

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	4/12/2025
Commissioner engagement (if report focused on issues of concern to Commissioners such as Finance, Assets etc)	PR	5/1/2026
Relevant Group Head review	CH	22/12/2025
MAT+ review (to have been circulated at least 5 working days before Stage 2)	Yes	6/1/2026
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	15/12/25
Legal comments (circulate to Legal team)	AP	15/12/25
HR comments (if applicable)		

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	L Heron	02/01/26
S151 Officer commentary – at least 5 working days before MAT	T.Collier	16/12/25
Confirm final report cleared by MAT	K. McIlroy	6/1/2026

Commercial Assets Sub-Committee

Monday 26th January 2026

Title	Disposal of a Commercial Office Asset
Purpose of the report	To make a recommendation to Corporate Policy and Resources Committee in respect of the disposal of the asset.
Report Author	Katherine McIlroy – Investment Asset Manager
Ward(s) Affected	All Wards
Exempt	Report – No Appendices - Yes
Exemption Reason	The Appendices 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 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
Recommendations	<p>Committee is asked to:</p> <ol style="list-style-type: none"> 1. Approve the offer and the proposed disposal in principle and recommend that the Corporate Policy and Resources Committee support the disposal of this commercial asset, prior to recommending for approval by Full Council. 2. Delegate authority to the Chief Financial Officer and Group Head of Assets, in consultation with Chair and Vice Chair of Corporate Policy and Resources Committee and the Chair and Vice Chair of Commercial Assets Sub Committee to agree the sale of the property at the agreed price or negotiate a sale price within a tolerance of 10% of the value and agree any variations to the Heads of Terms.

	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	The disposal will contribute towards the financial resilience of the Council, by generating a capital receipt and help relieve pressure on the Council's revenue budget and medium-term financial plan. The disposal is consistent with the Council's Best Value statutory directions. The Council has a statutory obligation to achieve best consideration from its land and property disposals.

1. Executive summary of the report

What is the situation	Why we want to do something
<ul style="list-style-type: none"> The Council owns a large portfolio of land and assets, which are held for a variety of purposes and has a statutory responsibility to achieve best consideration from all its property holdings and deliver Best Value in the way the Council exercises its functions. The Council have a recently adopted the Improvement and Recovery Plan (IRP) in a response to the Directions issued under Part 1 of the Local Government Act 1999. The IRP focuses on the Council's commitment to achieve long-term financial stability. Reducing the Council's commercial property portfolio is central to the IRP. 	<ul style="list-style-type: none"> The Council has a statutory obligation 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 number of the Council's land and property sites are not performing and will be brought forward for proposed sale under the emerging Asset Rationalisation Plan to generate capital receipts. The business plan for this property identifies significant holding costs over the next 6 years providing a burden on the Council's revenue budget.
This is what we want to do about it	These are the next steps
<ul style="list-style-type: none"> The Council has received an off market offer for the property. The Council is seeking to dispose of the property to the prospective buyer as soon as possible to limit holding costs to the Council and generate a capital receipt. 	<ul style="list-style-type: none"> Take a recommendation to Corporate Policy and Resources Committee to agree in principle to the proposed disposal.

2. Key issues

- 2.1 Details of the property acquisition can be found in the confidential part of this report, within Appendix A. The purchase price reflected the office market pre-Covid and a fully let building to tenants of high financial strength. Due to economic and geopolitical reasons, the building has been vacant since November 2022. Since which time the Council has been incurring the substantial annual holding costs, set out in Appendix A.
- 2.2 In an effort to provide a different type of office building to others in the local area, in 2023 the Council refurbished the ground floor accommodation to meet specific occupier requirements within the market place. The refurbishment project involved creating Category A office suites, a new business lounge, new shower/changing facilities, improved WC facilities, refurbished common areas bike store and EV charging points. Despite this substantial investment only a single letting has been secured equating to approximately 24% of the building. Whilst additional income is received from two car park licences, the building continues to have a substantial negative impact on the Council's revenue budget. Full tenancy details are attached as Appendix B.
- 2.3 The property has been actively advertised to let through joint agents since 2022. Despite the substantial refurbishment of the ground floor there has been limited interest and there is currently no serious interest. Should any future interest be received in the first floor offices this will require a full refurbishment at a cost of at least £1.65m, due to non-functioning M&E and dated interiors. Despite the Council and our appointed joint agents' best endeavours, the building remains 76% vacant. This is not aided by the high vacancy rate locally. The prospects for letting the property and materially reducing the void rate in the short-term are low.
- 2.4 The Council have recently adopted an Improvement and Recovery Plan (IRP) in a response to the Directions issued under Part 1 of the Local Government Act 1999. The IRP focuses on the Council's commitment to achieve long-term financial stability of which a key requirement is rationalisation of the Council's commercial asset portfolio. This report sets out the details of an 'off market' offer that has been received to purchase the asset, however it is anticipated due to the high vacancy rate had this offer not been received, the asset would have been a high priority disposal consideration under the Council's asset rationalisation strategy.

Asset Performance

- 2.5 The property has been identified as an underperforming asset. In the financial year to 31 March 2025 it negatively contributed to the revenue budget with the property income insufficient to cover the operating and financing costs. It has seen a 69% fall in value since acquisition in 2017/18 due to the declining occupational interest in the site, resulting in reduced income, increased empty property costs and lack of certainty around any substantial improvement in this position. There are no realistic prospects of the asset's value returning to its purchase price.

Future Letting prospects

- 2.6 Based upon current market conditions it is forecast that the property will not be fully let until December 2027 at the earliest, resulting in ongoing holding costs. Furthermore, the refurbishment cost of the 1st floor, rent free and/or capital incentives offered to ingoing tenants and letting costs will produce an increased net operating loss, before finance costs for the years 2026/27 and 2027/28. After the application of the higher minimum revenue provision costs, the property will make a substantial underlying loss on an ongoing basis, adding significant financial burden to the Council's revenue budget.
- 2.7 The South-East office market continues to be challenging with limited occupier demand that favours 'super prime' space in town centre locations. Office supply in the South-East is 11% above the 5-year average with a particularly high vacancy rate in the immediate area.

Asset Disposal and Current Value

- 2.8 Poor letting prospects and a high void rate in the locality have affected investment values and resulted in a significant number of freehold sale transactions in the immediate locality in the last 12 months. It is likely that these transactions will be reflected in a further decline in the annual asset valuation that Knight Frank will undertake for the 31 March 2026 accounts. A copy of the 31st March 2025 valuation by Knight Frank is attached as Appendix C.
- 2.9 The Council have not been marketing the freehold of the property however have received an 'off market' approach from a company who have other interests within the vicinity of the subject property and another offer from another owner who sought the premises for their own occupation. The offer from the prospective buyer is attached in Appendix D.
- 2.10 As a result of this interest, the Council appointed Vail Williams LLP to advise on the proposed transaction and negotiate Heads of Terms (please see Appendix E). The Head of Terms of sale have been agreed by the purchaser and a summary of the transaction is detailed in Appendix A. There are no onerous conditions to the sale which may affect price other than the standard satisfaction with the title, legal due diligence and contract terms.
- 2.11 The Council has a statutory responsibility to achieve best consideration from all its property holdings and to demonstrate that the offer met these statutory responsibilities, Cluttons LLP have been employed to independently value the property in accordance with RICS Valuation – Global Standards known as the 'Red Book'. The independent valuation demonstrates the offer for the property exceeds market value and provides comfort that the Council has achieved best value. The full valuation report is attached as Appendix F.
- 2.12 Selling the property will generate a capital receipt, which the Council will apply to repay loans and reduce future years' MRP charges associated with the site. This will relieve pressure on the Council's revenue budget due to reducing financing costs and removal of on-going vacant property costs arising from this asset.
- 2.13 The disposal is in line with the Improvement and Recovery Plan which seeks to reduce the Council's exposure to commercial property risk and debt. The

Council has a statutory direction to rationalise the asset portfolio and the Asset Manager has prepared a proforma for this purpose (Appendix A).

3 Options appraisal and proposal

3.1 Option 1 – Approve the offer in principle and recommend that Corporate Policy and Resources Committee approve the proposed sale (recommended)

The offer is considered to exceed the current market value. This has been validated following an independent 'Red Book' valuation undertaken by Cluttons LLP. The sale will save the Council substantial revenue budget costs in 2026/27 which is currently having a negative impact on the Council's financial position.

3.2 Option 2 – Decline the offer and openly market the property

Openly marketing the site is not expected to achieve a higher sale price. Vail Williams, the Council's appointed agent, have approached other parties who may have an interest in acquiring the property, but they have declined to make an offer. The proposed purchaser has a special interest in purchasing the property and has offered above the market value as evidence by the independent valuation undertaken by Cluttons. There is no evidence to support a higher sale price if we conduct an open market disposal. The Council will continue to incur costs for holding the vacant office for each month that the property sale is delayed. There is a high risk of losing the buyer if the Council does not accept the offer. This option is not recommended.

3.3 Option 3 – Hold the property.

The Council has been given clear statutory direction from Government to reduce debt and improve financial resilience. As a result the Council has been instructed to produce an asset rationalisation strategy. This property is anticipated to provide a negative contribution to the Council's revenue budget over the next six years, so this option is not recommended.

4 Risk implications

- 4.1 The prospective buyer is a private investor with a substantial UK portfolio. The purchasing entity will be a newly registered UK company (Special Purchase Vehicle 'SPV'). Vail Williams and the Clyde & Co will undertake the mandatory money laundering checks on the SPV 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 Manager and Vail Williams.
- 4.2 There is the risk that by not marketing we could be missing out on a higher offer. However, as the report details, the offer is above the valuation and likely sale price if marketed openly based on current market guidance.
- 4.3 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.

- 4.4 It is financially advantageous to complete by 31 March 2026, however, until the legal process is significantly progressed there is the risk of slippage on timings. The buyer is familiar with the locality due to existing ownerships which should reduce the risk of delays to the sale. Regular dialogue and meetings between the sales agents, the Council and the legal representatives will take place to ensure a speedy and smooth sale process.

5.0 Financial implications

Please refer to the confidential Appendix G

6.0 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 subject to complying with the certain statutory requirements, one of which is securing the best consideration that can reasonably be obtained. In order 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 Any disposal must meet the requirements of Best Value Duty under the provisions of the Local Government Act 1999.
- 6.4 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.

Corporate implications

7. S151 Officer comments

- 7.1 The S151 Officer confirms that all financial implications have been taken into account and that the proposal represents value for money with offer price exceeding Red Book value, and that the disposal would make a positive contribution towards the Council's Asset Rationalisation programme. The disposal offer price is higher than the asset rationalisation modelling had estimated.

8. Monitoring Officer comments

- 8.1 The Monitoring Officer confirms that the relevant legal implications have been taken into account.

9. Procurement comments

- 9.1 Vail Williams and Cluttons were procured to advise on the sale of the property.

- 9.2 To comply with the Contract Standing Order Procedural Rules for contracts with a value between £5,000 and £30,000 three quotations were obtained for each of the consultant roles referred to above and approval to award the contract was given by Group Head. Additional support from the Procurement Team was not necessary due to the value of the contracts.
- 9.3 Cluttons LLP were appointed as independent valuer on the basis that they have had no previous involvement in the Council's commercial portfolio.

10 Equality and Diversity

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

11. Sustainability/Climate Change Implications

- 11.1 The property has a valid EPC rating of B & C which complies with The Energy Performance of Buildings (England and Wales) Regulations 2012.

12. Other considerations

- 12.1 There are none.

13. Timetable for implementation

- 13.1 If recommended for approval by this Committee, it will be presented for recommendation to Council by Corporate Policy and Resource Committee on 9th February 2026.

14. Contact

- 14.1 Katherine McIlroy, Investment Asset Manager k.mcilroy@spelthorne.gov.uk

Background papers: There are none.

Appendices:

Appendix A – Asset Rationalisation Proforma

Appendix B – Tenancy Schedule

Appendix C – Knight Frank Valuation 31st March 2025

Appendix D – Offer Letter

Appendix E – Heads of Terms of sale

Appendix F - Cluttons 'Red Book' Valuation Report

Appendix G – Financial Implications including Income & Expenditure 6 Year Forecast.