

SURREY COUNTY COUNCIL  
STRATEGIC INVESTMENT BOARD



DATE: 30 OCTOBER 2019

REPORT OF: MR MEL FEW, CABINET MEMBER FOR FINANCE

LEAD OFFICER: PETER HOPKINS, LEAD ASSET STRATEGY MANAGER

SUBJECT: SALE OF AN ASSET IN MOLE VALLEY

**SUMMARY OF ISSUE:**

Terms have been agreed for the sale by Surrey County Council (SCC) of an asset in the Mole Valley District.

**PART 2 RECOMMENDATIONS:**

It is recommended that:

1. Approval is given for the sale of an Asset in Mole Valley.

**REASON FOR RECOMMENDATIONS:**

After a number of rounds of negotiation, as set out in the Part 2 report. This is considered to be the absolute maximum that purchaser would be prepared to pay for the site.

The price is comfortably in excess of the optimal mixed use development scenario, which was appraised by Knight Frank LLP.

The price is comfortably in excess of the current asset assessed by Montagu Evans March 2019.

**DETAILS:**

**Business Case**

1. The site is located within the Mole Valley District and was originally constructed in the late 1950's and purchased by SCC in 2016.
2. The property is let as a whole to an existing main tenant, who has undertaken sub-let in the region of 50% of the available space.
3. SCC have formulated strategic options with a team of appointed advisers:  
Knight Frank – development and valuation  
White Young Green – planning consultancy  
PSP Architecture – development layout and massing.

4. Options considered prior to the unconditional offer being made by the team including redevelopment for mixed use of residential/offices following the head lease not being renewed expiry.
5. As set out in the Part 2 report – Market and Financial analysis indicated acceptance of the unconditional offer will provide the best outcome to the Council in respect of this site.

**CONSULTATION:**

6. Consultation has taken place with the local member.

**RISK MANAGEMENT AND IMPLICATIONS:**

7. The existing head leasee have indicated now that they are not committed to a renewal of the lease, thereby exposing SCC to a finding a redevelopment/reletting commitment or alternative usage for the site.
8. The holding costs will add pressure to the councils revenue commitment for a period of circa 3-5 years post lease expiry
9. A unconditional sale of the whole will defray that risk element and provide cost certainty to the council going forward.
10. Alternative disposals/redevelopment options have been explored such as working with Homes England to bring forward mixed use/full residential scheme for the site, however Homes England will only commit to acquiring the site if there was no active purchaser/developer prepared to commit.
11. In this instance given the unconditional offer made, Homes England do not consider the site 'stalled' and therefore are not prepared to make any alternative offer for the site.

**Financial and Value for Money Implications**

12. Main details are as set out in the Part 2 paper.
13. In both revenue and net present value (NPV) terms the preferred option to sell the property to is marginally better than the alternative option of gaining planning, selling part of land for residential purposes and developing.
14. However given that a new pre let with has not been agreed and current indications are that this is unlikely to happen, the option to sell the property is preferred as providing lower overall risk and generating earlier financial returns for SCC.
15. The payment structure which is proposed comes with an inherent risk that after completion the purchaser might default on a subsequent payment.
16. However SCC's financial position will be secured by a first legal charge on the property which will only be released following receipt of the final payment. SCC will continue to monitor the purchaser's covenant as part of the due diligence work leading up to the sale of the site.

17. In both revenue and NPV terms both Option A – To Sell and Option B – To Retain, show a significant reduction in value in comparison to the preferred option within the original business case for the property purchase. We understand that to support the purchase a number of scenarios were considered based on assumptions made with the best information available at the time. Since that date further planning, site massing and development appraisal work has been undertaken with professional advisers.
18. This has resulted in a decrease in the potential redevelopment value of the site, driven in particular by the residential value being revised down.
19. The sale of the site will have an impact on the revenue forecast for the Central Income & Expenditure budget. Over the period of the next Medium Term Financial Strategy (MTFS) to 2024/25 this will result in an estimated decrease in net income as set out in the Part 2 paper.

#### **Section 151 Officer Commentary**

20. The sale of the site in Mole Valley will generate an estimated net capital receipt as set out in the Part 2 Paper, which is in excess of the latest Site valuation undertaken by both Knight Frank and Montague Evans.
21. On balance the proposal to sell the property is preferred as providing lower overall risk and generating earlier financial returns for SCC.

#### **Legal Implications – Monitoring Officer**

22. Under Section 123 of the Local Government Act 1972, local authorities have the power to dispose of land in any manner they wish, subject to the disposal being for the best consideration reasonably obtainable. The county council has been advised by external property consultants that the sale price is ‘market value’, the proposal complies with Section 123 of the Act.
23. As the sale price is to be paid to the Council in phased payments, consideration will have to be given to the drafting of the legal documentation to ensure that the freehold interest reverts back to the Council and monies owed to the Council can be recouped at the earliest possible date should Nuffield Health default on payment.
24. By ensuring that Purchaser enters into a Contract for Sale requiring that it enters into a Sales Overage Deed on completion of the disposal, the Council has protected its legal position in light of the fact that there are such clawback arrangements in place.

#### **Equalities and Diversity**

25. There are no matters impacting equality and diversity as a result of this disposal

#### **WHAT HAPPENS NEXT:**

26. DJB Solicitors are appointed to undertake the legal transaction, with the aim of completing the sale by mid November 2019.

**Contact Officer:**  
Peter Hopkins, Lead Asset Strategy Manager

**Consulted:**

Details of who has been consulted on the issue (including officers, members, public, stakeholders, partners, etc).

**Annexes:**

- Part 2 report with annex

**Sources/background papers:**

Part 2 Documents

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