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**	**CASC 10/8 & 26/8**
Commissioner engagement (if report focused on issues of concern to Commissioners such as Finance, Assets etc)	**Yes**	**11/08**
Relevant Group Head review	**N/A**	
MAT+ review (to have been circulated **at least 5 working days before Stage 2**)	Yes	11/08
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**	**13/08/26**
Legal comments (circulate to Legal team)	**JC**	**10/08/26**
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**	L Heron	11/08/26
S151 Officer commentary – at least **5 working days before MAT**	T.Collier	11/08/26
Commissioner engagement - Comments made within the report	Yes	w/C 17/8/26

Confirm final report cleared by MAT	Delete as applicable:	
		Comments in S. 7

Corporate Policy & Resources Committee

Tuesday 8th September 2026

Title	Disposal of Elmbrook House and 17 Station Road, Sunbury
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	Report and Appendix 1 – No Appendices 2-6 (inclusive) - Yes
Exemption Reason	Appendices 2-6 (inclusive) 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 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	**Committee is asked to:** 1) Consider the proposed disposal terms as set out in this report (summarised in Appendix 4); and 2) Recommend that the Council: 2.1 Approve the disposal terms set out in this report 2.2 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 2.3 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 enable the approved Asset Rationalisation plan to be progressed towards achieving the agreed level of sales receipts by 31st March 2027.

1. Executive summary of the report

What is the situation	Why we want to do something
• The Council approved an asset rationalisation programme in December 2025.	• The recommendation in this report implements relevant work required to further asset rationalisation
This is what we want to do about it	**These are the next steps**
• To progress the disposal of Elmbrook House and generate a capital receipt	• Enter into a contract to sell Elmbrook House

2. Key issues

Background

2.1 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.

2.2 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. As anticipated, phase 1 disposals have been marketed during the first half of the financial year 2026/27.

Asset Performance

2.3 Elmbrook House and 17 Station Road, Sunbury were acquired in December 2016 and March 2018 respectively 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.

2.4 Both properties have now been identified as underperforming assets. In the financial year to 31 March 2026, they 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 2016 and 2018 (see confidential Appendix 5).

2.4 Elmbrook House remained vacant for a significant period, and it has been anticipated for several years the longer-term use for the site would be some form of residential conversion. Whilst most of the building is now let, this is on short term flexible leases on lower end rents with mid lease term break options included within the lease. The challenges of securing tenants previously and current reduced office take up more widely in the geographic area all point to there being no realistic prospects of the asset's value returning to its purchase price as an office investment.

Marketing

2.5 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; this is included in Appendix 1; this was circulated widely to all known parties who may be interested in the property. Knight Frank's report in Appendix 6, details further information on the level of enquires and viewings.

2.6 The disposal approach for this asset was framed slightly differently than the previous Spelthorne owned, office asset marketing campaigns, on the basis it was likely the purchaser would be a residential developer either looking to convert the existing buildings to residential or redevelop the whole site to provide new residential facilities.

2.7 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 strong positive interest in the asset, 2 rounds of bidding were undertaken, with the 2nd stage being best and final offers, resulting in 4 competitive offers, in and around the target disposal price (noted in Appendix 4). All bids have been carefully assessed, and a preferred bidder has been selected for approval by the Council. Draft Heads of Terms accompany this report in the confidential Appendix 2 of this report, together with the schedule of bids received in Appendix 3.

Bidder no. 1 has been selected as the preferred bidder based on:

- the highest bid,
- a proven track record,
- an unconditional offer and
- being able to agree realistic timescales for exchange and completion,
- having existing funds to complete the purchase i.e. not requiring third party financing.

2.10 A summary of the key details of the offer can be found in the confidential Appendix 4 of this report, to provide clarity on the price and terms of the disposal to assist the elected members. Knight Frank's recommendation re this disposal is included within Appendix 6.

Office Real Estate

2.11 The marketing focus of Elmbrook House was targeted to residential developers as this was considered the approach to achieve the highest sale price. This approach however did not prevent any interested office purchasers from making an offer, but as can be seen from Appendix 3, all offers received were from residential developers

2.12 The office investment market has experienced a significant decline since the assets were purchased in 2016 and 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.

2.13 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.

2.14 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.

2.15 The uncertainty within the office sector and demand from office occupiers for strong office locations, Category Grade A space has resulted in many secondary office locations like Station Road in Sunbury experiencing a huge decline in office take up, with buildings remaining unlet for a long period of time. Owners have therefore looked for alternative uses to convert offices to. Whilst conversion can be expensive, it can provide an economically viable solution and conversion of former offices to residential uses is now a common practice.

2.16 The calculation of the bid for the disposal of this asset will have been based on different valuation methodology than the valuations the Council undertakes for its year end valuations. The Council's value at 31st March 2026, was based on an office investment and income, whereas the bid will be based on a residential residual method of valuation. A residual method of valuation considers what a piece of land or a run-down building is worth by taking its final finished value, subtracting all the conversion costs plus the developer's profit.

2.17 The disposal will reduce this Council's exposure to commercial property risk. and future vacant premises costs.

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.

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

Further marketing is not expected to achieve a higher sale price, due to the level of bids already received. 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.

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 Capital Financing Requirement (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.

5.2 Financial analysis, relating to the terms of the disposal, can be found in confidential Appendix 5 of this report.

5.3 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

Minimum Revenue Provision (MRP) in line with the current Medium-Term Financial Strategy (MTFS) projections and thereby increasing revenue budget costs because of higher financing costs.

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. In view of the wider budgetary implications and the impact of each capital receipt on the Council's Treasury Management Strategy, 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 the approved decision of the Council in December 2025 to undertake an investment asset rationalisation programme in compliance with the statutory Best Value Direction and is consistent with improving the Medium-Term financial sustainability of Spelthorne/West Surrey Councils, both by bringing to an end the ongoing net holding cost of the asset and by reducing future MRP.

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 Elmbrook House has a valid EPC rating of B and 17 Station Road a D rating, both comply 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 Surrey's 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 Council's revenue budget over the next six years, if it is not disposed of.

14. Timetable for implementation

14.1 Following consideration by this Committee, this proposed disposal will be presented to Council on 17th September 2026 for final decision.

15. Contact

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

Appendix 1 – Marketing Brochure - Public
Appendix 2 – Heads of Terms – Exempt
Appendix 3 – Schedule of Bids received - Exempt
Appendix 4 – Summary of information to support recommendation - Exempt
Appendix 5 – Summary financial information – Exempt
Appendix 6 – Knight Frank Disposal Recommendation - Exempt