anticipated to significantly impact future interest from third parties. • The Council has statutory obligations to achieve best consideration in relation to its land and property disposals, and this directs the Council to consider the best financial value alongside social value within its decision making. • Continuing to hold this asset within the Council's ownership will place greater strain on the Council's revenue budget resultant from financing and holding costs. This is in the context of the Improvement and Recovery Plan coming to Council to maximise capital receipts to accelerate the reduction in the Council's external debt levels.

This is what we want to do about it	These are the next steps
• The Committee is asked to consider the offers shown in Appendix 1. • The Committee is asked to agree to the disposal to the preferred bidder (A) which will discharge the statutory requirement to achieve best value and support Corporate Plan objectives.	• If the Committee agrees to the recommendation we will finalise heads of terms on a freehold sale basis with the preferred bidder and recommend to Council to dispose of Thameside House to allow the Council to address and end all financial costs attached to the site. • Instruct solicitors to complete the disposal.

2. Key issues

- 2.1 The disposal of Thameside House will enable the Council to obtain a capital receipt, reducing borrowing costs accordingly and cease to incur holding costs on the site. This will, longer term, relieve pressure on the Council's Revenue Budget by c. £2.50m per annum, being c. £315,500 per annum in respect of borrowing costs, £1.7m per annum as Minimum Revenue Provision, and c. £433,000 per annum in respect of vacant property costs
- 2.2 Based on offers received, the sale price, will not fully offset costs associated with the initial purchase and historic development costs, see the financial section of this report. However, a disposal would generate a capital receipt which could be applied to assist paying off debt, which after considering the discount the Council receives for early repayment of Public Works Loan Board (PWLB), equates to approximately £8.023m. The PWLB has continued to offer the Council a discount on the early repayment of outstanding loans at an average discount rate of 35%. As gilt yields and consequently PWLB rates have increased since the Council fixed the interest rates on its loans, the size of the discount available for early repayment has also risen.
- 2.3 A sale supports The Secretary of State for Housing, Communities and Local Government Directive to this Council following the March 2025 Best Value inspection report. Directive no. 3, states the Council must 'Deliver financial sustainability by closing any short or long-term budget gaps and reducing the Authority's exceptionally high level of external borrowing'.
- 2.4 The offers, noted in Appendix 1 are based on conversion of the existing building, rather than full redevelopment of the site. Whilst none of the bidders have offered any overage provision, we intend to include an overage provision as a condition of the sale to cover any increase in the floor area of the property and/or future sale of the site within the next 5-10 years.
- 2.5 The interested parties are proposing to convert the existing building from an office to residential use via permitted development (PD) rights. As there is no new build housing being created, this does not provide for the delivery of

affordable housing within the scheme, meaning much of the additional social value criteria we would seek from new build development is not applicable to this disposal. No offers were received from affordable housing providers. PD does require formal planning agreement, but in a different form than a full detailed planning application, hence it is a simpler and quicker planning process.

- 2.6 The bids received were from developers specialising in change of use rather than 'new build'. For this reason, only 1 of the 6 bidders detailed any social value benefits within the bids. The bidders' approach is focused on conversion of the existing building and as such in the main can only really be appraised on the financial offers submitted.
- 2.7 Bidder A's original offer was increased at best bid stage but remained c.£285,000 less than Bidder Bs (full detail is provided within Appendix 1). Bidder A's best bid offer did include reference to social value provision, however, was very high level without any detail that allowed it to be substantiated, either in terms of added financial value or specific beneficial impact to the Council's Corporate Plan priorities. There was also no way to provide certainty the social value would be delivered. Further clarity was sought and Bidder A advised instead of providing specific social value provision in addition to their financial offer, they would increase their offer by a further £500,000. Bidder B as the original highest bidder was also given the opportunity to revise their bid, they opted not to do so.
- 2.8 The increase in offer is unqualified meaning it could be used for the provision of social value or to reduce debt. When the additional £500,000 is added to the offer and compared against Bidder B's original offer, this results in Bidder A's offer now being £215,000 more than Bidder B. For illustrative purposes if this were used to reduce debt this would allow a further £330,000 to be repaid versus £215,000 being available for the provision of social initiatives. This committee is not being asked to determine the basis of how the £215,000 is utilised.

3. Options appraisal and proposal

- 3.1 The latest marketing was undertaken in two stages earlier in 2025, with initial offers being submitted on the 16 May. As the top 6 bids were close financially, best bids were requested from these parties on the 10 June. A further bid was received on the 23 June. We have had further dialogue with Bidder A and B on their social value proposals and all offers are set out in Appendix 1.
- 3.2 Offers have been ranked based on the level of the financial offer, as set out in Appendix 1. Early high-level due diligence has been carried out by the Council's agent in respect of each bidder to understand their track record regarding experience of similar projects, source of funding i.e. cash or borrowing, the conditionality of the offer, and where applicable social value on offer (initially Bidder A ranked only).
- 3.3 Options:
 - 1. Proceed with Bidder A, which is the highest financial offer, is subject to planning approval for PD conversion and has achieved the highest ranked

score when taking into account the increase in offer over the provision of social value initiatives they were proposing.

2. Proceed with Bidder B, which is the second highest financial offer, is subject to planning approval for PD conversion.

3. Proceed with Bidders E or F, which are lower-level financial offers, but are unconditional i.e. are not subject to planning approval. Neither offer any social value.

- 3.4 It is **recommended to proceed** with Bidder A, due to the increased financial benefit over the other offers, and/or it gives the Council the ability to allocate some of the funds to social initiatives. This is a decision that will not be taken by this Committee. Whilst this offer requires planning approval it is considered the risk with planning is minimal. In the unlikely event there were any problems with obtaining planning approval for the change of use, this would affect all bidders, and it is expected even those parties making unconditional offers would withdraw their bid during the legal process, hence on balance the benefit of unconditional offers in relation to a PD conversion is very minimal.

4. Risk Implications

- 4.1 The property has been marketed several times over the last 12 months and the most recent marketing generated good interest in the property from several parties and went through a best bids process. Given this recent full marketing we would not expect any better offers should the property be re marketed.
- 4.2 Not making or delaying a decision will result in the Council continuing to bear the holding costs which are running at £2.5m per annum. As highlighted above there is a risk that over time the discount available on early repayment of debt could reduce, meaning the Council would not be able to pay off as much debt from the capital receipt.
- 4.3 Adding overage (a condition of the sale where the purchaser pays an additional sum where the more space is built in the future) or height/massing conditions to the sale may affect the interest received to date, however a overage condition around the purchaser selling on the site within a certain period, say the next 5 or 10 years may be acceptable to the recommended purchaser.
- 4.4 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, if they seek to make further changes which require planning permission.
- 4.5 Any change of use under permitted development rights for residential will mean the developer will not have to provide any affordable housing.
- 4.6 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.

5. Financial Implications

- 5.1 The financials for the site are summarised below:

Purchase Price inc. Stamp Duty and Fees (2018)	Discounted Outstanding Loan Balance (1 August 2025)
£10,865,000	£5,525,500

The estimated discounted outstanding loan balance as set out in the table above of £5.525m is the discounted amount that the loan may be settled at and this amount, whilst currently valid, is subject to daily change. If the current Public Works Loans Board interest rates fall (despite the recent base rate reduction, the PWLB rates have risen slightly recently), then the size of the discount will fall.

Currently the disposal price (as per Option 1) could pay off approximately £8.023m of outstanding debt. It should however be noted that Council loans are not tied to individual assets and therefore the Council will apply the receipt against the outstanding PWLB balances which will provide the greatest ongoing Revenue Budget saving from reduced interest and minimum revenue provision.

- 5.2 Total accumulated capital costs of £15.58m relating to this housing regeneration site, being acquisition costs of £10.86m and abortive project costs of £4.72m (relating to previous planning applications by the Council) have been written off as a prior year adjustment in 2023-24 outturn.
- 5.3 Disposing of the asset in year would produce a corresponding part year saving of the holding and finance costs and would assist with closing the Council's 2026-27 Budget gap.

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 of land for the purpose of any of its functions. To satisfy the requirements of section 123 not to dispose of land for "consideration less than the best that can reasonably be obtained", a valuation needs to be obtained. A disposal where the difference between the valuation and the sale price is more than £2m will require consent of the Secretary of State.
- 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 provide support and external legal advice will be obtained if required.
- 6.3 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.
- 6.4 The proposed disposal seeks to demonstrate compliance with the Best Value Duty in the Local Government Act 1999.

Corporate Implications

7. S151 Officer comments

- 7.1 As part of the Council's need to achieve a sustainable medium term financial position, it is seeking, in line with the Best Value Directives and the Improvement and Recovery Plan going to September Council, to undertake a prudent and informed assets disposals programme in order to maximise capital receipts to enable the Council to progress its debt reduction strategy.

The proposed disposal contributes towards this objective. As the report indicates the site has been through more than one marketing exercise which provides reassurance as to the reasonableness of the offer. If the Council were to defer this disposal, then holding costs would be extended, and there is a risk that the future discount rate on early repayment of debt would be reduced. As the report sets out £4.7m of abortive costs are being written off as a prior year adjustment to 2023-24 accounts part of the 2024-25 Statement of Accounts process. The need to bring to an end the ongoing holding costs to the Council of this asset, is particularly sharpened by the application of Minimum Revenue Provision, moving forwards from 2025-26 the accounting calculation of Minimum Revenue Provision to be charged to Revenue for this surplus asset will equate to £1.7m reflecting the short term nature of the expected useful economic life of the asset. It is therefore key that this asset is disposed of as quickly as possible.

8. Monitoring Officer comments

- 8.1 The Monitoring Officer confirms that the relevant legal implications have been considered.

9. Procurement comments

- 9.1 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.

10 Equality and Diversity

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

11 Sustainability/Climate Change Implications

- 11.1 The disposal of Thameside House will reduce the Council's carbon footprint by removing the Scope 3 emissions currently associated with holding a vacant site. Scope 3 emissions are the indirect greenhouse gas emissions that occur because of the Council's activities but are generated from sources it does not directly own or control, such as those from purchased goods and services, waste management, and outsourced operations. In the case of Thameside

House, these arise from ongoing activities including security, utilities, waste, and maintenance services, all of which add to the Council's footprint while the asset remains vacant. By progressing with disposal, the Council will no longer incur these holding-related Scope 3 emissions, thereby improving its sustainability position and aligning with its climate change objectives to minimise indirect carbon impacts across the property portfolio.

12 Other considerations

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

12.2 Planning Comments:

Thameside House (Local Plan Ref ST1/037) is allocated for "up to 140 residential units" Whilst there are EA considerations in respect of flooding for new build development, the recommended purchaser is not intending to alter the external envelope of the building, hence the EA policy in relation to flooding is not considered to be a material consideration in relation to the conversion of the building from office to residential.

Any development requiring planning permission will need to comply with the Spelthorne Design Code once it is adopted, which is currently anticipated for late Autumn 2025. However, as this is a conversion not a new build the same principle applies as with the flooding i.e. this would not apply here.

In respect of change of use of Thameside House, the Town and Country Planning (General Permitted Development) (England) Order 2015 (as amended), Schedule 2 Part 3, Class MA – commercial, business and service uses to dwellinghouses states that "development consisting of a change of use of a building and any land within its curtilage from a use falling within Class E (commercial, business and service) of Schedule 2 to the Use Classes Order to a use falling within Class C3 (dwellinghouses) of Schedule 1 to that Order is Permitted Development".

It appears the property does not sit within one of the 10 areas where PD rights are not possible.

Before beginning development under Class MA, the developer must apply to the local planning authority for a determination as to whether the prior approval of the authority will be required, with the relevant considerations listed below.

- transport impacts of the development, particularly to ensure safe site access.
- contamination risks in relation to the building.
- flooding risks in relation to the building.
- impacts of noise from commercial premises on the intended occupiers of the development.
- The provision of adequate natural light in all habitable rooms of the dwelling houses.
- Where the development meets the fire risk condition, the fire safety impacts on the intended occupants of the building.

- The development must be completed within a period of 3 years starting with the prior approval date

None of the developers have provided further details on their anticipated schemes and therefore no further comment can be made on the specifics of the offers and their ability to satisfy the PD requirements.

13 Timetable for implementation

- 13.1 If the recommendation is approved heads of terms will be agreed with the preferred bidder as soon as possible with full council signing off the approved purchaser/terms prior to completion.

14 Contact

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

Background papers: (Part 2)

Appendix 1 - Schedule of Offers