

## **Appendix 2 – Overview and Scrutiny Committee Review of the Council’s ownership of Liongate House**

### **Terms of Reference**

Council officers have received a number of allegations and complaints about the Council’s ownership of Liongate House, an investment asset acquired by the Council in 2013 and sold in early 2020. Concern has been raised that the asset was disposed of at a value less than the Council paid for the asset upon acquisition. In addition to the concerns around the valuation of the asset, various concerns have been raised around the governance and decision making processes in relation to both the acquisition and disposal of the asset. The main areas of concern raised by different councillors are:-

1. That the Council ‘overpaid’ for the asset when it was acquired in 2013 and the valuation advice obtained by the Council did not consider all risks
2. That the decision making process around the acquisition was rushed, did not follow proper decision making processes and did not adequately consider risks such as the risk around an unsecured tenancy or the tenant exercising their break clause in their lease.
3. That the decision making process around the disposal of the asset was rushed, did not adequately consider all options and did not follow proper decision making processes
4. That the decision to dispose of the asset did not adequately consider potential flood risk mitigations in development of options for future use of the site
5. That the valuation of the asset at the point of disposal was higher than the valuation advice obtained by the Council. The Council’s own external valuation advice found the value of the asset to be between £5million and £9.5million. The Council sold the asset for £10.1million following an open market exercise however, there is an allegation that had the flood risk mitigation measures referred to in (4) been adequately assessed that the value of the asset would have been around £20million (excluding the mezzanine which could have added an additional 10% to that £20m value) - as such the council ‘undersold’ the asset.

As such it is proposed that the Investigation / Audit looks to answer the following questions:-

- 1) Did the council’s decision to acquire Liongate apply its proper processes and adequately consider all risks and mitigations appropriately?
- 2) Noting the speed of the decision, is there evidence that the council did not adequately consider the options or follow correct procedures?
- 3) Did the council’s decision to dispose of the asset apply its proper processes and adequately consider all risks and mitigations appropriately?
- 4) Are the council’s processes appropriate?
- 5) Noting the speed of the decision, is there evidence that the council did not adequately consider the options or follow correct procedures?
- 6) Did the decision adequately consider potential flood risks and mitigations?
- 7) With reference to the Gross Development Value for permitted development being £20million stated in the Options appraisal report from LSH, is there evidence that the council’s external valuation advice and marketing resulted in the council under-selling the asset?

## **Approval of the Terms of Reference**

**From:** Paul Spooner <Paul.Spooner@guildford.gov.uk>

**Sent:** 18 February 2022 11:34

**To:** Claire Morris <Claire.Morris@guildford.gov.uk>; David Bilbe <David.Bilbe@guildford.gov.uk>

**Cc:** Tom Horwood <Tom.Horwood@guildford.gov.uk>

**Subject:** RE: Liongate [UNC]

Claire,

I understand that David is satisfied with the ToR as presented. On that basis I am also happy.

Best regards

Paul

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### **Cllr Paul Spooner**

#### ***Representing residents of Ash South, Ash Green & Tongham***

Chairman: O&S Committee

Lead Planning Member: Ash South & Tongham Ward

Employment Committee Member

SCC/GBC Joint Committee Member

### **Guildford Borough Council**

#### ***Volunteering in the Community***

Chairman: Guildford in Bloom

Governor (Vice Chairman): Ash Manor School

Trustee: Henry Smith Charity (Ash)

Proud member of Guildford Lions

***Political Declaration:*** Member and Group Leader of the Conservative Group at Guildford Borough Council. Member of the Conservative Party.

**From:** Claire Morris <[Claire.Morris@guildford.gov.uk](mailto:Claire.Morris@guildford.gov.uk)>

**Sent:** 10 February 2022 09:03

**To:** Paul Spooner <[Paul.Spooner@guildford.gov.uk](mailto:Paul.Spooner@guildford.gov.uk)>; David Bilbe <[David.Bilbe@guildford.gov.uk](mailto:David.Bilbe@guildford.gov.uk)>  
**Cc:** Tom Horwood <[Tom.Horwood@guildford.gov.uk](mailto:Tom.Horwood@guildford.gov.uk)>  
**Subject:** RE: Liongate [UNC]

Hi Paul

Thanks for your email. I acknowledge the points you and David have made and attach again the ToRs for the review which are based on the complaints received from David and Geoff as well as points made by other councillors. Are you happy that I take these as a report to O&S committee for agreement? If not what please advise what amendments you want or what other action you want. In the meantime I am still awaiting a response from RICS to my request for their help with this review and the complaints we have received.

Thanks

Claire

Claire Morris

Director of Resources

(Chief Financial / Section 151 Officer)

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