Corporate Policy & Resources Committee

Wednesday 29th July 2026

Title	Disposal of a Commercial Asset
Purpose of the report	To make a decision and a recommendation to Council
Report Author	Coralie Holman – Group Head Assets
Ward(s) Affected	All Wards
Exempt	*No*
Exemption Reason	Not Applicable
Corporate Priority	Resilience
Recommendations	**Committee is asked to:** 1) Approve the disposal price set out on the terms in this report; and 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 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 contribute to the reduction in the Council's future financial commitments, generate a capital receipt at the earliest opportunity and reduce the Council's Capital Financing Requirement (CFR), repay borrowing and reduce West Surrey's Minimum Revenue Provision (MRP) liability.

1. Executive summary of the report

What is the situation	Why we want to do something
• The Council is under statutory directions to implement debt reduction plan and asset rationalisation programme • The recommendation in this report aligns with the Statutory Intervention objectives	• All the Council's investment assets, once financing costs are considered, are loss making and are a burden on the Revenue Budget. To move the Council/West Surrey to a sustainable financial position it is necessary to dispose of these assets
This is what we want to do about it	**These are the next steps**
• To dispose of Thames Tower and generate a capital receipt	• Enter into a contract to sell the asset

2. Key issues

Background

2.1 This asset, Thames Tower, Reading, was acquired in August 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. The asset was purchased for £126.0m (including fees and stamp duty) fully funded by borrowing from the Public Works Loan Board (PWLB).

2.2 In November 2025 to comply with the Statutory Direction issued May 2025, the Council restructured £905m of PWLB loans to reduce borrowing and changed its MRP Policy to set MRP on a more prudent basis. Whilst the debt restructuring has reduced overall borrowing, interest rates on the replacement borrowing are significantly higher. All the assets in the investment asset portfolio are therefore a burden on this Council's budget.

2.3 In response to the Statutory Direction issued May 2025, the Council have adopted an Improvement and Recovery Plan (IRP). The IRP focuses on the Council's commitment to achieve long-term financial stability of which a key requirement is rationalising the Council's commercial asset portfolio over time to reduce borrowing and put the Council and West Surrey Council on a more sustainable financial footing.

2.4 The disposal of a number of assets prior to commencement of the West Surrey Council tenure, in order to reduce its MRP charge for 2027/28, is therefore considered a vital proactive priority to reduce the financial deficit from underperforming property and therefore relieve financial pressure on the new council. This will enable West Surrey Council to maintain vital service provision for residents and the wider community of which Spelthorne forms a key integral part.

Assets review

2.5 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.

2.6 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. It is proposed that phase 1 disposals would be marketed during the first half of the financial year 2026/27.

Marketing

2.7 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 has been prepared and was circulated to interested parties; the target disposal price was £83.8m

2.8 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 visits, following a marketing period, Knight Frank set a deadline for offers to be received from interested parties

Bids received

2.9 There was positive interest in the asset, and several competitive bids have been received. All bids have been carefully assessed, and the preferred bidder has been selected for approval by the Council.

Office Real Estate

2.12 Whilst the recommended disposal price is less than the purchase price, the two values are not comparable as the property market now is significantly different from the time when the Council purchased the asset. The purchase price reflected the office market pre-Covid. Due to economic and geopolitical reasons, the property market is considerably different now which is impacting rents and investor interest in office buildings.

2.13 The office investment market has experienced a significant decline since the asset was purchased in 2018. There has been a reduction in 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.

2.14 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.

2.15 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.

Asset Performance

2.16 The 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 2017. There are no realistic prospects of the asset's value returning to its purchase price.

2.17 Selling the property will generate a capital receipt, which the Council will apply to repay loans and reduce the CFR and in turn future years' MRP charges associated with the site. This will relieve pressure on this Council's and West Surrey Council's revenue budget due to reducing financing costs and removal of on-going vacant property costs relating to this asset.

2.18 The disposal is in line with the Improvement and Recovery Plan which seeks to reduce this Council's exposure to commercial property risk and debt.

3 Options appraisal and proposal

3.1 **Option 1 – Agree the offer in principle and 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.

The Council is under a Statutory Direction to reduce borrowing and the capital receipt generated will be applied to reduce borrowing and reduce CFR and MRP.

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

Further marketing is not expected to achieve a higher sale price. Knight Frank, 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, as set out above. 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 interest party. This option is not recommended.

3.3 **Option 3 – Hold the property**

This option is not recommended as it results in the Council continuing to incur significantly greater financing costs, than income received. In addition, the Council has received clear statutory directions from Government to reduce debt, improve financial resilience and implement an asset rationalisation programme.

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 capital receipt in 2026/27. This will be used to reduce the Council's CFR and thus reduce the MRP charge to council tax in 2027/28 and beyond, by applying the receipt to the assets with the shortest remaining residual CFR. 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.

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, but in view of the corporate significance 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, as this is consistent with compliance with the statutory Best Value Direction and with improving the Medium-Term financial sustainability of Spelthorne/West Surrey Councils.

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 The property has a valid EPC rating of B until 2036 which 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 Surreys' 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's revenue budget over the next six years.

14. Timetable for implementation

14.1 If recommended for approval by this Committee, it will be presented to Council on 6th August 2026.

15. Contact

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

Appendix 1 – Exempt information