



GUILDFORD
BOROUGH

Tom Horwood
Joint Chief Executive
of Guildford and Waverley
Borough Councils

www.guildford.gov.uk

Contact:

James Dearling

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1 July 2022

Dear Councillor,

Your attendance is requested at a meeting of the **OVERVIEW AND SCRUTINY COMMITTEE** to be held in the Council Chamber, Millmead House, Millmead, Guildford, Surrey GU2 4BB on **TUESDAY, 12 JULY 2022** at **7.00 pm**.

Yours faithfully,

Tom Horwood
Joint Chief Executive

MEMBERS OF THE OVERVIEW AND SCRUTINY COMMITTEE

Chairman: Councillor Paul Spooner
Vice-Chairman: Councillor James Walsh

Councillor Chris Blow
Councillor Guida Esteves
Councillor Graham Eyre
Councillor Angela Goodwin
Councillor George Potter

Councillor Maddy Redpath
Councillor Tony Rooth
Councillor Will Salmon
Councillor Deborah Seabrook
Councillor Fiona White

Authorised Substitute Members

For the Overview and Scrutiny Committee, there is no limit on the number of substitute members for each political group on the Council.

QUORUM: 4

WEBCASTING NOTICE

This meeting will be recorded for live and/or subsequent broadcast on the Council's website in accordance with the Council's capacity in performing a task in the public interest and in line with the Openness of Local Government Bodies Regulations 2014. The whole of the meeting will be recorded, except where there are confidential or exempt items, and the footage will be on the website for six months.

If you have any queries regarding webcasting of meetings, please contact Committee Services.



THE COUNCIL'S STRATEGIC FRAMEWORK (2021-25)

Our Vision:

A green, thriving town and villages where people have the homes they need, access to quality employment, with strong and safe communities that come together to support those needing help.

Our Mission:

A trusted, efficient, innovative, and transparent Council that listens and responds quickly to the needs of our community.

Our Values:

- We will put the interests of our community first.
- We will listen to the views of residents and be open and accountable in our decision-making.
- We will deliver excellent customer service.
- We will spend money carefully and deliver good value for money services.
- We will put the environment at the heart of our actions and decisions to deliver on our commitment to the climate change emergency.
- We will support the most vulnerable members of our community as we believe that every person matters.
- We will support our local economy.
- We will work constructively with other councils, partners, businesses, and communities to achieve the best outcomes for all.
- We will ensure that our councillors and staff uphold the highest standards of conduct.

Our strategic priorities:

Homes and Jobs

- Revive Guildford town centre to unlock its full potential
- Provide and facilitate housing that people can afford
- Create employment opportunities through regeneration
- Support high quality development of strategic sites
- Support our business community and attract new inward investment
- Maximise opportunities for digital infrastructure improvements and smart places technology

Environment

- Provide leadership in our own operations by reducing carbon emissions, energy consumption and waste
- Engage with residents and businesses to encourage them to act in more environmentally sustainable ways through their waste, travel, and energy choices
- Work with partners to make travel more sustainable and reduce congestion
- Make every effort to protect and enhance our biodiversity and natural environment.

Community

- Tackling inequality in our communities
- Work with communities to support those in need
- Support the unemployed back into the workplace and facilitate opportunities for residents to enhance their skills
- Prevent homelessness and rough-sleeping in the borough

AGENDA

ITEM NO.

- 1 **APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS**
- 2 **LOCAL CODE OF CONDUCT AND DECLARATION OF DISCLOSABLE PECUNIARY INTERESTS**

In accordance with the local Code of Conduct, a councillor is required to disclose at the meeting any Disclosable Pecuniary Interest (DPI) that they may have in respect of any matter for consideration on this agenda. Any councillor with a DPI must not participate in any discussion or vote regarding that matter and they must withdraw from the meeting immediately before consideration of the matter.

If that DPI has not been registered, the councillor must notify the Monitoring Officer of the details of the DPI within 28 days of the date of the meeting.

Councillors are further invited to disclose any non-pecuniary interest which may be relevant to any matter on this agenda, in the interests of transparency, and to confirm that it will not affect their objectivity in relation to that matter.

- 3 **MINUTES** (Pages 5 - 10)
To confirm the minutes of the Committee meeting held on 7 June 2022.
- 4 **LEAD COUNCILLOR QUESTION SESSION**
A question session with the Deputy Leader of the Council and Lead Councillor for Community and Housing. Councillor Julia McShane's areas of responsibility include: Health; Wellbeing; Access and Disability; Safety; Grants and Voluntary Services; Careline; Handyperson; Care and Repair; Housing; Homelessness; Housing Standards (HMOs, private rented sector); and Human Resources.
- 5 **GUILDFORD AND WAVERLEY COLLABORATION – UPDATE**
- 6 **REVIEW OF THE COUNCIL'S OWNERSHIP OF LIONGATE HOUSE** (Pages 11 - 234)
- 7 **OVERVIEW & SCRUTINY ANNUAL REPORT 2021-22** (Pages 235 - 246)

Please contact us to request this document in an alternative format

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OVERVIEW AND SCRUTINY COMMITTEE

7 June 2022

- * Councillor Paul Spooner (Chairman)
- * Councillor James Walsh (Vice-Chairman)

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|----------------------------|-------------------------------|
| Councillor Chris Blow | * Councillor Maddy Redpath |
| * Councillor Guida Esteves | * Councillor Tony Rooth |
| Councillor Angela Goodwin | * Councillor Will Salmon |
| Councillor Jan Harwood | * Councillor Deborah Seabrook |
| * Councillor George Potter | * Councillor Fiona White |

*Present

Councillors Tim Anderson (Lead Councillor for Resources), Ruth Brothwell, Julia McShane (Deputy Leader of the Council and Lead Councillor for Community and Housing), John Rigg (Lead Councillor for Regeneration), James Steel (Lead Councillor for Environment), and Cait Taylor (Lead Councillor for Climate Change) were in attendance, with Councillors Ramsey Nagaty, John Redpath (Lead Councillor for Economy), and Catherine Young in remote attendance.

In accordance with Council Procedure Rule 23(i), Councillor Masuk Miah attended as a substitute for Councillor Angela Goodwin.

OS1 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

The Committee was advised of apologies for absence from Councillors Chris Blow and Angela Goodwin and a substitution as detailed above.

OS2 LOCAL CODE OF CONDUCT AND DECLARATION OF DISCLOSABLE PECUNIARY INTERESTS

There were no declarations of Disclosable Pecuniary Interests.

OS3 MINUTES

The minutes of the Overview and Scrutiny Committee meeting held on 25 April 2022 were agreed.

OS4 LEAD COUNCILLOR QUESTION SESSION

The Chairman welcomed the Lead Councillor for Climate Change and reminded the Committee of Councillor Cait Taylor's areas of responsibility: Climate Change, Air Quality, and Sustainable Transport. The Chairman indicated that several question areas had been passed along to the Lead Councillor for Climate Change in advance of the meeting and advised that other questions relevant to the portfolio would naturally arise.

During the ensuing discussion with the Lead Councillor for Climate Change a number of points were made and clarifications offered:

- In response to a question about monitoring air quality in Stoke ward and pollution from road traffic, the Lead Councillor for Climate Change advised that nitrogen dioxide monitoring across the borough targeted residential areas near to heavily trafficked roads. The Lead Councillor for Climate Change advised that monitoring for nitrogen dioxide at one site on Woking Road in Stoke ward had been discontinued after 2018 due to a low annual mean level. The meeting was advised that a

modelling report commissioned by the Council in 2019 suggested neither nitrogen dioxide nor particulates were a concern in the Stoke ward. The Lead Councillor for Climate Change indicated that a link to the report could be sent to the Committee members. She expressed her surprise that the area of Stoke ward close to the A3 and other roads did not exceed the annual mean level of $40 \mu\text{g}/\text{m}^3$. In addition, the Lead Councillor for Climate Change advised the Committee how air quality was considered as part of the planning process across the Borough. She concluded by indicating that any particular areas of concern identified by Councillors could be reviewed as potential sites for monitoring.

- The Lead Councillor for Climate Change was asked about the impact of the one-way trial at Walnut Tree Close and collaboration between the Council and Surrey County Council on the project. In reply, the meeting was informed that during the six-month trial, traffic and air quality would be collected to assess the impact on Walnut Tree Close and the surrounding road network, as well as the Air Quality Management Area (AQMA) in Guildford. The Lead Councillor for Climate Change advised the Committee that officers from the Council and Surrey County Council, together with contractors, had met to assess the air quality impact of the trial. The meeting was informed that Council officers had set up additional nitrogen dioxide diffusion tubes to help monitor air quality, particularly in the areas of Woodbridge Road and Stoke Road where it was anticipated diverted traffic would go.
- In reply to a query from a member of the Committee, the Lead Councillor for Climate Change indicated the importance of sustainable transport to reducing air quality and congestion. In response to questions about the definition of sustainable transport, the Lead Councillor for Climate Change indicated that she would respond after considering the detail within the questions.
- In reply to questions on the role of bus services in Guildford, the Lead Councillor for Climate Change indicated her support for more buses, particularly electric, and indicated she would respond further after considering the detail of the questions.
- A member of the asked for information on the amount of power generated by weirs and rivers in Guildford, and whether there were plans to increase this. In reply, the Lead Councillor for Climate Change undertook to arrange for the information to be provided to the Committee.
- A Councillor asked for further details of measures to address the air quality issues that had necessitated the declaration of AQMAs in Shalford and Compton and whether a park and ride on Council owned land adjacent to the A281 was worthwhile. In reply, the Lead Councillor for Climate Change advised the meeting that park and ride services had traditionally been used by commuters and as such had been impacted by Covid and subsequent changes to working arrangements. She informed the meeting that park and ride usage was approximately half of the pre-Covid level, and the operator had suspended services from the Spectrum and was unlikely to re-start at Onslow when the site was returned from the Covid testing programme later in 2022. The Committee was advised that the site at Artington was under capacity and in close proximity to the Council owned land adjacent to the A281. The Lead Councillor for Climate Change advised that it would be worthwhile re-visiting the viability of currently suspended sites and routes, and additional sites, if demand levels increased. In conclusion, the Committee was advised of the merit in a comprehensive solution to air quality, with a wider focus than park and ride.

- A Councillor questioned the pricing for park and ride for two adults compared with charges for parking in the town centre and was advised that park and ride charges were set by the bus operator and regulated by Surrey County Council. The Lead Councillor for Climate Change advised the meeting of the park and ride prices and suggested they compared well against the costs for longer stays in car parks. In conclusion, the Lead Councillor for Climate Change indicated that the pricing situation would continue to be monitored.
- In response to questions, the Lead Councillor for Climate Change outlined her past and planned community engagement on climate change. She advised the meeting of the development of a Climate Change Action Plan to be submitted to the Council's Climate Change Board and the value in revisiting the idea of a climate assembly in Guildford. With reference to discussion of the use of parish council liaison meetings to promote community engagement with climate change, a member of the Committee noted that the residents in non-parished parts of the Borough should be involved too.

The Chairman thanked the Lead Councillor for Climate Change for attending and answering questions.

OS5 GUILDFORD AND WAVERLEY COLLABORATION – UPDATE

The Joint Chief Executive of Guildford and Waverley Councils advised that since his last update to the Committee the heads of terms for the Inter Authority Agreement (IAA) had been agreed by both Councils. He indicated that the creation of a joint shared management team of Directors and Heads of Service was proceeding. The Joint Chief Executive advised that in the period between his updates to the Committee he would keep all Councillors informed of progress.

There were no questions from Councillors and the Chairman thanked the Joint Chief Executive for his attendance.

OS6 REVIEW OF VISITOR STRATEGY

The Chairman invited the Lead Councillor for Environment to comment on the report submitted to the Committee.

The Lead Councillor for Environment introduced the item. The Strategy and Communications Manager drew the Committee's attention to the priorities and activities of the Visitor Strategy 2014-20 as summarised in the report submitted to the Committee. In addition, he advised the meeting of actions taken since the end of the Strategy in 2020, including administering grants schemes to help the visitor sector during the pandemic.

A number of points were covered and questions asked in the ensuing discussion:

- In reply to questioning about the need for a destination marketing strategy and the approach possible with limited Council resources, the Lead Councillor for the Environment stated the importance of collaboration with partners such as the University of Surrey and Visit Surrey. The Lead Councillor for Environment indicated that single-centre stays were rare for Guildford's visitors. The Strategic Services Director advised that the University of Surrey, Visit Surrey, Surrey Hills Enterprises, and Experience Guildford were keen to collaborate with the Council. She indicated that the visitor economy would be important as part of the Council's new economic development strategy.
- A member of the Committee asked for the terms of reference and scope of the new economic strategy and the role of Councillors in its development. In response, the

Strategy and Communications Manager advised that the specification for development of the strategy was drafted in consultation with Lead Councillors and was out for tender. He outlined the requirements for councillor involvement required in the development of the strategy and undertook to circulate the tender specification to Committee members.

- In response to a question about resources, the Strategy and Communications Manager informed the Committee that the marketing function at the Council was centralised as part of the Future Guildford transformation programme and was now performed by the Council's communications team.
- In reply to questions, the Strategic Services Director advised the meeting of arrangements for the Visit Guildford brand and webpages on the Visit Surrey website. In addition, she indicated that the traditional income streams for tourism information centres had declined as people increasingly used online alternatives to access or promote services. The Strategic Services Director confirmed that the Council was looking at tourism initiatives in other localities and was keen to collaborate with partners. The Strategy and Communications Manager reminded Committee members that the future of the Tourist Information Centre was considered and commented on by an Executive Advisory Board and would be considered next by the Executive. He indicated that the issue of whether a future tourism strategy could be self-funding might be an approach considered in the development of the economic strategy.
- A member of the Committee suggested the value in using elements of the 2014-20 Visitor Strategy and questioned the use of resources in any possible re-branding. In response, the Strategic Services Director indicated that a review of existing strategies would be one of the first roles of the consultant tasked with developing the economic strategy.
- In reply to a question about the scope and size of the Council's communications team and the use of Guildford Tourist Information Centre to sell tickets, the Lead Councillor for Environment indicated the importance of the Visit Surrey website and the use of self-ticketing platforms such as Eventbrite. The Strategic Services Director indicated that there was not currently a demand for a function to sell tickets for events, although this might change as demand increased further after the pandemic. She advised that the Council's communication teams were multi-functional, with none dedicated to tourism or the visitor economy.
- The meeting was advised that many of the priorities of the 2014-20 Visitor Strategy were delivered by approximately 2017.
- In reply to a question from a Committee member about growth areas beyond heritage for the visitor economy, the Lead Councillor for Environment referred to the video gaming industry.
- In reply to a question from a Committee member about digital marketing skills such as SEO (Search Engine Optimisation) within the Council's communications team, the meeting was advised that digital content editors were currently part of the team.

The Chairman thanked the Lead Councillor for Environment and officers for attending and answering questions.

OS7 UPDATE REPORT: SPEND ON CONSULTANTS AND AGENCY WORKERS

The Lead Councillor for Resources introduced the report submitted to the Committee. He advised the meeting that total spend on agency and consultants in 2021-22 was almost unchanged from 2020-21, the spend on consultants had fallen by sixteen percent in the same period. He indicated that the net cost to the Council had reduced by almost £10 million to approximately £5 million. The Lead Councillor for Resources noted that the Council's preferred supplier for agency workers accounted for fifty-two per cent of agency spend in 2021-22, up from twenty-four percent in the previous year.

The Interim Senior Specialist Procurement outlined to the Committee the progress in controlling consultant and agency spend, improvements in the governance process, and the work of the Corporate Procurement Board.

During the ensuing discussion a number of questions were raised and responded to:

- In response to a question about the forecast spend for 2022-23, the Lead Councillor for Resources advised the Committee of £700k budgeted for agency staff, referred to capital spending of £99 million approved by full Council in February 2022, and advised that there would be an increase in staff in the Council's procurement service. The Lead Councillor for Resources advised that the details of the consultancy spend on projects were set out in the business case reports submitted to the Executive or full Council. The Director for Resources confirmed that forecast spend was normally included in budget reports.
- A member of the Committee noted that the £2.1 million reduction in revenue spending in 2021-22 compared to 2020-21 was impressive. The same member of the Committee suggested that the report submitted to the Committee might in future be considered annually by the Corporate Governance and Standards Committee rather than the Overview and Scrutiny Committee. The Chairman indicated that the suggestion was best discussed outside the meeting.
- The Lead Councillor for Resources indicated that the governance changes targeted improvements in procurement and contractual arrangements for consultancy and agency spending. He stated that the Council were recruiting permanent staff whenever possible, rather than using agency staff.
- The Lead Councillor for Resources praised the detail provided within the report submitted to the Committee. In response to a request from a Committee member for more information to be provided within a future version of the report, the Director of Resources outlined the governance structure for reporting and monitoring the budget for each project and questioned the appropriateness of adding such major project details to reports considered in public. The Director for Resources indicated that details of major projects would be shared with any Councillor requesting them. A member of the Committee suggested that the inclusion of additional information in future versions of the report would lead to duplication of work undertaken elsewhere in the Council.
- A member of the Committee asked what the target was for agency spend with the Council's preferred supplier and was advised by the Interim Senior Specialist Procurement that 100 per cent was unrealistic as certain skillsets were unable to be delivered through the Comensura framework used. In addition, the meeting was advised that further consolidation of the suppliers of agency workers was unrealistic.

- In reply to a question from a Councillor about the lack of planning officers available through the Council's preferred supplier for agency workers, the Lead Councillor for Resources referred to the difficulties of recruiting and retaining staff in Guildford and the south-east generally. In response to a suggestion from a member of the Committee for a more flexible approach to staff remote working, the Director of Resources indicated that the Council's agile working policy could be expected to be reviewed periodically.

The Chairman noted the clearness of the information presented in the report submitted to the Committee and the ability of Councillors to obtain further details from the Director of Resources and other officers.

The Chairman thanked the Lead Councillor for Resources and officers for attending and answering questions.

RESOLVED: (I) That the 2021/22 spend position on consultants and agency workers as presented in the report submitted to the Committee be noted. (II) That an Update Report on Spend on Consultants and Agency Workers be provided annually to the Committee.

OS8 OVERVIEW AND SCRUTINY WORK PROGRAMME

The Senior Democratic Services Officer (Scrutiny) advised the meeting that since the publication of the agenda the next work programme meeting of the Chairs and Vice-Chairs of the Overview and Scrutiny Committee, and the Executive Advisory Boards had been set for 30 June 2022. He indicated that the unscheduled items on the Committee's work plan were being progressed.

A member of the Committee noted items on the unscheduled list were not being progressed according to how long ago they had been requested.

RESOLVED: That the draft work programme attached at Appendix 1 to the report submitted to the Committee be approved.

The meeting finished at 9.08 pm

Signed

Date

Chairman

Overview and Scrutiny Committee Report

Ward(s) affected: Friary and St Nicolas Ward

Report of Director of Resources

Author: Claire Morris

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Lead Councillor responsible: Councillor Tim Anderson

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Date: 12 July 2022

Review of the Council's ownership of Liongate House

Executive Summary

The Council acquired an investment property known as Liongate House in December 2013 for £13million and sold the property in March 2020 for £10.1million, which represented a reduction in capital value of £2.9million. Over the holding period the Council gained a gross income of £5.9million and achieved an internal rate of return (IRR) on its investment of 4.2%. The initial gross yield on investment was 7.54%.

During the acquisition and the disposal of the property the Council sought external professional advice and valuations from reputable RICS accredited property companies. The Council considered many options for the future use of Liongate and undertook a comprehensive marketing campaign to dispose of the property. The sale price of the property has been certified as 'best consideration' (as required by Section 123 of the Local Government Act 1972 in line with the Council's constitution).

Three complaints have been received regarding the Council's holding of Liongate House. Those complaints are detailed within the report. In response to the complaints, terms of reference for an Overview and Scrutiny review of the Council's ownership of Liongate House were agreed with the Chair of the Committee. The report details the questions set out in the terms of reference and provides evidence for the Committee to consider in undertaking its review.

The Council has also referred the complaints to the Royal Institute of Chartered Surveyors (RICS) and asked for advice as to the merit or otherwise of the complaints and in particular whether the professional advice sought by the Council from its advisors, meet professional practice, and therefore, whether there is any evidence that the Council undersold the asset. The Council is currently waiting for a response from RICS and if a response is received prior to the committee meeting it will be circulated to the committee as a supplemental agenda item.

Recommendation to Executive/ Committee/ Council (delete as appropriate)

That the Committee review the questions posed in the terms of reference for this review and the evidence presented and determine its conclusions.

Reason(s) for Recommendation:

To undertake an overview and scrutiny review of the Council's ownership of Liongate House

1. Purpose of Report

- 1.1 Following freedom of information act requests and a significant amount of informal correspondence, three formal complaints have been received by the Joint Chief Executive and Director of Resources relating to the Council's ownership of 'Liongate House', which was an investment property held by the Council between 2013 and 2020. Two complaints relate to the disposal of the asset and one relates to the acquisition of the asset (see **Appendix 1**). Due to the time lapsed between both the acquisition and the disposal of the asset and the receipt of the complaints, the only mechanism within the constitution to undertake a review is for the Overview and Scrutiny Committee to carry out a review.
- 1.2 The terms of reference of the Overview and Scrutiny (O&S) Committee allow the committee to undertake investigations into such matters relating to the Council's functions and powers as the Committee may consider appropriate. The Committee may also review and scrutinise the performance of, and the decisions made by the Leader, Lead Councillors individually or the Executive collectively and Council officers in relation to individual decisions and over time. Requests for items to be brought to O&S shall be considered with reference to the P.A.P.E.R topic selection tool (PAPER stands for Public Interest, Ability to Change, Performance, Extent, and Replication).
- 1.3 The complaints have been discussed with the Chair of the Overview and Scrutiny Committee who agreed that the Overview and Scrutiny Committee should undertake a review as the matter is deemed to be in the public interest. Terms of reference for the review and therefore this report, were agreed with the Chair of the Committee and are disclosed in **Appendix 2**. The Committee are also invited to consider the performance of the Council and its external property / valuation advisors. Depending on the Committee's deliberations, it may also be able to identify lessons to be learned which will be useful for the future. However, as the asset was disposed of in March 2020, the Committee cannot change any decisions in respect of Liongate.

2. Strategic Priorities

- 2.1 Good governance underpins all of the Council's Corporate Priorities set out in the Corporate Plan 2021 to 2025.

3. Background

3.1 Liongate House was an office block, acquired by the Council as an investment property in December 2013 for £13million. The property was sold in March 2020 for £10.1million representing a fall in capital value of £2.9million. During the period of ownership (just over 6 years) the Council received £1.3million per annum in rent for the first 9 months of ownership which reduced to £980,000 per annum rental income from September 2014 until the tenant vacated the premises in September 2019. The Council received approximately £5.9million of income during the period of ownership.

3.2 During the period of ownership, as an investment property, the Council was required under accounting practice, to revalue the asset within its balance sheet on an annual basis to reflect the current open market value of the asset. For information, the values at which the asset was included on the Council's asset register and therefore within the Council's balance sheet over the holding period were:

2013-14 purchase £13m
2014-15 £13.865m
2015-16 £14m
2016-17 £14.35m
2017-18 £14.42m
2018-19 £13m
2019-20 £12.15m

3.3 As a material item within the Council's accounts each year, the acquisition cost, annual valuation, disposal value and proceeds of the asset were subject to audit in each relevant year as part of the audit of the Council's statement of accounts. The Council's external auditors over the holding period were (and still are) Grant Thornton LLP.

3.4 At the point of acquisition and at the point of disposal independent, external valuation advice was sought by the Council.

Acquisition process

3.5 Due to the length of time between the acquisition of the property and the present day, along with the fact that many of the key officers involved in the acquisition process are no longer employees of the Council, the full process has been difficult to ascertain for this report. The period exceeds the various record and data retention periods.

3.6 On 8 November 2012, the then Executive approved a property acquisition report setting out that a fund of £15million was to be created for the purposes of investing in commercial property to generate an income for the Council. The report is shown in **Appendix 3** and sets out the criteria and evaluation matrix that investment opportunities would be assessed against. At the time, any acquisition of property in excess of the budget provision on the approved capital programme

- would have required the approval of the Executive. Officers only had delegated authority to purchase property up to the amount on the approved capital programme. The Council's constitution was updated in 2014 as part of the approval of the asset and investment strategy and framework. The updated constitution delegated authority to acquire property up to £12million to the Managing Director (now Joint Chief Executive) and Chief Finance Officer in conjunction with the Leader of the Council and Lead Councillor for finance. However, purchases of property above £12million still require the approval of the Executive.
- 3.7 The decision to acquire Liongate was made by the (then) Managing Director of the Council under delegated authority provided to her under paragraph 24 within the Council's constitution relating to 'urgent matters'. The decision was initially recorded on a delegated authority form dated 17th October 2013 (see **Appendix 4**). The delegated authority form approved a capital supplementary budget estimate of £1.816 million because the purchase price exceeded the budget available on the Council's approved capital programme at the time. The budget was £10.827million and the capital supplementary estimate increased it to £12.643million. The matter was deemed urgent because the vendor who was selling the property had called for bids by 23rd October 2013.
- 3.8 The delegated authority (DA) form at Appendix 4, includes commentary around the financial consequences associated with the risk that the tenant might exercise their break clause in year 5 and the Council needing to bear the refurbishment costs as a result. The DA form states that even in this 'worst case scenario' the investment asset would still yield an internal rate of return (IRR) of 10.1%. The DA form states that the investment opportunity had been evaluated against the Council's 'approved criteria' for investment as set out in the property acquisition report at Appendix 3. The decision documented on the DA form was made in consultation with the then Lead Councillor for Finance and Assets, Cllr Nigel Manning, the then Leader of the Council Stephen Mansbridge and the fact the decision was urgent had been agreed with the Chairman of the Scrutiny committee.
- 3.9 The initial bid was unsuccessful, as a consequence a further DA form was sought and signed on 14th November 2013 and is shown at **Appendix 5**. The second DA form increased the budget again to £13.754million, through approving a further capital supplementary estimate of £1.111million. The total of the two capital supplementary estimates were £2.927million. The second DA form updated the estimates of the IRR stated in the first form for both the scenario where the tenant remained for the length of their lease and in the scenario of the tenant breaking their lease at the 5 year break point.
- 3.10 Heads of terms for the acquisition were signed on 15th November 2013. The asset was valued at the point of purchase by Jones Lang LaSalle (JLL), their valuation report from December 2013 is attached at **Appendix 6**. JLL valued the asset at £13million in December 2013. At the point of acquisition, the tenant had agreed a full repairing and insuring reversionary lease for the entire property for a term of 10 years commencing 29 September 2014, with a tenant's option to break on 28 September 2019.

- 3.11 As part of the valuation approach, starting on page 46 of their report (Appendix 6), JLL provided a discounted cashflow analysis of two scenarios. The first scenario analysed the base case scenario of the tenant continuing to occupy the premises for the whole of their 10-year lease. The internal rate of return (IRR) of the first scenario was found to be 8.8%. The second scenario (on page 47) looked at the IRR if the tenant exercised their break clause and the Council was required to refurbish and re-let the premises on the break date. This second option included an assumption relating to a void period and needing to offer a period of rent free occupation as an incentive to a new tenant. The IRR in this second scenario was found to be 7.78%.
- 3.12 The purchase of Liongate completed on 13th December 2013. As the decision to acquire the property had been taken under delegated authority the matter was reported to the Executive on 7th January 2014.
- 3.13 At the time, and to this day, the Council has a Property Review Group (PRG) which is an officer / Councillor working group of the Executive. PRG minutes from September 2013 to December 2013 have been reviewed. The acquisition of Liongate was mentioned in the minutes of the meetings held in November 2013 and December 2013 but no mention of consideration of the acquisition by the PRG is documented within the PRG minutes for the 17 October 2013 meetings (see **Appendix 7**).

Disposal process

- 3.14 In October 2018, Officers commissioned an options report from Lambert Smith Hampton (LSH) on what the Council's options may be regarding the future use for Liongate, in the scenario that the tenant might exercise the break clause in their lease. The options report is attached at **Appendix 8**. The options report identified a range of options for future use in the event of the tenant exercising their break clause. The report reviewed the relative merits of each option and provided high-level range values for each and their view on demand/risk factors. To inform this a site survey, initial Flood Risk assessment and pre-planning advice were also commissioned. The options and their associated values were:
- Refurbishment by GBC for continued office use - £4.0 - £5.0 million (additional detail on this option was requested specifically to evaluate the option of the Council moving from Millmead to Liongate House for owner occupation. The high level feasibility report for this is shown in **Appendix 9**)
 - Sale for residential with prior approval for Permitted Development (PD) - £8.5 - £9.5 million
 - Sale for residential use - £7.0 - £8.0 million
 - Sale for retirement living/care home – Extra Care: £8.5- £9.5 million, Retirement: £7.5- £8.5 million
 - Sale/pre-let as a hotel - £5.0 - £5.5 million
 - Sale for retail use - £5.0 - £5.5 million
 - Sale for self-storage use - £4.0 - £5.0 million

- 3.15 The options report was discussed at the Property Review Group (PRG) on 16th October 2018, 20th November 2018 and 18th December 2018 (see **Appendix 7**). The December 2018 meeting concluded that further flood risk assessment work should be carried out and pre-application advice should be sought. Further updates were presented to PRG on 19th February 2019, 19th March 2019 and 16th April 2019.
- 3.16 As noted in paragraph 3.13, PRG is an officer/councillor working group of the Executive. Prior to the election in May 2019, Cllr Nigel Manning, Lead Councillor for Finance and Assets and Cllr Caroline Reeves, Leader of the Opposition and (at the time) Chair of the O&S Committee were members of the group. Following the election in May 2019, the Councillor members of PRG were Cllr Joss Bigmore, Lead Councillor for Finance and Assets and Cllr Caroline Reeves (Leader of the Council).
- 3.17 The tenant notified the Council that they intended to exercise their break clause in March 2019 and vacate the property in September 2019. Officers notified the PRG that the tenant had exercised the break clause in their lease in April 2019. Further updates were provided to PRG in May 2019 and June 2019. Following the election, officers provided PRG with a further briefing and re-cap of the options report that had been previously received. An update on the pre-planning advice (which had not been favourable) and the flood risk assessment work was also provided to the June 2019 meeting. Further discussions were held at PRG in July and August 2019.
- 3.18 A copy of the pre-application advice received from the local planning authority in March 2019 is attached at **Appendix 10**. The advice raised concerns about the site being designated as a strategic employment site within the local plan and its location within flood zone 3b (where residential development would normally not be permitted). The advice stated that as a consequence of these two facts there would be an 'in principle objection' and that it would be unlikely that prior approval for residential use would be granted. In the conclusions, the planning advice states that '*residential uses in flood zone 3b are unsuitable and would not be supported*'.
- 3.19 In September 2019, in consultation with the Lead Councillor for Finance and Assets, and following months of discussion at PRG, Officers commissioned LSH to market the property on an 'any-bids' basis. A 'for sale' board was erected outside of the property and LSH produced and released particulars to investors/developers. The property was openly marketed on the LSH website and other key property web sites such as Rightmove, Zoopla, Co-star etc (see **Appendix 12** in particular page 3 which details the marketing process).
- 3.20 The revised flood risk assessment was finally received by the Council in October 2019 (**Appendix 11**) and the results discussed with PRG on 15th October 2019. The conclusions of the report confirmed that whilst the building is located in flood zone 3, it was outside of the functional floodplain and that only an area of car parking to the northern end of the site was within the functional floodplain and therefore prone to fluvial (river) and surface water flooding. The report found the southern end of the site, where the building was located was at low risk from

- fluvial and surface water flood risk. The report goes on to state that as the minimum floor levels for residential are raised, the proposed change of use to residential could be considered appropriate but that any proposed development will need to implement measures to 'wet proof' the building access and improve flood resilience. The report states that a flood management plan would be needed.
- 3.21 In October 2019, 65 potential purchasers expressed an interest in the property. Of those, 39 potential purchasers were granted access to the LSH 'data room' where they were granted access to the detailed sale particulars such as various surveys, title reports, pre-planning advice and both the initial and revised site specific the flood risk assessments etc.
- 3.22 In November 2019, LSH invited bids from all interested parties with access to the data room. Twelve bids were received (see **Appendix 13**) for a variety of uses with a variety of values. Officers presented a report to Executive in November 2019 (see **Appendix 14**) which provided the background and detail of the site, options considered, the planning advice, updated site specific flood risk assessment and detailed the bids received (**Appendix 13**).
- 3.23 Whilst the options considered in the Executive report mainly focussed on disposal of the property, options for the Council to refurbish the property for owner occupation (option (a)(vi) and the Council developing the site for residential use with prior approval for permitted development (option (c)(vi) were covered and discussed within the report. In relation to the Council developing the site itself, the Executive were advised that the risks relating to the construction and management of the building contract and letting/sales risk were prohibitive. Further detail around risks in retaining the asset were set out in section 7 of the report at **Appendix 14**. Section 8 of the report detailed the financial implications; of particular concern was the loss of rental income of £980,000 per annum and the empty premises business rates liability of £125,000 which would have been incurred from the point the property had been vacant for 3 months or more. As such, the loss of income and costs could have potentially cost the Council around £1.1million per annum if the property was retained whilst options for the Council to refurbish or develop the property were explored further in addition to the cost of actually undertaking the development or refurbishment. It is also worth noting that the proposal to redevelop the site was not a project or priority in the Council's Corporate Plan 2018 to 2023 and as such no capital budget had been allocated to a redevelopment project. The report concluded that disposal of the property was the best option and made recommendations accordingly.
- 3.24 The report recommendations delegated authority to the Corporate Property Manager to improve the bids and negotiate detailed terms before final disposal. All recommendations within the report were agreed. At the time the report was exempted from publication due to the commercial sensitivity of the decision. Due to the passage of time, the report is no longer deemed confidential. In addition, the report has been released under the Freedom of Information Act and the disposal price was published in the Council's statement of accounts for 2019-20 and with the Land Registry.

- 3.25 Best and final bids were sought by LSH and discussed with the Council's internal officer level, Investment Fund Property Management Group (IPFMG). Following advice from LSH and in consideration of the risks detailed on section 7 of the Executive report at **Appendix 14**, IPFMG decided to accept unconditional bids due to the significant risks around the delivery of bids that were subject to planning and the financial implications to the Council of any delay in disposal. The Corporate Property Manager consulted with the relevant Lead Councillor and relevant officers (as per the Executive recommendation) to take a decision under delegated authority to dispose of the property. The disposal decision was recorded on a 'delegated authority form' (see **Appendix 16**). The decision to dispose was taken following receipt of a report from LSH detailing that in their professional opinion, the disposal price of £10.1million was best consideration for the property (as required by Section 123 of the Local Government Act 1972) following a comprehensive, transparent and competitive bidding process (see **Appendix 12**).
- 3.26 The accepted bid of £10.1million was submitted by BSD. BSD were chosen because their bid was unconditional and they were a cash buyer (i.e., their bid was not reliant on raising finance from a third party). Officers were confident that BSD were a credible buyer as they had inspected the property on 3 occasions with their professional team during the bidding process. Although their bid was unconditional on planning, upon confirmation of being confirmed as the preferred bidder, BSD submitted a planning application for permitted development rights. The first application, reference 19/W/00109 and 19/W/00110 was refused on 29th January 2020. A second application was submitted on 4th February 2020 (reference 20/W/00021 & 22) which was approved on 6th March 2020 following a letter from the Environment Agency received on 4th March 2020. The sale of the property also completed on 6th March 2020. All documents associated with the planning applications are publicly available on the Council's website.
- 3.27 The Council approved an Asset Management Strategy and Framework in 2014 which sets out the policy on how the council manages assets including assessing whether assets still meet the investment criteria and should be considered for disposal. The Council's constitution part 4 financial procedure rules section C.5.2 state that land and buildings need to be disposed of in conjunction with the relevant director, Chief Finance Officer (CFO), Lead Specialist – Legal and the Lead Councillor for Finance. Section C.6.2 of the financial procedure rules require the Council to achieve best consideration and state that all disposals should be at market value unless otherwise agreed by the CFO in consultation with the Leader and Lead Councillor for finance. The procedure rules also state any disposals over 0.2Ha need to be approved by the Executive (Section C.6.2 vi)
- 3.28 Following the internal audit of the leasing of Burchatts Barn a recommendation was raised that the Council should have a specific Land & Property Disposals Policy and Guidance Document. The policy was approved by the Executive in September 2021, the disposal of Liongate preceded the adoption of this policy and therefore falls under the asset management framework and constitutional requirements outlined in paragraph 3.27.

4. Complaints received

- 4.1 Since the disposal, the Council has received a number of FOI requests, mainly from the same individual relating to the disposal of Liongate House. In addition to the FOI requests, Cllr Paul Spooner asked a series of questions to the Lead Councillor at the Council meeting in July 2021. A copy of the questions and the Lead Councillors response was set out in the order paper (see **Appendix 15**), in addition the order paper disclosed two appendices relating to the answers provided:
- (a) The revised site specific flood risk assessment discussed in paragraph 3.20 and attached at **Appendix 11**
 - (b) The report from LSH detailing that in their professional opinion the disposal proceeds were best consideration for the property as discussed in paragraph 3.19 and 3.25 and attached at **Appendix 12**
- 4.2 Following further email exchanges between Geoff Davis, Cllr Spooner and Cllr Bilbe and various officers and councillors, two formal complaints were received from Geoff Davis and Cllr Bilbe addressed to the Joint Chief Executive and Director of Resources (see **Appendix 1**). On consideration of the complaints, the terms of reference at **Appendix 2** were drafted by the Director of Resources and approved by Cllr Spooner in his role of Chair of the Overview and Scrutiny Committee.
- 4.3 During discussion of the terms of reference, the Director of Resources contacted the Council's internal and external auditors for advice and to ask if they would consider undertaking an investigation or audit along the lines of the complaints received.
- 4.4 The Council's external auditor confirmed that they had audited the disposal of Liongate House as part of their audit of the 2019-20 statement of accounts for the Council, they had not found any issues or concerns with the valuation or the disposal and had not raised any recommendations either relating to the transaction in the accounts or as part of their value for money opinion. As the audit for the 2019-20 accounts was complete, the audit opinion signed and the annual audit report had been reported to corporate governance and standards committee they would not consider re-opening their audit. They also noted that the period of time for which members of the public could raise objections to any item within the Council's accounts for 2019-20 or any item of income or expenditure by the Council for that financial year had passed and it was not possible for the complaints to be looked at by the auditors as a public objection to the accounts or value for money conclusion. The same applies to the 2013-14 accounts which was the year of acquisition.
- 4.5 The Council's internal auditors re-iterated that the disposal would have been material to the Council's accounts for 2019-20 and therefore should have been audited as part of the accounts audit. Without further formal valuation evidence to the contrary (which has not been forthcoming from the complainants) it would not be possible to assess whether the asset had been undervalued, particularly if

it had been sold following an extensive open marketing campaign. Any subsequent valuation now of a transaction that took place in 2019-20 would have to be carefully positioned against the extant professional and the market at the time. The internal auditors went on to state that the length of time between the transactions and the complaints being raised would make any review difficult. They stated that any audit of the transactions would be limited to the policies and procedures the Council had in place at the time and whether the Council followed them, however that this was not what the complaints were focussed on.

- 4.6 The nature of the complaints about both the acquisition and the disposal focus on the valuation of the asset at each time and the speed of the decision making and consideration of risks. The question about the speed of the decision is a subjective question which the Committee will need to form a judgement on. In order to assess whether the valuations reflected the true market value of the assets, the Director of Resources has requested the help and support of the Royal Institute of Chartered Surveyors (RICS) to advise the Council. RICS are an independent body and are the regulatory body for the property industry. RICS will be able to advise the Council whether the valuations have been undertaken in line with their professional standards.

5. Matters for Overview and Scrutiny (O&S) Committee Consideration

- 5.1 As per the terms of reference set out at Appendix 2, the O&S Committee is invited to consider and pass comment on the following questions. Officers have provided for the committee references to the relevant evidence that the committee should take into account in its deliberations.

1) *Did the council's decision to acquire Liongate apply its proper processes and adequately consider all risks and mitigations appropriately?*

- 5.2 The committee may like to refer to the information in paragraph 3.5 to 3.12 in passing comment. As noted in those paragraphs, the decisions were made under delegated authority due to urgency and reported to the Executive after the acquisition had taken place. As the decision had been made under provisions for urgency, the decision was not able to be subject to the 'Call-in' provisions of the O&S committee. The decision also required two capital supplementary estimates as the budget on the approved capital programme was insufficient to cover the purchase cost. External independent valuation advice was sought as detailed in the purchase report at Appendix 5 and as noted in paragraph 3.11 the risk of the tenant exercising their break clause in the lease was considered.

2) *Noting the speed of the decision, is there evidence that the council did not adequately consider the options or follow correct procedures?*

- 5.3 Again the committee may like to refer to the information in paragraph 3.5 to 3.12 in passing comment. The acquisition process occurred over a period of about 2 months (October 2013 to December 2013). The matter was considered using urgent delegations under the constitution and there is no documented evidence that the matter was discussed at the Council's Property Review Group until November 2013.

3) Did the council's decision to dispose of the asset apply its proper processes and adequately consider all risks and mitigations appropriately?

- 5.4 The procedures in place at the time were set out in the Council's asset management framework and Constitution as detailed in paragraph 3.27. The decision to dispose was made by the Executive following a report in November 2019 which set out the full range of options considered. The Executive delegated authority to the Corporate Property Manager to negotiate and improve the bids and then make the final decision to dispose in consultation with relevant councillors. The final decision was informed by the best consideration report from LSH as required by the Constitution and was documented on a DA form.
- 5.5 At the time the decision made by the Executive, was not subjected to 'call-in'. The O&S procedure rules set out within the constitution state that when a decision is made by the Executive or Leader or an individual Lead Councillor or a key decision is made by an officer with delegated authority, the decision can be 'called-in' for consideration by the O&S Committee within 5 days of the decision being made. This provision was not used.

4) Are the Council's processes appropriate?

- 5.6 This is a matter for the Committee to consider. Noting that an updated land and property disposal policy and guidance has already been approved in 2021, if the Council's processes are not deemed appropriate, what improvements would the Committee recommend?

5) Noting the speed of the decision, is there evidence that the Council did not adequately consider the options or follow correct procedures?

- 5.7 The Committee may like to consider the information in paragraphs 3.14 to 3.28 and the information within the relevant appendices in forming its comments. The decision to dispose of the asset started with the commissioning of an options report in October 2018 and the final decision to dispose was considered by the Executive in November 2019. The final decision was then made under delegated authority in December 2019 although the sale then took until March 2020 to complete. The process from start to end was approximately 17 months. A significant range of options were evaluated during the period and a range of professional advice sought. The property was comprehensively marketed in an open market campaign (as documented in the best consideration report at **Appendix 12**) and bidders given full access to information the Council held about the property, including surveys, planning advice and flood risk assessments. The options and decision was discussed at PRG multiple times over the 17 month period. Throughout the 17-month period, the Council received external professional advice on all aspects of selling the property from LSH.

6) Did the decision adequately consider potential flood risks and mitigations?

5.8 The Committee may like to consider the information in paragraphs 3.14 to 3.28. Flood risk assessments were commissioned, received and discussed at PRG. As discussed in the Order paper for the July 2021 Council meeting, PRG took the decision that given the issues around planning and flood risk the Council would not try to obtain prior approval but to conduct a comprehensive marketing campaign on an 'any bids' basis. Potential purchasers were given access to the flood risk assessments and planning advice within the 'data room' provided by LSH prior to bids being invited. By providing the information to the bidders the Council was able to obtain the full value for the site without the risk, time and cost of applying for PD approval itself. The Council received 12 competitive bids for the property initially and then selected the top bidders to submit final 'best and final offers'.

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?

5.9 The Committee may like to consider the information in paragraphs 3.14 to 3.28 and the information within the relevant appendices in forming its comments. The gross development value is a measure that does not take into account the costs of development and therefore cannot be directly compared to the sale price as potential purchasers of the site would have evaluated their development costs as well as development values in forming their bids. Once estimated costs of development are accounted for, the residual land value or sale price was valued at £8.5million to £9.5million by LSH. The property was eventually sold for £10.1million which exceeded the expectations in the options report. The sale took place following a comprehensive and open marketing campaign which was run by LSH, using various leading property websites and then a competitive two-stage bidding process. A best consideration report, as required by S123 of the Local Government Act 1972 (which specifically prohibits the sale of public assets at an undervalue unless consent is sought) has been provided by LSH and is shown at **Appendix 12**.

General Adequacy of the valuation advice provided to the Council

5.10 Given the formal complaints that have been raised, the question as to whether the Council's external valuation advice and marketing campaign has resulted in the Council under selling the asset has been referred to the Royal Institute of Chartered Surveyors (RICS) as they are the regulatory body for the sector and are able to advise the Council on whether the Council's external advisors followed proper professional practice and standards and therefore whether there is any merit in the complaints that have been received. In addition to assessing the adequacy of the valuation advice surrounding the disposal, RICS have also been asked to look at the advice provided to the Council for the acquisition of the property.

5.11 The RICS investigations team has opened 4 investigations into the matter (2 into the acquisition and 2 into the disposal), they have reviewed the evidence provided by the council. RICS have undertaken to provide the outcome of their investigations in a letter from the Head of Regulation to the Council week commencing 18th July which will be circulated to the committee following the meeting. The investigator has verbally updated officers on her provisional findings (which are subject to the review of the Head of Regulation). The verbal draft findings can be summarised as follows:

- **Acquisition;** the investigator cannot find any evidence that the valuation of £13million was over optimistic. The valuation report meets RICS standards and there is evidence that alternative scenarios around the tenant exercising their break clause were considered along with the disadvantages of acquiring the site. The investigator made the point that it would not now be possible for any second valuer to carry out a valuation due to the time that has lapsed between the acquisition and today. She also stated that in 2013, a professional valuer would not have been able to predict the potential fall in capital value of the property as a result of the pandemic and significant changes in the office market resulting from changes in working practices.
- **Disposal;** the investigator looked at the main areas of concern raised by the complainants and has concluded that all options were thoroughly considered in the options report provided by LSH including residential development. The investigator has reviewed the pre-planning and flooding advice, provided to the council and subsequent planning applications along with the question around overage. She has noted that the Council did not wish to take the planning risk and accepted an unconditional bid following a comprehensive marketing campaign. She has concluded that there is no evidence of the value being understated or that there was any misconduct or incompetence in the valuation advice provided to the Council.

5.12 The investigator from RICS has provisionally concluded that there is no evidence to uphold the complaints and as such will recommend to the Head of Regulation that the investigation cases are closed with no further action. She informed officers that there is no right of appeal to RICS decision once it has been confirmed.

6. Financial Implications

- 6.1 There are no financial implications arising as a result of this report. The cost of producing this report has been absorbed within existing resources. The investigation being carried out by RICS is at their cost as the regulator for the property industry.
- 6.2 In order to assess whether the Council's investment in Liongate over its holding period was value for money, a cashflow analysis has been undertaken as follows:

Date:	08/02/2014 - 07/02/2015	08/02/2015 - 07/02/2016	08/02/2016 - 07/02/2017	08/02/2017 - 07/02/2018	08/02/2018 - 07/02/2019	08/02/2019 - 07/02/2020	08/02/2020 - 06/03/2020
Rental	£980,000.00	£980,000.00	£980,000.00	£980,000.00	£980,000.00	£980,000.00	£80,547.95
Acquisition price	-£13,000,000						
Acquisition costs	-£754,000						
Sale price							£10,170,000
sale costs							-£177,975
Dilapidations							£700,000
Interest payments							£20,630
Gross income	£980,000.00	£980,000.00	£980,000.00	£980,000.00	£980,000.00	£980,000.00	£80,547.95
Pre-Finance NetCashflow	-£12,774,000.00	£980,000.00	£980,000.00	£980,000.00	£980,000.00	£980,000.00	£10,772,572.95

6.3 Total gross income over the holding period was £5.9million. The above cashflow results in the following key property metrics:

Purchase price	£13,000,000
IRR	4.2%
Exit yield	0.79%
(Gross) Initial yield	7.54%
(Net) Initial yield	7.11%
Acquisition costs	£754,000.00
Deposit interest	£435.47
Late Payment Interest	£20,194.12

6.4 In the 2012 Property Acquisition report contained at **Appendix 3** (which was the prevailing strategy under which the Council acquired the asset) paragraph 5.14 (1) states that the initial yield of a property should achieve a minimum of 4%. The

actual initial yield was above 7%. At the time, the Council did not state a minimum internal rate of return (IRR) required from its investments. Later iterations of the asset investment strategy set target IRR of 5%.

7. Legal Implications

- 7.1 Under section 9F of the Local Government Act 2000 Overview and Scrutiny has the power to review or scrutinise decisions made, or other action, taken and to make reports and recommendations.
- 7.2 Article 8 of the constitution dated 4 April 2022 sets out the Terms of Reference of Overview and Scrutiny Committee including the review and scrutiny of the performance of and decisions made and making recommendations arising from the outcome of the scrutiny process. Following any investigation or review the Committee may prepare a report including recommendations for submission to the Leader/Executive and Council as appropriate and shall make these public in accordance with the Overview and Scrutiny Procedure Rules at Part 4 of the constitution.
- 7.3 The legal implications of the decisions which have been the subject of this review were considered within the relevant sections of the reports prepared in relation for both the acquisition and disposal at paragraph 7 of Appendix 3 and paragraph 9 of Appendix 14.

8. Human Resource Implications

- 8.1 There are no human resource implications arising as a result of this report. Many of the officers involved in the acquisition and the disposal of the property have since left the Council's employment.

9. Equality and Diversity Implications

- 9.1 There are no equality or diversity implications arising as a result of this report.

10. Climate Change/Sustainability Implications

- 10.1 There are no climate change implications arising as a result of this report.

11. Conclusion

- 11.1 The Council acquired an investment property known as Liongate in December 2013 for £13million and sold the property in March 2020 for £10.1million, which represented a reduction in capital value of £2.9million. Over the holding period the Council gained a gross income of £5.9million and achieved an internal rate of return (IRR) on its investment of 4.2%. The initial gross yield on investment was 7.54%.
- 11.2 During the acquisition and the disposal of the property the Council sought external professional advice and valuations from reputable RICS accredited property companies. The Council considered many options for the future use of

Liongate and undertook a comprehensive marketing campaign to dispose of the property. The sale price of the property has been certified as 'best consideration' (as required by Section 123 of the Local Government Act 1972 in line with the Council's constitution).

- 11.3 Three complaints have been received regarding the Council's holding of Liongate house. Those complaints are detailed within the report and evidence has been provided to the committee for the committee to determine whether any of the Complaints has any merit.
- 11.4 The Council has also referred the complaints to the Royal Institute of Chartered Surveyors (RICS) and asked for advice as to the merit or otherwise of the complaints and in particular whether the professional advice sought by the Council from its advisors, meet professional practice, and therefore, whether there is any evidence that the Council undersold the asset. The Council is currently waiting a response from RICS and if a response is received prior to the committee meeting it will be circulated to the committee as a supplemental agenda item.

12. Background Papers

There are no background papers

13. Appendices

- Appendix 1 – Copies of Complaints received
- Appendix 2 – Terms of reference for the O&S review agreed by the Chair of O&S Committee
- Appendix 3 – Property Acquisition report to Executive November 2012
- Appendix 4 - Delegated Authority Form 17th October 2013
- Appendix 5 – Delegated Authority Form 14th November 2013
- Appendix 6 – Purchase report from JLL
- Appendix 7 – Extracts from PRG Minutes
- Appendix 8 – LSH Options report December 2018
- Appendix 9 – LSH Refurbishment and Fitout Cost Assessment
- Appendix 10 – GBC Planning Pre-application Advice
- Appendix 11 – Revised site specific Flood Risk Assessment from Hydrock
- Appendix 12 – Best consideration report
- Appendix 13 – Schedule of bids received (previously exempt from publication)
- Appendix 14 – GBC Executive report on Disposal November 2019 (previously exempt from publication)
- Appendix 15 – Council Order paper July 2021
- Appendix 16 – Delegated Authority Form for Disposal December 2019

Appendix 1 – Formal Complaints received in respect of the Disposal and Acquisition

Email 1.

From: David Bilbe <David.Bilbe@guildford.gov.uk>

Sent: 17 January 2022 11:32

To: Paul Spooner <Paul.Spooner@guildford.gov.uk>; Joss Bigmore <joss.bigmore@guildford.gov.uk>; Claire Morris <Claire.Morris@guildford.gov.uk>; Nigel Manning <Nigel.Manning@guildford.gov.uk>

Subject: Liongate

Dear All. I have read carefully the information provided in relation to the sale of Liongate. I have deep concerns about the sale and I am formally requesting that this decision be reviewed independently under the auspices of O and S. Without reciting all of the information my concerns relate to

- The reference to a hurried decision and urgency to dispose of the asset
- the reference to a £20m valuation excluding the additional value from the mezzanine level(s) which would add an additional 10% to the value
- the speed at which delegated approval authority was granted following completion
- the inadequate exposition of flood risk/mitigation

This sale was rushed through in my view and there appears from the information which I have been given to allow sufficient value for it to be disposed of at least book value and not at a loss.

I am asking that O and S assign a body – possible an independent accountant – to review this decision and to produce an independent report and view.

With regards

David Bilbe

Email 2.

From: Joss Bigmore <joss.bigmore@guildford.gov.uk>

Sent: 18 January 2022 08:04

To: Diane Owens <Diane.Owens@guildford.gov.uk>; Tom Horwood <Tom.Horwood@waverley.gov.uk>; Claire Morris <Claire.Morris@guildford.gov.uk>

Cc: Dawn Hudd <Dawn.Hudd@guildford.gov.uk>

Subject: RE: Liongate [UNC]

Dear All,

I think it best if I stay out of this now. I do not want to be accused of interfering in any process that may or may not occur. However I would insist that any investigation looks at the whole period of GBC ownership including the purchase which many Councillors believe was rushed, ignored the risk of an unsecure tenancy and had no Plan B if the tenant were to leave early.

Over to you,

Joss

Email 3.

From:

Sent: 21 January 2022 13:23

To: Tom.horwood@guildford.gov.uk

Cc: Subject: GBC's SALE OF LIONGATE..

Hello Tom

You won't remember me, but I was a Lead GBC Councillor 2015-19.

We discussed the possibility of merging the refuse services, Waverley and Guildford, but we didn't find an answer at that time..

I send my congratulations on your joint Chief Executive position, and wish you well – hoping for good things.

I write to request your further involvement please into the Council's Freehold sale of the Liongate office building, which I think was a very big mistake for a number of reasons.

There was no proper reason to sell such a valuable Freehold asset, particularly in the depths of the first Covid scare..

I have been in the property business for over 57 years, 47 of those in Guildford. Now semi-retired, but keeping my "added value" credentials intact.

Firstly, I simply cannot understand why the property was not kept and switched into the desperately needed housing stock – such a simple move.

The property was marketed in a great rush, before the Permitted Development rights were established, losing the Council a significant value uplift.

Even worse, there was apparently no "overage clause" in the contract, so the Council could share any value increase if further units were obtained.

That was particularly negligent, as the purchasers achieved an extra 18 units very readily as soon as they had purchased

I think the situation certainly needs an Independent Inquiry, so that the serious misgivings circulating Guildford can be properly aired and considered.

After I ceased being a Councillor, there was a KPMG Inquiry into the letting of Burchatts Barn, a relatively trivial matter, on the basis that certain Councillors used to hold their family socials in there.

On that basis, there can be no sensible reason why an Independent Inquiry should not be held into the worrying disposal of Liongate, preferably by an outside body, not KPMG..

I am hoping that you will please respond to this formal request from me, and authorise the requested Independent Inquiry.

With many thanks in advance.

Kind regards,

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?

Agenda item number: 6
Appendix 2

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

Council Mobile: 07970 953232

Personal Mobile: 07836 753647

Home Landline: 01252 338627

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>

Sent: 10 February 2022 09:03

To: Paul Spooner <Paul.Spooner@guildford.gov.uk>; David Bilbe <David.Bilbe@guildford.gov.uk>
Cc: Tom Horwood <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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Executive Report

Report of Heads of Economic Development and Financial Services

Author: Chris Mansfield and Sue Reekie

Tel: 01483 444550 and 01483 444829

Email: chris.mansfield@guildford.gov.uk and sue.reekie@guildford.gov.uk

Lead Councillor responsible: Nigel Manning

Tel: 01252 665999

Email: nigel.manning@guildford.gov.uk

Date: 8 November 2012

Property Acquisition

Recommendation to Council

The Executive is asked to recommend to Council that a supplementary estimate of £15 million be agreed for the 2012-13 capital programme to provide budget approval for property acquisition.

Recommendation to Executive

Subject to Council approval of the above, the Executive is asked to agree that £5 million be added to the 2012-13 approved programme and £10 million to the provisional programme.

Reason(s) for Recommendation:

To allow the Council to increase its investment property holding in support of its financial strategy.

1. Purpose of Report

- 1.1 This report explains the current make up of the Council's cash and property investment portfolio and examines ways in which returns can be increased by extending the amount invested in property.

2. Strategic Priorities

- 2.1 The management of the Council's physical assets and cash balances underpin all the strategic priorities.

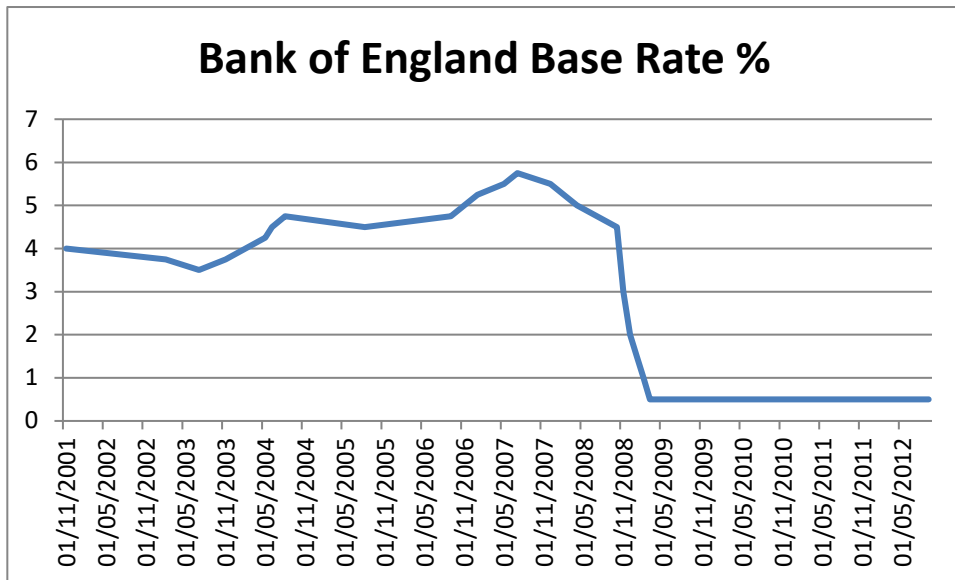
3. Current Treasury (Cash) Management position

- 3.1 The Council's treasury management function is managed in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) code of practice.

This states that the priorities for treasury management must be security, liquidity and yield in that order.

3.2 Since the economic crisis that started in September 2008 returns from cash investments have decreased significantly. The three main reasons for this are;

- bank base rate has fallen from 5.75 per cent in December 2007 to 0.5 per cent in March 2009 and has been at that level ever since as illustrated in the graph below:



- the number of possible counterparties (organisations that are considered sufficiently secure to lend money to) has been reduced because of the uncertainty whilst investments with some are not possible because of the minimum investment that they will accept. The most secure organisations offer the lowest rates.
- the length of time an investment is placed for has been reduced, again because of security concerns. The shortened duration reduces the return available.

3.3 The table below sets out the returns achieved from the Council's cash investments from 2003-04

Financial year	Weighted average return for fixed investments	Weighted average return for variable investments	Weighted average return for total investments
2003-04	3.17%	3.49%	3.17%
2004-05	4.97%	4.68%	4.96%
2005-06	4.55%	4.51%	4.55%
2006-07	4.58%	5.38%	4.61%
2007-08	5.85%	4.19%	5.15%
2008-09	5.50%	3.81%	5.14%
2009-10	2.87%	3.39%	2.99%
2010-11	1.83%	0.58%	1.54%
2011-12	1.77%	0.23%	1.20%

The return for variable investments includes investment funds

- 3.4 Officers have looked at the possibility of increasing the Council's exposure to property investment because of the reduction in return from cash investments. Advice from the Council's treasury management advisors (Arlingclose) and sentiment in the financial and property markets all indicate that the base rate is unlikely to rise significantly for several years. Given the outlook for low interest rates, consideration should be given to higher yielding investments than cash in order to gain a better return.
- 3.5 Increasing the exposure to property could be achieved within the current Treasury Management Strategy, approved by the Council on 9 February 2012, by investing in property based funds (indirect property investment). It could also be achieved by buying the freehold of individual properties, through the General Fund Capital Programme and letting out to generate revenue income (direct property investment).
- 3.6 As an asset class, property investment provides a better total return (i.e. from both income and capital appreciation) than cash investments, whilst still maintaining a high level of security. Any rental income generated from the property would benefit the Council annually but Councillors will be aware that property values can go down as well as up. Any capital appreciation would not benefit the Council directly until the asset is sold, when a capital receipt would be generated. Property investment is less liquid than some other investments as the property has to be sold to release the cash. However, it is normal for investment portfolios to have some less liquid investments and, in an emergency the Council could take on short term borrowing until a sale is completed.
- 3.7 The Investment Property Databank (IPD) UK All Property Total Return (which is the income return added to the capital growth) for the past three, five and 10 years has been 8.7 per cent, -0.7 per cent and 6.9 per cent respectively (source: IPD, 31 December 2012). For the 12 months to July 2012 the IPD UK All Property Total Return has been 4.3 per cent (Source: IPD 31 July 2012)

4. Current property investments

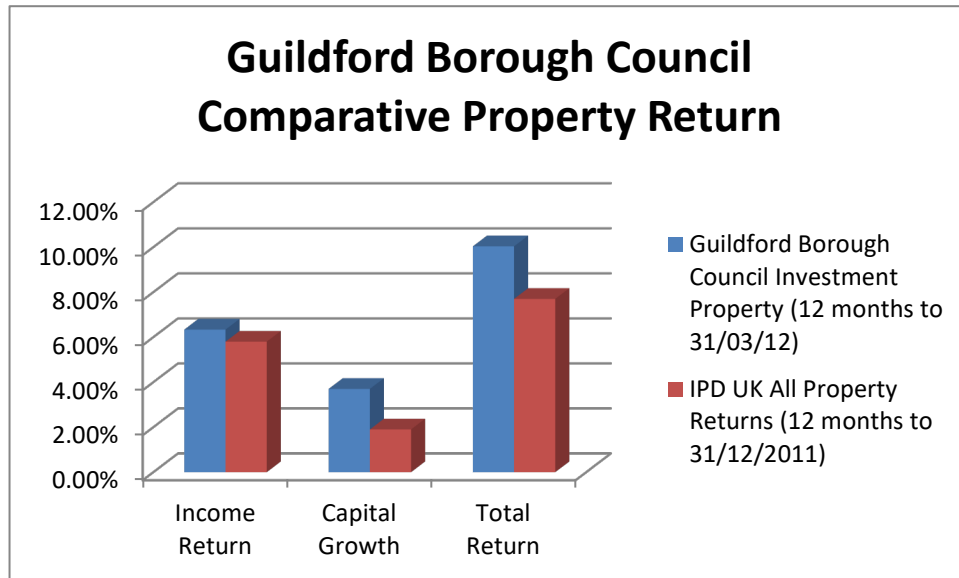
4.1 The Council already has significant exposure to property through its existing investment property portfolio. As at 31 March 2012 the value of this portfolio was £78.9 million. Since 1 April 2012 Middleton House has been purchased for £800,000, bringing the total to £79.7 million.

4.1 The cash investment portfolio varies depending on the time of the year but the closing balance at 31 March 2012 was £63.8 million. The Council therefore already had 55.3 per cent of its investments in property at 31 March 2012. The comparable figures for previous years are:

Financial year	Balance of cash investments at 31 March (£000)	Investment Property value at 31 March (£000)	Total investments in cash and property (£000)	per cent of total investments in property
2004-05	57,323	56,286	113,609	49.54%
2005-06	65,108	70,896	136,004	52.13%
2006-07	72,130	82,016	154,146	53.21%
2007-08	73,290	82,576	155,866	52.98%
2008-09	72,206	79,480	151,686	52.40%
2009-10	64,607	79,872	144,479	55.28%
2010-11	64,689	76,427	141,116	54.16%
2011-12	63,817	78,941	142,758	55.30%

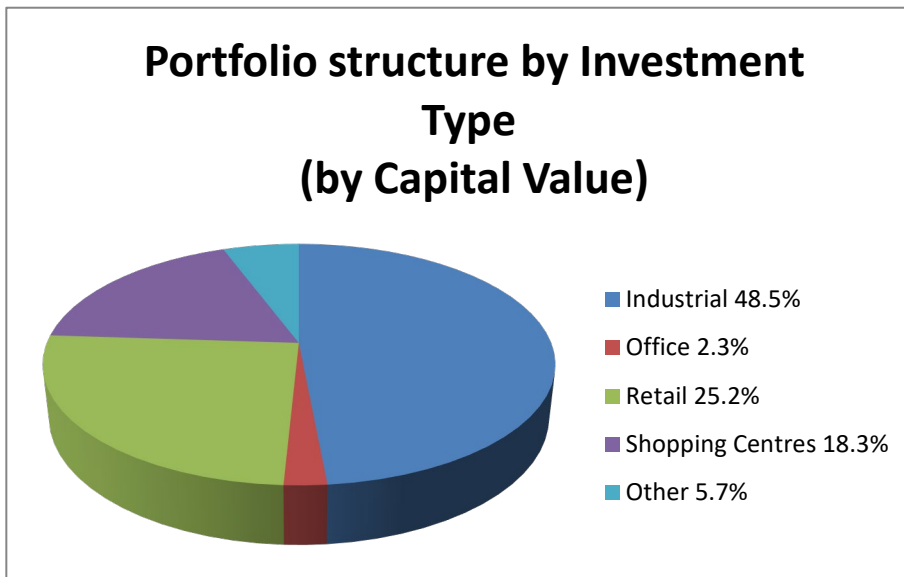
4.2 There is scope for the percentage of investments in property to be increased by purchasing high calibre property. For example the purchase of 14-15 Midleton in December 2011 and Midleton House in June 2012 resulted in a capital value increase of the whole of Midleton Industrial Estate from £1.8 million to £3.8 million. After deducting the cost of the acquisitions of £700,000 and £800,000, this has resulted in a gross capital gain of approximately £500,000 showing a gross return on the additional capital invested of circa 33 per cent. Once fully let the properties are estimated to achieve a rental income of £85,000 per annum and £92,000 per annum showing a rental return of 12.1 per cent and 11.5 per cent respectively.

4.3 The value of investment property must reflect market conditions at the balance sheet date. Each year, therefore, the portfolio is assessed and where the carrying amount of a property is likely to differ materially from current market value it is revalued. All investment property is revalued at least once every five years. Values may increase or decrease on revaluation, depending on the market conditions at the time.



As can be seen from the above chart, the Council's investment property portfolio has achieved a total return of 10.04 per cent per annum, significantly outperforming the IPD UK All property total returns at 7.7 per cent per annum. The Council's property investment portfolio has outperformed in respect of both income return and capital growth.

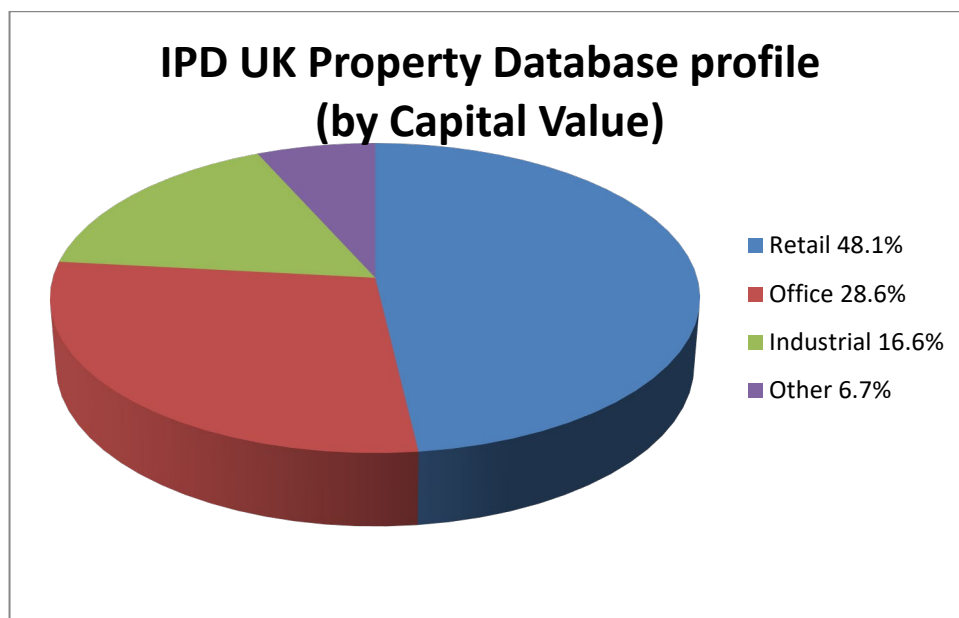
- 4.4 The analysis of the capital value of our current portfolio shows a high weighting towards Industrial with 48.5 per cent and a very low weighting in office at 2.3 per cent.
- 4.5 The chart below shows the sector weightings of the Council's property investments.



As a result of the heavy weighting towards industrial and retail/shopping centres, it would be appropriate when looking at new property investments to increase our weighting within the office sector. Particularly given that the weighting of office investments across the whole of the Investment Property Databank (IPD)

averages at 28.6 per cent as illustrated in the pie chart below. This would have the benefit of diversifying our risk profile across the commercial property sectors which would be considered best practice from a fund management perspective. Office rents are still somewhat off their peaks of four to five years ago and there is an opportunity for buying at lower capital values. We are not aware of any strong evidence that would indicate that the office market will decline further, however as with any property sector there is the risk that capital values can go down as well as up.

As a comparison the chart below shows the national spread of property uses; data has been taken from the Investment Property Databank and is based on the average portfolio weightings of 1024 property funds. When comparing, it can be seen that our retail including shopping centres is representative, that we are overweight with industrial property and very light on our exposure to office investments.



- 4.6 Our income return across sectors is representative of the market with a lower yield on retail than the office and industrial sectors. Our industrial properties are largely made up of long term secure ground rent investments, for which you would expect a lower income return yield reflecting the more secure nature of the investments. The shopping centre income return is currently depressed due to an outstanding rent review on the Friary Shopping Centre. Overall the general trend is that the Council's investment property portfolio has outperformed the benchmark IPD Property Index Income Return.

Guildford Borough Council Investment Properties	Rental Income	Capital Value	Income Return	IPD Property Index Income Return
Industrial subtotal	£2,626,669	£38,282,060	6.86%	6.90%
Office subtotal	£134,350	£1,805,000	7.44%	5.70%
Retail subtotal	£1,229,287	£19,923,800	6.17%	5.80%
Shopping Centres	£707,017	£14,410,000	4.91%	
Other subtotal	£302,464	£4,495,200	6.73%	6.30%
Total/Average	£4,999,786	£78,916,060	6.34%	5.80%

5. Ways to increase property exposure

- 5.1 There are several ways in which the Council could increase its property investments. From an accounting perspective they fall into two groups; those that count as capital expenditure and those that do not.
- 5.2 If the investment is classified as capital expenditure and the Council does not have sufficient resources to finance the expenditure from capital receipts or reserves then the expenditure increases our underlying need to borrow, regardless of whether physical borrowing takes place or cash balances are reduced. This borrowing requirement is calculated at 31 March each year when it is known as the Capital Financing Requirement (CFR). The Council's General Fund CFR at 31 March 2012 was £3.653 million. The latest estimate, based on the approved capital programme, is that this will increase to £10.304 million by 31 March 2016.
- 5.3 The only way in which the benefits of a property investment can currently be achieved without being classified as capital expenditure is by investing in the CCLA Local Authority Property Fund (dealt with further at paragraph 5.8 below). Other ways in which exposure to property can be increased are:
 - a property fund that counts as capital expenditure
 - purchase of individual property or properties within or outside Guildford
- 5.4 Investment in property is a long term investment. The money tied up cannot normally be accessed at short notice, even when invested in a fund. Therefore it is important that the cash used to buy or build the asset or make the investment will not be required in the short to medium term.
- 5.5 The Council's current cash balance has been assessed to identify the core cash that is unlikely to be needed over the next four years and this amounts to £65 million. Core cash is that which is unlikely to be required over the medium term as it relates to balance sheet items such as cash backed reserves or capital receipts that are not expected to be spent in the plan period. It would obviously not be prudent to allocate all of this core cash to property. This estimate is built up by assuming the likely use of the council's reserves and usable capital receipts over an extended period. In recognition of that and in order to leave an adequate protective balance officers recommend that £20 million could be made

available for property investments, raising the percentage of the council's total investments that are property related to around 69 per cent.

- 5.6 If this cash were to be needed for some urgent, unforeseen circumstance, external borrowing could be taken out to replenish the cash balances. Any external borrowing would further reduce the return made by the interest paid on the borrowing. Borrowing purely to invest is not permissible within the CIPFA Treasury Management Code of Practice so borrowing would not be possible unless there is an underlying capital finance requirement related to the level of approved capital expenditure. This would almost certainly be the case for us; as explained in para 5.2 above the estimated CFR at 31 March 2016 is £10.304 million.
- 5.7 The relative merits of each type of investment are discussed below.

CCLA Local Authority Property Fund

- 5.8 The Local Authorities' Property Fund is administered by CCLA Investment Management Limited who are a company specialising in fund management on behalf of Churches, Charities and Local Authorities (CCLA). The Fund was launched in 1972, is currently valued at £88.6 million and has a track record of income distribution yield of around six per cent per annum paid quarterly. The distribution yield is after property management costs and CCLA's fund management fee of 0.65 per cent.
- 5.9 The fund has outperformed the Investment Property Databank_(IPD) Balanced Property Unit Trusts index which is their benchmark over the past 10 years. The fund has a balanced portfolio across property sectors and specialises in prime property led investments as opposed to being driven by portfolio weightings and sector weightings that would be more typical of a larger fund. The fund currently has a strategy of actively managing and investing in prime located properties that are discounted in the current market due to shorter lease lengths. These types of deals are less open to debt driven property investors and therefore the income yields are higher.
- 5.10 Officers have reviewed this fund as part of the Council's treasury management function and are satisfied that an investment, in place of some of the existing cash investments, fits well with the Council's available resources and is permissible under the existing Treasury Management Strategy and delegation to officers. The Council has therefore expressed an interest in investing £5 million in this fund.

Aviva Lime property fund

- 5.11 The Aviva Lime Property Fund was launched in July 2004, is valued at £850 million (31 December 2011) and has a lower but steadier return than the CCLA fund of between four to five per cent per annum. The fund is passively managed due to its size and invests in longer dated property investments with typical un-expired lease terms of in excess of 15 years. The Funds aim is to achieve investment returns in excess of 150 basis points (bps) above the Gilt Index by investing in lower risk property assets with secure long term income streams.

5.12 An investment into the fund would be classed as capital expenditure and would therefore generate an increase in the Capital Financing Requirement thus generating a Minimum Revenue Provision charge. It is therefore less advantageous that the CCLA fund and not recommended.

Purchase individual property or properties within or outside the borough of Guildford

5.13 The capital values of the Council's existing commercial properties, which are located within the borough of Guildford, have remained resilient over the past few years, particularly given the back drop of the economic climate. Rental growth has recovered slightly but rents are still at a lower level than their peaks. Yields have remained steady over the past few years, being driven down on the one hand by lower interest rates, but at the same time being held higher due to the market's lack of appetite for risk. Direct property investment could be achieved via external investment advisors introducing prospective investment deals for the Council to consider and then acting on our behalf to negotiate a purchase and acquire the property. Typical acquisition fees of 5.75 per cent would include an acquisition agents fee of one per cent plus VAT, (together with stamp duty land tax and legal fees).

5.14 Our initial selection of a proposed property investment would be assessed on two main criteria on a pass or fail basis.

- 1. Due to the secure nature of the Investment requirement, the initial yield range that we could expect to achieve on the investment is likely to be between 4.0 to 6.0 per cent. In order to pass this initial criteria, the Net Initial Yield should exceed a minimum level of 4 per cent.
- 2. The lease should be classified for accounting purposes as an operating lease rather than a finance lease, to ensure that all rental income can be treated as revenue income rather than as capital receipts. Operating leases are those where the risks and rewards of ownership are retained by the lessor (the Council) and must meet certain criteria, the major ones being that the lease term should not be for the major part of the property's economic life and at the start of the lease the total value of future rental payments should not amount to value of the property leased

5.15 In addition, the property should be considered against the following scoring criteria shown below in order of priority.

	Score	4	3	2	1	0
SCORING CRITERIA	Weighting Factor	Excellent / very good	Good	Acceptable	Marginal	Unacceptable
Location	15	Major prime	Micro prime	Major secondary	Micro secondary	Tertiary
Tenancy strength	12	Single tenant with strong financial covenant	Single tenant with good financial covenant	Multiple tenants with strong financial covenant	Multiple tenants with good financial covenant	Tenants with poor financial covenant strength
Tenure	11	Freehold	Lease 125 yrs plus	Lease between 50 & 125 yrs	Lease between 20 & 50 yrs	Lease less than 20 yrs

SCORING CRITERIA	Score	4	3	2	1	0
	Weighting Factor	Excellent / very good	Good	Acceptable	Marginal	Unacceptable
Occupiers lease length	6	Greater than 20 yrs	Between 15 & 20 yrs	Between 10 & 15 yrs	Between 5 & 10 yrs	Less than 5 yrs; vacant
Repairing terms	6	Full repairing & insuring	Internal repairing - 100% recoverable	Internal repairing - partially recoverable	Internal repairing - non recoverable	Landlord
Office use	5	100% office use	80% office use	Less than 50% office use	Other use	Vacant
Lot size	3	Between £8m and £12m	Between £5m & £8m or £12m & £15m	Between £3m & £5m or £15m & £17m	Between £2m & £3m or £17m & £18m	Less than £2m or more than £18m

As an example our ideal property investment would be a freehold single let office building in a prime location, with a high quality covenant tenant on full repairing insuring terms with a long unexpired lease term. An investment of this nature would score very highly under the above criteria.

Whilst properties located within the borough of Guildford that fit the criteria may be preferred, there is no reason that the Council should not consider properties that fall outside the borough, particularly if by investing outside the borough the risk is spread and exposure to areas of the commercial property market that are currently unrepresented within the current property investment portfolio is increased. For example, properties within the West End or The City of London, or within strong towns within the South East should also be given consideration. It is important to consider both the macro and micro location of the property. The proposed acquisition would be a property led decision based on the above scoring criteria rather than based primarily on geographical location.

6. Financial implications

- 6.1 The Council's core cash has been analysed and projected forward four years to 31 March 2016. This takes into account the Councils borrowing and reserves and is split between the General Fund and HRA.

Guildford Borough Council					
Gross to Net Borrowing Requirement (Projections)					
	31-Mar-12	31-Mar-13	31-Mar-14	31-Mar-15	31-Mar-16
Gross CFR	200,308	203,622	205,459	208,359	208,127
Less: Deferred Liabilities (nominal value)	0	0	2	4	6
Borrowing CFR	200,308	203,622	205,461	208,363	208,133
Less: External Borrowing (nominal value)	-194,545	-194,316	-194,086	-193,856	-193,856
Gross Borrowing Requirement/Internal Borrowing	5,763	9,306	11,375	14,507	14,277
Less: Usable Reserves	-60,708	-59,497	-71,427	-71,401	-79,231
Net Borrowing Requirement/ -Investment Capacity	-54,945	-50,191	-60,052	-56,894	-64,954

Guildford Borough Council - Non HRA Balance Sheet Position					
Net Borrowing Requirement/ -Investment Capacity	-38,073	-23,345	-25,217	-15,633	-15,394

Guildford Borough Council - HRA Balance Sheet Position					
Net Borrowing Requirement/ -Investment Capacity	-16,872	-26,846	-34,835	-41,261	-49,560

- 6.2 The General Fund balances are reducing over the period due to the spend on the General Fund Capital Programme and HRA balances are increasing substantially over the period due to the impact of the HRA reform and the low interest rate achieved on the debt taken on. The HRA balances include the new build reserve which has been set up to help fund investment in additional local authority housing.
- 6.3 Setting aside £20 million for property related investment would equate to nearly 40 per cent of the estimated core cash shown above at 31 March 2013, falling to 31 per cent in 2016. When the debt take on for the HRA settlement was being agreed the same figure was identified as possible internal borrowing (rather than taking on external debt). In the event variable rate debt was taken on at a very low rate (0.62 per cent) pending a decision on possible property acquisition. If the recommendation in this report is agreed the external debt will be maintained and managed within the treasury management function; the variable debt rate is reset every six months and in September 2012 it went down to 0.54 per cent.
- 6.4 The Council has pledged £5 million into the CCLA property fund which leaves £15 million for direct property purchase. It is therefore recommended that the Executive should request a supplementary capital estimate of £15 million for 2012-13.
- 6.5 In order to allow officers to properly assess the suitability of any proposed purchase various checks will need to be completed that will involve incurring expenditure, for example valuation advice. In addition, if investment opportunities are to be acted upon swiftly then a proportion of the allocation needs to be included within the approved programme. It is therefore

- recommended that £5 million of the £15 million allocation is included in the approved programme and the remainder in the proposed programme. This would enable officers to act quickly with the first acquisition for which a number of potential investments have been identified, the detail of which would be the subject of a separate report to Executive.
- 6.6 It is likely that officers will need to move quickly should a suitable asset become available. It is possible that the current delegations and procedures will not be flexible enough to allow a property to be identified, negotiations held and then reports prepared for the Executive without the purchase opportunity being lost. Officers may therefore need to bring a further report requesting delegated authority once we have experience of buying investment property within the current procedures.
- 6.7 As indicated elsewhere in the report, if the Council were to purchase property this would be capital expenditure and would reduce the General Fund balances shown above by increasing the CFR. Accounting regulations mean that an increase in the CFR would be subject to a Minimum Revenue Provision (MRP) charge and would therefore reduce the return on the investment.
- 6.8 MRP is a charge to the revenue account each year to write down the value of the asset over its useful life. The MRP policy, approved as part of the annual Treasury Management Strategy Statement by Council in February 2012, states that the asset is to be written down over its useful life on an asset life basis (assuming no residual value). For an investment property the life is likely to be in excess of 50 years and therefore the MRP will be two per cent of the capital cost (as the maximum life that can be attributed to an investment property is 50 years).
- 6.9 The property would generate an annual rent to the general fund revenue account and would incur an MRP charge. As an example, if we bought a property for £4.5 million and it had a useful life of 50 years the annual MRP charge would be £90,000. If the annual rent is less than this, there would be a cost to the general fund until the MRP had been repaid. To make the investment worthwhile, the annual rent needs to exceed the MRP payable, so if the rental yield was five per cent (£225,000) then net gain to the General Fund would be £135,000 – an overall yield of three percent. This is still well in excess of the interest rates currently available for cash investments.
- 6.10 There is also the possibility of capital appreciation should the asset be sold. If the property was sold before the MRP was fully repaid, part of the capital receipt from the sale could be used to make a voluntary MRP to repay the remaining balance.
- 6.11 The property would be purchased to generate a rental income to the Council and will therefore be leased to tenants. A decision as to whether this is treated as a finance lease or an operating lease needs to be made. The accounting treatments are very different. The lease should be classified, for accounting purposes, as an operating lease to ensure that all rental income can be treated as revenue income rather than capital receipts. Operating leases are those where the risks and rewards of ownership are retained by the lessor (the Council) and must meet certain criteria, the major ones being that the lease term should not be for the major part of the property's economic life and at the start of the

lease the total value of future rental payments should not amount to value of the property leased.

- 6.12 In certain circumstances the subsequent asset management functions arising from a purchase including tenant liaison and landlord responsibilities will require additional staff resources. It is proposed to engage appropriate commercial surveying firms to undertake this work as part of the asset purchase.

7. Legal Implications

- 7.1 Investments are allowed by virtue of s12 of the Local Government Act 2003. Section 15 of the same Act requires local authorities to have regard to guidance issued or specified by the Secretary of State. This guidance includes CLG Investment Guidance and the following Chartered Institute of Public Finance and Accountancy (CIPFA) publications:
- Treasury Management in the Public Services; Code of Practice and Cross-Sectoral Guidance Notes
 - The Prudential Code for Capital Finance in Local Authorities

8. Human Resource Implications

- 8.1 It is anticipated that any additional work can be accommodated within Economic Development Service current resources.
- 8.2 An Equalities Impact Assessment (EIA) scoping report has been carried out and there is no evidence that the proposed property acquisition would have any differential treatment on any of the main protected characteristics with regard to the requirements of the Equalities Act 2010 and so a full EIA is not required.

9. Conclusion

- 9.1 The report explains the rationale behind increasing the Council's exposure to property by investing in a specialist fund and also purchasing investment property to increase the investment return to the Council. The core cash of the council has been analysed and £5 million pledged to the CCLA property fund under the Treasury Management Strategy and delegated authority. It is recommended that £15 million be used to purchase investment property

10. Background Papers

- 10.1 Local Government Act 2003
- 10.2 DCLG Guidance on Local Government Investments
- 10.3 Treasury Management in the Public Services; Code of Practice and Cross-Sectoral Guidance Notes (CIPFA)
- 10.4 The Prudential Code for Capital Finance in Local Authorities (CIPFA)
- 10.5 EIA scoping report

Agenda item number: 6
Appendix 3

Agenda item number: "Click to insert number"

11. Appendices
None



GUILDFORD BOROUGH

MANAGING DIRECTOR: Sue Sturgeon
HEAD OF SERVICE: Chris Mansfield
DATE: 17 October 2013
SUBJECT: Authorisation to spend further funds than are currently approved for investment property acquisition.
KEY DECISION: Yes
EXEMPT INFORMATION: Yes

MANAGING DIRECTOR DELEGATED APPROVAL UNDER *PARA 24 (URGENT MATTERS)*

1. PURPOSE OF DECISION AND BACKGROUND

- 1.1 We have a £10.827 million capital project in the 2013-14 approved capital programme for the purchase of commercial investment property. We have identified an opportunity to put in a bid for the freehold office at Liongate, Ladymead, Guildford. The proposed bid is £11.95 million, net of standard purchasers costs of 5.8 per cent, therefore requiring a total sum of £12.643 million. A capital supplementary estimate of £1.816 million is required in order to proceed with the bid.

In the first year, the Council will receive rental income of £1.3 million. We will then receive an annual rental of £980,000 following an agreed lease regear. A purchase at the proposed bid price will show an initial yield of 10.28 per cent for the first year, falling to a net yield of 7.75 per cent after the lease regear. Based on a worse case scenario and assuming that:

- the tenant operates their break clause at year five of the regear lease
- the council has to incur refurbishment costs and
- there is a letting void,

the investment would show an internal rate of return of 10.1 per cent.

This investment opportunity far exceeds our approved investment criteria, it significantly exceeds the minimum initial yield of four per cent and the overall scoring of 220 far exceeds the threshold score of 174.

2. REASON FOR URGENCY

- 2.1 The property is being sold as part of a portfolio and bids are being called by Wednesday 23 October. By delaying until after the next Council meeting we would lose the opportunity to acquire this investment.

3. CONSULTATION

- 3.1 We have consulted with Councillor Nigel Manning who supports this.

4. LEGAL IMPLICATIONS

- 4.1 Under paragraph 24 page 64 of the constitution, the Managing Director, in consultation with the Leader, can act in the best interests of the Council where there is not sufficient time to report to the Council, Executive, committee or sub-committee.

The decision to submit a bid for the property would result in the need for a capital supplementary estimate of £1.816 million.

Under B.8.2(d) page 227 of the constitution, in cases of urgency and with the agreement of the chairman of the relevant scrutiny committee that the matter is urgent, the Leader/Executive is authorized to approve capital supplementary estimates in excess of £100,000 or 5% of the approved budget for the scheme up to a maximum of £250,000 where it is not practical to convene a quorate meeting of the Council.

4. RECOMMENDATIONS

- 4.1 That the Leader authorises a capital supplementary estimate of £1.816 million.
- 4.2 That the Managing Director authorise the Development Surveyor to submit a bid of £11.95 million (net of VAT and acquisition costs), and to progress the acquisition of the proposed property for the Council if the bid is succesful.

5. REASONS FOR RECOMMENDATIONS

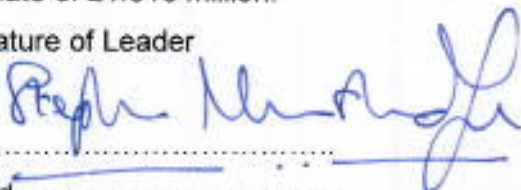
- 5.1 The reason for the decision is to enhance the level of investment return of the Councils current reserves and to provide a secure rental return on the capital investment.

Originator:

Name, Service: Edward Willis, Asset Development
Direct Line: 01483 444598
E-Mail: Edward.willis@guildford.gov.uk

In accordance with B.8.2(d) of the constitution, I authorise a capital supplementary estimate of £1.816 million.

Signature of Leader



Dated

17-10-13

In accordance with the delegated authority referred to above, I hereby approve the above-mentioned proposal, subject to the agreement of the relevant Lead Councillor.

Signature of Managing Director

S. J. G. →

Dated *15/11/13*

I hereby support the above-mentioned proposal.

Signature of Head of Economic Development

[Handwritten Signature]

Dated *17/10/13*

Signature of Lead Councillor:

N. Manning

Dated *17/10/13*

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**GUILDFORD
BOROUGH**

MANAGING DIRECTOR: Sue Sturgeon
HEAD OF SERVICE: Chris Mansfield
DATE: 14 November 2013
SUBJECT: Authorisation to spend further funds than are currently approved for investment property acquisition.
KEY DECISION: Yes
EXEMPT INFORMATION: Yes

MANAGING DIRECTOR DELEGATED APPROVAL UNDER *PARA 24 (URGENT MATTERS)*

1. PURPOSE OF DECISION AND BACKGROUND

- 1.1 We had a £10.827 million capital provision in the 2013-14 approved capital programme for the purchase of commercial investment property at Liongate, Ladymead, Guildford. We made an initial bid, under the Urgent Matters delegation in the constitution, to the managing director on 17 October 2013 to increase the approved budget to £12.643 million. She approved the necessary capital supplementary estimate.
- 1.2 We were unsuccessful with our initial bid and we have now agreed heads of terms for the purchase. The agreed purchase price is £13 million, net of standard purchasers costs of 5.8 per cent, therefore requiring a total sum of £13.754 million. A further capital supplementary estimate of £1.111 million is required in order to proceed with the purchase (making the total capital supplementary from the originally approved budget £2.927).
- 1.2 In the first year, the Council will receive rental income of £1.3 million. We will then receive an annual rental of £980,000 following an agreed lease re-gear. A purchase at this level will show an initial yield of 9.45 per cent for the first year, falling to a net yield of 7.13 per cent after the lease re-gear. Based on a worse case scenario assuming that:
- the tenant operates their break clause at year five of the re-gear lease
 - the council has to incur refurbishment costs and
 - there is a letting void,
- the investment would show an internal rate of return of 8.7 per cent.
- This investment opportunity exceeds our approved investment criteria, it significantly exceeds the minimum initial yield of four per cent and the overall scoring of 220 far exceeds the threshold score of 174.
- 1.3 The action taken by the Managing Director will be to report to the next available meeting of the Executive.

2. REASON FOR URGENCY

- 2.1 In order to secure the purchase we have had to agree to a tight timescale to exchange contracts within 15 working days with completion 5 working days thereafter. By delaying until after the next Council meeting we would lose the opportunity to acquire this investment.

3. CONSULTATION

- 3.1 We have consulted with Councillor Nigel Manning who supports this approach.

4. LEGAL IMPLICATIONS

- 4.1 Under paragraph 24 page 64 of the constitution, the Managing Director, in consultation with the Leader, can act in the best interests of the Council where there is not sufficient time to report to the Council, Executive, committee or sub-committee.

The decision to purchase the property would result in the need for a capital supplementary estimate of £2.927 million.

Under B.8.2(d) page 227 of the constitution, in cases of urgency and with the agreement of the chairman of the relevant scrutiny committee that the matter is urgent, the Leader/Executive is authorized to approve capital supplementary estimates in excess of £100,000 or 5% of the approved budget for the scheme up to a maximum of £250,000 where it is not practical to convene a quorate meeting of the Council.

4. RECOMMENDATIONS

- 4.1 That the Managing Director authorises a capital supplementary estimate of £1.111 million, in addition to that approved on 17 October 2013
- 4.2 That the Managing Director authorise the Head of Economic Development to progress the acquisition at £13.0 million (net of VAT and acquisition costs), and to appoint the relevant professional advisors in order to facilitate the purchase within the agreed timescale.

5. REASONS FOR RECOMMENDATIONS

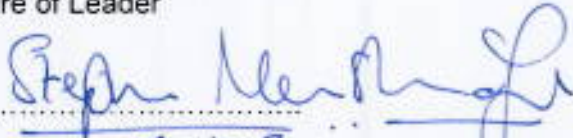
- 5.1 The reason for the decision is to enhance the level of investment return of the Councils current reserves and to provide a secure rental return on the capital investment.

Originator:

Name, Service: Edward Willis, Asset Development
Direct Line: 01483 444598
E-Mail: Edward.willis@guildford.gov.uk

In accordance with B.8.2(d) of the constitution, I authorise a capital supplementary estimate of £1.111 million.

Signature of Leader


.....

Dated 15-11-13

In accordance with the delegated authority referred to above, I hereby approve the above-mentioned proposal, subject to the agreement of the relevant Lead Councillor.

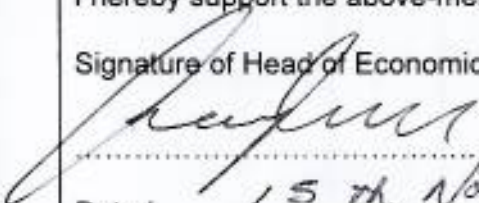
Signature of Managing Director


.....

Dated 15/11/13

I hereby support the above-mentioned proposal.

Signature of Head of Economic Development


.....

Dated 15th November 2013

Signature of Lead Councillor: 

Dated 15/11/13

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Real value in a changing world

National *Investment*

4 Liongate, Ladymead

Guildford, GU1 1AT

December 2013



Executive Summary

4 Liongate



Location

The property benefits from excellent communication links including rail links to London Waterloo with a journey time of circa 37 minutes. It is situated on the A25, approximately one mile north of Guildford town centre and Guildford Rail Station and within close proximity to the A3 via the A320.

Description

The property comprises a 43,297 sq ft Grade A office building, purpose built in 1989 to provide open plan office space over part basement, ground and two upper floors. The building is of steel frame construction with brick elevations and a pitched roof. Current specification comprises two 12- person 900k passenger lifts, male and female WCs on all floors, raised floors and suspended ceilings, incorporating recessed fluorescent lighting and recessed air-conditioning units. Furthermore, the property benefits from double glazing to all external elevations, which provides good quality natural light and effective noise insulation from the dual carriageway. There are 170 ground level car parking spaces to the front and rear of the property, secured by a barrier. The tenant is undertaking a full refurbishment of the property at an approximate cost of £1,250,000.

Tenure

The property is held freehold.

Tenancy

The property is currently let to UOP Limited expiring in 28 September 2014. Heads of Terms have been agreed for a Full Repairing and Insuring reversionary lease for the entire property for a term of 10 years commencing 29 September 2014, with a tenant's option to break on 28 September 2019.

Total Rent Reserved

The current rent contractually receivable is £1,300,000 per annum, equating to £30.55 psf. The reversionary lease has been agreed at £980,000 per annum, equating to £22.82 psf (assuming 50% is applied to the reception area).

Covenant

UOP Ltd have a D&B rating of 5A 1, representing a minimum risk of business failure. The company's recent financial results appear as follows:

	31/12/2012	31/12/2011	31/12/2010
Turnover	£94,406,000	£85,081,000	£98,285,000
Pre-Tax Profit (Loss)	£10,938,000	£18,587,000	£23,720,000
Net Worth	£135,809,000	£128,764,000	111,228,000
Net Current Assets (Liabilities)	£125,731,000	£118,922,000	£99,783,000

Investment Considerations

Positive

- Strong location in a well-established south east office market.
- Let to UOP limited who have occupied the property for 24 years
- Secured to a tenant with a 5A1 covenant
- The tenant has recently regeared the lease to provide guaranteed income until September 2019
- The property is rack rented
- With the improving occupational market in the South East the location will benefit from good rental growth in the future.
- Extensive refurbishment to be undertaken by the teant
- Overall strong property fundamentals which would appeal to a range of investors ensuring a relatively high level of liquidity and facilitate borrowing at commercial rates against the property.

Negative

- Micro location
- Binary asset management opportunities
- Lack of on-site amenities

Agenda item number: 6
Appendix 6

The UK property investment market remains competitive for prime, well-let assets and values for this type of asset have recovered significantly from the property market low in 2009. We anticipate in the short/medium term, good performance.

Open Market Value as at November 2013 £13,000,000

Initial Yield:	9.45%
Equivalent Yield:	7.30%
Reversionary Yield:	7.13%



30 Warwick Street, London W1B 5NH
tel +44 (0) 20 7493 4933

www.joneslanglasalle.co.uk

Edward Willis
Guildford Borough Council
Millmead House
Millead
Guildford
Surrey
GU2 4BP

Our ref SV/MW/4Liongate
Direct line 020 7087 5393
Direct fax 020 7399 5299
Mark.wilson@eu.jll.com

13th December 2013

Dear Sir

Terms of Reference

Addressee: Guildford Borough Council

Millmead House
Millmead
Guildford
Surrey
GU2 4BP

For the attention of Edward Willis.

Property Address: 4 Liongate
Ladymead
Guildford
GU1 1AT

Tenure: Freehold

Valuation Date: 13th December 2013

Instruction Date: 15th November 2013

Instruction and Purpose of Valuation In accordance with your instructions in November 2013 we are instructed to provide you with a report and valuation in connection with your purchase of the above property for acquisition due diligence purposes.

Basis of Valuation: Our valuation has been prepared in accordance with the RICS Valuation – Professional Standards March 2012 published by the Royal Institution of Chartered Surveyors on the basis of Market Value as defined in Appendix 1.

The report is subject to, and should be read in conjunction with, the attached General Terms and Conditions of Business and our General Principles Adopted in the Preparation of Valuations and Reports which are



Appendix 6

attached in Appendix 1.

No allowance has been made of any expenses of realisation, or for taxation (including VAT) which might arise in the event of a disposal and the property has been considered free and clear of all mortgages or other charges which may be secured thereon.

Inspection: The property was inspected on 22nd November by Simon Verrall. All significant parts of the property were inspected.

The weather conditions were fine and clear.

Personnel: The valuation has been prepared by Simon Verrall MRICS under the direction of Mark Wilson MRICS, Director.

We confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the RICS Valuation Standards.

Status: In preparing this valuation we have acted as External Valuers, subject to any disclosures made to you.

Disclosure: We have previously disclosed to you any recent involvement in this property.

Assumptions: We have made no special assumptions

Sources of Information: We have inspected the premises and carried out all the necessary enquiries with regard to rental and investment value, Rateable Value, planning issues and investment considerations.

We have been provided with the following reports, which we have relied upon:

- Measured Survey prepared by CBRE
- M&E Survey prepared by David Miles and Partners
- Environmental Desk Study prepared by CBRE

We have also been supplied with and relied upon, a draft Report on Title, and other correspondence by your solicitors, Davitt Jones Bould.

Valuation: £13,000,000

(THIRTEEN MILLION)

Purchaser's Costs: 5.80%, including Stamp Duty at 4.00 %

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Appendices

Appendix 1 General Terms and Conditions
..... General Principles
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Appendix 2 Location Plans and Maps

Appendix 3 Photographs

Appendix 4 Credit Rating Report

1 Confirmation of Instruction

The report for the acquisition of the freehold interest of 4 Liongate, Ladymead, Guildford, for £13,000,000 (Thirteen Million Pounds) to be purchased by Guildford Borough Council from The Glanmore Property Fund Limited and Subsidiaries.

2 Location

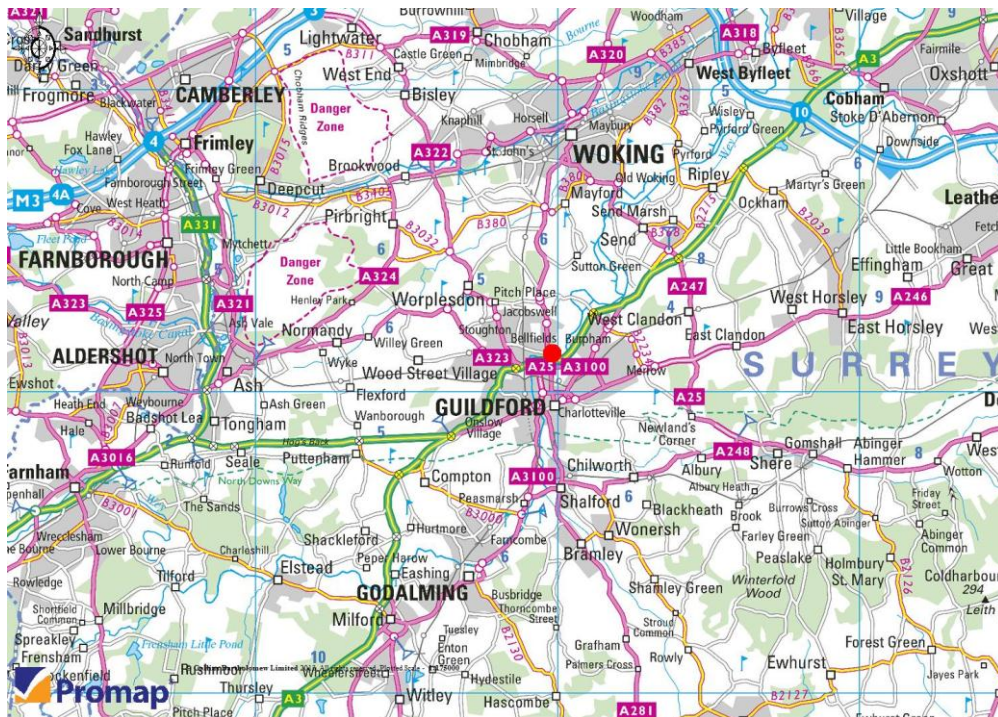
2.1 Location

Guildford is the County Town of Surrey and an important office location in the south east. An affluent and thriving employment centre, Guildford is also a strong commuter base providing a wealth of shopping and leisure amenities. The town lies 30 miles south west of Central London and 7 miles south of Woking. Situated just off the A3, Guildford is also at the junction of the A25, A281, A31 and A322. The M25 is approximately 8 miles to the north east (Junction 10) and Junction 3 of the M3 is a similar distance to the north west.

Guildford provides excellent rail services from its two railway stations, Guildford Station and London Road (Guildford). Guildford Station located in the city centre provides a direct service to Central London with a fastest journey time of approximately 37 minutes to London Waterloo.

A recently formed Joint Venture between Network Rail and Kier is also in place to implement £500 million to upgrade of several South East railway stations and development of their surrounding areas. Three projects are currently underway and a project focussed on and around Guildford Railway Station is to follow in the near future.

Both Heathrow and Gatwick airports are easily accessible by car being 26 miles north east and 33 miles south east of the town respectively. Gatwick airport is also reachable by public transport with the Woking RailAir Link.



2.2 Local Economy

Guildford has a small office centre with approximately 72,000 employees at 2011. Of particular note for the office economy and office demand, the 'Financial & Business Services' Sector (F&BS) accounted for 26.7% of jobs in Guildford as at 2011.

In terms of jobs, employment in F&BS in Guildford stood at 19,200. The largest F&BS subsector in Guildford is Professional & Business Services accounting for 17.8% of total employment or 12,800 jobs. Guildford has a below average share of employment in Professional & Business Services and Computing, R&D & Telecoms, however has a similar share in Finance to the M25 West average.

Whilst F&BS employment is an important driver of office demand within Guildford, Public Services makes up the largest share of total employment at 34.4% emphasising Guildford's administrative role as the county town of Surrey.

Although official employment data at the local level is currently only available up to 2011, the latest data to September 2013 suggests that unemployment stands at 1.2%, a 50 basis point decrease since September 2012. The particularly low unemployment rate is a notable feature of Guildford.

Over the period 2000 – 2011, Guildford saw above average growth in both total and F&BS employment. The best performing sub-sector in Guildford during this time was Professional & Business Services at 1.7% per annum growth, resulting in an additional 2,210 jobs. This compares to the market average of 0.1% per annum growth for that sub-sector. For Guildford, over the period 2011 to 2017 as a whole, the total number of employees is forecast to rise by 0.1% per annum. This is broadly in line with the Office PROMIS average of 0.2% per annum.

Prospects in Guildford for F&BS employment are expected to be more volatile, however, over the forecast period as a whole growth of 1% per annum is expected. This compares with growth of 0.9% per annum a for the Office PROMIS average. This ranks Guildford 27 of the 67 Office PROMIS centres in terms of growth.

2.3 Demographic

The 2011 census data shows that Guildford has a resident population of 137,183 people as a whole. The 2011 census suggest that there are 102,054 people (74.2%) aged 16-74 years within the Guildford, of which 73,649 people (72.2%) are economically active.

The dominant proportion of the working population is accounted for by Professional (24.5%) and Associate Professional & Technical (16.0%) which is ahead of the national average of 17.4% and 12.7%. Managers, directors and senior officials are also well represented accounting for 13.6% ahead of the national average of 10.8%.

Property ownership in Guildford is also ahead of the national average with 68.9% of residences owned and only 12.1% social rented this is compared with 65% and 16.4% respectively across England and Wales.

2.4 Situation

The property is located on Ladymead (A25) approximately one mile north of Guildford Town Centre . Access to the A3 is readily accessible via the Woking Road (A320), adjacent to the east of the property.

Guildford Railway Station is situated approximately 1 mile south west of the property and provides fast, direct access to Central London in a fastest journey time of approximately 37 minutes. Additionally, London Road

(Guildford) Railway station 1 mile south east of the property providing services to London Waterloo with an a journey time of approximately 1 hour.

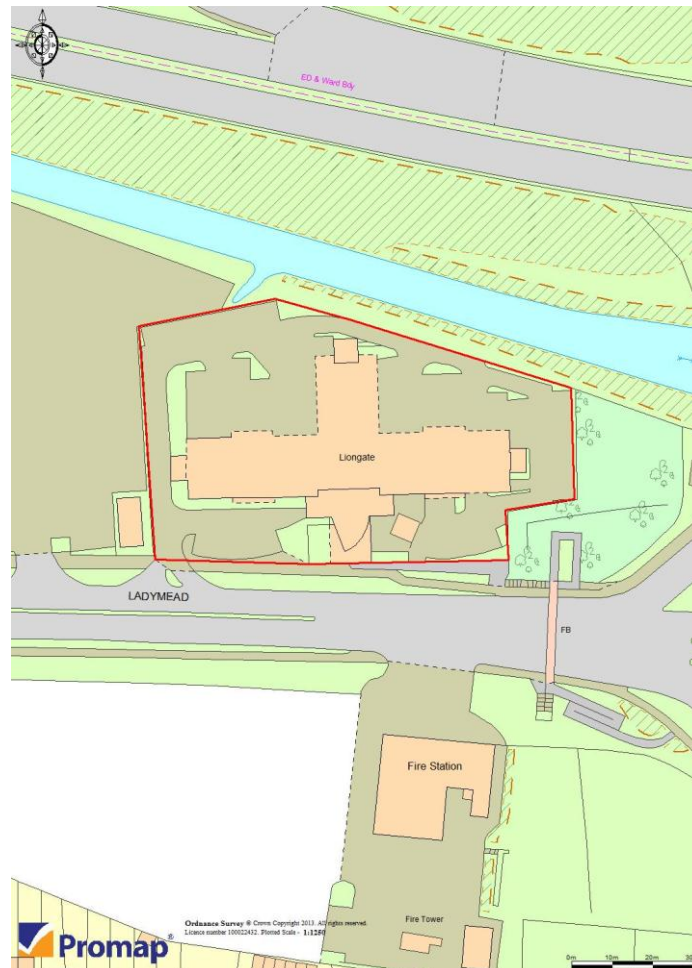
The property is located in a mixed use commercial and residential area. The immediate surrounding area is home to a number of high profile occupiers such as Allianz Insurance, Premier Inn, Magent and Land Rover. Other occupiers in Guildford include Guildford Borough Council, Syngenta, Sanofi-aventis, BDO Stoy Hayward and Philips.



3 Description

3.1 Site

The plan below identifies the entire site subject to purchase.



The southern boundary runs parallel with Ladymead (A25). The western boundary is adjacent to the car parking for Allianz Insurance UK Headquarters. There is a cleared site directly opposite the property which is going to house a new fire station. To the north and east is an area of open tree land beyond which lies Wokingham road to the east and the River Wey and A3 to the north.

A copy of the location maps and plans can be found in Appendix 2.

3.2 Description and Construction



4 Liongate was constructed in 1989 as a purpose built office and provides a total of 43,297 sq ft of high quality office accommodation arranged over part basement, ground and two upper floors. The block layout is in a T shaped formation with each wing in near identical layouts. The North wing being smaller than the East and West wings.

There are a total of 170 car parking spaces at the property equating to a ratio of 1:255 sq ft. This includes 15 designated for visitor parking at the front of the building. The remainder of the spaces are situated at undercroft level to the rear secured by a barrier. We understand 14 of these spaces are currently in use by Allianz the neighbouring occupier, 3 for bin storage and 3 are designated disabled parking spaces.

The property is of steel frame construction with brick external elevations. The brickwork is generally in good condition.

The roof is pitched with timber rafters and trusses covered in natural slates. The roof is generally in good condition except for a few areas where lichen growth has started to appear. There has been localised slate replacement over the past few years. There is a flat roof area behind the plant room which is used to house the main air conditioning unit for the building.

The property benefits from powdered coated aluminium double glazed windows on all elevations providing natural light and also noise insulation from the A3 dual-carriageway. At second floor level to all elevations is a balcony area with limited access points. All windows and openers to the building were noted to be in good working order with no defects reported.

3.2.1 Internal



The property provides a central main entrance with steel frame and aluminium double glazing leading to the main reception area. This main foyer area houses two lifts serving all floors. Internally, the orientation of the offices on each floor is split into three separate wings. These are all accessible from the central stair landing/lift core from the main reception area.

The layout of all three wings is similar with the exception of the ground floor on the North wing which contains the staff canteen. In general, each floor provides individual offices on the outer sides of the floor with a central area used for reception desks, meeting rooms and purpose building filing and storage cupboards. Both male and female toilet facilities are located at each floor level outside the entrance to each floor in the main foyer area.

The current specification includes:

- Raised floors
- Suspended ceilings
- Metal framed double glazed windows
- Painted walls
- Recessed fluorescent lighting
- Recessed air conditioning units
- Two 12-person 900kg Otis passenger lifts
- Male and female WCs on each floor
- Two shower facilities on the ground floor
- Staff canteen in the basement

The tenant has demonstrated continued commitment to the building having made constant improvement works to the building. These include replacing the inverter for supply in November 2013, the extract inverter fans two years ago and the replacing the chillers circa four years ago.

The Building Survey notes that the building is well maintained and there are no areas that would require any maintenance.

Further to this, the tenant is to undertake a full refurbishment of the property beginning in April 2014 and due to complete September - October 2014. The total cost will £1,250,000, of which £800,000 will be contributed by the landlord.

The works include:

Reception

- New 2 person laminate faced reception desk with DDA signing in shelf and chairs.
- New ceiling LED lighting.
- Re-spray factory finished glazing mullions.
- New window blinds.
- Decorate all plaster and metalwork.
- Strip out existing floor covering, repair screed and install new porcelain affect ceramic tiles.
- Provide new furniture- 2no sofas and coffee table.
- New glass panel signage.
- Remove existing doors and install new glass entrance box in existing aperture, with double doors and single leaf passenger door adjacent.
- Install 2no Access controlled speed lanes/barriers.
- CCTV modifications.
- New Entrance Matt- Jaymart or similar.

WCs including Disabled

- Strip-out of existing sanitarywear, cubicles and finishes.
- New sanitary wear (approx 25no WC back to wall pans) Ideal Standard or similar.
- New semi counter top wash hand basins (approx 19no).
- New single leaver pillar mixer taps.
- New ceramic tile flooring with skirting.
- New laminate vanity units, cubicle systems and back panelling- Armitage Vanesta or similar.
- New spot lighting within ceiling
- Decorations- plaster and timber work.
- 6no Hand- dryers and sundry items such as mirrors loo roll holders etc.
- Replacement of domestic Hot & Cold water services pipework.
- Allowance for splash back wall tiling
- Allowance for new 600 x600 grid ceiling.
- Allowance for ventilation ductwork modification and overhaul of system.
- Allowance for small power modifications
- Allowance for replacement/modification of existing soil waste pipework.

Boilers

- Allow to replace 12no existing boilers with boilers of a similar or better quality.

Lifts

- Major overhaul of 2no lifts, including the car finishes.

Miscellaneous

- Provisional allowance to improve building insulation by removing existing shiplap boarding to carpark undercroft and install insulation batts, including re-routing services as required and reinstate shiplap. Out of hours work.
- Allowance for stripout of ceilings and installation of new grid and tile system as required.
- Allowance for fan coil unit renewals, alterations and installation of new light fittings as required.
- Allowance to install new carpet to areas as required.

The list contains the improvement works in the Pre-Approved Works list above covers improvement works. Works not currently on the Pre-Approved Works list above, which the Tenant may apply to the Landlord to carry out, in substitution for, or in addition to those works listed above, may be undertaken and the tenant may draw on the £800,000 capital contribution.

Landlord approval for such Other Works is required, but not to be unreasonably withheld or delayed.

The Tenant shall provide a detailed scope and specification for the proposed 'Other Works' as part of its application to undertake such works.

3.3 Accommodation

The property has been measured in accordance with the Royal Institution of Chartered Surveyors' (RICS) Code of Measuring Practice (6th Edition) and provides the following net internal floor areas:

Floor	Use	Area (sq m)	Area (sq ft)
Second	Office	1,195	12,859
First	Office	1,373	14,777
Ground	Office	1,388	14,938
Ground	Reception	67	706
Total		4,022	43,297

Jones Lang LaSalle measured areas are within 0.06% tolerance of the areas supplied by the vendor on a like for like basis. The vendor does not appear to have measured the Ground Floor Reception. We calculate this area to be 723 sq ft. Including our measured area for the reception the difference is 1.76%.

3.4 Occupational Commentary

The building is fully occupied by UOP Limited (a Honeywell company) who have occupied the entire building for 24 years. In addition, a number of subsidiaries occupy space within the building. These include

- UOP International Holdings Ltd
- UOP Services Ltd
- UOP International Services Ltd
- UOP International Technology Ltd
- Envergent Technologies Ltd

3.5 Conclusion

The Building Survey concludes that based upon the inspection and subsequent points identified, the property is in good condition with no major defects however, due to the age of construction, some modernisation is needed throughout.

We have attached additional photographs in Appendix 3.

4 Legal

Below we consider the key legal considerations, lease terms under the existing tenancy and finally an overview of the relevant historical events and considerations that may affect value.

4.1 Report on Title

We have been provided with a Report on Title by your solicitors David Jones Bould. We note the following key points below.

4.1.1 Key Contract Terms

Your solicitors note that the following points should be brought to your attention regarding the Contract.

VAT

It is intended that the purchase of the Property will be a transfer of a business as a going concern and it will be necessary for you to make an option to tax in respect of the Property to take effect no later than completion of the purchase. You will need to supply the Seller with a copy of the Option to Tax and evidence of its acceptance by HM Revenue and Customs.

Insurance

The Seller must insure the Property in accordance with the Seller's obligations as landlord under the Lease until completion. Thereafter it will be for you to arrange insurance in accordance with the provisions of the Lease. No damage or destruction of, or deterioration in, the property will entitle you to a reduction in the purchase price or to refuse to complete or delay completion. However, in that event, the Seller is to make a claim under the insurance policy and hold the proceeds in trust for you.

Rent under the Lease

The Contract provides for the apportionment of the rent payable under the Lease so that you will receive any rent paid in advance in respect of the period beginning halfway through the completion date up to (but excluding) the next rent payment date.

Capital Allowances

You may obtain the benefit of any capital allowances that may be available. The Capital Contribution Deed referred to below provides for the landlord, and its successors in title to the reversion, to retain the benefit of any capital allowances in relation to the works to be carried out, and the tenant is to supply such information as is necessary to enable the landlord to make a capital allowances claim. The Seller's solicitors have advised that no capital allowances were available to the seller as far as they are aware when they acquired the Property and none have been claimed so far by them; and they are not aware of any significant spend on the building to date that could have qualified for capital allowances.

Rent free top-up

The rent free 'top-up' is to be deducted from the sale price.

Capital Contribution Deed/Escrow Agreement

The Seller has agreed to contribute a maximum of £800,000 + VAT (if applicable) to the cost of the works to be carried out by the tenant of the Property. This is to be paid in stages on the issue of interim payment certificates

by the Jones Lang LaSalle. This contribution has been paid into an escrow account which is currently administered by the Seller's solicitors, Thomas Eggar LLP.

The landlord is to be given the opportunity to attend inspections and make representations during the defects liability period and preparatory to the issue of interim payment certificates.

The Capital Contribution Deed contains a provision for the tenant to co-operate in the novation of the Deed on the transfer of the freehold reversion.

The tenant is to procure that Jones Lang LaSalle enters into a Letter of Reliance in favour of the landlord in the form set out in Schedule 4 to the Capital Contribution Deed to establish a duty of care in favour of the landlord. We understand that this letter of Reliance has not yet been issued.

The contract provides for the Capital Contribution Deed and the Escrow Agreement to be novated to you on completion, if this can be achieved, although the tenant will also need to be a party to the novation. If completion of the deeds of novation cannot be achieved within 6 months of completion, the benefit of the Capital Contribution Deed and Escrow Agreement are to be assigned to you; the tenant would not need to be a party to an assignment.

The Seller will remain bound by the provisions of the Capital Contribution Deed and Escrow Agreement until they are novated, and if this does not occur on completion the contract provides for the Seller to use reasonable endeavours to procure that the other parties perform their obligations under these documents.

It is envisaged that, on completion of the Deeds of Novation, the escrow sum will be transferred to us to administer in accordance with the terms of the Escrow Agreement.

Measured Survey and Environmental Assessment

You will be issued with a letter of reliance from CBRE with regard to the Measured Survey and Environmental Assessment. You will be able to rely on the reports in the same way as if they had been prepared for your benefit initially.

4.1.2 The Property

Title

The Property is the freehold land and buildings known as 4 Liongate, Ladymead, Guildford, Surrey GU1 1AT.

The Property is registered at the Land Registry under title numbers SY158643 and SY555652. The class of title is absolute freehold title. Absolute title is the best class of title available.

The registered owner of the Property is Bedell Corporate Trustees and Atrium Trustees Limited (both companies being incorporated in Jersey).

Please check the plans carefully to ensure that they accurately reflect the extent of the land that you believe you are buying. The plan may not show the exact location of the boundaries of the Property. You should inspect the Property and let us know if there are any discrepancies between the plan and the site inspection.

The charges referred to in entries 7-17 inclusive of the Charges Register of title number SY158643 and in entries 4-14 inclusive of the Charges Register of title number SY555652 are to be discharged on completion.

Lease

There is a lease of the entirety of the Property in favour of UOP Limited in subsistence until 28th September 2014. The Seller has completed a reversionary lease in favour of UOP Limited which will run from the expiry of the current lease until 28th September 2024.

UOP Limited has granted an Underlease of 13 parking spaces at the Property to Allianz Management Services Limited. The term granted by the Underlease has now expired, but it is proposed that it will be renewed until 26th September 2014.

In addition, there is a lease of a substation site within the Property for a term of 99 years commencing on 18th November 1988 which grants rights affecting other land within the Property.

Matters benefitting the Property

The land comprised in title number SY158643 is stated to have the benefit of a right of way over the land tinted brown on the title plan. The majority of this land is now comprised in title number SY555652.

Matters adverse to the Property

Title Number SY158643

- a. Entry number 1 of the Charges Register refers to the restrictive covenants contained in a Deed dated 18 November 1881, which relate to the land tinted blue on the title plan. These covenants envisaged that the land was going to be developed for residential purposes, and they will be of limited relevance. There is a covenant that no part of the land is to be used for any purpose which may be a nuisance or annoyance to the vendor or the neighbourhood.
- b. Entry number 2 of the Charges Register refers to the restrictive covenants contained in, and the easements reserved by, a Conveyance dated 16 January 1935, which relate to the land tinted blue on the title plan.

This Conveyance, by Surrey County Council, reserved a right of support over a bank supporting part of the Guildford-Godalming Bypass, a right for the passage of surface water (which does not appear to affect the land in this title) and rights of entry for inspection and maintenance purposes. There are a number of covenants restrictive of building works (the land affected forms a small part of the Property which does not appear to have been built on), preventing the construction of a petrol station and preventing the carrying on of any offensive trade or business.

There is also a covenant preventing the construction of a vehicular access except at a defined point, which does not form part of the land in this title. There appears to be an access onto Ladymead from the land tinted blue on the title plan, which would appear to constitute a breach of this covenant. A restrictive covenant indemnity policy with Royal & Sun Alliance insuring against the consequences of a claim for breach of this covenant was taken out in May 2007. The limit of indemnity is £20,450,000, and the insured use is the continued use of the Property as offices including access and car park. The "insured" is stated to include successors in title.

Title Number SY555652

This was originally a possessory title, since no title was shown to the land at the time of registration in February 1986. The title has now been upgraded to absolute, but since the earlier title is unknown the land is stated to be

subject to such restrictive covenants as may have been imposed thereon before 6th February 1986 and are still subsisting and capable of being enforced. A defective title and restrictive covenant indemnity policy with Sun Alliance insuring against the consequences of any claim for breach of covenant was taken out in November 1993. The limit of indemnity is £1,000,000, and the insured use is the continued use of the land as part car parking/part landscaping in conjunction with the use of Liongate as offices. The “insured” is stated to include successors in title.

4.1.3 Search Results

Local Authority Search

A search of the local land charges register shows matters such as compulsory purchase orders, tree preservation orders, planning enforcement notices and financial charges registered against a property. You should note that the search result provides a snapshot of the register on the date of the search. Local land charges registered after the date of the search will still bind a property.

The local authority search was provided by Guildford Borough Council on 25th November 2013. The result of the search revealed that:-

- a. Planning permission was granted in 1986 for the demolition of the previous building on the site and the erection of a new office building and car park. An appeal against the occupancy condition (condition 2) was allowed in November 1986.
- b. A number of other planning consents are registered as local land charges, but since they relate to the previous building, were temporary in duration or relate to illuminated signs, they appear to be historic or of more relevance to the occupier.
- c. Ladymead is an adopted highway. We are making further enquiries as to the status of the two access points shown coloured brown on the search plan.

Drainage and water enquiries

The replies to drainage and water enquiries show whether a property is connected to the mains water supply and mains drainage. The replies may also show the location of public sewers within the boundary of a property and other such matters that may restrict development.

The Seller's solicitors have supplied a copy of a search certificate provided by Thames Water Utilities Ltd on 24th October 2013. The replies revealed the following information:

- a. The Property is connected to the mains water supply on a metered basis.
- b. Foul and surface water from the Property drain to a public sewer. There is no surface water drainage charge payable.
- c. There are no water mains or public sewers within the boundaries of the Property.
- d. The Property passed the most recent water quality analysis.
- e. The water supply and sewerage services are billed by Thames Water Utilities Limited.

Environmental search

If a local authority determines that land is contaminated, and the party who caused the contamination cannot be found, the current owner or occupier of the land may be required to remedy the contamination. This can be an expensive process, so it is important to assess the risk of land being contaminated before committing to buy a property.

An environmental data search can be used to establish the risk of land being contaminated, by collating information from regulatory bodies, floodplain data and a review of current and historic land uses. This type of search is also known as a "desktop search". An environmental data search does not include a site visit or testing of soil or groundwater samples.

The environmental data search was provided by Argyll Environmental on 20th November 2013. The result of the search showed that the Property is unlikely to be classed as contaminated land and that the level of risk is unlikely to have an adverse effect on the value of the Property.

It is noted that the Property is within an area of subsidence hazard potential and an area of floodplain.

Gas Utility Search

The Seller's solicitors have supplied a copy of a search result provided by Southern Gas Networks on 28th October 2013 showing the location of the gas apparatus in the vicinity.

National Grid

The Seller's solicitors have supplied a copy of a letter from National Grid dated 24th October 2013 advising that there is no National Grid Transmission infrastructure in the vicinity.

Coal and Brine Search

The Seller's solicitors have supplied a copy of a search result provided by The Coal Authority dated 24th October 2013 which indicates that the Property is not in a likely area of mineworking or in a Brine Compensation District.

4.1.4 Replies to Pre-Contract Enquiries

You have been provided with a copy of the Enquiries and replies thereto in Forms CPSE.1 and CPSE.2, together with the documents referred to therein. The reply to enquiries 8 and 15 of the CPSE.1 state that no warranty is given as to the state of repair or condition of the Property, or as to the position in respect of environmental matters.

4.1.5 Conclusion

Subject to the matters referred to in this report, your solicitors are of the opinion that upon completion of the purchase of the Property and registration at the Land Registry you will obtain a good and marketable title to the Property.

4.2 Occupational Leases

The property was originally let on a 25 year lease commencing 29 September 1989 and expiring 28 September 2014. Heads of Terms for a Full Repairing and Insuring reversionary lease for the entire property for a term of 10 years commencing 29 September 2014, with a tenant's option to break on 28 September 2019.

Below we note the key points from both the current lease and the reversionary lease.

4.3 Current Lease

4.3.1 Tenancy

Premises

Liongate, Ladymead, Guildford

Landlord

Western Central Second Properties Limited (Company Number 804001)

Tenant

UOP Processes International Inc

Surety/Guarantor

UOP Limited (Company Number 521570)

Term

Term of 25 years from and including 29th September 1989.

Rent

The initial rent is £1,300,000 per annum.

Rent Reviews

Rent reviews will occur at five yearly intervals and the revised rent shall be the greater of the current rent or the market rent of the premises on the basis of a 15 year term.

Break Options

None

Use

Not to use the Premises otherwise than as offices within Class B1 of the Town and Country Planning (Use Classes) Order 1987.

Repair

The Tenant covenants to keep the Premises in good and substantial repair.

The Tenant will paint in a workmanlike manner the outside of the Premises in every third year of the term and the inside every fifth year of the term.

The Tenant will use its reasonable endeavours to repair and make good all defects and wants of repair for which the tenant is liable under the lease within two months after notice of the Landlord.

Alterations

The Tenant may not to make any structural alterations or additions to the Premises without prior consent of the Landlord (such consent not to be unreasonably withheld or delayed).

The Tenant may not make any non-structural alteration or addition to the electrical wiring system or the heating apparatus or the air conditioning apparatus and similar plant and equipment within the Premises without the Landlords' consent (not to be unreasonably withheld or delayed).

The Tenant may install erect, alter and remove demountable internal partitioning without Landlord permission subject to the same being removed at the expiration or sooner determination of the term.

Alienation

Assignment

The Tenant may assign the whole Premises with prior consent of the Landlord if:

- The intended assignee covenants with the Landlord to pay the rents reserves by and observe and perform the Tenant's covenants and the conditions in the lease; and
- No more than two persons or corporations act as guarantors for such assignee in such form as the Landlord may reasonably require.

Underletting

The Tenant may underlet the whole or part of the premises with prior consent of the Landlord if:

- The intended underlessee covenants with the Landlord to observe and perform the Tenant's covenants and the conditions in the lease (excluding the covenant to pay rent)
- The intended underlessee does not underlet, part with possession or occupation or the part of the property to be underlet.
- The intended underlessee is not be granted a premium nor at a rent less than the market rent for the property at the time of the underletting
- At any one time there are no more than 5 sublettings of the Premises or part
- Any underlease must contain an agreement authorised by the Court to exclude the provisions of Sections 24-28 of the Landlord and Tenant Act 1954.

Group Sharing

The Tenant may share occupation of the Premises or part with a group company if approved by the Landlord (not to be unreasonably withheld) provided that no tenancy is thereby created and the Landlord is notified of the identity of all sharing occupier and such sharing ceases immediately when the relationship with the Tenant ceases.

Yielding Up

The tenant must (unless the Landlord otherwise requires) remove all alterations or additions made to the Premises during the term and remove all tenant's fixtures and fittings unless the Tenant intends to leave them and the Landlord agrees. In each case to make good and reinstate the Premises to the Landlords' reasonable satisfaction.

4.4 Reversionary Lease

Premises

4 Liongate, Ladymead, Guildford, GU1 1AT

Title Numbers

SY555652

SY158643

Landlord

Bedell Corporate Trustees Limited and Atrium Trustees Limited as trustees of the Liongate Unit Trust.

Tenant

UOP Limited (Company Number 00521570)

Surety/Guarantor

None

Term

Term of 10 years from and including 29 September 2014.

Current Rent

The initial rent is £980,000 per annum.

The rent commencement date is 29 November 2015 (14 months rent free).

A further 7 months rent free will be granted at the beginning of the 6th year if the break is not exercised.

Additional Rent

The tenant will pay a fair proportion of reasonable market costs associated with maintaining the estate.

The estate charge will be capped at £0.25 per sq ft, adjusted in line with RPI.

Rent Reviews

29 September 2019.

The revised rent will be the greater of the current rent or open market rent on the basis of a 10 year term and the Landlord funded works (pre-approved and other) having been completed.

Break Options

Tenant only break after 5 years subject to at least 6 months prior written notice.

Use

Not to use the Premises otherwise than as offices within Class B1 of the Town and Country Planning (Use Classes) Order 1987.

Repair**Alterations**

No external or structural alterations or additions or any opening in any boundary structure of the Property is to be made without the consent of the Landlord (not to be unreasonably withheld or delayed).

The Tenant may make internal non structural alterations to the Property without the consent of the Landlord provided that full details of the alterations are provided to the Landlord within 28 days of completion of such alterations.

No alterations may be carried out that would or may reasonably be expected to have an adverse effect on the Energy Performance Rating of the Property without the consent of the Landlord (not to be unreasonably withheld or delayed).

Repair

The Tenant shall keep and put the Property into clean and tidy and in a good state of repair and condition.

The Tenant shall decorate the outside and inside of the Property as often as is reasonably necessary and also in the last three months before the end of the Term.

Alienation

Assignment

The Tenant shall not assign the whole of the lease without prior consent of the Landlord (not to be unreasonably withheld or delayed). The Tenant may not assign part of the lease. Upon any assignment, there shall be a simultaneous assignment of the Existing Lease.

Underletting

The Tenant may underlet the Property or part providing they have provided the Landlord with

- A certified copy of the notice served on the undertenant as required by section 38A(3)(a) applying to the tenancy to be created by the underlease; and
- A certified copy of the declaration or statutory declaration made by the undertenant in accordance with the requirements of section 38A(3)(b) or the Landlord and Tenant Act 1954.

Any subletting must not be less than open market rent.

Group Sharing

The Tenant shall have the right, without the need for Landlord's consent, to share occupation with, or sublease to, group companies and associated organisations

Yielding Up

At the end of the term, the Tenant shall remove items it has fixed to the Property, remove any alterations it has made to the Property (including any works carried out during the term of the existing lease) and make good any damage caused to the Property by the removal.

4.5 Underlease of the Parking Spaces

13 parking spaces are currently in use by Allianz by way of an underlease. The key points are summarised below.

Premises

13 car parking spaces within the Property

Term

17 September 2012 – 16 September 2014.

The term has expired however it is anticipated that the underlease will be renewed on similar terms for a term expiring on 16 September 2013. You have been provided with a copy of the draft lease renewal.

Rent

£20,000 per annum

Termination

By either party on not less than 30 days' notice

Use

Parking of 13 motor vehicles.

Rent review

None

Repair

Undertenant covenants to keep in existing condition

Alteration

Prohibited

Alienation

Prohibited

New Lease

Yes

Out of the Landlord and Tenant 1954 Act

Yes

4.6 Lease of the Substation Site

Premises

Shown coloured pink on plan (numbered 1 in blue on title plan for title number SY158643).

Term

99 years commencing 18 November 1988.

Rent

£1 per annum (if demanded).

Rights granted to the tenant

- a. Vehicular right of way over land coloured blue and brown on lease plan
- b. Right to open gates and doors outwards over land coloured blue and brown
- c. Right to lay and maintain electric lines under the land coloured brown and yellow on lease plan and right of entry onto adjoining land for this purpose.

Landlord's covenants

- a. Not to interfere with or damage any electric line

- b. Not to alter the existing level or cover the surface of the land coloured yellow and brown on the lease plan
- c. Not to erect any building or structure or carry out any planting on or within a distance of 1.5 metres of the yellow and brown land.

Out of the Landlord and Tenant 1954 Act

No

4.7 Mechanical and Electrical Survey

We have been provided with a copy of the Mechanical and Electrical Survey prepared by your specialist advisors David Miles & Partners. The report is heavily focused on the indicative life expectancy of the services therefore we note the key conclusions and recommendations below.

The survey concludes that with regards to the mechanical aspects of the building, they recommend the use of condensing boilers as replacements to the existing boilers due to their high efficiency and maximum energy conservation resulting in cost savings. Condensing boilers can be installed and used in the existing flues and flue chimney can be connected to the existing pressurization unit for cold water supply to the boiler.

They recommend that all existing heating plant, pipework and fittings are removed and replaced within the plant room in the next 5 to 10 years. Recommendations include:

- Condensing boilers - To achieve maximum energy conservation the use of condensing gas fired boilers should be considered. This type of boiler is used extensively in new and refurbishment projects, however when used in refurbishment / replacement projects careful consideration to the age and condition of the distribution pipework should be made and the condition of the water.
- Atmospheric/Pressure Jet Boilers - These types of boiler are not as efficient as a condensing boiler but are more tolerant to the debris that is circulated around a system. It is also more likely that they can use the existing chimney (although this will need verifying). The boilers have a tried and tested life and maintenance back up.
- Circulation Pumps - To achieve an energy consumption that complies with current regulations it is recommended that the pumps installed are inverter driven pumps. These pumps vary the electrical consumption in line with system requirements. They can be quite tolerant to various system conditions and debris in the system and will reduce running costs.
- Hot water system - It is recommended from available information and age of the installation all the existing hot water plant and system within the plant room are removed and replaced.
- Distribution Pipework - It is recommended from a review of existing installations that consideration to the replacement of distribution pipework should be made. It is understood that within the flats this is extremely difficult and would be a highly contentious issue, the recommendation in this case is that a full survey of the building is undertaken identifying the pipework routes and locations so that should a problem occur, pipework and isolation valves locations are known.
- Chiller System - Based on information provided the chiller plant was replaced within last 2 years, but we have no information on the Fan coil units existing status. If the Fan coils were not replaced with the chiller

then their economic life expectancy is coming to an end and we would recommend replacement of the fan coils units.

The survey concludes with regards to the electrical aspects of the building, that the electrical installations appear to be in good condition for its age and if maintained should last another 5 years plus. As the systems age, they may require further maintenance and replacement parts on an ad hoc basis.

They recommend that the majority of the electrical installation should be replaced in the next 5 years including:

- Lighting - To achieve further energy conservation, the use of LED lighting should be considered when replacing the lighting system.
- Power - If not already provided Dado trunking would be of an advantage for future flexibility within office areas.
- Fire Alarm - The Fire Alarm system will need to be maintained in accordance with BS 5839-1 and if not already provided an Analogue addressable system be installed when replaced.
- CCTV - The system could be maintained and any associated defective parts replaced on an ad hoc basis or replaced within the times indicated within this report.
- Lifts - It is mentioned in the information provided that the 2 No. lifts are being replaced within the next 12 months.

4.8 Planning

4.8.1 General

The property lies in an area administered by Guildford Borough Council. From our enquiries we understand that the Guildford Borough Local Plan was adopted in January 2003. The council plan to introduce their new Local Plan which will provide a framework for the future development of the borough up to 2031 in September 2015. This will be introduced in two stages: 1) Preparation of Local Plan Strategy and Sites Developments Plan Document and 2) Development Control Policies DPD.

The property does not lie within a conservation area.

4.9 Rating Assessment

Business rates are a form of property tax, usually paid by the occupier of property, and related to property rental value (known as Rateable Value). The level of rates paid is generally revised annually to reflect inflationary increases. The Rateable Value may be revised every five years to reflect changes in the value of the premises.

The property is assessed for rating purposes as follows:

Demise	Description	Rateable Value	Rates Liability
Lower Ground	Mess/Staff Room	£1,322	£623
Ground Floor	Refuse Store	£207	£97
Ground Floor	Reception/Entrance	£7,030	£3,311
Ground Floor	Office	£253,265	£119,288
Ground Floor	Kitchen	£250	£118

First Floor	Office	£253,265	£119,288
First Floor	Kitchen	£250	£118
Second Floor	Office	£221,445	£104,301
Second Floor	Kitchen	£250	£118
Other	Bike Shed	£226	£106
Total		£737,510	£347,368
Access/Out of Centre Discount		- £36,875	
Total Value		£700,635	£329,999
Rateable Value		£700,000	£329,700

The annual amount of rates payable is arrived at by applying a multiplier known as the Uniform Business Rate (UBR) to the rateable value. The UBR for 2013/2014 is 47.1 pence in the (£) pound.

4.10 Statutory and Tax Matters

4.10.1 Value Added Tax

We understand the property is elected for VAT and is chargeable on the sale price. We anticipate the sale of the property will be treated as a Transfer of Going Concern.

4.10.2 Stamp Duty

Stamp Duty at the rate of 4% would be chargeable on a purchase of the property. If the transaction on this property is seeking to take advantage of an avoidance scheme, you should be aware that the government is trying to close avoidance loopholes. We would therefore recommend to seek advice on any avoidance schemes in place of this property.

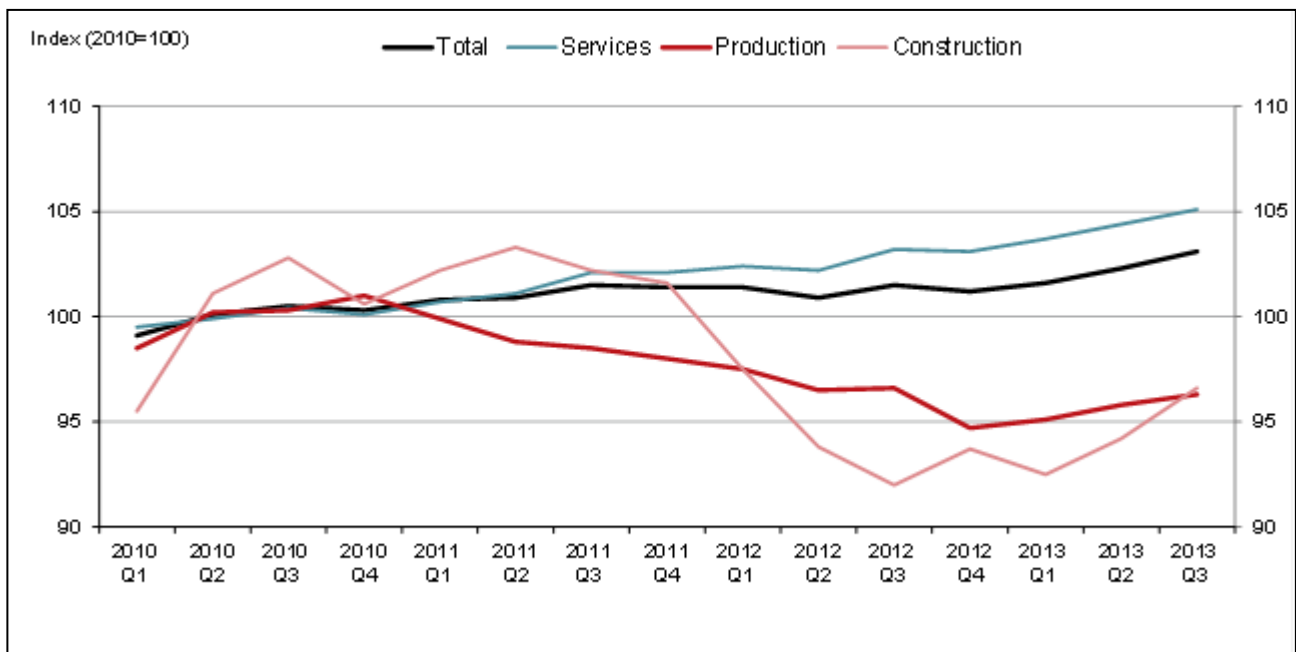
5 Market Commentary

5.1 UK Economy (October 2013)

GDP grew by 0.8% in third quarter

UK GDP increased by 0.8% in Q3, after registering 0.7% growth in the previous quarter. This was the strongest quarterly performance since 2010. Growth was broadly based, with increases recorded in all of the four main sectors. The largest contribution to the increase came from services (0.7% growth), while output also grew in production (0.5%), construction (2.5%) and agriculture (1.4%). Despite the encouraging data, strong headwinds remain, particularly given the still tight credit conditions, challenging labour market and Eurozone sluggishness. The latest forecasts from Oxford Economics indicate the recovery will remain slow in the short term, with GDP growth in 2013 at 1.4%, gaining momentum to reach 2.2% in 2014.

GDP and main components, Q3 2013



Source: Office for National Statistics

Retail sales show a resilient picture

UK retail sales volumes grew by 0.6% in September compared with the previous month, following an unexpected fall in August. The most significant driver was furniture sales, partly supported by the improving housing market. Household goods, clothing, footwear and textile retailers also showed robust sales volumes. Consequently, retail sales volumes expanded by 1.5% in the third quarter, which is the strongest growth since Q1 2008. This solid performance is in part reflected in stronger Q3 GDP growth compared with Q2.

Inflation remains unchanged

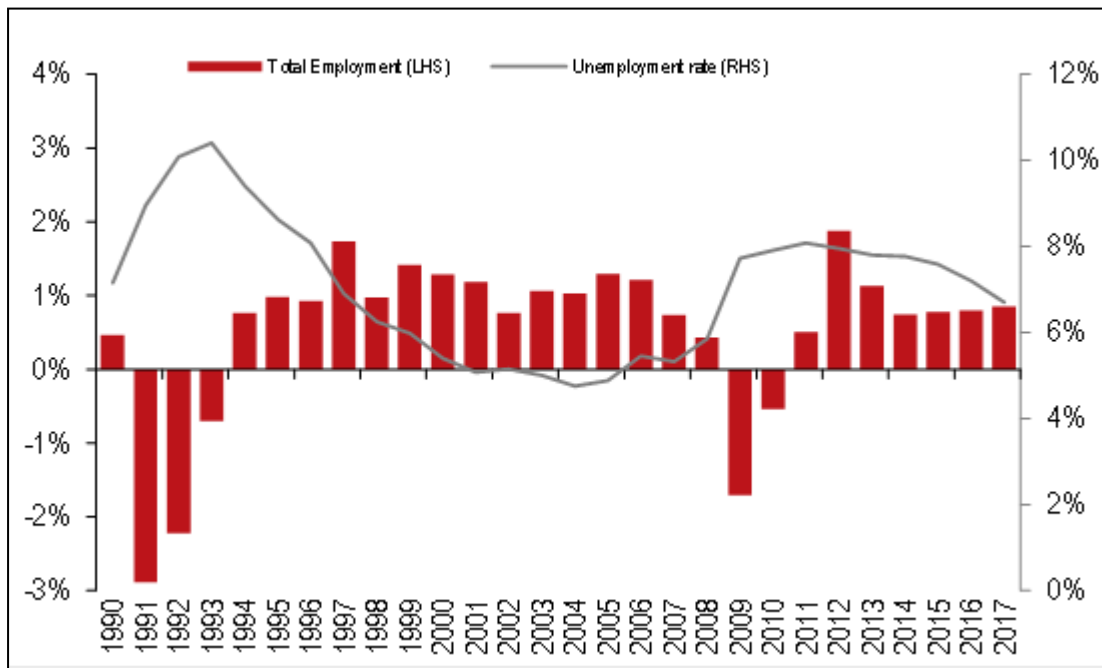
UK consumer price inflation remained stable at 2.7% in September, which was slightly disappointing as a further fall was expected. Petrol and diesel prices fell further, although this effect was offset by higher air fares. Meanwhile, RPI inflation fell marginally to 3.2% from 3.3% in August. As average wages grew by just 1.1% over the same period, consumer purchasing power continues to be eroded. Inflation is expected to trend lower over the next few months, with the latest forecasts suggesting inflation will fall to around 2.5%. This is partly due to

favourable base effects as the impact of the October 2012 jump in university fees will drop out of the index. The inflation forecast is not expected to affect the outlook for monetary policy, with the Bank of England likely to keep interest rates at their current low level of 0.50% through at least 2014, possibly longer.

UK labour market sees further improvement

The latest UK labour market data showed further resilience, a reflection of improved business confidence and stronger economic activity. The number of unemployed fell by 18,000 to 2.49 million in the three months to August, the lowest level since May 2011. Meanwhile, the unemployment rate dropped to 7.7%, down from 7.8% in the previous quarter. Unemployment is expected to continue trending gradually downwards over the next few months, though is not expected to fall below the Bank of England’s crucial 7.0% trigger rate until 2016.

Gradual recovery in UK labour market anticipated



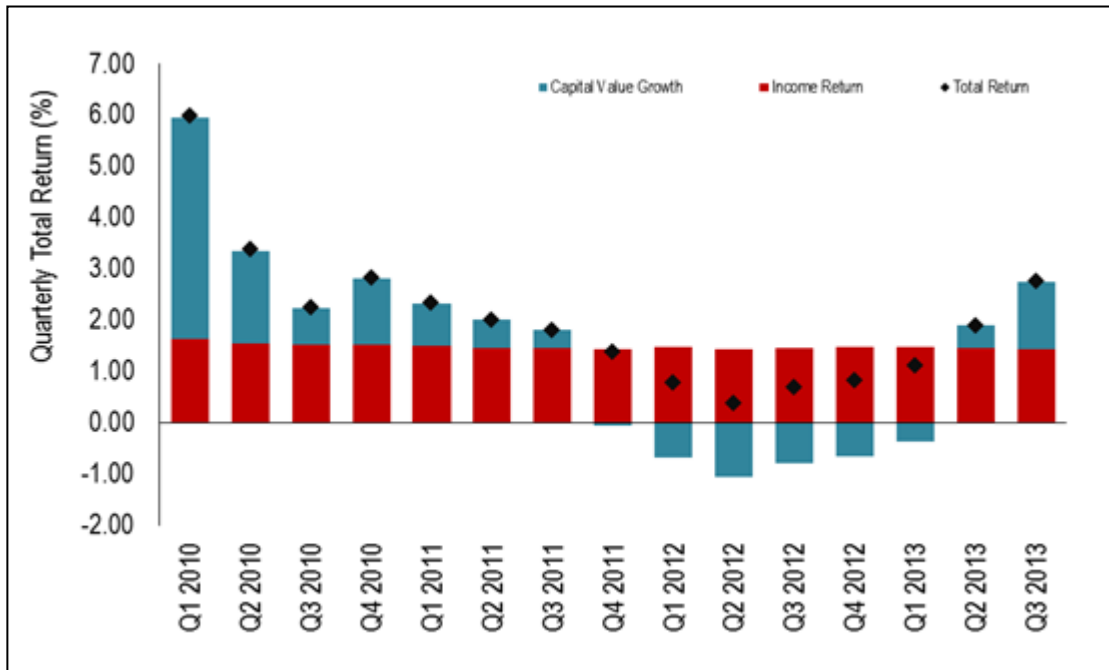
Source: Oxford Economics

5.2 Property Market Overview (October 2013)

Capital values drive All-Property returns to highest level in almost three years

UK Property performance continued to improve into Q3 with UK All-Property total returns reaching 2.8%, up from 1.9% in Q2. Capital value growth accounted for a significant part of this, with a 1.3% increase, accelerating from 0.4% in the previous quarter. This growth was mostly driven by yield compression, as rental values remained relatively stable at just 0.1% growth. The recovery in capital values brings the UK All-Property total returns up to 6.7% in the year to September, up from 3.3% over the same period a year ago. Total returns improved across all major sectors, helping the index achieve its highest quarterly returns since Q4 2010. This was also the first quarter since Q2 2010 where all sectors and subsectors showed positive capital growth.

All Property total returns hit highest level since Q4 2010



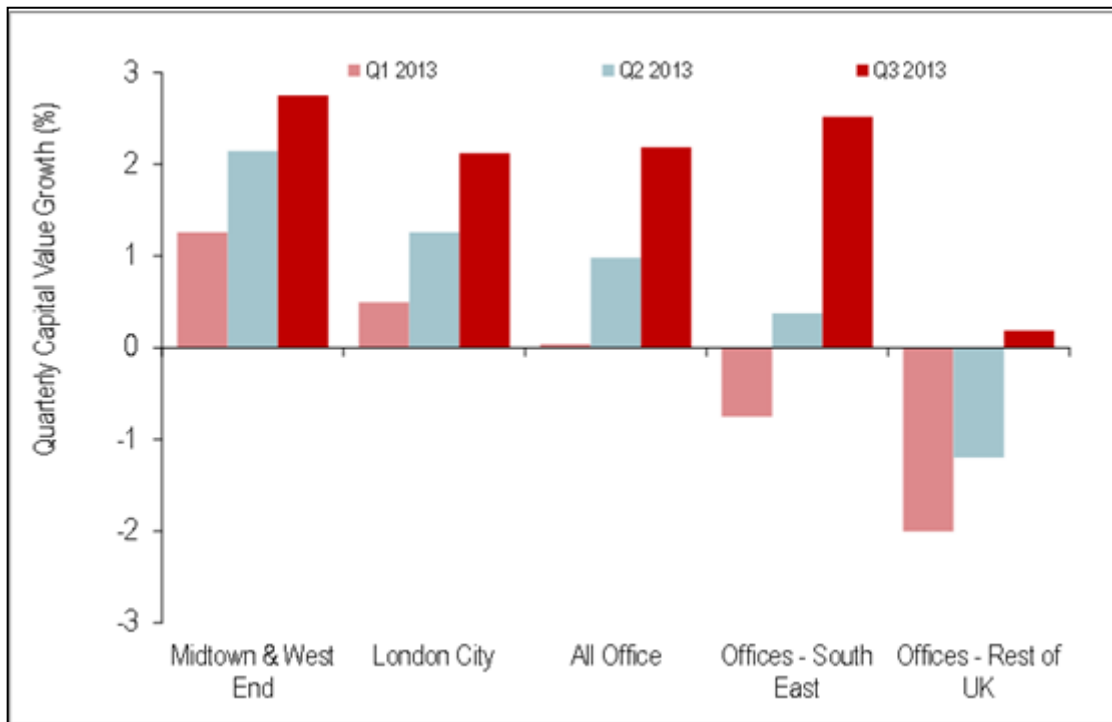
Source: IPD Quarterly Digest

Capital value growth returns to the UK office market as a whole

Offices recorded a strong performance in Q3 13 with total returns increasing significantly to 3.5% from 2.3% in Q2. While performance continued to be driven by South East and Central London offices, it is worth noting that non-London offices in the South East actually outperformed those in Central London, returning 4.3% compared with 3.7%, the first time this has happened since Q2 2009. This may be indicative of an increase in demand from investors for properties outside of prime markets. Offices outside the South East trailed behind, returning just 1.9%, although, this represented the highest quarterly total return in this segment since Q2 10. Substantial capital value growth in central London drove total returns, with values increasing 2.1% and 2.8% in the City and Midtown & West End respectively, resulting in total returns of 3.3% and 3.7%. While the City showed the greater rental growth at 1.0% compared with 0.8% for Midtown & West End, the outperformance in the latter was due to yield compression. Demand remains very strong for prime assets across central London but stock availability is declining and this is maintaining pressure on prime yields.

The divide between South East offices and the rest of the UK grew further pronounced over the third quarter. Capital values in the South East increased by 2.5% driven by yield compression. In contrast, capital values across the rest of the UK increased by just 0.2%. However, this is the first time capital values across the Rest of the UK have shown positive growth since Q2 10. The improving performance in the office sector outside London mirrors increasing activity in the investment market in the South East and top regional centres. Demand is coming from a broad range of investors, targeting long term secure income and this is driving yields down for prime space. Although secondary stock in fundamentally good locations or with good asset management prospects are seeing growing interest, this has yet to impact pricing and outside the core locations conditions remain challenging.

Q3 Capital growth turns positive for offices throughout the UK



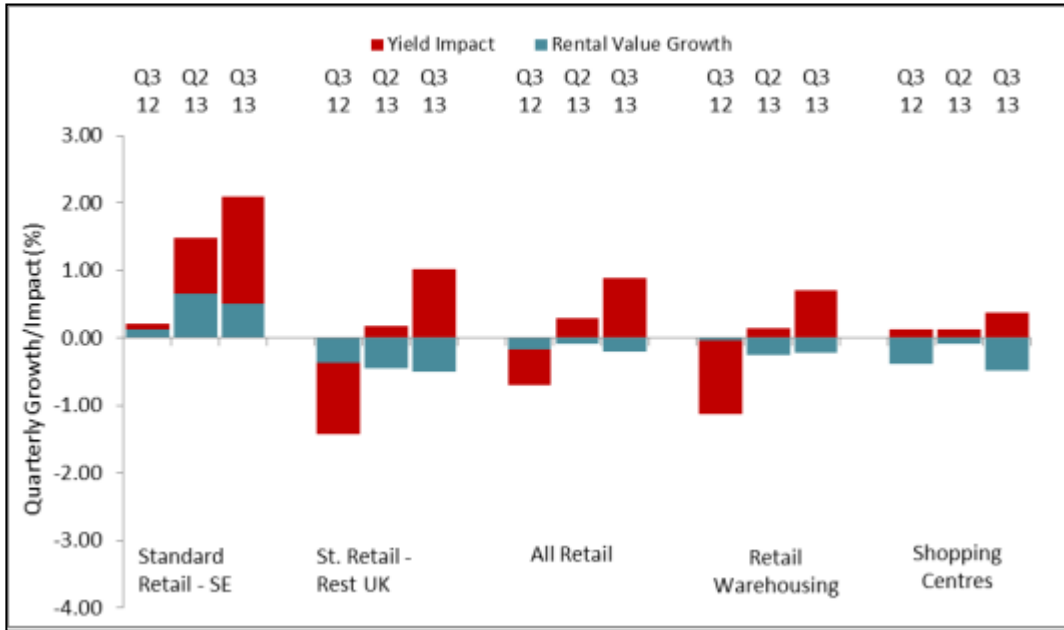
Source: IPD Quarterly Digest

Retails remains the weakest performing sector

All retail total returns increased from 1.5% in Q2 13 to 2.2% in the third quarter but, despite this, remained the weakest performing of the three major sectors. Pricing across the sector has been positive with capital values, driven by yield compression, rising by 0.7% over the quarter. However, the weakened occupier market has yet to recover in the same way and rental falls of 0.2% account for the overall underperformance. These declines were by no means universal across the sector, as rental growth in the South East (High Street) reached 0.5%, although this was offset by declines of 0.5% in the rest of the UK. However, despite falling rents in certain parts of the UK, capital values remained universally positive with the Rest of the UK values growing by 0.5% compared to 2.1% in the South East. There remains an abundance of institutional and private investors targeting large prime opportunities, which has had a downward influence on yields. However, appetite for non-prime assets continues to be patchy and selective, meaning that growth in non-core markets will not be as rapid.

Retail warehousing recorded a performance that is broadly in line with the retail average. Despite rents slipping downwards by 0.2% over the quarter, tightening yields drove capital growth up by 0.5%. Shopping centre total returns reached 1.6% in Q3 13, up from 1.2% in the previous three months. Although rents continued to fall by 0.5%, a capital growth of 0.2% helped ensure that returns remained positive. At the prime end of the sector there remains a considerable weight of money from REITs, overseas funds and sovereign wealth funds seeking prime, defensive assets in the regional centres, London or the South East. However, the secondary market has also started to stabilise with a number of investors, including institutional and opportunity funds, seeking value add assets in this markets.

Capital Value Growth driven by yield compression as rental growth remains weak

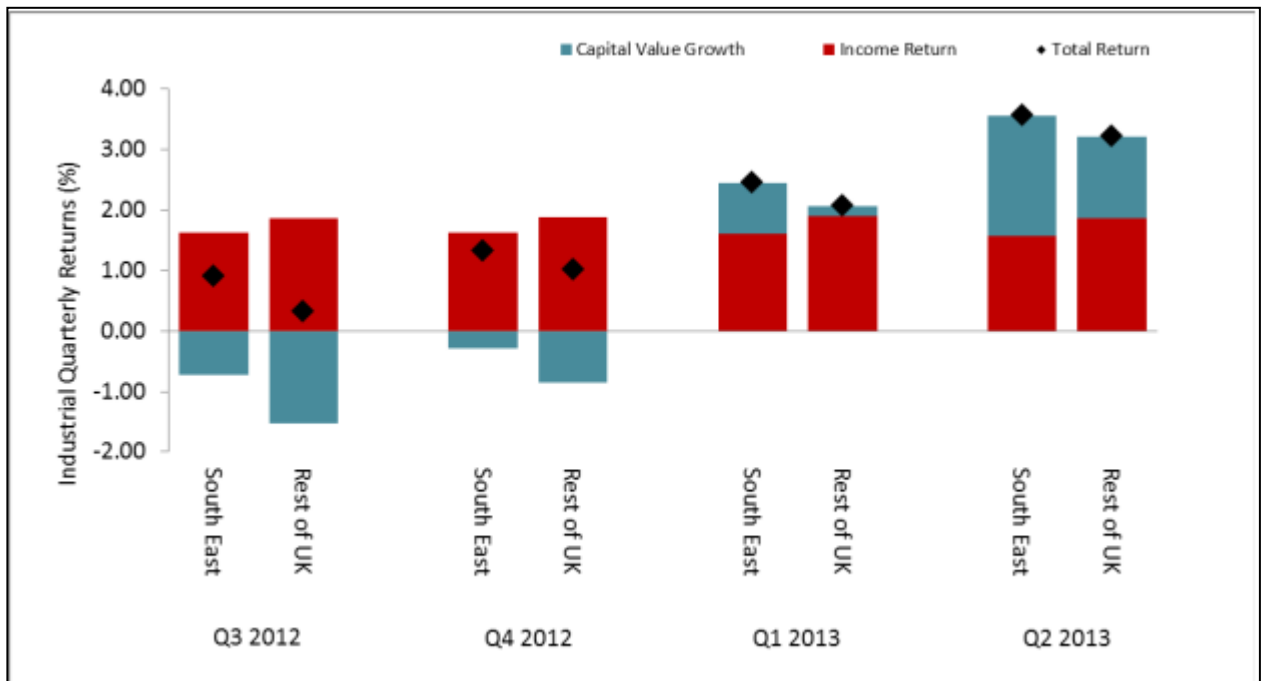


Source: IPD Quarterly Digest

Industrial: Capital growth continues across the whole of the UK

Industrial performance remains robust, with total returns of 3.4% over the quarter, up from 2.3% in Q2. The gap between South East and the rest of the UK has widened slightly over the quarter, however the disparity is not too severe with returns of 3.6% in the South East compared with 3.2% across the rest of the UK. This divergence can be explained by differences in capital growth; values in the South East were up 2.0%, accelerating much faster than those of the Rest of the UK at 1.3%. The majority of the growth can be attributed to yield compression as rental growth remained fairly modest across the UK at 0.4% for the South East and 0.1% for the Rest of the UK.

Returns gap between South East and Rest of UK continues to widen



Source: IPD Quarterly Digest

5.3 South East Office Market Overview

Take Up

2013 has so far been a vintage year in terms of occupier activity for the Western Corridor with take-up for the first 3 quarters of the year at almost 2.3 million sq ft. Take up has been buoyed by a number of large deals with around 30% of space taken involving units greater than 50,000 sq ft. BP acquired 135,000 sq ft at Building 2, New Square, Bedford Lakes; Reading Borough Council also purchased Plaza West, Reading (85,000 sq ft) and Cameron Oil acquired 57,000 sq ft of new Grade A space at Building 5, The Heights, Weybridge. With another quarter of take up still to go, take up is already above both the five and ten year average levels (2.1 million sq ft and 2.2 million sq ft respectively) and we anticipate take up of around 2.5 million sq ft for 2013 as a whole.

The Thames Valley accounted for over half of total take up (54%) over H1 2013 with Reading accounting for the greatest share of take up at town level (19%). However, West London has seen the greatest share of Grade A take up (59%) with Heathrow seeing the most activity (22%) boosted by the BP deal outlined above. Grade A take-up accounted for 48% of total take up during H1, down on the 5-year annual average of 54%. However, this is more a reflection of the lack of Grade A supply rather than demand.

Activity has been dominated by the core sectors: Manufacturing and Services; and this has carried through to the active requirements. During H1 2013 the Manufacturing sector accounted for 35% of total take up and the Service sector for 32%, consistent with the respective 5 year averages. Within these sectors Pharmaceuticals, Oil & Gas and TMT remain the key subsectors driving demand for office space.

Moving into H2 2013 there has been a further surge in occupier activity, with the market expected to well exceed the 5-year annual average take-up figure of 2.1 million sq ft. The following deals (not reflected in the mid-year data) demonstrate the marked return of pre-letting activity.

- BMW purchased the former Nokia office campus in Farnborough (300,000 sq ft) for the phased consolidation of its 1,000 staff based offices in Bracknell and Hook;
- Rackspace has committed to developing a 300,000 sq ft office campus at Hyde Park, Hayes, by pre-letting HPH5 (125,000 sq ft) as well as additional existing space.
- Dunhumby agreed a pre-let (115,000 sq ft) at the former For Motors warehouse at 184 Shepherds Bush Road, Hammersmith.

The key points affecting the favoured locations and influencing corporate occupier decisions over the next 3-5 years are:

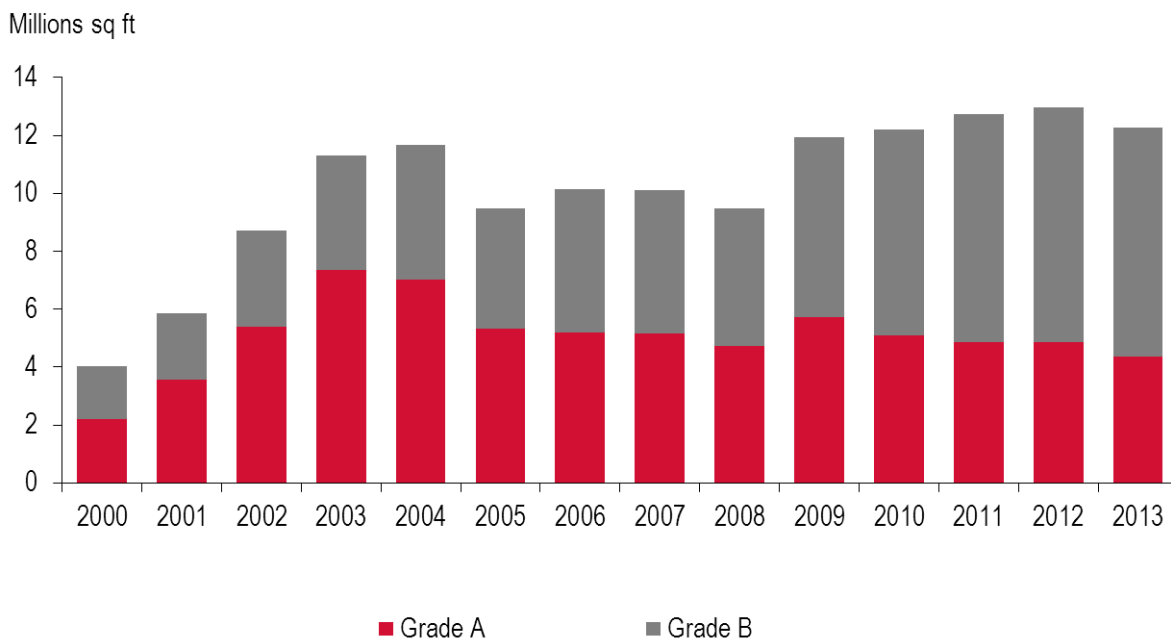
- Obsolescence – 90% of stock is >10 years old. This is an even higher percentage in the town centre locations
- The Energy Act means that the lease re-gear trend is abating. There is pressure to upgrade accommodation occupied and the hard deadline of the Energy Act looming in 2018, is now within range of 5 year lease re-gears.
- Named demand remains stable and is likely to grow as occupiers realise that that the options for alternative accommodation are dwindling and the pressing issues of obsolescence and Energy Act loom.
- Standing stock – there is a limited number of existing vacant buildings in the core locations available which are either new or substantially refurbished in the Thames Valley. Even with the current development pipeline this will constrain supply over the next 3-4 years.
- Development pipeline will only provide 450,000 sq ft this year a replacement rate of < 0.5% of the total market.
- Rental levels – there is clear evidence of headline rents in the key locations rising.

Supply

Western Corridor Grade A office supply is at its lowest level in 12 years. Total supply in the Western Corridor / South East market is down by approximately 5% year-on-year with 12.2 million sq ft of space immediately available for occupation, equating to a vacancy rate of 13.8%. The volume of available space is broadly in line with 5-year average rental levels. Grade A supply is severely constrained with just 4.6 million sq ft of Grade A space available (5.2%), 9% below the 5-year average and 17% lower than the 10-year average. The lack of Grade A supply combined with the anticipated growth in demand will fuel rental growth into 2014 and beyond. During the forecast period 2014-2017 we are predicting average prime rental growth of 4.2% per annum across the Western Corridor

The West London market is facing the greatest shortage with the Grade A vacancy rate standing at just 3.0% compared to 7.6% in the Thames Valley. This is a direct reflection of the take-up seen in the Western Corridor during Q1, the focus by occupiers on Grade A accommodation and the lack of development pipeline feeding into the supply profile.

Existing Supply by Grade

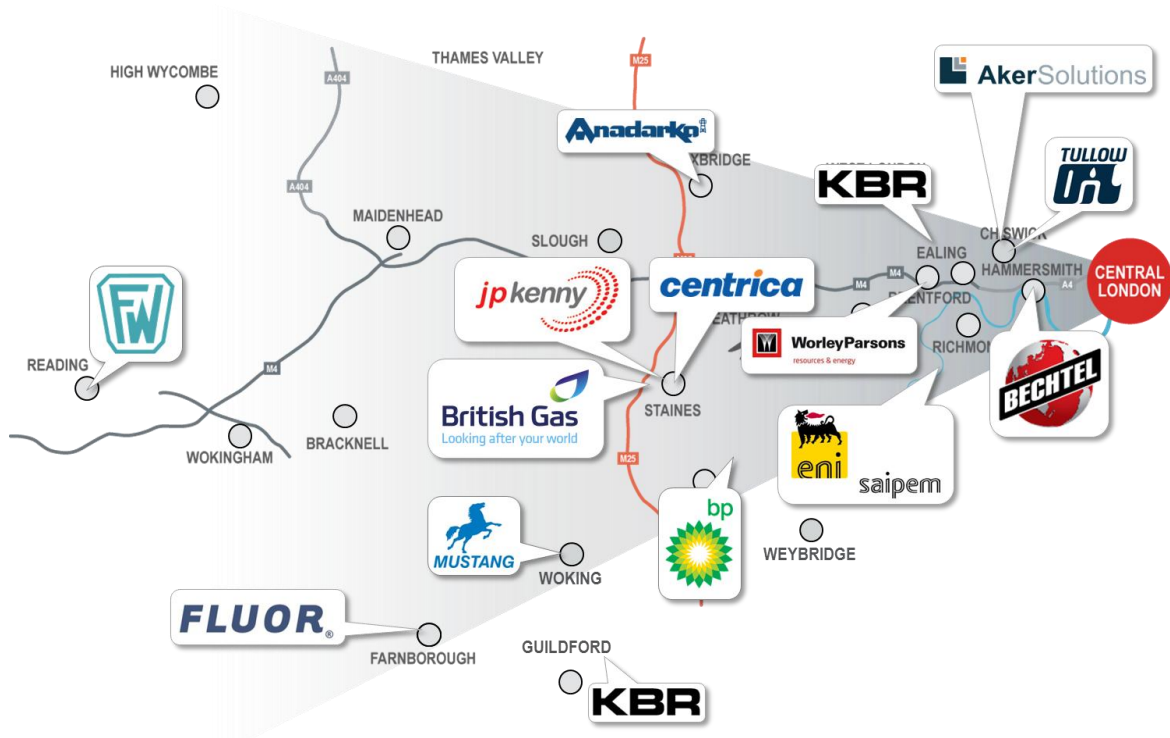


Occupier Profile

At the end of Q3 2013, there was over 4.4 million sq ft of active demand across the Western Corridor. While some of this increase is a result of the market becoming more transparent, this is still double the five-year average of 2.2 million sq ft.

The market is dominated by three key occupier sectors – Oil & Gas, Pharmaceutical and TMT. A lot of the businesses have their UK and European HQ's in the locality. Set out below are three maps indicating where the key occupiers in these sectors are located in the South East.

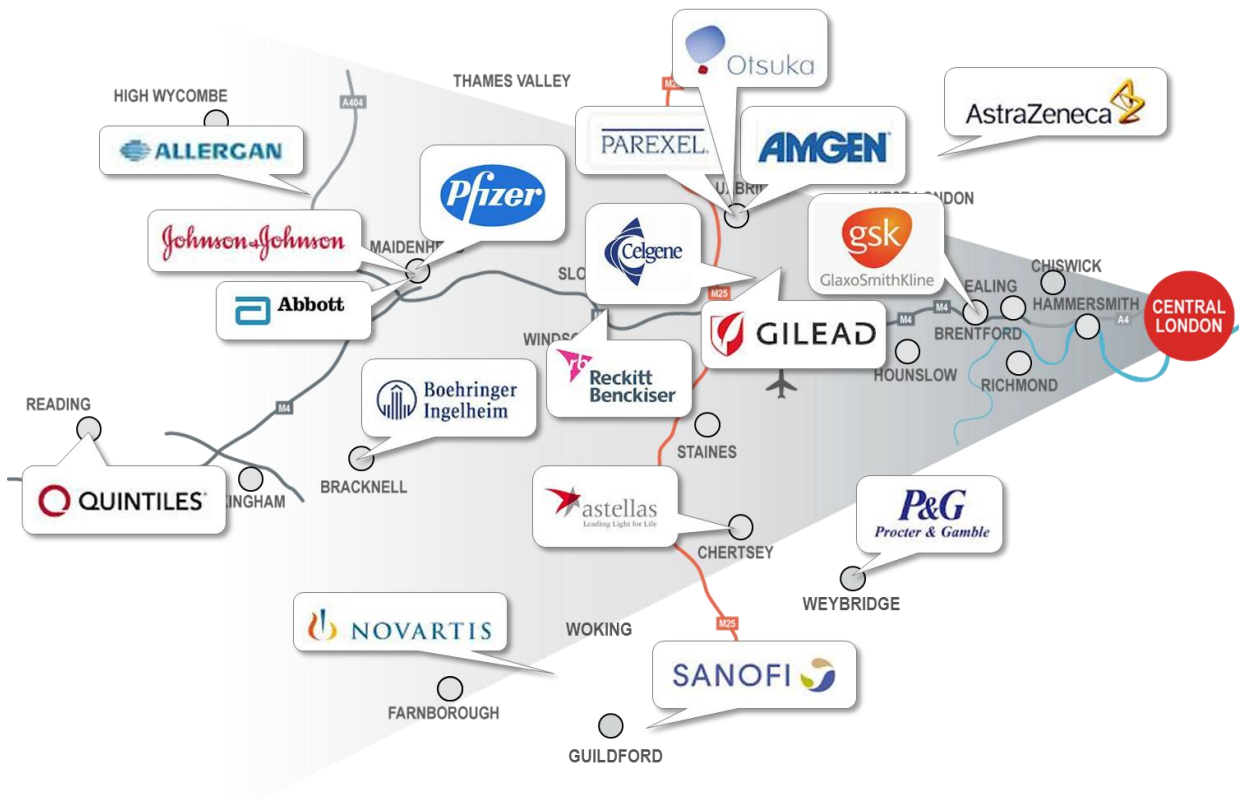
Oil & Gas



The Oil & Gas sector has been the most active over the last 12-18 months. In a majority of cases this has been net expansion.

- Most recently, Nexen have taken 80,745 sq ft at Stanza, Uxbridge at £32 per sq ft having decided against a refurbishment option of their existing space in the town.
- JP Kenny have expanded in Staines from 25,000 sq ft to over 100,000 sq ft in the last three years. Their latest letting being at 1 London Road where they have recently taken 17,000 sq ft.
- Cameron Oil, albeit not in the immediate area have increased floorspace by 25% mainly in the Weybridge area.
- BP have taken 135,000 sq ft at Bedfont Lakes which was the consolidation out of two buildings at Stockley Park enabling them to be closer to their Sunbury HQ.
- Aker Solutions who originally occupied 25,000 sq ft at Chiswick Park took a pre-let of 215,000 sq ft on the Park in 2012.

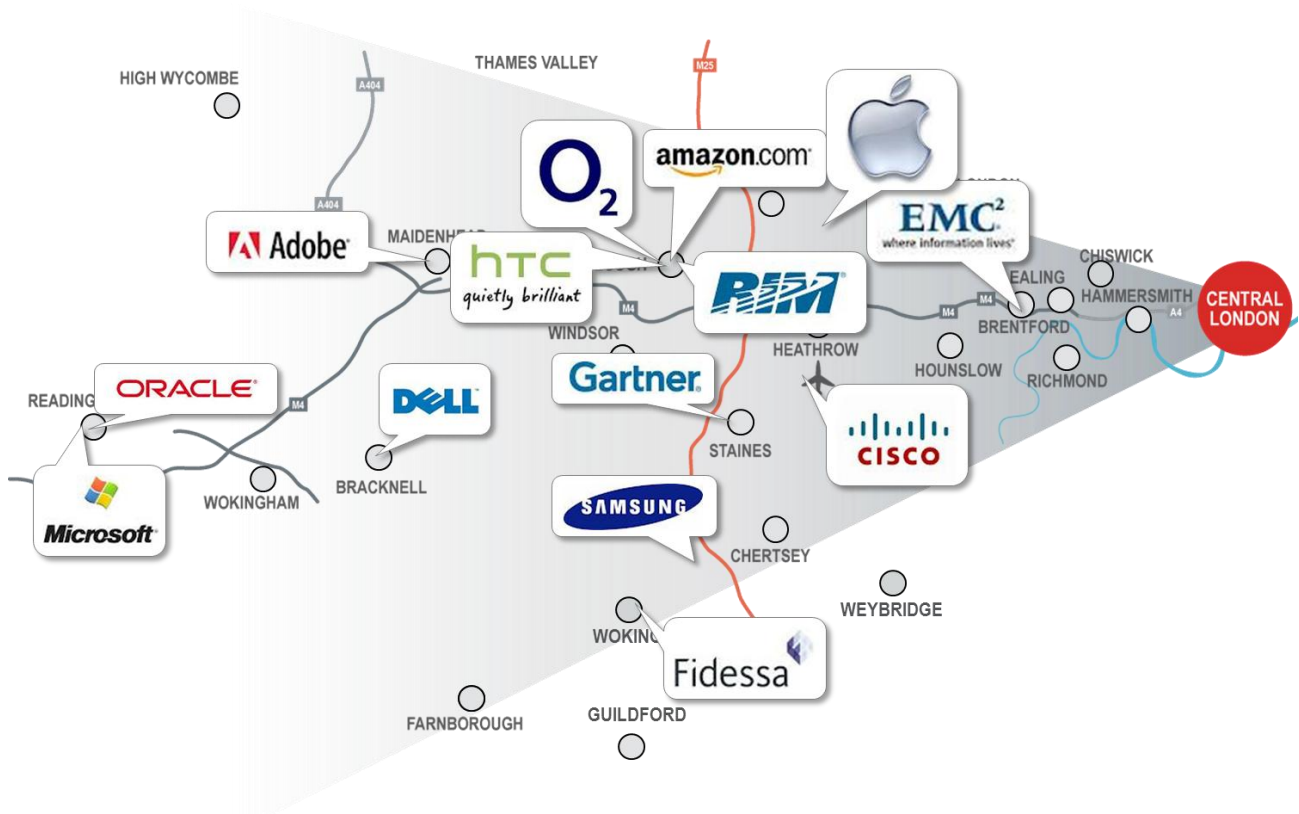
- Centrica continue to expand in the locality and currently have a 100,000 sq ft requirement for a single building.



Pharmaceuticals

The pharmaceutical sector has been subject to consolidation into key facilities with research facilities closing. The most public of these being AstraZeneca’s decision to move their HQ to Cambridge from Alderley Edge which will be over 500,000 sq ft. In the locality there is movement:

- GSK are reoccupying Stockley Park (Phase 3). They are currently refurbishing 70,000 sq ft space and taking a further 30,000 sq ft of expansion space in Brentford.
- Astellas Pharma are moving from 50,000 sq ft in Staines and buying the freehold of the ex-Electronic Arts HQ (100,000 sq ft) at Hillswood, Chertsey with the ability for a further 100,000 sq ft of development expansion.
- UCB have a requirement in the local market for a 180,000 sq ft UK HQ and lab facility



TMT

There has been significant press about the movement of the sector back towards central London. However there continues to be activity in the West London/Western Corridor area.

- Huawei moving from 40,000 sqft in Basingstoke to 135,000 sq ft at Green Park.
- Gartner Group requirement for a new building of 110,000 sq ft development in 2016.
- Viasat taking 70,000 sq ft at Chiswick Green.
- BMC Software relocating from Egham to IQ Winnersh and taking 40,000 sq ft.

Outside of these sectors there are multiple additional large requirements in the South East including:

- Centrica – 100,000 sq ft
- Close Brothers – 60,000 sq ft
- EMC – 80,000 sq ft
- Thales – 220,000 sq ft
- UCB – 180,000 sq ft
- Hyundai – 5,000 sq ft
- VM Wore – 75,000 sq ft

- Pepsi – 80,000 sq ft (Reading focused)
- Vodafone – 65,000 sq ft

In addition to enquiries already circulating in the market place, there is also up to 16 million sq ft of additional lease events over the period 2014-2018 which will further stimulate demand for office space.

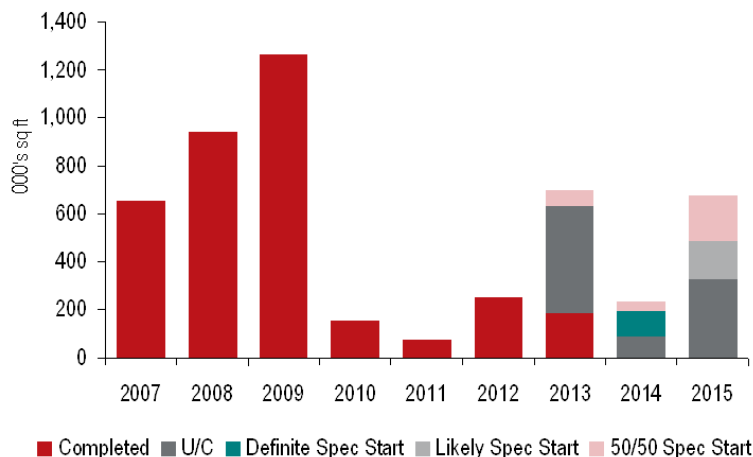
Development Pipeline

The entire development pipeline has been affected by the wider economic conditions and generally most developments were stopped or been shelved indefinitely resulting in little to no speculative development between 2004-2011. However, the South East has seen increasing numbers of developers take forward schemes over the past 12-18 months.

Securing funding remains a barrier to development but this is easing and more innovative funds and well-funded developers are leading the way in addressing the Grade A supply shortage. Developers who have taken the opportunity to build speculatively, have been rewarded with a number of speculative schemes let during construction (Aker Solutions, Chiswick Park) or soon after completion (Nexen, Stanza).

There is currently 860,000 sq ft of space under construction on a speculative basis, two thirds of which is in the West London market. There is approximately 450,000 sq ft scheduled to be delivered during 2013 which equates to a replacement rate of less than 1% in a market of 85 million sq ft. In a now recovering occupational market, this is exceptionally low and is creating a window of opportunity for oven ready sites in the best locations.

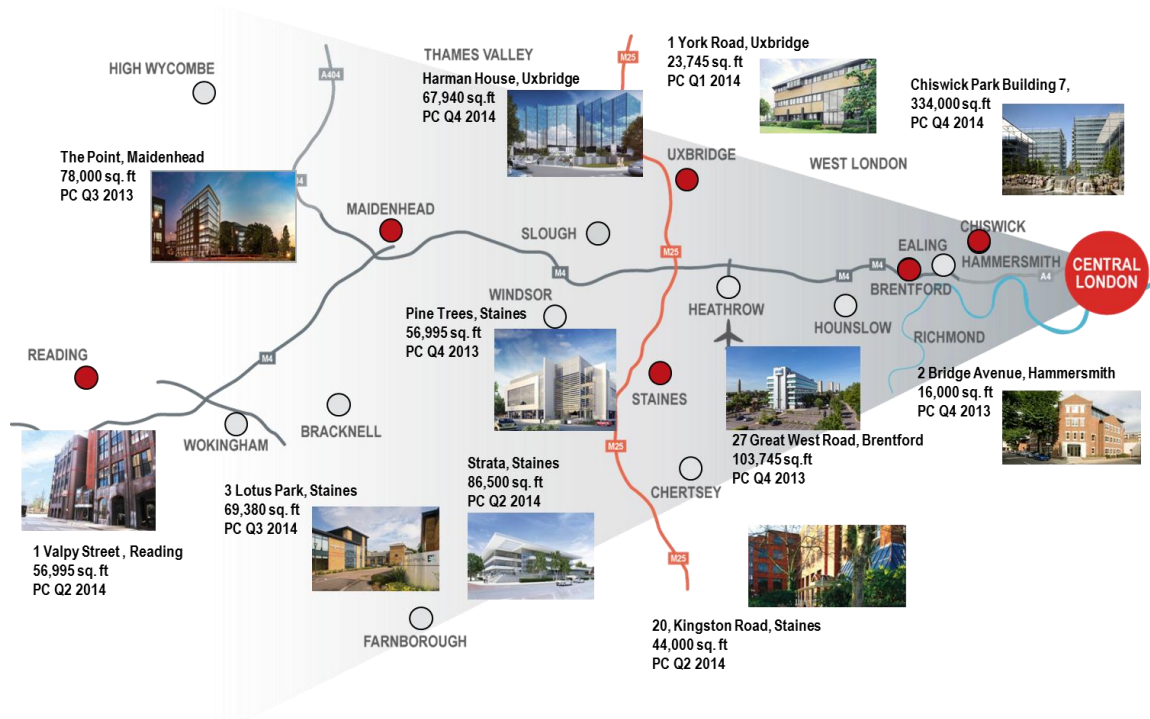
Speculative Development Pipeline



We set out below the current development pipeline of product that is either on site or very recently completed.

We have included the target or estimated dates for completion, along with approximate guiding rents for reference.

Development Pipeline – On site



Address	Size (sq ft)	Developer	Estimated PC	Est. Guiding rent (£sq.ft)
Under construction				
Point, Maidenhead	78,000	Kames	Q3 2013	£32.50+
Abbey Gardens, Reading	85,000	Hermes/Bell Hammer	Q3 2013	£30+
TOR, Maidenhead	66,000	Rreef/Rockspring	Q4 2013	£34+
Five Pinetrees, Staines	60,000	API	Q1 2014	£33/£34+
Flow, Staines	60,000 (2 buildings)	Rockspring/Exton	Q3 2013	£34+
Address	Size (sq ft)	Developer	Earliest Delivery	Likely rent target
Potential starts				
Kidwells Park Road, Maidenhead (S)	80,000	Hutley Holdings/TBC	Q1 2016	£30+
Charter Place, Uxbridge (R)	150,000*	Ignis (now planned for sale VP)	2015+	£30+

Reading Central Two & Three (S)	300,000	PRUPIM	2015 +	£32.50
'Strata' aka Ashby House, Staines (R)	86,000	LIM / Bell Hammer	Q3 2014	£33
Brunel Way, Slough	65,000	Hermes	Q4 2015	£30.00
Rivergate West, Staines	40,000	Boulbee Land	2015	£30

Rental Levels

Prime rents continue to increase with the average up 3.9% year on year to £28.96 per sq ft. Over the past 12 months, a number of key towns have recorded significant rental growth including Hammersmith (15.0%), Uxbridge (12.7%), Heathrow (9.3%), Staines (6.9%), Chiswick (3.3%) and Maidenhead (3.3%). Despite the relatively strong performance, headline rents continue to be supported by incentives, with up to 24 months rent free on a 10 year term in the South East and 12 months on a 5 year term certain.

It is well-documented that West London rents, Chiswick and Hammersmith, have now hit £45 per sqft. Both Chiswick and Hammersmith now stand at £47 per sq ft + whilst Richmond has Grade A space under offer at £42.50 per sq ft.

5.4 Guildford Property Market

Occupier Profile

Guildford has traditionally been an administrative centre for the region, home to a large number of public sector organisations with key occupiers including Guildford Borough Council and Job Centre Plus. Occupiers are attracted to Guildford due to its proximity to an excellent array of amenities and shopping; the train links to London and Reading; its location in the heart of an affluent commuter belt and its status as an established office centre.

The largest business sector employer in Guildford is Detica, part of BAE systems, who employ approximately 1,000 staff at Surrey Research Park. Insurance firms also have a significant presence with Allianz who have their UK Headquarters located to the north of the town centre (adjacent to the subject property) and employ 900 staff in the area and Enstar Group Ltd who are based at Cathedrill Hill. Well known professional firms include accountants Baker Tilly (13,400 sq ft) and Smith & Williamson, and solicitors Clyde & Co and Stevens & Bolton (40,000 sq ft).

R&D activity is also important to the Guildford economy. This was stimulated by the opening of the Surrey Research Park in 1984, which has links to Surrey University. Key occupiers include BOC Group and Surrey Satellite Technology, who moved approximately 200 employees to an 80,000 sq ft purpose-built premises at the park in 2006.

Manufacturing firms also provide an important source of office employment in the town. Key occupiers include pharmaceuticals firms Sanofi Aventis and Colgate Palmolive (40,000 sq ft), who both base their headquarter offices in the town, bus manufacturer Alexander Dennis and wine importer Constellation. In addition to manufacturing, the oil industry also has a notable office presence in Guildford, with UOP occupying 4 Lion Gate.

Other occupiers of note in the town include:

- EA Sports (70,000 sq ft)
- Ericssons (70,000 sq ft)
- Philips (50,000 sq ft)
- Microsoft (Lionhead) (30,000 sq ft)
- Charles Russell (70,000 sq ft)
- Surrey Satellite Technology (80,000 sq ft)

Occupiers that are currently outside Guildford and expressed a recent interest in moving to the town include Close Brothers, Marsh MMC and Yum Foods.

Supply

Guildford has an estimated stock of 3.4 million sq ft making it a small and concentrated office market.

No space was completed in Guildford in 2012 and the last construction peak was 91,000 sq ft in 2005. The impact of these trends (coupled with demolitions and changes of use) has meant that since 2007, the office stock in Guildford has remained largely unchanged.

The most recent office scheme constructed in Guildford in the last 15 years was 65 Woodbridge Road developed by Standard Life Investments. 65 Woodbridge Road is a Grade A building totalling 30,505 sq ft over ground and three upper floor developed in 2011.

It is estimated that availability in Guildford is to have fallen over the last 6 months with current availability standing 358,870 sq ft at mid-2013. This equates to a vacancy rate of 10.5% this is compared to a vacancy rate of 15.2% in the M25 West market area. The prime vacancy rate is, however, low at approximately 1.9% (circa 67,000 sq ft).

Development Pipeline

Although there is currently no office space under construction in Guildford, there is 0.5 million sq ft in the development pipeline. Of this, the majority has planning permissions and only 22,000 sq ft is preliminary.

Of the space planned in Guildford, there is one scheme over 100,000 sq ft and one scheme between 50,000-100,000 sq ft. By location, 60% of the space planned is in the town centre and 40% is out of town.

First Urban Group, a local investor and developer, gained permission in 2013 to develop just over 100,000 sq ft of offices to the north side of Guildford station where two smaller 1980s office buildings are currently stood. It is rumoured that First Urban Group are considering a sale to a residential developer. Elsewhere, F&C REIT Asset Management have permission for two speculative headquarters buildings (known as Guildford Plaza), totalling 86,400 sq ft on Portsmouth Road, and are seeking pre-let opportunities at the site. It is likely that this will be built out as a residential or assisted living scheme. The local agents are of the opinion that quoting rents on brand new offices will be north of £32.50 per sq ft.

Several smaller town centre schemes also have permission, including a 33,200 sq ft redevelopment scheme on Walnut Tree Close and the refurbishment and extension of Beaufort House, Chertsey from 22,100 sq ft to 30,000 sq ft by Standard Life Investments which is likely to quote £31.50 per sq ft.

There are further plans for the redevelopment of Guildford station and the surrounding area. Solum Regeneration, a partnership between Network Rail and Kier Developments, are currently carrying out a public consultation on the planned development at the site, with a planning application expected to be submitted in due course. The scheme will redevelop the existing brownfield site, providing improved station services, retail, residential and office space.

Take Up

It is estimated that demand in Guildford fell by 22% in 2012 to 128,000 sq ft. However, this was still 19% above the 5 year average of 107,000 sq ft.

Although smaller transactions (under 25,000 sq ft) are more common in Guildford, the occasional large transactions have helped to boost the take up figures in the past few years. In 2012, Detica took 60,000 sq ft at 170 Priestly Road, Surrey Research Park (the largest deal since 2006). They additionally regearred their leases at four other properties totalling 52,000 sq ft at the same time. Baker Tilly also took 13,600 sq ft at the refurbished One London Square scheme.

More historically, TWM Solicitors acquired 11,000 sq ft at 65 Woodbridge Road in 2009. at £26.00 per sq ft following that, Tufton Ferraby Taylor took 5,400 sq ft at 65 Woodbridge Road in 2010 at £26.50 per sq ft. 65 Woodbridge Road was the last significant new build in Guildford.

Occupier demand has remained subdued in 2013 with only a few key deals of note. In September Charles Russell taking 20,000 sq ft at £25 per sq ft for a 15 year lease with an 11 year break at One London Square. An incentive package of 12 month's rent free and 24 months at half rent was granted. One London Square is a Grade A refurbishment of a 1990's building.

UOP also regearred their lease at 4 Liongate where they have been in occupation for 24 years. We also understand that UL Laboratories are in discussions to renew their 24,000 sq ft at Guildway at £22-23 per sq ft. £26.00 psf is being achieved for poorer space at Ranger House (adjacent to the railway station).

It is likely that 2013 take up is likely to be lower than average, however, this is largely due to a lack of any speculative or new built stock coming to the market with only refurbishments to satisfy the potential demand.

Rents / Rental Growth

Current headline rents have remained broadly static over the past few years and current town centre headline rents lie at £26.00-£27.00 per sq ft. However, rents are expected to improve through the development of new stock. Quoting rents are expected to be north of £31.50 per sq ft for refurbished Grade A offices and north of £32 per sq ft for brand new space. Headline rents on existing stock are expected to accelerate given the limited pipeline of new stock.

JLL are predicting rental growth for the M4 corridor and West London market over the next five years. IPD is forecasting 4.0% per annum rental growth for Greater London office. As outlined below, JLL in house forecasts are 4.2% for the M4 corridor and 2.6% for Guildford.

	Q4 2012	Q4 2013	Q4 2014	Q4 2015	Q4 2016	Q4 2017	1988-2012 AVERAGE	2008-2012 AVERAGE	2010-2012 AVERAGE	2013-2015 AVERAGE	2013-2017 AVERAGE	2014-2017 AVERAGE
Prime Annual Rent (£ sq ft pa)												
UK Major Cities Average	27.58	28.17	28.83	29.62	30.21	30.75						
Birmingham	28.50	28.50	28.75	29.50	30.25	31.00						
Bristol	27.50	27.50	28.00	29.50	30.50	31.00						
Edinburgh	27.00	30.00	30.50	31.00	31.50	32.00						
Glasgow	27.50	28.00	29.00	30.00	30.50	31.00						
Leeds	25.00	25.00	26.00	26.50	26.50	27.00						
Manchester	30.00	30.00	30.75	31.25	32.00	32.50						
M4 Corridor Average (Town Centre)	30.33	31.83	33.38	34.92	36.25	37.58						
Bracknell	21.00	21.50	23.00	24.50	26.00	27.50						
Hammersmith	45.00	48.00	50.00	52.00	54.00	56.00						
Maidenhead	30.50	32.50	34.00	35.50	36.50	37.50						
Reading	30.50	31.00	32.50	34.00	35.00	36.00						
Slough	25.00	26.00	27.75	29.50	31.00	32.50						
Staines	30.00	32.00	33.00	34.00	35.00	36.00						
Annual Rental Growth (%)												
UK Major Cities Average	-0.6	2.1	2.4	2.7	2.0	1.8	4.5	-0.8	0.8	2.4	2.2	2.2
Birmingham	0.0	0.0	0.9	2.6	2.5	2.5	5.0	-2.6	1.2	1.2	1.7	2.1
Bristol	0.0	0.0	1.8	5.4	3.4	1.6	n.a.	0.0	1.9	2.4	2.4	3.0
Edinburgh	0.0	11.1	1.7	1.6	1.6	1.6	3.7	-1.1	-1.2	4.7	3.5	1.6
Glasgow	0.0	1.8	3.6	3.4	1.7	1.6	4.1	0.0	1.9	2.9	2.4	2.6
Leeds	-3.8	0.0	4.0	1.9	0.0	1.9	4.7	0.0	-1.3	2.0	1.6	1.9
Manchester	0.0	0.0	2.5	1.6	2.4	1.6	5.2	0.0	2.3	1.4	1.6	2.0
M4 Corridor Average (Town Centre)	5.8	4.9	4.8	4.6	3.8	3.7	2.3	0.0	3.5	4.8	4.4	4.2
Bracknell	0.0	2.4	7.0	6.5	6.1	5.8	1.4	-4.2	-4.4	5.3	5.5	6.3
Hammersmith	20.0	6.7	4.2	4.0	3.8	3.7	3.9	3.2	8.7	4.9	4.5	3.9
Maidenhead	1.7	6.6	4.6	4.4	2.8	2.7	2.1	-0.6	5.5	5.2	4.2	3.6
Reading	0.0	1.6	4.8	4.6	2.9	2.9	2.5	2.5	3.5	3.7	3.4	3.8
Slough	0.0	4.0	6.7	6.3	5.1	4.8	1.3	-2.2	0.0	5.7	5.4	5.7
Staines	7.1	6.7	3.1	3.0	2.9	2.9	2.1	-0.7	4.2	4.3	3.7	3.0

Source: Jones Lang LaSalle

6 Valuation Commentary

6.1 Rental Evidence and Estimated Rental Value

A reversionary lease has very recently been agreed on the property at £23.00 per sq ft therefore we would consider the property rack rented in its current condition today.

If the property were to undergo a refurbishment, we are of the opinion that rental levels could reach £24 – 25 per sq ft headline rent. This level is supported by the recent letting at One London Square, a Grade A refurbished 1990s building. Charles Russell recently took 20,000 sq ft at £25 per sq ft on a 15 year lease with an 11 year break. An incentive package of 12 month's rent free and 24 months at half rent was granted

6.2 Covenant Status

6.2.1 Background and Financial Information

UOP Ltd is the leading international supplier and licensor for the petroleum refining, gas processing, petrochemical production and major manufacturing industries. More than 60% of the world's gasoline and 85% of biodegradable detergents are made using UOP technology.

UOP Ltd was founded in 1914 and remained a privately held firm until 1931. Most recently, in 2005, Honeywell took over 100% ownership and UOP Ltd is now part of Honeywell's Performance Materials and Technologies Business Group which over the past 90 years has been offering the best and most advanced processes, products and services around the world.

UOP Ltd have multiple office locations in Europe, Middle East, Asia, Canada and the Americas. They have one other location in Brimsdown, Enfield.

The table below sets out the key information in regard to covenant strength sourced from a Dun & Bradstreet credit check. Based on this information available to us, we have formed the following view with regard to the covenant status of the tenants. Although we reflect our general understanding of the tenant, we are not qualified to advise you on the financial standing of the tenant.

We consider that given the high rating of the financial performances and therefore low risk assessment, the property investment market would consider the covenant strength of the tenant to be very favourable.

UOP Ltd have a D&B rating of 5A 1, representing a minimum risk of business failure. The company's recent financial results appear as follows:

	31/12/2012	31/12/2011	31/12/2010
Turnover	£94,406,000	£85,081,000	£98,285,000
Pre-Tax Profit (Loss)	£10,938,000	£18,587,000	£23,720,000
Net Worth	£135,809,000	£128,764,000	111,228,000
Net Current Assets (Liabilities)	£125,731,000	£118,922,000	£99,783,000

6.2.2 Conclusion

The results of these credit checks have allowed us to form an opinion of the tenant, however although we reflect our general understanding of the status of the tenant, we are not qualified to advise you on the financial standing of the tenant.

Based upon information in the public domain, we have assumed that the property investment market, following their own inevitable inquiries, would consider that the cashflow is well secured against a large, well known and respected company. We would suggest that based on the low risk analysis that the investment market would consider very favourably the strength of the tenant covenant. On the basis that the market perception of the covenant is likely to be strong, the property would be well received by the market and therefore very liquid.

We have therefore valued the property on the basis that the tenant will continue to fulfil the financial obligations under their lease. We believe that the investment market would regard this investment as strong, secure income.

We have included for your

reference a D&B report in Appendix 4.

6.3 Investment Comparables and Considerations

The South East office investment market has seen a surge of interest and investment over the past 6 months which has caused pricing for the prime products to improve and harden. This has been the result of a number of points:

Lack of Prime Product

Due to the lack of new development product, the market has become starved of stock which has put further pressure on values, particularly at the prime end of the market. When this type of product is actively marketed, we have witnessed a depth of investor interest leading to competitive bidding and prices achieved ahead of asking for select core assets. Investors want well located, new build product preferably in town centres. Due to limited development that has occurred over the last decade in the south east, this is in short supply.

Occupational Market

Investor sentiment is very positive for the market which is on the back of very progressive occupational statistics. With a large number of requirements in the market, but little Grade A stock, there is real opportunity for rental growth in many of the key South East locations such as Guildford.

Overseas Investors

The focus for overseas investors has been Central London to date. With that market becoming extremely competitive and prime yields sharpening further, they are now prepared to look to the key regional markets but only for well-located and well-let product. In the main regional centre and key south east locations, sovereign wealth and high net worth investors are buying assets. This is coupled with the growing interest of the UK institutions as well.







Multi-let Town Centre Offices







UK funds are pursuing both well-let, longer leased produced and multi-let modern assets in town centre locations. To date, the yield differential has been 25-50 bps. Transactions in Guildford (Ranger House and 65 Woodbridge Road) and Reading (1 Forbury Square & Davidson House) have achieved between 6.25-7.00% IY over the last two years. In H2 2013 multi-let pricing achieved better than 6.00% IY as evidenced by the transaction at Capital Court, Uxbridge. There is a scarcity of stock, which means high levels of competition for the right town centre

assets. Most recently, shorter income (circa 2 years unexpired) at Braywick Gate has transacted at 6.25% IY and Beaufort House, Uxbridge is under offer at better than 7.00% IY.





The result of this is that prime yields moved in by 25 basis points in mid-2013 to 6.00-6.25% for both West London and the South East and has since moved in a further 25-50 bps to 5.75% IY, which we expect to trend keener in the short term.

In arriving at our opinion of market Value in respect of this property, we have had regard to a range of investment transactions. We have detailed a selection below:

Guildford Comparables			
	1-7 Stoke Road, Guildford Town centre, self contained office property totalling 37,360 sq ft. Let to Clyde & Co LLP with circa 2.5 years unexpired at a rent of £19.21 psf. They have occupied the property since 1992. Car parking ratio 1:566 sq ft.	Date: Price: NIY: Cap Val:	Jun-13 £8.1M 8.36% £217 psf
	170 Priestley Road, Guildford High quality refurbished Grad A office totalling 60,041 sq ft. Let to Detica Limited with 9.4 years unexpired at a rent of £23.50 psf.	Date: Price: NIY: Cap Val:	Jun-13 £14.43M 7.72% £240 psf
	Ranger House, Guildford Freehold modern office building totalling 42,098 sq ft and 999 year lease car park situated adjacent to Guildford Railway Station. Multi-let at a current passing rent of £1,041,048 pa (average rent of £25 psf). We understand that c.10% was vacant with a 9 month rental guarantee.	Date: Price: NIY: Cap Val:	Apr-13 £14.05M 7.00% £333 psf
	Beaufort House, Guildford Redevelopment opportunity comprising 22,468 sq ft. Planning consent to build out 30,000 sq ft. Shorter term income of £437,622 pa for circa 6 months.	Date: Price: NIY: Cap Val:	Mar-13 £3.75M N/A £166 psf
	Bishops Wharf, Guildford Two high quality office buildings completed in 2002, opposite Guildford Railway Station. Car parking ratio of 1:975 sq ft. Let to 1 Riding House Street Limited with a guarantee from Smith & Williamson Lrd for 6.25 years at a rent of £28.25 psf.	Date: Price: NIY: Cap Val:	Nov-12 £4.9M 8.50% £314
	Hays House, Guildford The property was constructed in early 1980s, arranged over ground and 2 upper floors totalling 17,938 sq ft. Located a short walk from Guildford Mainline Railway Station.	Date: Price: NIY: Cap Val:	Feb-12 £4.5M 7.20% £251 psf

	65 Woodbridge Road, Guildford 3-storey office built in 2011 comprising 30,505 sq ft. Multi-let to 4 tenants with an 18 month rental guarantee on the remaining 3,248 sq ft vacant space producing £800,781 pa (£26.25 psf).	Date: Price: NIY: Cap Val:	Dec-11 £12.07M 6.27% £395
Single Let Comparables			
	Market House, Maidenhead A 76,000 Grade A office building over ground and 3 upper floors. Let to Adobe for 10 years with a 10 rental guarantee on the remaining vacant space.	Date: Price: NIY: Cap Val:	Under Offer £36.5M c.5.75% £492
	Heliting House, Staines 2001 building comprising 20,765 sq ft, let to the Secretary of State for a further 4.5 years at a rent of £30.85 psf. 56 car parking spaces providing a ratio of 1:370 sq ft.	Date: Price: NIY: Cap Val:	Under Offer £7.66M c.7.9% £368
	Crest House, Chertsey Headquarters office located 100m from Chertsey railway station comprising 22,970 sq ft. The property is fully let to Crest Nicholson Plc with 9.6 years unexpired at a rent of £23.94 psf.	Date: Price: NIY: Cap Val:	Dec-13 £8.4M 6.19% £366 psf
	Enterprises House, Uxbridge Long leasehold (93.5 years). Fully refurbished Grade A office accommodation totalling 123,000 sq ft with BREEAM 'Excellent' rating. Let to Coca-Cola for 14 years at a rent of £26.50 psf.		Nov-13 £52M 5.75% £423 psf
	Stanza Building, Uxbridge 80,745 sq ft of Grade A office completed in 2012. Fully let to Nexen Petroleum on a new lease with 12 years unexpired at £32 psf.	Date: Price: NIY: Cap Val:	Sep-13 £43.075M 5.72% £533
	Future House, Staines Grade A office accommodation located in a prime position adjacent to the M25. Let to Future Electronics for 4.5 years at £27.63 psf. Good car parking ratio of 1:209 sq ft.	Date: Price: NIY: Cap Val:	Sep-13 £23.55M 7.57% £345 psf
	6 Roundwood Avenue, Stockley Park 47,089 sq ft office let to Canon Europe Ltd (Guaranteed by Canon UK Ltd) for a further 4.5 years at a rent of £26.53 psf overall. Excellent car parking ratio of 1:271 sq ft.	Date: Price: NIY: Cap Val:	Aug-13 £14.225M 8.3% £302 psf

	Syward Place, Chertsey 50,815 sq ft HQ office building. Let to Automatic Data Processing Ltd for 6.8 years at £16.14 psf with fixed increase in 2015. Car parking ratio of 1:212 sq ft.	Date: Price: NIY: Cap Val:	Jul-13 £12.4M 6.97% £244 psf
	British Gas HQ, Oxford Business Park, Oxford 81,470 sq ft sustainable Grade A office with BREEAM 'Excellent'. Let to GB Gas Holdings for 14.5 years at a rent of £22.50 psf.	Date: Price: NIY: Cap Val:	May-13 £29.1M 5.95% £357 psf
Multi-Let Comparables			
	Vision Park, Cambridge Four freehold properties located on Cambridge office park totalling 89,889 sq ft. The properties are 81% let to tenants including Santander, Lloyds Bank, and Spore Healthcare with an AWULT of 7.45 years. Low average rent of £20.31 psf.	Date: Price: NIY: Cap Val:	U/O significantly better than quoting terms £28M 6.16% £311 psf
	Beaufort House, Uxbridge 43,438 sq ft arranged over ground and four upper floors located in a prime location, 300m from Uxbridge Station. The property is let to four tenants with AWULT of 2.62 years to break with a low average passing rent of £23.29 psf.	Date: Price: NIY: Cap Val:	U/O at better than quoting terms Q: £13.73 Q: 7.00% £316
	Avalon House, Richmond The property comprises 28,331 sq ft and 33 car parking spaces. Let to Novell Holdings Ltd with 11.5 years remaining. The tenant is not in occupation and the property is sub-let to five tenants at rents ranging from £20.50 psf - £31.24 psf	Date: Price: NIY: Cap Val:	U/O at better than quoting terms Q: £12.94 Q: 6.50% £457 psf
	One Gloucester Place, Brighton 37,712 sq ft Grade A office accommodation refurbished in 2012. Arranged over ground and five upper floors with 15 basement car parking spaces. Let to 4 tenants with approximately 3.8 years unexpired to break and an average rent of £20.60 psf.	Date: Price: NIY: Cap Val:	Nov-13 £11.27M 6.66% £292
	Braywick Gate, Maidenhead 39,609 sq ft building constructed in 2002/3 situated in a prime location opposite Maidenhead Railway station. Multi let to three tenants with AWULT 2.8 years to expiry and 1.7 years to break at an average rent of £28.77 psf.	Date: Price: NIY: Cap Val:	Nov-13 £16.9 6.35% £425 psf
	Mount Pleasant House, Cambridge 41,614 sq ft arranged over four storeys across two wings. The property is fully let to 9 tenants providing a current rent of £18 psf overall. Excellent car parking ratio of 1:287 sq ft.	Date: Price: NIY: Cap Val:	Sep-13 £10.5M 6.25% £252 psf

	Capital Court, Uxbridge Grade A office totalling 58,853 sq ft including a ground floor restaurant. Multi-let to 3 tenants including Manpower, Illiffes Booth Bennett and Strongzone Ltd with an AWULT of 8.8 years at a rent of £23.68 psf.	Date: Price: NIY: Cap Val:	Aug-13 £21.24 5.95% £361 psf
	Oriol House, Richmond A 1980s office comprising 24,574 sq ft with ground floor retail held long leasehold. Retail units (Barnard Marcus & RBS) expiring 2014-2015. Offices let to Serco with a break in 2018 at £29.93 psf.	Date: Price: NIY: Cap Val:	Aug 2013 £8.725m + Sub 7% £355 psf
	80 Hammersmith Road 40,897 sq ft refurbished office accommodation. External 1980s cladding as existing construction. AWULT of circa 5 years.	Date: Price: NIY: Cap Val:	May-13 £20.81M 6.72% £509 psf
	One Eton Street, Richmond 48,528 sq ft of new prime office and retail. The retail is let to Fresh & Wild (t/a Wholefoods) for 20 years at £34.74 psf. Offices are currently vacant with a 2 year rent (£38 psf), rates and service charge guarantee.	Date: Price: NIY: Cap Val:	Apr-13 £28.63M 5.80% £590 psf

6.3.1 Commentary

In considering the capitalisation rate for the valuation we have had regard to the comparable evidence above.

Since the start of this year, there has been a growing realisation amongst investors that the availability of Grade A well-let stock in the core South East locations is swiftly dwindling. Opportunities are becoming thinner and there is no obvious point in time that can be pointed to as to when this will improve.

The demand for both multi let and single let Grade A assets has grown as 2013 has progressed. In Q1, for single lets, the 'green' British Gas HQ, Oxford achieved 5.95% in competitive bidding, whilst 3 Longwalk, Stockley Park (Marks and Spencer) received bids close to 6.00% for what is an older product. Single let, mid-term income streams also witnessed hardening in pricing during the course of the summer period with Future House, Staines and 6 Roundwood Avenue, Stockley Park transacting at £23.55M; 7.57% IY (£345 cv psf) and £14.225M; 8.3% (£302 cv psf) respectively. Heliting House, Staines has recently gone under offer at £7.66M; circa 7.9% IY (£368 cv psf) for 4.5 year income.

Pricing for multi-let assets has also improved with the sales of Ranger House, Guildford transacting at circa 7% IY and One Eton Street, Richmond achieving 5.8% IY (50% of the income from retail) in April 2013. In May 2013, 80 Hammersmith Road, a 1980s building but comprehensively refurbished with 5 years AWULT achieved 6.72% IY. Capital Court, Uxbridge achieved 5.95% IY over the summer in competitive bidding amongst the UK funds. We understand that Braywick Gate, Maidenhead with 2/3 years AWULT has recently transacted at £16.9M; 6.35% IY (£425 cv psf) and Beaufort House, Uxbridge is under offer at £13.73M; 7.00% IY (£316 cv psf).

The information above demonstrates the growing demand for quality South East product and the increasing pressure amongst UK institutions especially, to focus their buying strategy on this market.

Based on the evidence above, we are of the opinion that the subject property would be competitively sought in the open market by both UK and overseas parties. It is an attractive lot size and there is a demand premium for well-secured, well-located assets offering long income.

6.4 Analysis

6.4.1 Valuation Approach

The valuation process may involve a number of different valuation methods depending on the relevance of each approach to the subject property, market conditions at a particular point in time, the quantity and quality of available data and the motivations of vendors and purchasers in the market place.

In this instance we have adopted principally the investment valuation approach which reflects the income producing nature of the asset. We have had regard to comparable investment sales transactions evidence where possible and our own understanding of the commercial investment market as at December 2013. We consider that this is the method that the majority of investors would adopt in valuing this property. We have also had regard to the capital value per square foot as means of verifying our conclusions.

Our traditional valuation is based on the tenancy schedule detailed in the appendices of this report.

6.4.2 All Risk Yield Approach

We have adopted the traditional investment method of valuation, undertaking the valuation using the all risks yield method through capitalising the current rental income stream at an appropriate, market derived rate of return, the "all risks yield" which reflects the qualities and risks associated with the property. We believe that this is the most appropriate way of arriving at the Market Value of the property. We have therefore valued the building reflecting the current income and lease strengths.

As previously discussed in the report we are of the opinion that the property is rack rented based on the rent agreed within the reversionary lease. Therefore based on the income of £980,000 an unexpired term of approximately 5 years and in light of the comparables we have adopted an equivalent capitalisation rate of 7.30% which we have applied from the date of valuation.

This produces a capital value of £13,000,000 which reflects a capital value of £300 per sq ft, and the following yield profile:

Initial Yield:	9.45 %
Equivalent Yield:	7.30 %
Reversionary Yield:	7.13%

6.5 DCF

In appraising the property, we have modelled the overall return or IRR based on the following two scenarios.

Scenario 1: Base Case

UOP do not exercise their break date on 29th September 2019

Assumptions:

- Entry price: £13.0M, 9.45% NIY
- Total current passing rent:
 - £1,300,000 pa
- UOP renew in 2019 in return for 7 months' rent free as specified in the reversionary lease
- Rent free calculated as 7 months of rent at review of £1,141,458pa = £665,850
- ERV today
 - £23 per sq ft on the office space
 - Reception – 50%
 - Basement storage - £N/a
- Rental Growth - 2.5% pa from day 1.
- Rent at Exit - £1,141,458 pa (£26.70 psf)
- Exit yield at 7.00% NIY.
- Exit value: £15,300,000 (after deducting purchasers costs at 5.8% and vendors fees of 1.00%)

This produces an overall ungeared IRR over 6 years – 8.80%

Scenario 2: Refurbish & Re-let

Refurbish and re-let on the break date

- Entry price: £13.0M, 9.45% NIY
- Total current passing rent:
 - £1,300,000 pa
- Capital expenditure of £40 per sq ft (£50 per sq ft (gross assuming £10 psf received back in dilapidations) on lease expiry over a 6 month period.
- Additional letting void – 6 months
- Total letting void / refurbishment period – 12 months.
- Rent free of 9 months topped up at exit point in September 2020 (£961,500 pa)
- Total void – 21 months.
- Full rates costs on lease expiry (delayed 6 months for refurbishment) at £7.75 per sq ft
- Letting fees (10% of ERV).
- ERV for refurbished building
 - £25 per sq ft on the office space
 - Reception – 50%
 - Basement storage - £N/A
- Rental Growth - 2.5% pa from day 1.
- Exit yield at 6.75% NIY.
- Rent at exit:
 - £1,282,927 pa (£29.88 psf)
- Exit value: £17.8M (after deducting purchasers costs at 5.8% and vendors fees of 1.0%)

Overall ungeared IRR over 7 years – 7.78%

The IRR that any individual purchaser will accept is highly variable and will be dependent on their own benchmarks, investment criteria, level of debt, market view and risk tolerance. Moreover, investor's target IRRs are not generally publicised. However, we believe that institutional purchasers for asset such as this would have a target IRR in the region of about circa 7%-8% In this case, all our DCF appraisals are in excess of 7%, we believe that in the current market these levels of IRR would be acceptable.

6.6 Investment Considerations

6.6.1 Finance

We understand the proposed transaction of the subject property is to be a 100% equity purchase and not subject to any third party debt.

For general reference it should be noted that although bank lending remains fairly subdued as a result of the global financial crises and recent recession, it has been reported that the number of banks lending is steadily increasing and that their loan terms are starting to improve. Although it is difficult to find finance for large lot sizes, conditions are improving and as such the conditions for securing credit against robust cashflows and those with strong banking relationships are positive. Syndicated deals are now more common but only for well let properties on long leases to recognised covenants.

- The current Bank of England Base Rate is 0.50% whilst 5 year Swap Rates are at 1.85%
- The 3 month LIBOR stands at 0.52%
- More banks are starting to lend although only on low risk properties and at lower loan to value ratios.

6.6.2 Liquidity (Saleability)

A key attribute and primary investor requirement is secure against the excellent tenant covenant strength offered by the property off a rack rent which the subject property offers.

In addition, the property is located in a strong South East office market and would therefore appeal to a range of investors. This investment profile reflects the key criteria sought by UK Institutions and well-funded property companies. In the current market investors are aggressively chasing such assets and as such pricing has become competitive.

Due to the factors mentioned above, we are of the opinion that the property benefits from a relatively high level of liquidity in the current market, which has been demonstrated by the strength of interest shown by investors during the marketing of the asset.

6.7 Summary

In considering the purchase of this property, we would draw your attention to the following characteristics and issues.

6.7.1 Positive

- Strong location in a well-established south east office market.
- Let to UOP limited who have occupied the property for 24 years
- Secured to a tenant with a 5A1 covenant
- The tenant has recently re-gearred the lease to provide guaranteed income until September 2019
- The property is rack rented
- With the improving occupational market in the South East the location will benefit from good rental growth in the future.

- Extensive refurbishment to be undertaken by the tenant
- Overall strong property fundamentals which would appeal to a range of investors ensuring a relatively high level of liquidity and facilitate borrowing at commercial rates against the property.

6.7.2 Negative

- Micro location
- Binary asset management opportunities
- Lack of on-site amenities

6.7.3 Purchase Rationale

The purchase of 4 Liongate, Guildford represents an opportunity to invest in a core South East location. It is let to an excellent tenant with of 5.9 years. The property is rack rented with good potential for rental growth given the re-based rental level and improving occupational marketed. The location will benefit from this perceived sustainable demand.

The UK property investment market remains competitive for prime, well-let assets and values for this type of asset have recovered significantly from the property market low in 2009. We anticipate in the short/medium term, good performance.

7 Summary

7.1 Recommendation

Given the content of this report and that you consider your solicitor's report on title to be acceptable we are of the opinion that the open market valuation for the purchase of the freehold interest in 4 Liongate, Ladymead, Guildford is **£13,000,000 (Thirteen Million Pounds)**.

7.2 Confidentiality and Publication

Finally, and in accordance with our normal practice we confirm that the Report is confidential to the party to whom it is addressed for the specific purpose to which it refers. No responsibility whatsoever is accepted to any third party and neither the whole of the Report, nor any part, nor references thereto, may be published in any document, statement or circular, nor in any communication with third parties without our prior written approval of the form and context in which it will appear.

Yours faithfully

Yours faithfully

Mark Wilson MRICS

Simon Verrall MRICS

Director

Associate Director

**For and on behalf of
Jones Lang LaSalle Limited**

**For and on behalf of
Jones Lang LaSalle Limited**

Appendix 7 – Extracts of relevant PRG Minutes

Period of Acquisition

**PROPERTY REVIEW GROUP
Thursday 17 October 2013
Committee Room 2**

MINUTES / ACTIONS

		Actions
1	Apologies for Absence : Tim Dawes, Chris Mansfield, Sue Sturgeon and Paul Stacey	
2	Minutes of meeting held on 19 September 2013 and matters arising:	
	<p><i>Matters arising</i></p> <ul style="list-style-type: none"> • NM pointed out that minutes for the Community Club, Slyfield was incorrect showing his initials against the item instead of those of Nick Molyneux (NMX). This has been corrected on the minutes for last meeting. • Community Club, Slyfield – PO'D confirmed ground survey studies to start next week. • 56 Northcote Road – licence to be granted for access only. • Boxing Club – Heads of Terms to be agreed. • Fire Station – ground survey studies next couple of weeks. • Tyting Farm – Tenders evaluated and preferred architect appointed shortly. Two planning applications to be submitted at the same time if possible, for the SANG and residential scheme. Anticipated time scale on submission of the planning applications is six months. • Guildford Park Car Park – principles for development of the site to agreed in the next two months. Garages on site will not be retained as part of the development. 	ALL
3	Asset Review Programme	
	<ul style="list-style-type: none"> • A report on the sale of grazing and garden land is due to go to the Executive on the 7 November 2013 to approve the sale of eighteen parcels of land including HRA land parcels. Once approved, Asset Development anticipate going to auction early in the New Year. • Meeting with residents of Boxgrove Avenue – appointed Tony Jamieson Clarke of Gammon Weller to act on Councils behalf. Offers for land to be received by 15 November. If we do not receive an acceptable we will go to public auction. 	MvdR

		Actions
4	Sutherland Memorial Park – Cricket Pavilion	
	<ul style="list-style-type: none"> We have two occupiers (cricket club/nursery) within building with no tenancy agreements. Nursery has a security of tenure due to the years of occupation. PS and MvdR looking into ways to resolve the matter. 	MvdR/PS
5	Woodbridge Road Sports Ground	
	<ul style="list-style-type: none"> CM received a response back from David Watts regarding draft heads of terms. In discussion regarding response to issues raised. 	CM
6	North Street Development Site	
	<ul style="list-style-type: none"> M&G requested a meeting with ward councillors and have been advised that planners need to attend. 	CM
7	Property Action Plan	
	<ul style="list-style-type: none"> Guildford Museum – national lottery bid unsuccessful. Now preparing bid for regional funding. Burpham Court Farm - EW met agent appointed regarding short term let. Any let will not to hinder long term sale of property. Fire Station – Hope to be on site July 2014 completion estimated 2015. Home Farm, Effingham – need to regularise the situation with existing residents (some illegal pitches). Opportunity to provide a small amount of traveller pitches. 	ALL
8	Any other business	
	<ul style="list-style-type: none"> Going out to tender for General Fund Asset Valuations (5 year term). PPQ's to be returned in two weeks time, after which we will invite the top 5 companies to tender. 	MvdR

**PROPERTY REVIEW GROUP
Thursday 21 November 2013
Committee Room 2**

MINUTES / ACTIONS Extract

5	Investment Acquisitions	
	<ul style="list-style-type: none"> Under offer on acquisition of office building on Ladymead. Exchange contracts on 6 December 2013 completion on 13 December 2013. £1.3 million rental income in first year then £980,000 thereafter. Purchase to be reported to the next Executive meeting. Decision to purchase taken under special powers. Business case being put forward soon for further purchases. Further acquisitions could be from internal finance up to £25m. Further borrowing would have to be from external sources. Would be looking at properties with at least an 8% rate of return. 	EW

**PROPERTY REVIEW GROUP
Thursday 19 December 2013
Meeting Room 10**

MINUTES / ACTIONS

4	Investment Acquisitions	
	<ul style="list-style-type: none"> The acquisition of Liongate, 4 Ladymead completed last Friday. CMO raised an issue regarding information provided on the rent free periods. All agreed that greater clarity over procedures is required on future purchases. 	MvdR

Extract of PRG Minutes associated with the Disposal of Liongate

PROPERTY REVIEW GROUP - 2.30 pm on 19 November 2019

Liongate House, Ladymead

We have received 12 bids in the initial round. The lowest is £5m for self-storage and £5.9m for offices, then the bids vary in value and conditions up to £11.1m (which is conditional on getting planning consent for a nursing home).

MJB confirmed that we have an unconditional bid from a cash buyer of £9.5m with a request to complete in 2 weeks. A report is going to Exec next week which reviews the bids and discusses how to get the best deal for the council. The assessment of the bids will have to be done quickly.

MJB has written the report and it has been through Exec Liaison.

Action

MJB to have a discussion with JB before the Exec as he will be presenting the report, and to give JB an update on potential acquisitions.

PROPERTY REVIEW GROUP - 2.30 pm on 15 October 2019

Liongate House, Ladymead

MJB ran through the interest we have had from several different types of occupiers. The draft FRA opinion confirms the building could be removed from Flood 3b, which means the Council could obtain prior approval for conversion to residential.

PROPERTY REVIEW GROUP - 2.30 pm on 17 September 2019

Liongate House, Ladymead

The tenants are due to leave on 29 September. We hope to get a sizable claim for their dilapidation liability, maybe £500K - £1m. We are waiting for the tenants to vacate and then we will advertise it for sale on an any offers basis. It would be better if we could obtain planning permission. We have appointed a new flood risk assessor to try to challenge the classification if the site as Flood Zone 3b.

PROPERTY REVIEW GROUP - 2.30 pm on 20 August 2019

Liongate House, Ladymead

The tenants will be leaving next month. We are trying to charge for dilapidations of £499k, but this figure could rise. We are waiting for the end of the summer holidays to put it on the market and profile drawings etc

PROPERTY REVIEW GROUP - 2.30 pm on 16 July 2019

Liongate House, Ladymead

Lambert Smith Hampton will be marketing Liongate. We are still waiting for the Flood risk assessment report and the dilapidations claim is being followed up, but the future of the site is still not decided. The tenant will vacate in September and empty rates will start three months later. MJB following up with the Environmental Agency.

PROPERTY REVIEW GROUP - 2.30 pm on 18 June 2019

Liongate House, Ladymead

Residential use could be the best option for the property but it is in flood zone 3. Pre-planning advice has been less than favourable. MJB to put the property on the market, whilst we continue to pursue permitted development

SCC registered an interest, and we have had one other approach.

MJB to look to let car parking spaces in the short-term.

*PS enquired **whether we can remove some of the contract parking in the Lido to Liongate House.***

PROPERTY REVIEW GROUP - 3:00 pm on 21 May 2019

Liongate House, Ladymead

Gone out to flood risk advisors for further advice on the conversion to residential. They are discussing with Environment Agency and Surrey CC. Intending to put on the market for 'any offers' but, in the meantime, we have had an offer for corporate offices.

PROPERTY REVIEW GROUP - 3:00 pm on 16 April 2019

Liongate House

Pre-planning advice was not positive due to it being in a flood zone. Residential is a possibility if we proceed on a permitted development route. As such, officers are procuring further flood risk advice. Officers also intend to put the property on the market on an 'any offers' basis.

PROPERTY REVIEW GROUP - 3:00 pm on 19 March 2019

Liongate House

Tenants option to break is September which means tenant must serve a break notice by the end of this month.

PROPERTY REVIEW GROUP - 3:00 pm on 19 February 2019

Liongate House, Ladymead

We have met with Lambert Smith Hampton to look at options. We are in the process of establishing potential planning uses and surveys have been done, including topographical.

PROPERTY REVIEW GROUP - 3:00 pm on 18 December 2018

Liongate House, Ladymead

Report received by Council's advisors. Their assessment of the site is that residential use would be the most valuable alternative use for the site; either a care home for retirement living which would be a freehold sale, or a sale / pre-let for a hotel on a lease basis. With the site falling within a flood zone, the Council is to undertake a Flood Risk Scope Assessment to establish the potential to apply for the site to be excluded from the flood zone.

Action: *Flood risk scope assessment to be carried out.*

PROPERTY REVIEW GROUP - 3:00 pm on 16 October 2018

Liongate House, Ladymead

MJB reported that Lambert Smith Hampton has been instructed to look at options. The flood risk assessment is an issue and we could apply for the flood risk boundary moved. LSH appointed to negotiate with UOP about not exercising their break option or incentivizing them to stay.

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Lambert Smith Hampton

Report

In respect of

Liongate, Ladymead, Guildford GU1 1AT

On behalf of

Guildford Borough Council

Prepared by
Lambert Smith Hampton
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Tel: +44 (0)1483 538181
Date: 3rd December 2018

Strictly Private & Confidential

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INTRODUCTION

Lambert Smith Hampton (LSH) has been requested by Melissa Bronham to undertake an Options Appraisal on Liongate, Ladymead, Guildford.

This Options Appraisal is not a valuation of the property but just a guide as to potential pricing for different uses.

The report has been prepared by:

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SUMMARY

Liongate, Ladymead, Guildford GU1 1AT



Background

Liongate is a late 1980's office building situated on Ladymead and adjacent to the Stoke Intersection, which is the main access point from the A3 into Guildford. It comprises some 43,000 sq.ft (Net Internal) of offices, mainly on three floors on a site of approximately 1.36 acres.

The property is leased to Honeywell UOP at a rental of £980,000 per annum and is subject to a tenant break clause in September 2019. LSH understand that this break clause is likely to be exercised by Honeywell UOP as the property is much larger than the business now needs in Guildford.

In addition, the parent company is also looking to consolidate both its Guildford and Bracknell based staff into a single location with a combined requirement of circa 55,000 sq.ft. The search area for this requirement is Bracknell, Farnborough and Guildford. Honeywell have already been out viewing options but no decisions have been made by them as yet.

With the potential for a significant void within the GBC portfolio, LSH has been instructed to prepare an Options Appraisal for Liongate to consider the relative merits of the following:

- Refurbishment for continued office use
- Sale for residential with prior approval for Permitted Development (PD)
- Sale for residential use
- Sale for retirement living/care home
- Sale/pre-let as a hotel
- Sale for retail use
- Sale for self storage use



To complicate matters the site is mainly situated within the Environment Agency Flood Zone 3, which would usually preclude residential type uses. Therefore LSH has recommended undertaking a Flood Risk Assessment (FRA) and a topographical site survey to see if the case can be made for these uses on this property. We estimate that Ladymead is some two meters or more above the site level and we feel there is the potential to provide safe means of escape as is evidenced by the existing office building. We understand that GBC is procuring an FRA for the site.

The Property

Liongate is very prominently positioned alongside the A3 and Ladymead at the Stoke intersection, which is the main vehicular access into central Guildford. However, this location is not very convenient for office based staff as there is virtually no local amenity and it is not well positioned for public transport, being more than one mile from Guildford mainline station.

We understand that Liongate provides accommodation as follows:

Second floor - offices	12,850 sq ft
First floor - offices	14,771 sq ft
Ground floor - offices	14,927 sq ft
Total Net area	42,548 sq ft

The floor areas are taken from measured survey report by CBRE.

The building is very heavily partitioned to create private offices and meeting rooms and the current layout would not suit a contemporary office occupier. There is undercroft and surface parking for 126 cars.

Liongate is now looking very dated and on inspection feels like a property of its time and not one which the modern business user would be inspired by. Also, as the property is now thirty years old, both M&E plant and finishes will be reaching life expiry and the building would require substantial investment before being capable of new occupation.

The Guildford Office Market

At the end of Q3 2018 there was some 426,000 sq ft of offices available to be let in Guildford (units greater than 2,000 sq ft). This represents a vacancy rate of circa 13%.

Take up in the year to date has been just 42,000 sq ft and with current ongoing activity we expect to this reach 60,000 sq ft. This would be well below the ten year average take level of 90,000 sq ft per annum.

Therefore, there is between five and seven years supply of office stock currently available. These figures do not include the potential additional voids that will be created by Sanofi (60,000 sq ft) and Ericsson (90,000 sq ft) when they leave Guildford next year.

Market demand is mainly focussed on town centre locations with a large part of the demand currently coming from the computer games sector. Also, with the larger corporate occupiers reducing their spaces needs the market is reliant on the SME's for take up and demand is generally for smaller space areas of 3,000 -10,000 sq ft.

Prime market rents are around £33.50 per sq.ft for best quality, refurbished or new offices but these are being held up by rent free periods equating to 9-12 months for each 5 years term certain.



Options

1. Refurbishment for continued office use.

We have inspected the property but not undertaken any surveys. However, to refurbish the building to a standard to compete with other available stock, a budget in the order of £120 per sq ft would be a reasonable estimate to deliver contemporary office space. With fees included this would mean a capital spend of a least £5.5 million plus vat.

There would be a dilapidations receipt recoverable from the outgoing tenant at lease end which would help offset some of the cost required to refurbish the building. However, the required scope of the refurbishment would mean that supercession would significantly reduce the claim. The dilapidations receipt is therefore likely to be in the range of £250,000 - £500,000. This is a desktop estimate only and should not be relied upon. It would need a full review of the lease and a detailed inspection by a dilapidations surveyor to properly assess this claim.

Undertaking a refurbishment for office use would not however guarantee a letting as competition for potential occupiers in an oversupplied office market is fierce. Also, the location of Liongate does not compare favourably to available town centre offices or better located edge of town centre properties at Cathedral Hill and Guildford Business Park.

Therefore even if Liongate was refurbished to provide contemporary offices we would suggest that it would struggle to let. There is no weight of demand from the large corporate's such as Honeywell and whilst the floors do split well to create three separate suites these smaller occupiers are tending to prefer town centre space.

If the building was refurbished you would need to assume a void allowance of up to three years, which would make this level of investment by GBC untenable.

Post refurbishment the headline rental value of this office space would be circa £30.00 per sq.ft but this would require some 12-15 months' rent free per five years term certain.

If the property was marketed for sale for office refurbishment we would expect offers in the region of **£4.0 million - £5.0 million**, to reflect the risk around this opportunity.

We have considered the idea that Guildford Borough Council could refurbish the property for its own occupation and sell Millmead House, for would most likely be residential redevelopment. However, there are also flood risk issues with your current location, albeit that most of the site is in zones one and two and the flood risk probably surmountable.

The town centre is a more valuable residential development location but we have not undertaken any work to establish the potential massing of a new scheme and therefore at present we cannot put a value on this opportunity.

However, whilst more work can be done on establish the relative net proceeds of the two properties we would have to question the suitability of Liongate's location for GBC. Being one mile from the town centre and with limited public transport connections it is not an ideal location from which to deliver services to the public, nor one which would improve the ability to recruit and retain staff.

GBC has invested significant capital in Millmead House and this would need to be replicated at Liongate with some inevitable write downs which would not help the financial element of such a move.

Also, with Surrey County Council (SCC) considering vacating County Hall in Kingston and moving its accommodation out to the boroughs there is a potential that they could be an occupier of council owned buildings such as Liongate. It is very early in their strategy review but we assume that they have been engaging with GBC and asking about accommodation opportunities within your estate. We would suggest that details of Liongate are provided to SCC although they are saying that they are unlikely to know the size, shape and location preferences for some time. They are estimating that there will not be a live requirement until 2021/2022.

2. Sale for residential use under prior approval for Permitted Development (PD)

The building location is not ideal for residential use as it is very noisy being so close to the A3 and the Stoke intersection.

However, we have seen a number of similarly located office buildings across the South East converted under the prior approval process and there would be market demand for this property, subject to there being a resolution of the flood risk issue.

Due to the building layout there would be a significant loss of floor space to create access corridors to residential flats this is likely to reduce the saleable floor space by some 15%. It would be possible to recover some of this space by opening up what are currently toilets.

The level of on-site parking would be attractive to developers as a location such as this would need to be entirely self contained in this regard.

Net saleable area would be say 36,000 sq.ft and exit pricing circa £550 per sq.ft so there would be a gross development value of circa £20,000,000. Therefore likely sale price of the building with prior approval for permitted development around **£8.5 - £9.5 million**.

However, there is the possibility of creating more accommodation in the roof space and we would need to ensure that there was an overage agreement in place to cover off any additional consented space.

3. Sale for residential redevelopment

The same comments apply about the suitability of the location for residential use. Bids for a new residential development would involve the demolishing of the existing building are likely to be made on a subject to planning basis only. Such bids are likely to create a new building with substantially more floor space.

On a new building residential scheme social housing provision would apply.

We would suggest that the site could support say 50,000 sq.ft of net sales area based on current parking capacity – as in this location where there are no other parking options for residents. This would then create circa 30,000 sq.ft of private sale units and 20,000 sq.ft of affordable units.

Private sales values would again be circa £550 per sq.ft and the affordable housing circa £250 per sq.ft. Subject to planning bids are therefore likely to be in the order of **£7.0 - £8.0 million**.

4. Sale for care home / retirement living use

The retirement living and extra care sectors are very active at present, driven by increasing with occupier demand due to an ageing population - the number of people who are over 65 will double in the next ten years.

Building prominence is a key factor for the operators in this sector as it is often the children of the occupants who are making decisions about location and ease of car access and visibility that gets homes considered.

The specialist nature of this accommodation means that redevelopment would be required to create a bespoke building.

Our experience of dealing with the extra care sector shows that there is live demand in Guildford for a scheme which would provide circa 90-100 units with associated amenities and that this would require a building of circa 75,000 sq.ft (GIA). This could be fitted into a development arranged on say three/four levels. Whilst larger than the current building the massing would probably not look that much greater than Liongate due to the existing central core feature and steeply pitched roof.

Bids would be submitted on a subject to planning basis and for a scheme of this magnitude we would expect to receive offers in the order of **£8.5- £9.5 million**.

The retirement living sector is experiencing some issues at present due to the uncertainties thrown up by Brexit and the impact this has had on the wider housing market. There is also an increasing realisation that more people looking into moving into retirement accommodation see leasing as an attractive option and that the models of the retirement providers may need to adapt to this.

The impact on the site market is likely to be a reduced level of pricing in the short term as these issues are worked through. Also, Liongate whilst prominent does occupy a very busy location surrounded by roads which would be more of an issue to a retirement living scheme than an extra care development.

Bids would be submitted on a subject to planning basis and for a scheme of this magnitude we would expect to receive offers in the order of **£7.5- £8.5 million**.

5. Sale/Pre-let for hotel use

There is a shortage of hotel accommodation in Guildford for both leisure and business use and live demand from hotel operators.

The location would offer operators a very prominent hotel, although the out of town centre position would mainly appeal to the budget sector.

The existing building should be large enough to convert to deliver say 120 beds and this would fit in well with the level of on-site car parking.

A hotel use gives the opportunity to create an income producing investment rather than just a capital receipt as a number of the operators will take a 25 year leasehold interest based on an agreed specification and room rental.

Room rental would be circa £5,500 per annum, so say **£660,000 per annum** in total. This would generate an investment value of around £13.0 million after the costs of conversion etc. To deliver a project such as this you will need a professional team on board.

If the property was sold for hotel use, bids would be received on a subject to planning basis and likely to be in the region of **£5.0 – £5.5 million**.

6. Sale for retail use

Ladymead is the location for Guildford's principle out of town retail units. This year saw the redevelopment of the former fire station, opposite Liongate, to create a large new furniture store operated by Barker and Stonehouse.

It is hard to see in the current retail climate that there would be operator demand for another 'big box' retail unit in this location.

The evidence from the Barker and Stonehouse shows a purchase price, for a 250 year lease at a peppercorn, of £6.4 million for a site of 1.48 acres. The building constructed is 41,400 sq.ft, arranged on two levels with parking for 62 cars.

If replicated on Liongate this would generate a retail site value of circa £5.8 million. However, we do feel that this was a one off purchase as non food retail values are generally around £1.5 million per acre. The food discounters may be interested and they are now also promoting ground floor shops with residential accommodation above. For a food use we would expect a purchase price of around £4.0 million. This price would increase with additional consented upper parts.

The road side 'drive thru' sector would also show interest but we are probably looking at a site price for these use of circa £3.0 million.

There are live car showroom requirements, which whilst strictly not retail use, would deliver similar values to the road side users so again would deliver circa £3.0 million.

Retail bids are going to be subject to planning and likely best offers for this type of use will be in the region of **£4.0 million**.

7. Sale for self storage use

With an increase in the number of flatted developments the self-storage sector has continued to grow. Liongate House would provide a very prominent location for this sector, a factor which is very important to them. The planners may not be very keen on the idea of a large self storage building on such a gateway site but there is demand from this market sector and subject to planning bids may be around **£4.0 - £5.0 million**.

Next Steps

In summary the best values are those generated by residential type uses and it therefore very important to see if a strategy can be developed with the Environment Agency (EA) to support such uses. GBC has a lot of involvement with the EA in its discussions on the town centre flood strategy so is hopefully well placed to secure the latest modelling data to inform the FRA.

Generally the options mean that your freehold would need to be sold but there is the potential to create a continued revenue stream by looking at a hotel development, albeit that this is inherently less valuable than say a Permitted Development sale or Care Home sale.

If Permitted Development approval can be secured this would be offer the least risky disposal route and one which probably creates the highest value. It is also the one which if secured could deliver sale proceeds most quickly.

We still do not have any certainty that Honeywell will exercise the lease break but we continue to feel that this is more likely than not and that you proceed on the basis that this will be happening. We will continue to push Honeywell's agents to see if there a chance of re-gearing the lease but at present we have had no constructive response.

Once the FRA is available, we would suggest meeting to run through this report in more detail and to discuss what is required to move the project to the next phase.

In the meantime we will continue to try and engage with Honeywell to see if there is a chance of keeping them in occupation and removing the break clause from the lease.

A handwritten signature in black ink that reads "Lambert Smith Hampton".

Lambert Smith Hampton



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Refurbishment & Fitout Cost Assessment

For the premises known as

Liongate
Ladymead, Guildford
Surrey GU1 1AT

on behalf of

Guildford Borough Council

Prepared by

Lambert Smith Hampton
2 Bell Court, Leapale Lane
Guildford, Surrey GU1 4LY

Tel: 01483 53 8181

Original: 14th November 2019

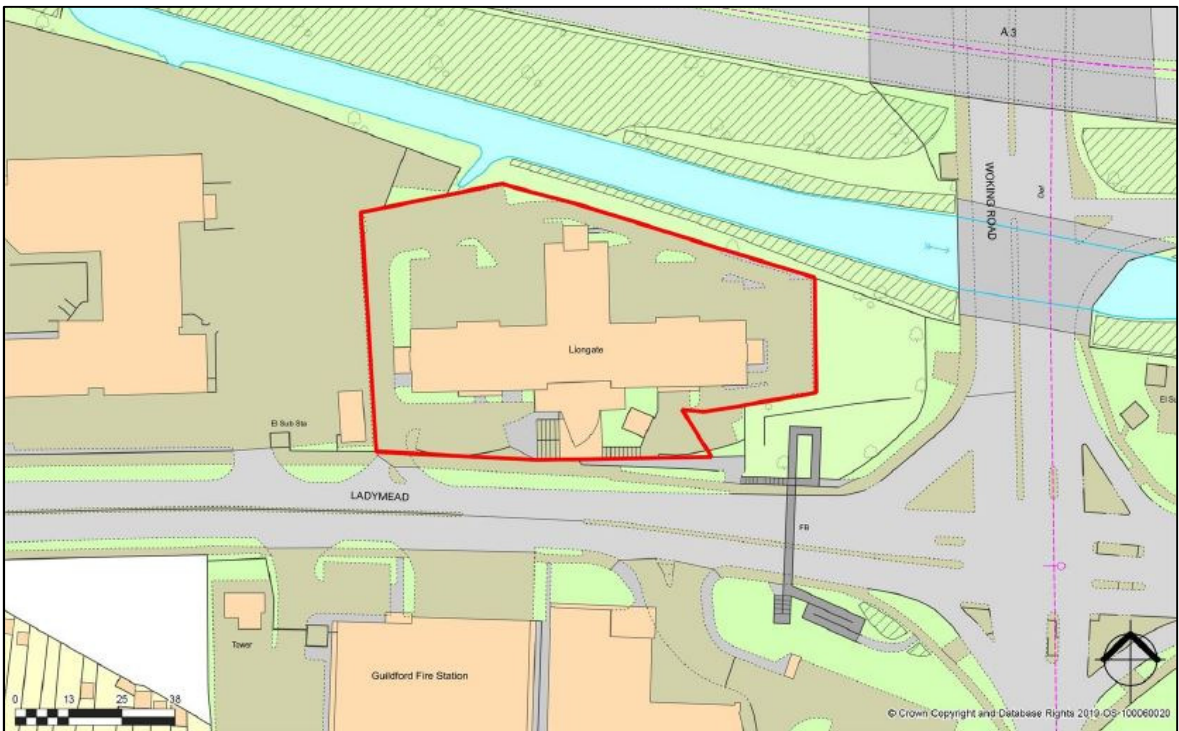
Revised: -

Version: One

Ref: 0150769-GU-0000



Liongate, Ladymead Guildford – Aerial View & Site Plan





Prepared by: Darren Denman BSc(Hons) MRICS
Lambert Smith Hampton Building Consultancy Division
2 Bell Court, Leapale Lane, Guildford, Surrey GU1 4LY

Telephone: 01483 53 8181

Email: ddenman@LSH.co.uk

Report Issue Date: 14th November 2019

This document has been prepared and checked in accordance with the Lambert Smith Hampton Quality Assurance procedures and authorised for release.

Lambert Smith Hampton

Signed:

For and on behalf of Lambert Smith Hampton



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1.0 INTRODUCTION 1
2.0 BRIEF DESCRIPTION OF PROPERTY 1
3.0 INFORMATION PROVIDED 1
4.0 REFURBISHMENT & FITOUT COST 1

- Appendix A - Cost Assessment Breakdown
Appendix B - Indicative Layout Plans for Costing Purposes

November 2019

1.0 INTRODUCTION

1.1 In accordance with our Professional Services Proposal, Terms of Engagement and Scope of Service, and your instructions of 5th November 2019, we have undertaken a review in respect of the offices at Liongate, Ladymead, Guildford, Surrey, to consider the likely cost to strip out the previous tenants alterations, refurbish the property to a good quality Cat A typical landlords base build specification and then Cat B fitout for your potential owner occupation.

2.0 BRIEF DESCRIPTION OF PROPERTY

2.1 The building is a three storey framed office building of approximately 42,500sqft, which is raised above ground level to provide basement parking beneath the structure. The external envelope is traditionally finished with pitched synthetic slate roofs, predominantly brick elevations and powder coated aluminium double glazed windows. To the front there is a feature entrance structure and reception area.

2.2 The site is mainly hard landscaping to provide the optimum parking with a bin store area and limited soft landscaping.

2.3 Internally the building is currently finished to a basic standard with dated plank suspended ceilings, Category 2 reflector type light fittings, partitioning and raised floors with carpet finish. To the ground floor there is a Comms Room and commercial Kitchen with servery.

2.4 There is a water based air conditioning installation and ventilation system, with the main plant located in a third floor plant room and accessible flat roof area.

3.0 INFORMATION PROVIDED

3.1 We have been provided with the following information:

- Floor plans indicating the layout from the previous tenant.

3.2 Our Assessment is based on the above information and assumptions we have made in respect of your requirements for the building, which are detailed in the following section. If further information or detail on your requirements is made available after the Assessment is completed, this could affect our conclusions.

4.0 REFURBISHMENT & FITOUT COST

4.1 Our assessment of the dilapidations reinstatement, refurbishment and fitout costs is as detailed below and the cost breakdown, which can be found at Appendix A:

Reinstatement & Repair Works / Base Build Refurbishment	£1,290,000
Fitout of office spaces to meet your requirements	£2,320,000
Contractor Preliminaries / High Level Access / H&S	£205,000
Total Estimated Cost excluding VAT & Fees	£3,815,000
<i>To be read in conjunction with the notes & assumptions below.</i>	(approx. £90sqft)

4.2 Notes to the Cost Assessment & Assumption

4.2.1 To ensure a cost effective approach is taken to the refurbishment, we have allowed for the partial retention of existing;

- A proportion of the Meeting Rooms & Offices to the centre of the main areas.
- Café Servery & Kitchen
- Comms Rm + Gas Suppression + Cooling (subject to testing)
- Fire alarm system with alterations to suit your fitout (subject to testing)
- Access control, barriers, security systems (subject to testing)
- Secondary stair carpets
- Reception area, although it is raised appreciably above ground level with step and ramped access, and is potentially not well arranged for your purposes. (Possibly allow approx. £1,000,000 for substantial rebuild & access improvements.)
- Windows to be cleaned and overhauled with no allowance for replacement. (Budget for replacement would be approx. £1,050,000, including an allowance for additional high level access.)

4.2.2 The cost stated above excludes the following elements;

- Furniture, desks, meeting tables, seating, chairs, etc.
- Consultant fees - Project Manager / M&E / Structural Engineer – approx. £300,000.
- IT servers, installations, systems, racks, telephony.

4.2.3 We have made the following assumptions;

- There are no latent defects or similar requiring significant repair.
- Raised floor legs are structurally sound and panels are in sufficient condition.
- Recently refurbished toilets are in acceptable condition.
- You will reuse some Audio Visual equipment from your existing premises.
- No inclusion of ecology or environmental solutions, such as rainwater harvesting.
- You do not require installation of modern smart building systems and will rely on upgrading of the existing BMS.

4.3 No allowance has been made for the effects of inflation in the period following the issue of this report.

4.4 The plans included within Appendix B show an indicative floor layout following removal of redundant previous tenant partitioning, to assist with the cost assessment, and do not represent detailed fitout proposal.

APPENDIX A

Cost Assessment Breakdown

Agenda item number: 6
Appendix 9

Address: Liongate, Ladymead, Guildford, Surrey
Original: 14th November 2019
Revised: -
Version: One



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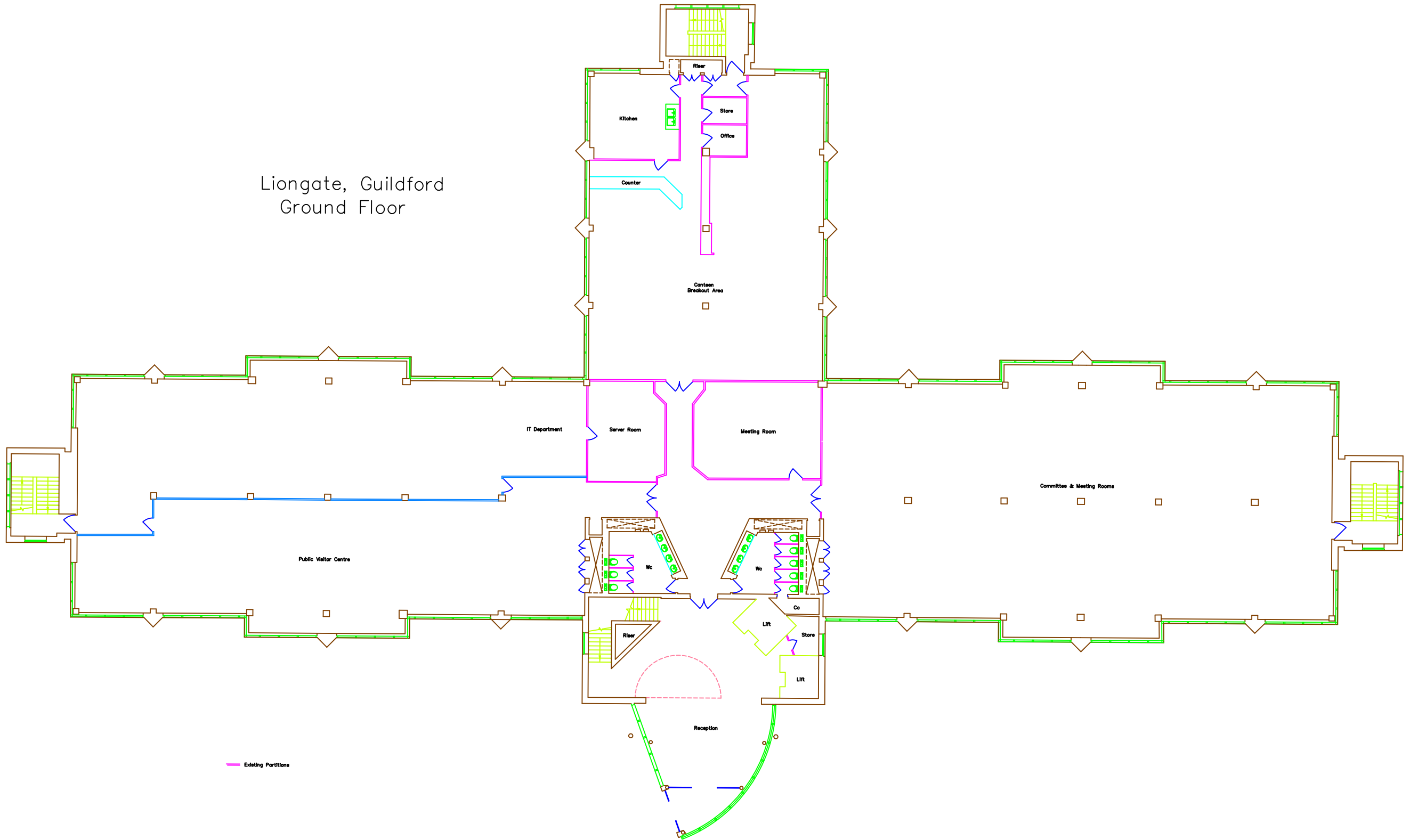
Ref:	Element	Total
A	CAT A - REINSTATEMENT & REPAIR	
A1	EXTERNALS	
A1.1	Roof coverings & Balconies	£25,000
A1.2	External Envelope & Reception	£35,000
A1.3	External Parts & landscaping	£30,000
A1.4	Car Parking Areas	£25,000
A1	EXTERNALS - Total	£115,000
A2	INTERNALS	
A2.1	Plant Areas	£10,000
A2.2	Main Service Core / Reception	£15,000
A2.3	Male / Female WC's	£5,000
A2.4	Basement & Showers	£15,000
A2.5	Stairways	£10,000
A2.6	Second Floor inc. ceilings	£80,000
A2.7	First Floor inc. ceilings	£85,000
A2.8	Ground Floor inc. ceilings	£80,000
A2	INTERNALS - Total	£300,000
A3	MECHANICAL & ELECTRICAL INSTALLATIONS	
A3.1	Lighting / Electrical	£275,000
A3.2	Fire alarm	£20,000
A3.3	Mechanical / Water / Plumbing	£15,000
A3.4	Air Conditioning & Ventilation	£450,000
A3.5	Programming / Upgrade BMS	£35,000
A3.6	Energy Efficiency Improvements / Initiatives to improve EPC	£50,000
A3.7	Lifts	£10,000
A3.8	Drainage	£20,000
A3.9	Strip Out - CCTV / Data	£10,000
A3	MECHANICAL & ELECTRICAL INSTALLATIONS - Total	£875,000
A	CAT A - REINSTATEMENT & REPAIR - TOTAL	£1,290,000
B	CAT B - FITOUT WORKS	
B1	General fitout inc. partitioning, flooring, power, data - approx. 35,000sqft	£1,750,000
	Additional specific works;	
B2	Reception Alterations / Security / Infill Void to Basement	£25,000
B3	Public Visitor Area - approx. 2,300sqft	£175,000
B4	Committee Rm / Public Meeting Areas	£85,000
B5	Breakout / Café Servery / Kitchen Equipment - approx. 2,500sqft	£125,000
B6	Disabled Toilets to each floor	£45,000
B7	Audio Visual / Room Booking	£65,000
B8	CCTV / Security / Access	£30,000
B9	Signage - Corporate / Wayfinding / H&S	£20,000
B	CAT B - FITOUT WORKS - TOTAL	£2,320,000
C	GENERAL	
C1	Contractors Overheads & Prelims	£150,000
C2	High Level / Access for the Works	£40,000
C3	H&S File / Test Documentation	£15,000
C	GENERAL	£205,000
TOTAL REFURBISHMENT & FITOUT (see notes below on exclusions)		£3,815,000

Ref:	Element	Total
Notes / Assumptions		
1.0	The cost allows for partial retention of existing;	
1.1	Meeting Rooms & Offices to the centre	
1.2	Café Servery & Kitchen	
1.3	Comms Rm + Gas Suppression + Cooling	
1.4	Fire alarm system with alterations to suit your fitout.	
1.5	Access control, barriers, security systems (subject to testing)	
1.6	Secondary stair carpets	
1.7	Reception area, although it is raised appreciably above ground level with step and ramped access, and is potentially not well arranged for your purposes. Allow around £1,000,000 for substantial rebuilding and access improvements.	£1,000,000
1.8	Windows to be cleaned and overhauled with no allowance for replacement. Budget for replacement would be approx. £900k + £150k additional high level access.	£1,050,000
2.0	The cost excludes the following elements;	
2.1	Furniture, desks, meeting tables, seating, chairs, etc.	
2.2	Consultant fees - Project Manager / M&E Consultant / Structural Engineer	£300,000
2.3	IT servers, installations, systems, racks, telephony.	
3.0	We have made the following assumptions;	
3.1	Raised floor legs are structurally sound and panels are in sufficient condition.	
3.2	Recently refurbished toilets are in acceptable condition.	
3.3	You will reuse some Audio Visual equipment from your existing premises.	
3.4	No inclusion of ecology or environmental solutions, such as rainwater harvesting.	
3.5	You do not require smart building systems and will rely on upgrading the existing BMS.	

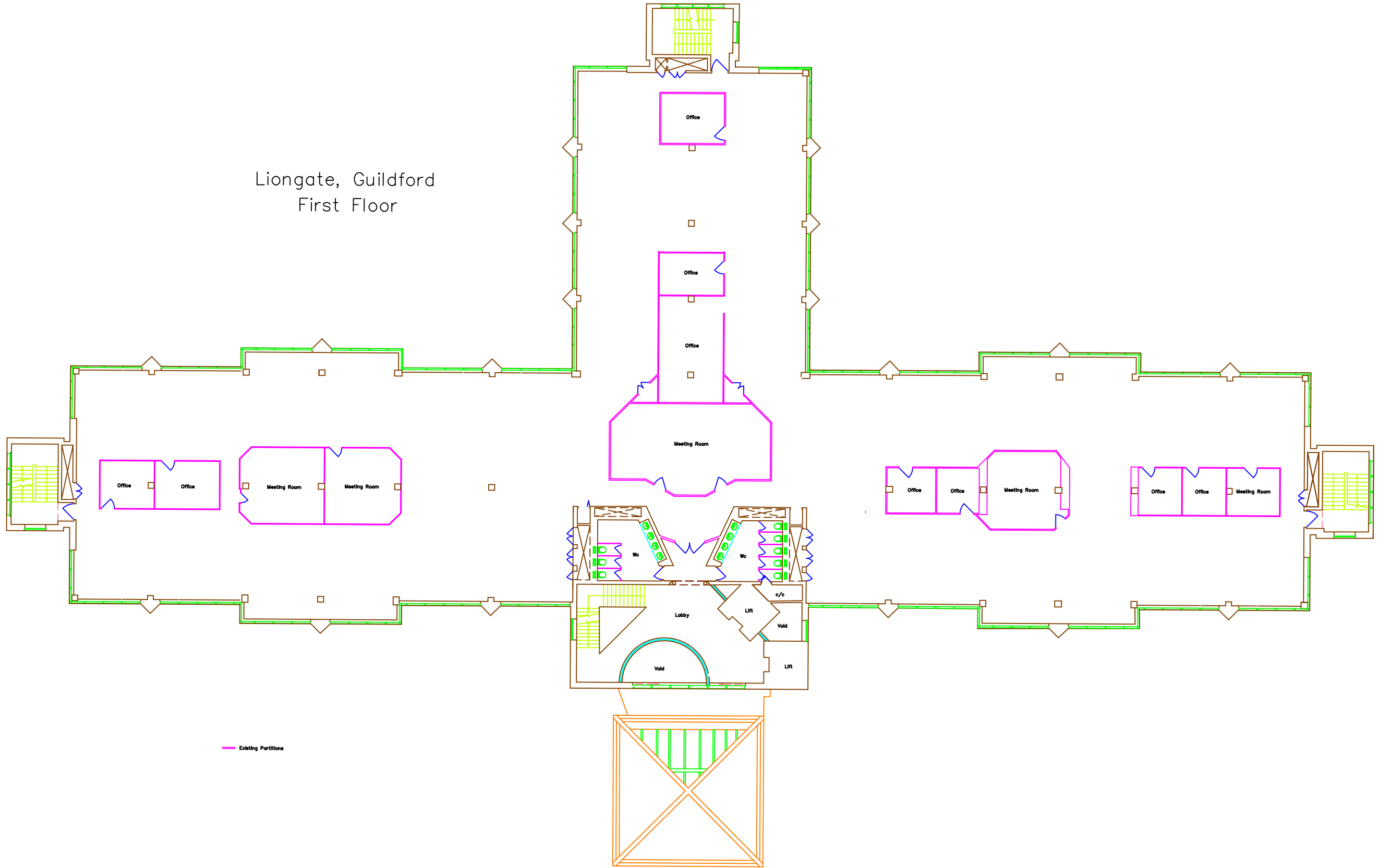
APPENDIX B

Indicative Layout Plans for Costing Purposes

Liongate, Guildford
Ground Floor

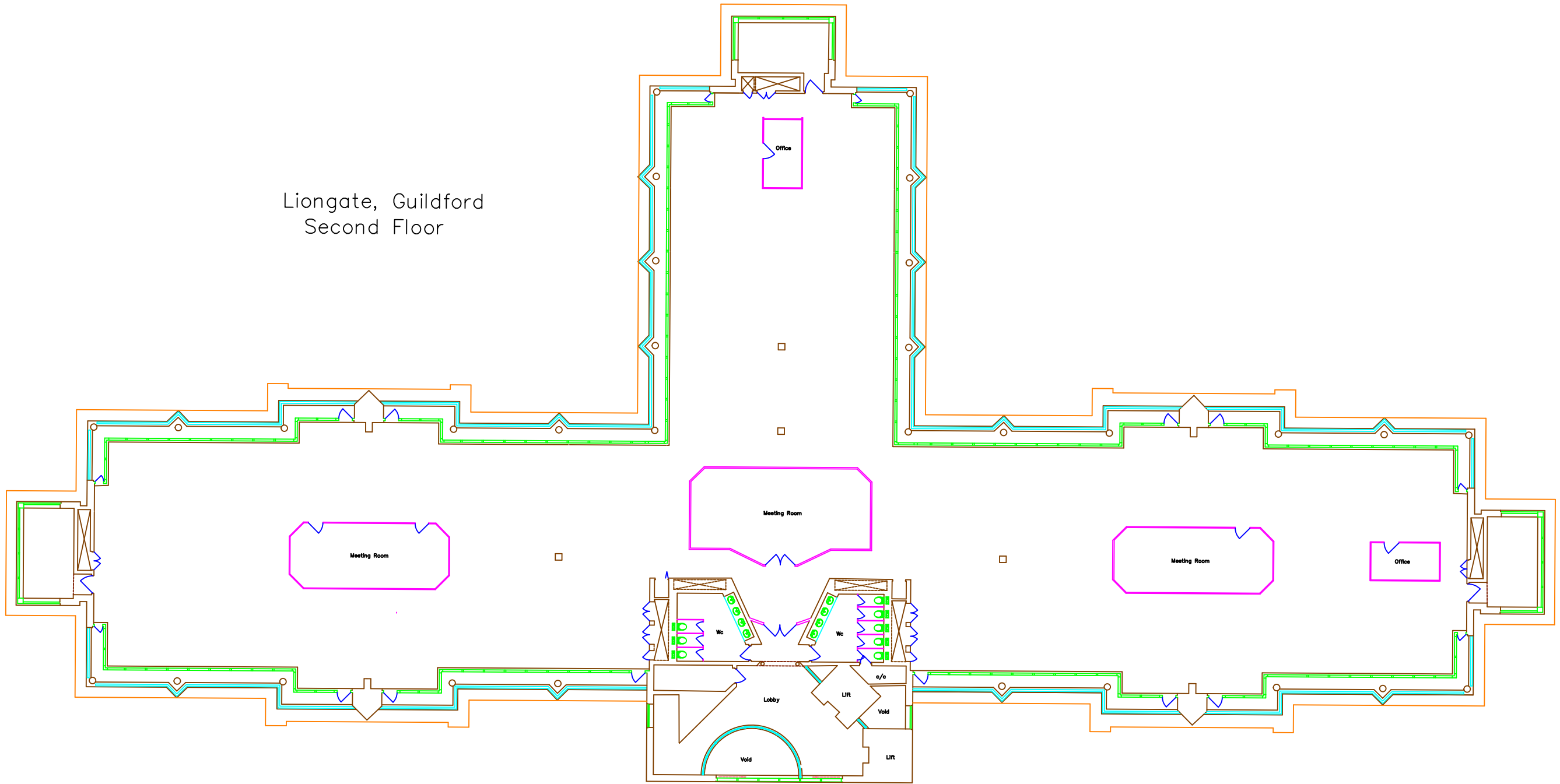


Liongate, Guildford
First Floor



Existing Partitions

Liongate, Guildford
Second Floor



Existing Partitions

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Mrs M Bromham
Guildford Borough Council
Millmead
Guildford
GU2 4BB

Contact: Jo Trask
Phone: 01483 444609
Fax: 01483 444646
Email: jo.trask@guildford.gov.uk

Date: 14/03/2019

Dear Mrs Bromham

Location: Liongate House, Ladymead, Guildford, GU1 1BX
Regarding: Liongate is a late 1980's office building situated on Ladymead and adjacent to the Stoke Intersection, which is the main access point from the A3 into Guildford. It comprises some 43,000 sq.ft (Net Internal) of offices, mainly on three floors on a site of approximately 1.36 acres. The property is leased at present but the Council expect it to be void by September 2019.

With the potential for a significant void within the GBC portfolio, LSH has been instructed to prepare an Options Appraisal for Liongate to consider the relative merits of the following:

- ?Refurbishment for continued office use
- ?Sale for residential with prior approval for Permitted Development (PD)
- ?Sale for residential use
- ?Sale for retirement living/care home
- ?Sale/pre-let as a hotel
- ?Sale for retail use
- ?Sale for self storage use

Corporate Property now need a steer from planning colleagues as to what uses would be considered and any planning constraints.

Reference: 19/A/00087

Thank you for your pre-application enquiry received on 14 February 2019. In response to your enquiry I hope that you will find the following information helpful.

Site description / constraints:

The site is located to the north side of Ladymead (A25). The A3 is located to the north of the site.

The site falls within an Area of High Archeological Potential, the Guildford Urban Area and an area of flood plain. The majority of the site is within Flood Zone 3b. The site is located within 400m to 5km of the Thames Basin Heaths Special Protection Area.

Lionsgate House falls within a Strategic Employment site as identified in the emerging local plan.

The emerging Guildford Borough Local Plan: strategy and sites (the Plan) is at an advanced stage of preparation. The Plan was submitted to the Secretary of State for Local Government on 13 December 2017 for examination in public, initial hearings have taken place. The Plan was initially found sound subject to modifications, these have been the subject of further consultation and hearings in early 2019. The Plan as submitted carries considerable weight.

Planning considerations:

For ease and clarity I have set out the planning considerations for each of the proposed uses.

Refurbishment for continued office use

No policy objection is raised to the refurbishment of the current building for office use.

Sale for residential with prior approval for Permitted Development

The building is located within flood zone 3b. Residential uses fall within 'more vulnerable' as identified in the Flood Risk Vulnerability Classification of the NPPG. In Flood Zone 3b residential development should not be permitted. As such there is an in principle objection. Any prior approval application would need to be accompanied by a site specific flood risk assessment. We would consult the Environment Agency on any prior approval application. However I must advise it is unlikely that prior approval would be granted, given the identified flood risk and 'more vulnerable' use.

Sale for residential use

As stated above residential uses are classified as 'more vulnerable'. There is an in principle policy objection to residential development in flood zone 3b. Should you be minded to pursue this route a site specific flood risk assessment in addition to a sequential test, an exception test would be required in any application submission.

The site is identified as a Strategic Employment site, notwithstanding my in principle objection above, any application for a change of use from employment to residential would also need to be supported by marketing evidence. Policy E3 of the emerging local plan states that on strategic employment sites comprehensive and active marketing should also include alternative suitable B class employment use and other employment generating use before change of use to residential or other use with no on-going employment use will be permitted. The site would need to be actively marketed for a period of 2 years for offices, retail, warehousing and/or other suitable employment generating use(s).

I draw your attention to the requirement for affordable housing set out in policy H2 of the emerging local plan.

Sale for retirement living/care home

Retirement homes, care homes and hotels all fall within 'residential uses' for the purposes of determining the vulnerability of a use in flood zone. There is an in principle objection to this use in

flood zone 3.

The site is identified as a Strategic Employment site, notwithstanding my in principle objection above, any application for a change of use from employment to residential would also need to be supported by marketing evidence. Policy E3 of the emerging local plan states that on strategic employment sites comprehensive and active marketing should also include alternative suitable B class employment use and other employment generating use before change of use to residential or other use with no on-going employment use will be permitted. The site would need to be actively marketed for a period of 2 years for offices, retail, warehousing and/or other suitable employment generating use(s).

Sale for retail use

The site is identified as a Strategic Employment site. Policy E3 of the emerging local plan states that on strategic employment sites continuous, comprehensive and active marketing for a period of at least 2 years should also include alternative suitable B class employment use before a change of use to uses other than B1, B2 or B8 are proposed. The site would need to be actively marketed for a period of 2 years for B1, B2 and B8 uses.

An application for retail use above 500 sqm would need to be accompanied by a retail impact assessment and a transport assessment.

Sale for self storage

Self storage falls within use class B8, Policy E3 sets out the definitions of uses falling within employment floorspaces as B1a, B1b, B1c, B2 and B8, For the purposes of this policy marketing evidence is not required for a proposed change of use from offices B1 to Self storage B8.

The main considerations would be scale, design, flooding, highways.

Sale for new office redevelopment

Provided that there is no increase in building footprint office redevelopment would be suitable from a flood risk perspective.

Subject to the scale, design, height, massing and parking provision.

Suggested amendments:

- refurbishment of current office use
- sale for redevelopment in employment use
- sale for self storage use

The above would be acceptable in principle subject to there being no increase in footprint and subject to scale and design.

If a non B1, B2 and B8 use is proposed, continuous, comprehensive and active marketing for employment uses will need to be carried out for a period of at least 2 years prior to the submission of an application.

- sale for redevelopment in retail use may be acceptable subject to marketing evidence.

Policy D2 of the emerging local plan requires major developments (1000 sqm gross new floorspace, or 10 or more residential units) to achieve a reasonable reduction in carbon emissions of at least 20 percent below the relevant Target Emission Rate (TER) set out in the Buildings

Regulations 2010 (as amended) (Part L). For major developments an Energy Statement is required as part of the submission.

Any redevelopment of the site would need to address the High Archaeological potential.

The existing site is developed, provided that there is no increase to the building footprint and no increase in the development vulnerability, redevelopment of the site may be acceptable under emerging local plan policy P4. This would only be the case where the development use falls within 'less vulnerable', provided there is no increase to the building footprint.

Any proposal to redevelop the site with a use that is 'less vulnerable' to flood risk would need to meet the exception test in the NPPF, by demonstrating that its sustainability benefits outweigh the flood risk, that the development would be safe to its users and occupiers throughout its lifetime and that it would not increase flood risk elsewhere (see exception test guidance in the NPPG) The proposal would also need to provide adequate mitigation for the lack of a permanently safe access and egress route, and there should not be any loss of flood plain storage (currently provided by the undercroft parking).

Additional consultees:

If you require further advice on highway matters contact Surrey County Council who are the relevant Highway Authority and offer their own pre-application advice service.

Environment Agency
01276 454382
planning.frimley@environment-agency.gov.uk

Affordable Housing
Helen Steward Housing Strategy and Enabling manager 01483 444242
helen.steward@guildford.gov.uk

S.106 requirements:

SPA
Recreation open space provision
Affordable housing

Validation requirements:

Please review the Council's local validation list and local validation checklist, available on the Council's website at www.guildford.gov.uk

Estimated timescale for application:

This would be a major application and therefore has a target determination period of 13 weeks.

Relevant planning history:

None.

Conclusion:

The above information is provided solely on the principle of the uses proposed. It does not

consider any scale, design, environmental or highways issues. I would strongly recommend further pre application advice is sought on any future proposals for the redevelopment of the site. Please be advised that residential uses in flood zone 3b are unsuitable and would not be supported.

Please note that this advice represents officers' informal opinion based upon the information you have provided. It is given without prejudice to any decision the Council may make on any subsequent formal planning application. A planning application will be the subject of publicity and consultation in accordance with the Council's procedures. These and other matters which may subsequently come to light, may result in additional issues being raised that are pertinent to the determination of the application.

Yours sincerely

Mrs J Trask
Planning Officer
Planning Services

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Hydrock

Liongate House, Ladymead, Guildford

Flood Risk Assessment

*For Borough Housing, Guildford Borough
Council*

Date: 15 October 2019

Doc ref: 13600-HYD-XX-XX-RP-FR-0001

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Hydrock Consultants Limited has prepared this report in accordance with the instructions of the above named client for their sole and specific use. Any third parties who may use the information contained herein do so at their own risk.

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1. INTRODUCTION

This report has been prepared by Hydrock Consultants Limited (Hydrock) on behalf of our client Borough Housing, Guildford Borough Council in support of an application to Surrey County Council for the proposed change of use from existing offices to residential use under permitted development.

Local Planning Authorities are advised by the Government's National Planning Policy Framework (NPPF) to consult the Environment Agency (EA) and Lead Local Flood Authority (LLFA) on development proposals in areas at risk of flooding. For a development of this nature the EA and LLFA normally require a Flood Risk Assessment to be submitted in support of such an application.

Whilst recognising that the application is being promoted under permitted development this report has been prepared to satisfy any concerns the EA and LLFA would have in connection with the development of this site and addresses Section C of the Exception Test, as defined within NPPF, through:

- Providing an assessment of whether the proposed development is likely to be affected by flooding; and,
- Detailing any measures necessary to mitigate any flood risks identified, to ensure that the proposed change of use and future occupants would be safe, and that flood risk would not be increased elsewhere.

The report considers the requirements for undertaking a FRA as stipulated in the Technical Guidance of NPPF. Only those requirements that are appropriate to a development of this nature have been considered in the compilation of this report.

This report has been prepared in accordance with current EA policy.

2. SITE INFORMATION

2.1 Location and Setting

The site is located towards the northern limit of Guildford and is bordered to the immediate south by the A25, to the east by Woking Road and by the A3 to the north. The A3 is separated from the site by a vegetated corridor in which there is secondary channel of the River Wey. The main River Wey channel is around 150m to the north of the site and 100m beyond the A3 road. The site is located within a predominantly developed area with existing commercial development to the west and east. To the south is Guildford Fire Station with residential development beyond.

The site is occupied by the Liongate Building which is currently used as an office building. The building itself is raised above the immediate ground level with undercroft parking being at lower levels. The building is also served by an internal access road and areas of car parking beyond the undercroft areas.

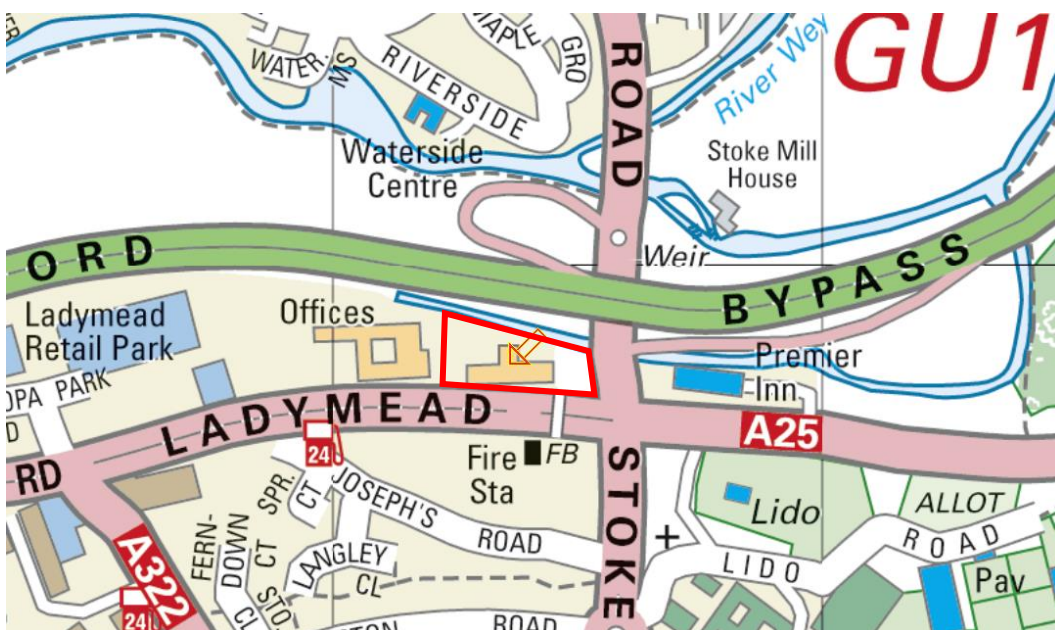
In respect to surface water drainage the site is almost entirely hardstanding.

A summary of the site referencing information is provided in table 1 and a site location plan is shown in figure 1.

Table 1: Site Referencing Information

Site Referencing Information	
Site Address	Liongate House, Ladymead, Guildford, GU1 1AT
Grid Reference	SU996508
X (Easting), Y (Northing)	499679, 150898

Figure 1: Site Location (with approximate site boundary)



Contains OS data © Crown copyright and database rights (2018)

2.2 Proposed Development

The proposals are for the conversion of the existing building to residential use.

A site layout plan is included with the application.

3. ASSESSMENT OF FLOOD RISK

3.1 Flood Zone Mapping

The site is currently shown by the EA’s Flood Zone Mapping, included in Appendix B, to be within Flood Zone 3 which comprises land having a greater than 1 in 100 annual probability of river flooding (>1%) in any year.

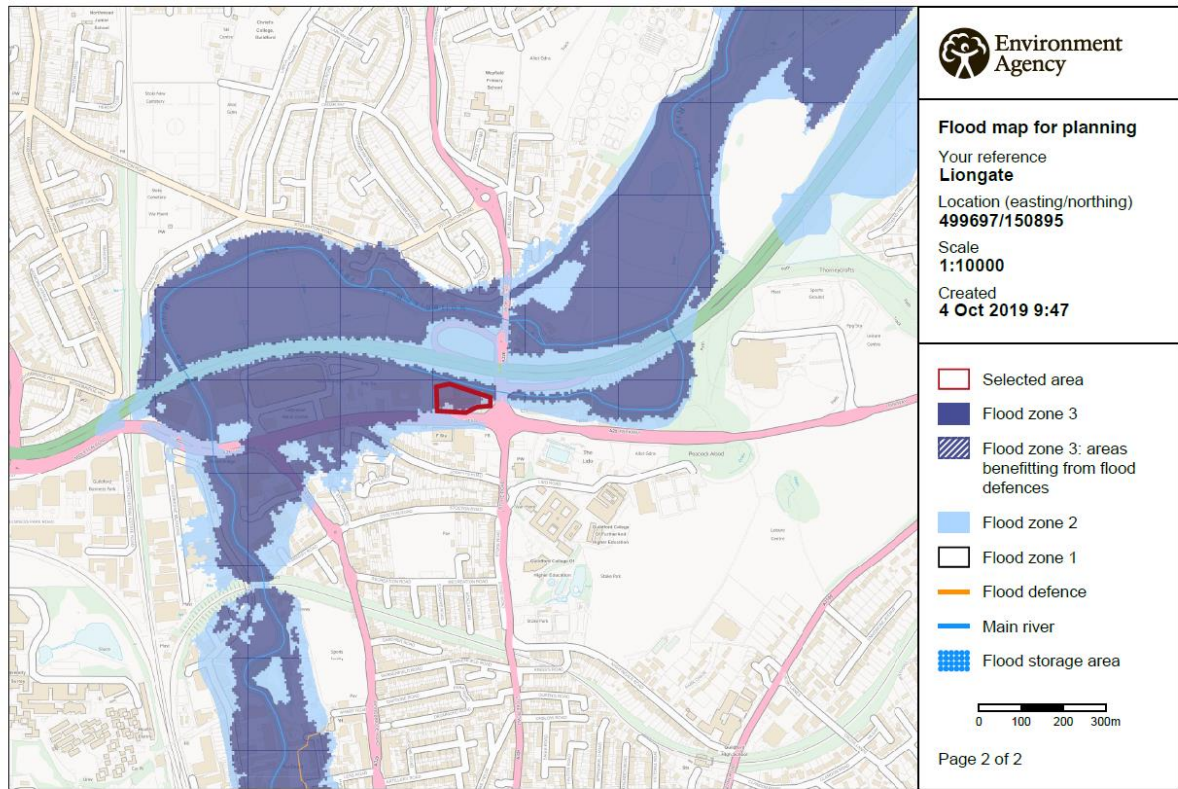


Figure 2: EA Flood Map for Planning

3.2 Fluvial Flooding

The EA have provided the modelled outputs from the River Wey (Lower) model that was undertaken in 2009. The results include the modelled grid depth data to allow a more accurate assessment of predicted flood depths through the site whilst making an allowance for floodplain flow routing (2D results).

The predicted depths through the site were reviewed and confirm that the site is predicted as being at risk during the 1 in 20year, the 1 in 100 year and 1 in 100 year plus climate change events. Based on the provided information (which is to a large resolution) the predicted depths during these events are 0.2-0.3m for the 1 in 20year and maximum depths of 0.3- 0.4m within the northern section of the site (not shown to impact the existing building) and around 0.6-0.7m deep within the centre of the site for the 1 in 100year and existing 1 in 100year plus climate change allowances. The climate change allowance used to determine these levels is a 20% increase in flows. The rest of the site has also been shown to be at risk during these events but with shallower depths.

The flood risk information provided by the EA also showed that the northern limit of the site is currently classified as being impacted during the 1 in 20year event and therefore is predicted as being within

Flood Zone 3b: Functional Floodplain. The area of the site within this flood zone is existing car parking. The building and access routes are shown as being outside Flood Zone 3B.

Following discussions with the EA, the current hydraulic model for the River Wey have been provided. This modelling doesn't include Navigational Channel which is considered to provide a potentially significant additional flow route in the area. It has been agreed with the EA that additional modelling to quantify the impact of including the Navigational Channel on flood risk, flow routes, and mechanisms is appropriate. The modelling works to include the Navigational Channel are discussed in Section 4.0

Measures to address flood risk are discussed in section 5.4.

The information provided by the EA has confirmed that the River Wey Navigation Channel is not tidally influenced at the location of the site. The site is therefore not considered at risk from tidal flooding.

3.3 Surface Water Flooding

The EA's Flood Risk from Surface Water mapping, as shown in Figure 3 below, shows the majority of the northern section of the site as being at 'low' risk of surface water flooding with depths of over 900mm being predicted.

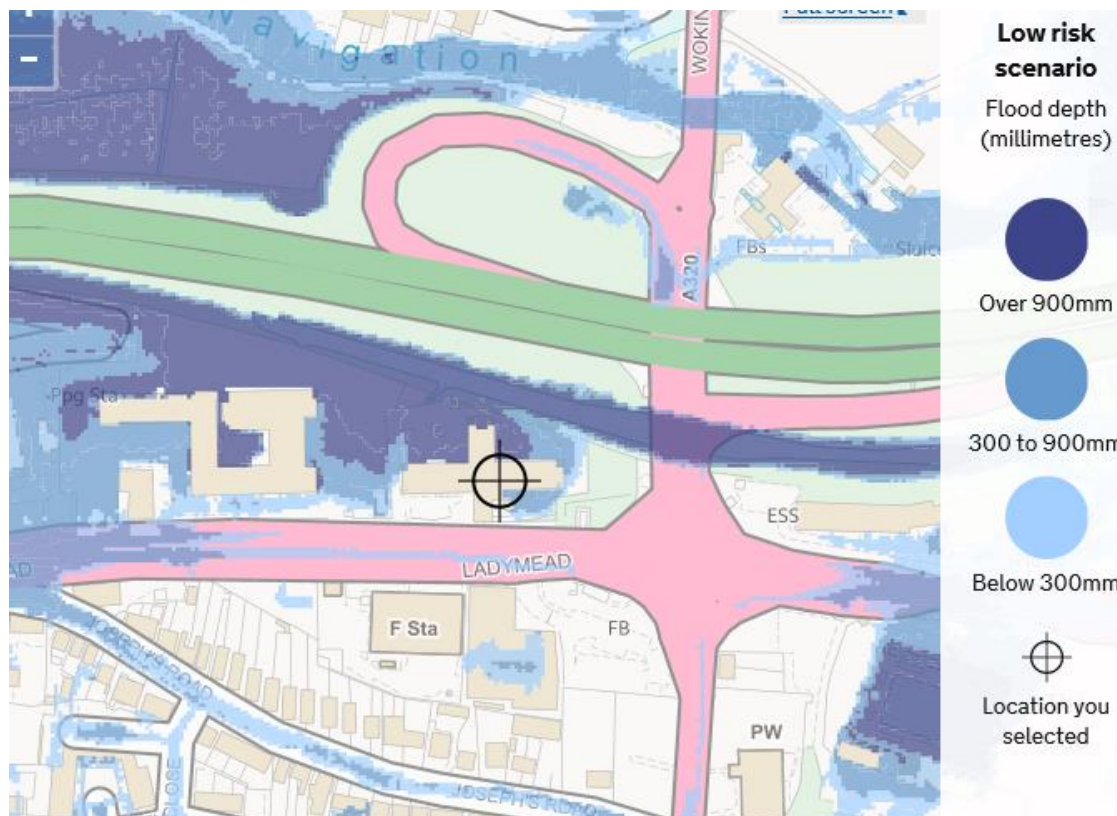


Figure 3: EA Flood Map from Surface Water

This area forms part of a wider area flow route with any generated overland flows being directed in an easterly direction towards the River Wey channel that runs along the northern site boundary. These flows are prevented from entering the main River Wey channel by the A3 road embankment



Whilst the majority of the site is shown as being at 'low' risk of surface water flooding the building, the southern limit of the site, and its access are shown as being at 'very low' risk. As such, this area of increased risk is considered as being representative of locally low points within the site and is not expected to impact on the building itself.

This would be considered a residual risk and therefore the site is concluded as being at risk from this source.

3.4 Groundwater Flooding

Given the proximity of the site to the River Wey it is expected that groundwater levels will be closely related to the 'normal' river level. As such, and given the observed site levels, the site is considered to be at low risk of groundwater flooding.

3.5 Infrastructure Failure Flooding

Given the existing use of the site there is expected to be an engineered sewerage system in the area. As such there is potential for the existing combined sewer network to become overwhelmed. However, no records of such incidences have been included within the SFRA for this area.

The site is therefore concluded to be at low risk from flooding as a result of sewer failure.

A review of the EA's Flooding from Reservoirs map indicates that the site is not within the maximum extent of flooding in the event of a failure of any artificial source.

The site is therefore concluded to be at negligible risk of flooding from artificial sources.

4. HYDRAULIC MODELLING

4.1 Introduction

As part of a permitted development planning application, a review has been undertaken of the modelling information supplied by the Environment Agency (EA). This showed that the northern section of the site is within an area currently categorised as Flood Zone 3b. The modelling predicts out-of-bank flows at this location for the modelled 1 in 20-year event (used to represent the 'functional floodplain').

Following discussions with EA, they have provided the hydraulic modelling files for the River Wey. Review of this modelling confirmed that the Navigational Channel that provides a potentially significant additional flow route has not been included in the modelling. By not including this channel the low routes and flooding mechanisms within the vicinity of the site are unlikely to be fully represented, and therefore will not reliably reflect actual site-specific fluvial flood risk.

The Navigational channel bifurcates from the River Wey around 80m upstream of the Woking Road bridge crossing upstream limit of the site. The Navigational Channel runs almost parallel to the River Wey, under Woking Road via a culvert, before flowing back into the River Wey via a lock system some 900m downstream of the site.

To investigate the impact the inclusion this Navigation Channel may have on modelled flood levels, and specifically in relation to an assessment of whether the proposed change of use is outside Flood Zone 3b, the original modelling has been augmented to include the Navigational Channel with modelling specifically addressing the 1 in 20-year event.

4.2 Inclusion of Navigational Channel

Given that the modelling provided by the EA is approved as being fit-for-purpose (and used to inform the current Flood Zone Mapping) changes to the model were strictly limited to those necessary to include the Navigational Channel. As such, the supplied model data relating to the hydrology and all modelled data for both the 1D and 2D elements (cross sections, structures, etc.) remain the same as those supplied, with alterations restricted purely to the locations between the junctions between the Navigation Channel and the River Wey.

A detailed survey has been undertaken along the Navigational Channel and included details of six cross sections and two structures. To model the Navigational Channel 11 sections were used augmenting the surveyed sections to include interpolates (to improve numerical stability) and 'dummy' units for the downstream faces of structures and junctions to follow the standard recommended approach. Given that these were to be included within a linked 1D-2D model, the survey focussed on levels between the top of banks only with floodplain levels being informed by the wide area LiDAR Data supplied by the EA (and upon which the wider area modelling was originally based).

The structures surveyed were the existing culvert under Woking Road and the existing lock gate at the downstream limit of the Navigational Channel. There are no other structures along this Navigation Channel.

The survey showed that the Woking Road culvert has a steep and sudden drop in bed level at the downstream face. As such, and to increase model stability, a spill unit was used to represent the drop-in bed elevation with 'dummy' cross sections from the nearest surveyed cross sections used to represent

channel dimensions at both the upstream and downstream faces. This approach was considered the most representative of conditions whilst suitably representing the flow process through this structure and improving numerical stability.

For the lock gate at the downstream limit of the Navigational Channel a conservative approach has been adopted. It is assumed that the Lock is shut. The channel bed levels at the point of the structure have been increased to the surveyed crest level of the weir gate to represent a 'worst case' control on water levels. Whilst several options were available for the modelling of this structure, the approach adopted is considered as having the greatest chance of conservatively representing upstream flood levels.

A copy of the structures surveyed, along with all of the surveyed cross sections, is included in the Appendices.

The 2D model was, as with the 1D elements, changed as little as possible from the already approved model. The Navigation Channel and cross sections have been included using the same methodology as that used within the supplied modelling but using a new version of the:

'2d_bc_ISISLink_NoMCS_split_HYD_Polyline', and, '2d_bc_ISISLink_NoMCS_split_HYD_Polygon' files.

These files have been used to represent the watercourse domain and also to provide the link between 1D and 2D Domains (via the use of CN lines). The Polygon layer, as with for the rest of the River Wey model, was broken at the location of structures with road/deck levels being informed by LiDAR levels.

The only other input layer amended from the original model was that with the ISIS Node Locations. This layer was updated to include the cross sections that have been surveyed, and interpolated, to represent the Navigational Channel. Once updated this layer was saved as '1d_1xd_ISISNodes_Split - Copy 1d_1xd_ISISNodes_Split - Copy Point'.

The changes made are referenced within the relevant 1D (DAT, IEF, IIC) and 2D (TRD, TCF, TGC, TBC) elements. This was then re-run as a linked model. The run parameters used within the IEF (MAXIT etc.) for the new Navigational Channel model matched those used within the original models. This was to ensure any comparison of the resultant new modelling to that of the original modelling could be undertaken. This comparison has allowed determination of the impact the inclusion of the Navigational Channel on flood extents and depths both at the site and in the wider area.

4.3 Results

The modelled results for both scenarios (original model and the new model that includes the Navigational Channel) have been compared for the 1 in 20 year event used to represent the limit of the functional floodplain. The comparison confirms that a significant volume of flow (around 14% during normal flows) is directed down the Navigational Channel.

Furthermore, the predicted flood extents for the new model with the Navigational channel included are noticeably reduced along the right bank of the River Wey in the location of the site. In addition, the resultant extents and depths of flooding within the area of land between the Navigational Channel and the main River Wey channel are also shown to increase.

Whilst noticeable differences in flood depths and extents around the Navigational Channel are predicted by including more realistic representation of the actual hydraulic environment in the location of junction between the channels, the results also confirm that the impact of this additional channel is

relatively localised with little, if any, impact to flood extents shown a short distance both upstream and downstream of the channel split/ confluence.

In relation to the site, the modelled 1 in 20 year event which now includes the Navigational Channel confirms that, whilst peak flood levels reach an elevation above that of the lowest surveyed site levels (taken from topographical survey as this is considered more accurate and representative than the wider area LiDAR Data), the predicted depths (and extent) of flooding within the site are marginally reduced from those provided by the EA using the original modelling.

Following the approval by the EA of the 1 in 20 year modelling, the EA have requested that the model be run for the 1 in 100 year event to determine the impact of the inclusion of the Navigational Channel on the existing Flood Zone 3.

Based on the modelled results, the existing building and access points (both vehicular onto the A25 and pedestrian into the building) are concluded to be outside the Functional Floodplain (i.e. the 1 in 20 year event). As such the policy within Guildford Borough Council's Local Plan that states that development within Flood Zone 3b should not increase the existing vulnerability classification would not apply. A proposed change of use application in this location can therefore be considered acceptable provided suitable flood resilience and resistant approaches be included within the scheme. That said, it is noted that the northern section of the site and open car parking areas (i.e. not the undercroft) would be within Flood Zone 3b. However, there are no proposed changes to the use of these areas and they are to remain as car parking.

The 1 in 100 year modelling has been run and this confirms that whilst the site would remain as being predominantly within Flood Zone 3 and at high risk, the predicted levels have reduced from those provided by the EA with predicted flood levels being a maximum of 29.723m AOD.

5. NPPF REQUIREMENTS

5.1 Flood Risk to the site

Whilst an Exception Test is not required under the permitted development rights application, the following section details those measures recommended to mitigate any identified flood risks, to ensure that the proposed change of use and future occupants will be safe, and that flood risk will not be increased elsewhere, akin to the requirements of the second section of the Exception Test.

As discussed in section 3.2 the main risk from flooding is the potential inundation of the car park areas behind the existing building during design flood events. Following assessment of the predicted flooding depths, it is recommended that all habitable rooms be set no lower than 30.323m AOD to ensure all habitable rooms are set with a 600mm freeboard above the 1 in 100 year event. The provided topographical survey confirms that floor levels are set at 30.57m AOD and therefore are suitably raised above the current flood levels.

As car parking areas are predicted to be at risk during design events, it is recommended that a Flood Evacuation and Management Plan be prepared for the site which should be managed by the site Management Company and disseminated to all future occupiers of the site.

5.1.1 *Resistance and Resilience Measures*

Owing to the raised nature of the existing ground floor level, no particular measures are considered necessary as all residential uses will be suitably raised.

5.1.2 *Safe Access and Egress*

Access to the site will be via Ladymead Road on the southern site boundary which is confirmed to be at low risk of flooding, based on the EA's Flood Zone and Flood Risk from Surface Water mapping.

As such, a safe / dry access and egress is considered to be possible to and from the site.

5.1.3 *Flood Risk within Catchment*

The proposed development will not increase flood risk within the catchment through a loss of floodplain storage as no external changes in levels are proposed.

5.1.4 *Surface Water Drainage Strategy*

As the amount of hardstanding within the site is not changing, the volume or rate of surface water generated from the site is not expected to increase.

6. CONCLUSIONS

This report has considered the flood risk posed to the proposal site from a variety of sources of flooding, as defined by the NPPF.

The report has confirmed that the existing building is located within Flood Zone 3 but outside of the functional floodplain. The only areas shown to be within the Functional Floodplain are along the northern boundary which is an existing area of car parking. The area of car parking to the north is also shown as being at an increased risk from surface water. The southern section of the site (including the existing building) is at low risk from fluvial and surface water risks. The entirety of the site is also shown as being at low risk from sewer, and groundwater flooding and is not considered at risk from flooding from artificial sources.

The proposed change of use is 'more vulnerable' but as the minimum floor levels for residential use are to be raised to a level that is at or above the maximum predicted depth for the 1 in 100 year climate adjusted flood level, such use is considered appropriate in the proposed location under NPPF criteria.

The proposed development will, where possible, implement measures to 'wet proof' the building access areas to improve existing flood resilience. This should include locating vulnerable services above the design flood depth – ideally 500mm above the predicted 1 in 100year flood level of 29.723m AOD to ensure a flood resilient approach has been adopted. Given the currently floor levels this is achieved (floor level is at 30.57m AOD). This will be in addition to the site preparing a Flood Evacuation Plan and signing up to the EA's Early Warning Scheme.

Provided a suitable flood management plan is in place the proposed change of use is considered to be acceptable from a flood risk perspective and to provide a viable future for the building.

Based on the modelling the site is concluded to be outside the Functional Floodplain (i.e. the 1 in 20-year event). As such the policy within Guildford Borough Council's Local Plan that states that development within Flood Zone 3b should not increase the existing vulnerability classification does not apply. A proposed change of use application in this location can therefore be considered acceptable provided suitable flood resilience and resistant approaches be included within the scheme.

Hydrock Consultants Limited

17th December 2019

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www.lsh.co.uk
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2 Bell Court
Leapale Lane
Guildford
Surrey
GU1 4LY

Ref: PD/ph

Dear Melissa

Liongate, Ladymead, Guildford, Surrey GU1 1AT

As requested please see set out below a summary of the activities undertaken prior to and during the marketing of the freehold interest of above property.

The aim of the process was to undertake sufficient due diligence to enable a wide scale marketing campaign that was backed up with a comprehensive package of data, which would enable informed bids from interested parties.

Interest and bids were encouraged from different use types to establish open market values for these alternative uses and the bidding process employed developed the competitive tension to deliver best consideration.



Background

Liongate is a late 1980's office building situated on Ladymead and adjacent to the Stoke Intersection, which is the main access point from the A3 into Guildford. It comprises some 43,000 sq. ft. (Net Internal) of offices, mainly on three floors on a site of approximately 1.36 acres.

The property was leased to Honeywell UOP at a rental of £980,000 per annum and was subject to a tenant break clause in September 2019 which was exercised as the property was much larger than the business needed. Honeywell moved the Guildford operation into surplus space it had in Bracknell.

Liongate is very prominently positioned alongside the A3 and Ladymead at the Stoke intersection, which is the main vehicular access into central Guildford. However, this location is not convenient for office based staff as there is virtually no local amenity and it is poorly positioned for public transport, being more than one mile from Guildford mainline station.

The building is very heavily partitioned to create private offices and meeting rooms and the current layout would not suit a contemporary office occupier. There is undercroft and surface parking for 126 cars.

Liongate is now looking very dated and on inspection feels like a property of its time and not one which the modern business user would be inspired by. Also, as the property is now thirty years old, both M&E plant and finishes will be reaching life expiry and the building would require substantial investment before being capable of new occupation for office use.

Furthermore, the office market is undergoing significant structural change and the demand for large HQ office buildings such as Liongate is diminishing. The departure of major corporate occupiers from Guildford including Honeywell, Sanofi and Ericsson is a clear demonstration of this new environment.

Demand is now generally for smaller space areas in well located buildings with good access to amenity and transport links.

Planning

There are two key planning related factors which impact on the potential for alternative uses for the Liongate building/site and therefore the value which can be achieved for the property.

Firstly, the site is predominantly within Flood Zone 3B where 'more vulnerable' developments are generally not permitted by the EA. New residential development would be classified as 'more vulnerable' would not be permitted within Flood Zone 3B.

Also, in the newly adopted Local Plan the site is designated as a Strategic Employment Site. The site would therefore need to be actively marketed for a period of two years for offices, retail, warehousing and/or other suitable employment generating use, without success, before alternative non employment uses might be considered by the planning authority.

Pre-Marketing

To achieve best value in the sales process it is advisable to go to market with a comprehensive package of information regarding the property so there area as few unknowns as possible. This then means that the prospective purchasers are armed with sufficient information to make deliverable bids and that a transaction is less likely to be de-railed during the legal process by previously unknown information.

The due diligence included collating and commissioning the following:

- Topographic Survey
- Full measured survey of the building and production of detailed CAD plans
- Flood Risk Scoping Report
- Flood risk Assessment
- Photography including aerial

- Utilities Survey
- Title Report
- EPC
- Asbestos Report

Marketing

The marketing campaign was designed to widely expose this development opportunity to market and was based a combination of internet promotion and direct contact with potential purchasers.

The marketing timeline was planned to tie in with the exit from the property by Honeywell and was as follows:

September 2019 - For Sale board erected, particulars produced and released to investors/developers. Property details live on the LSH website and other key property web sites – Rightmove, Zoopla, Co-Star, EGi, Realla etc.

October 2019 - Registering interesting from 65 parties, granting access to the data room to 39 interested parties, accompanying viewings of the property with 18 interested parties (viewings taking place between 3rd October and 11th November).

November 2019 – Invite bids from interested parties by Thursday 14th November 2019. Twelve bids received. Review and clarify bids and invite best and final bids for the five highest bidders by Monday 25th November 2019.

Bids Received

The Bid Summary Schedule, dated 17th November, is attached and sets out details of the initial bids received.

These bids ranged from £5.0 million for a subject to planning bid from Lok'nStore for self-storage use to £11.1 million for a subject to planning bid from Signature Senior Lifestyle for a 93 bed new build care home.

The bids were presented Investment Property Fund Management Group (IPFMG) and it was agreed that only unconditional bids should be perused as there were very significant planning risks around the delivery of subject to planning offers. Particularly the Strategic Employment Site designation and also that the property is situated in Flood Zone 3B.

The time it might take to secure a planning consent, was also a factor when the proposed use is not compliant with Local Plan and the cost implications of this when business rates exposure alone is circa £500,000 per annum for GBC.

A revised bid request letter was submitted to Signature, Equinox, OCEA, Shaviram and BSD seeking unconditional offers that were not subject to third party debt. Responses were as follows:

Signature - declined to submit a revised bid and said that their £11.1 million bid needed to be conditional on planning.

Equinox – Resubmitted their original £10.7 million bid which was still subject to bank finance. This party had not viewed the property and in seeking clarification to their bid, they submitted a development appraisal that showed a reliance on gaining planning consent for a substantial additional amount of floor space on the site.

OCEA – Increased their bid from £9.51 million to £9.62 million and dropped the requirement to dis-apply the VAT.

BSD – Increased their bid from £9.5 million to £10.1 million and provided evidence of cash reserves to fund the purchase.

Shaviram – Increased their bid from £9.0 million to £10.00 million but conditional on environmental and building surveys.

It was agreed that we should exclude Signature's planning conditional bid as planning for the proposed use was unlikely to be achieved. Even if it was, any potential price advantage would be wiped out by the holding costs during the time it would take to secure the planning.

The Equinox bid was dismissed as being unreliable and unlikely to be delivered as they have not viewed the property, despite claiming to have done so and was still subject to raising bank debt. The development appraisal showing the requirement for more floor space to support the bid level was also of major concern.

The OCEA bid was a well-researched and a clean unconditional bid from a credible buyer but now somewhat off the pace.

Shaviram had increased their bid but were not able to demonstrate any significant level of due diligence and the conditionality of the surveys was a concern.

BSD had delivered the highest unconditional bid were a cash buyer and had inspected the property on three occasions with their professional team. It was therefore agreed that they were the preferred bidder.

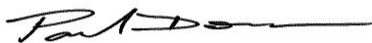
Solicitors were instructed accordingly and it is expected that the sale will exchange this week.

Best Consideration

LSH has undertaken a comprehensive marketing process and we have received bids for a variety of use types from both conditional and unconditional buyers. This has shown how different sectors value the property.

We are confident that the transparent and competitive bidding process has secured best consideration for the property and that the price of £10.1 million is a very good result for GBC and in excess of our original expectations for the property.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Paul Dowson'.

Paul Dowson

Director

DL +44 (0)1483 446703

E pdowson@lsh.co.uk

Purchaser	Agent	Purchase Price	Deposit	Cash Buyer	Further Approvals Required	Exchange/ Completion	Conditions	Inspected the Property	Surveys Required	Solicitors Details Provided	Comments
Signature Senior Lifestyle Developments Ltd.	Direct	£11,100,000	£100k		No	Exchange asap/ 28 days Comp following planning	Planning consent for C2 Nursing home (93 units).	Yes	Environmental surveys	no	Subject to planning bid. Detailed redevelopment scheme provided. Credible bidder with good track record.
Equinox Living Ltd	Direct	£10,700,000	10%	No	Require debt financing	4 weeks Ex / 9-12 weeks Comp	Conditional on funding which has not yet been secured	No	No	yes	Have not viewed the property so very significant risk around deliverability of this bid. Also need bank finance which is becoming difficult to secure in the current market.
Ocea Group Limited	Direct	£9,510,000	No	No	No	4 weeks Ex / 4 weeks Comp	Conditional upon issuing a VAT 1614D certificate to disapply the Option to Tax (VAT) the building	Yes	no	yes	100% social housing scheme which would be leased to GBC /HA at discount to LHA. Alternatively the same level of bid stands for a PD scheme. Need to discuss with your finance team any implications of the requirement for a 1614D certificate.
BSD UK Construction	Steven Lewis - Lewis & Partners	£9,500,000	No	Yes	No	2 weeks Ex / 8 weeks Comp	Subject to Contract only	Yes	No	Yes	Unconditional cash buyer. Have undertaken inspections with their professional team. Have designed and priced their scheme.
Shaviram Group	Knight Frank - Paul Modu	£9,000,000	10%	Yes	Silent	10 days Ex / 10 days following grant of PD	Many! - but conditional on PD being approved	Yes	Yes	Yes	Conditional bidder who only inspected 2 days before the bid deadline. Will have done only very limited due diligence.
Lipman Properties Limited	Harvey Veitch - Bray Fox Smith	£8,550,000	20%	Yes	No	10 days / 28 days Co	No	No	No	yes	Agents inspected with another developer who declined to bid. Concerns about the level of due diligence
Muller	Direct	£8,500,000	£10k	Yes	No	Ex 1 month/ comp 6 weeks after planning	Option Agreement for 18 months. Subject to planning.	No	no	Yes	Subject to planning bid based on an option only. Detailed redevelopment scheme provided.
Stonegate Homes	Curchod - Gary Whitaker	£8,050,000 - Uncon £12,150,000 - STP	£100k	Yes	No	A option for a period of 12 months for the higher bid. Lower bid 20 days for exchange.	Lower bid unconditional. Higher bid subject to unspecified planning consent	Yes		No	Lower bid is unconditional. Higher bid is based on achieving an unspecified satisfactory planning consent. This is designed to look attractive but unlikely to be capable of delivery.
Basi Developments SPV (c/o Grandera)	Direct	£6,000,000 - 57 PD units £7,500,000 - 69 PD units	10%	Yes		14 days Ex / 4 week Comp	Subject to PD consent. Higher price is based on planning for 2 additional floors	Yes	Building Surveys	yes	Conditional on receipt of PD approval.
Richard Cook Limited	Direct	£6,783,160	No	Yes	No	14-28 day Ex & Comp		Yes	Surveys	Yes	Clean unconditional bid for office refurbishment from local developer.
Devonshire Property Holdings	Avison Young - Piers Leigh	£5,900,000	10%	Yes	No	20 days Ex / 20 days Com	Survey, legal due diligence and title	Yes	Yes	Yes	Unconditional cash buyer for office refurbishment
Lok'nStore Ltd	Direct	£5,000,000	no	Yes		6 weeks Ex / 6 month for PP / 5 days Comp	Planning for B8	No	no	yes	Subject to planning bid for Self Storage redevelopment

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Executive Report

Ward(s) affected: Friary St. Nicolas Ward

Report of Director of Community Services

Author: Melissa Bromham, Investment Property Manager

Tel: 01483 444587

Email: melissa.bromham@guildford.gov.uk

Lead Councillor responsible: Joss Bigmore

Tel: 07974 979369

Email: joss.bigmore@guildford.gov.uk

Date: 26 November 2019

Proposed disposal of Council-owned property in Guildford

Executive Summary

Liongate is a 43,000 sq.ft late 1980s office building situated on Ladymead on a site of approximately 1.36 acres.

The Property was leased to Honeywell UOP at a rental of £980,000 per annum but the tenant actioned a tenant only break clause in September 2019. Whilst in a prominent position alongside the A3 and Ladymead at the Stoke intersection, the location is not very convenient for office-based staff as there is virtually no local amenity and it is not well positioned for public transport, being more than one mile from Guildford mainline station.

Generally, as the Property is now thirty years old the building is looking very dated, both M&E plant and finishes will be reaching life expiry and the building would require substantial investment before being capable of new occupation.

The Guildford Office market is going through structural change in terms of relocation and shrinkage of some of the mature corporates. Demand is now for smaller space, good quality Grade A offices, centrally located.

To complicate matters, the majority of the site is currently designated Environment Agency Flood Zone 3b. This site is also located within 400m to 5km of the Thames Basin Heaths Special Protection Area.

In September 2018, the Council commissioned Lambert Smith Hampton (LSH) to prepare an Options Appraisal for Liongate on the potential future uses of the site. Refurbishment to re-let for continued office use was dismissed and options for residential or retirement living/care homes were recommended. However, given the issues around planning and to take advantage of any interest, the site has been through a full marketing campaign on an 'any offer' basis. 12 bids have been received and are detailed in **Appendix 1** and this Report

requests authority to take steps to further improve these bids in terms of price and deliverability to ensure that the Council meets its best value obligations.

Recommendation to Executive

- (1) That the Corporate Property Manager be authorised to take such actions as are required to improve the bids received in terms of price and deliverability and to negotiate detailed terms for the disposal of the Council-owned property in Guildford referred to in this report in consultation with the Lead Councillor for Finance and Asset Management, the Managing Director, the Director of Community Services and Chief Finance Officer to ensure that the Council meets its best value obligations.
- (2) That the ring-fencing of the sale proceeds within the provisional capital programme for future re-investment in a better investment property, be approved.

Reasons for Recommendation:

Disposing of the property would allow the Council to reinvest the capital receipts in better property investments and remove the current difficulties and the potential future risks associated with this property whilst capturing the best consideration available in today's market.

Is the report (or part of it) exempt from publication?

Yes, the whole report:

- (a) The content is to be treated as exempt from the Access to Information publication rules because it contains commercially sensitive information and is therefore exempt by virtue of paragraph(s) 3 of Part 1 of Schedule 12A to the Local Government Act 1972 as follows:
"Information relating to the financial or business affairs of any particular person (including the authority holding that information"
- (b) The content is restricted to all councillors.
- (c) The exempt information is not expected to be made public because it contains commercially sensitive information about the Council's business affairs.
- (d) The decision to maintain the exemption may be challenged by any person at the point at which the Executive is invited to pass a resolution to exclude the public from the meeting to consider the exempt information.

1. Purpose of Report

- 1.1 The purpose of this report is to ask the Executive to authorise the Corporate Property Manager to negotiate the most advantageous terms for the disposal of the property in consultation with the Lead Councillor for Finance and Asset Management, the Managing Director, the Director of Community Services, and the Chief Finance Officer. This will include further negotiation with a number of preferred bidders (with the option to call for best and final bids) to ensure the Council obtains best consideration for the property.

- 1.2 Section C6.2 (vi) of Financial Procedure Rules in Part 4 of the Council's Constitution states that: "any disposal not delegated to the Director of Community Services must be authorised by the Executive".

2. Strategic Priorities

- 2.1 A well-managed, income producing investment portfolio supports all the fundamental themes of the Corporate Plan and the Council's strategic priorities. The proposal to dispose of a site which no longer meets the Council's investment criteria will allow the Council to re-invest in better performing properties, enabling the Council to achieve financial excellence and value for money.
- 2.2 Allowing a third party to take this site forward also contributes to the theme of Place Making.

3. Background

The Property

- 3.1 Liongate (the 'Property') is a late 1980s office building situated on Ladymead and adjacent to the Stoke Intersection, which is the main access point from the A3 into Guildford. It comprises some 43,000 sq.ft (Net Internal) of offices, mainly on three floors on a site of approximately 1.36 acres.
- 3.2 The Property was leased to Honeywell UOP at a rental of £980,000 per annum but the tenant actioned a tenant only break clause in September 2019 as the Property was much larger than the business needed in Guildford.
- 3.3 The Property is very prominently positioned alongside the A3 and Ladymead at the Stoke intersection, which is the main vehicular access into central Guildford. However, this location is not very convenient for office-based staff as there is virtually no local amenity and it is not well positioned for public transport, being more than one mile from Guildford mainline station.
- 3.4 The building is very heavily partitioned to create private offices and meeting rooms and the current layout would not generally suit a contemporary office occupier. There is undercroft and surface parking for 126 cars.
- 3.5 Generally, as the Property is now thirty years old the building is looking very dated, both M&E plant and finishes will be reaching life expiry and the building would require substantial investment before being capable of re-letting or new occupation.

The Guildford Office Market

- 3.6 Guildford's office market is going through structural change and this is illustrated by both the relocation and shrinkage of some of the mature corporates in the town. The departure of large, long standing corporate occupiers, Sanofi and Ericsson to Reading, led to reduced activity during 2018. BOC is downsizing from

its 90,000 sq. ft. Surrey Research Park HQ and taking 23,000 sq. ft. at Guildford Business Park. In addition, Philips is now reviewing its occupation at Guildford Business Park and they may also be considering leaving the town as they plan to merge the Guildford and Basingstoke offices. Honeywell UOP having exercised the break clause on the subject Property has consolidated into existing group offices in Bracknell.

- 3.7 Whilst take up in Guildford this year has been good, the letting activity is generally mirroring the trend in recent years for smaller space areas, over 53% of transactions have been of 5,000 sq. ft. or less and only 22% between 5,000 and 10,000 sq. ft.
- 3.8 Occupiers are generally seeking good quality Grade A offices with increased emphasis being placed on town centre location, staff wellbeing and amenity as business is increasingly recognising the need to offer its staff more.
- 3.9 A lot of the available supply is very good quality grade A space which requires significant capital outlay to deliver to the market so the cost of entry to compete with these buildings is very high. The location of each property then has to be considered and Liongate does not fare particularly well when considered with its potential competition. It is prominent but lacks local amenity and has access issues.

Planning

- 3.10 The site falls within an Area of High Archaeological Potential, the Guildford Urban Area, and an area of flood plain. The majority of the site is within Environment Agency Flood Zone 3b. In Flood Zone 3b, residential development should not be permitted. Residential uses fall within 'more vulnerable' as identified in the Flood Risk Vulnerability Classification of the NPPG. Any prior approval application would need to be accompanied by a site-specific flood risk assessment.
- 3.11 The Council has commissioned a Flood Risk Assessment and topographical site survey to see if the case can be made for these uses on this Property. The report has confirmed that the existing building is located within Flood Zone 3 but outside of the functional floodplain. The Council's advisors have taken comfort from the report in terms of prior approval for Permitted Development (PD).
- 3.12 The site is located within 400m to 5km of the Thames Basin Heaths Special Protection Area. This means that avoidance and mitigation measures would need to be provided for any development having adverse effects on the integrity of the Special Protection Area, such measures to be agreed with Natural England in accordance with the Conservation of Habitats and Species Regulations 2017.
- 3.13 Where applicable, such mitigation measures are currently based on a combination of (1) the provision, improvement and/or maintenance of Suitable Alternative Natural Greenspace and (2) Strategic Access Management and Monitoring.

- 3.14 The property also falls within a Strategic Employment site as identified in the local plan.

4. Summary of Options

- 4.1 In September 2018, Lambert Smith Hampton (LSH) were instructed to prepare an Options Appraisal for the Property to consider the relative merits of the following potential uses:

- (a) Refurbishment to re-let for continued office use
- (b) Sell for continued office use
- (c) Sale for residential use with prior approval for Permitted Development (PD)
- (d) Sale for residential use
- (e) Sale for retirement living/care home
- (f) Sale/pre-let as a hotel
- (g) Sale for retail use
- (h) Sale for self-storage use

LSH's Report recommended options (c) (d) or (e) to be pursued in that order of preference.

Option (a) Refurbishment for continued office use

- (i) The advice received from LSH was that undertaking a refurbishment for office use would not guarantee a letting as competition for potential occupiers in an oversupplied office market is fierce. In addition, the location of the Property does not compare favourably to town centre offices or better located edge of town centre properties at Cathedral Hill and Guildford Business Park.
- (ii) Therefore, even if the Property was refurbished to provide contemporary offices, the Council's advisers suggest that it would struggle to let. There is no weight of demand from the large corporates such as Honeywell and whilst the floors do split well to create three separate suites these smaller occupiers are tending to prefer town centre space.
- (iii) If the building was refurbished a void allowance of up to three years would still need to be made, which would make this level of investment untenable.
- (iv) Post refurbishment the headline rental value of this office space would be circa £30.00 per sq. ft (circa £1.2 million pa) but this would require some 12-15 months' rent free per five years term certain.
- (v) This option has therefore been rejected.
- (vi) Consideration was also given to the idea that Guildford Borough Council could refurbish the Property for its own occupation and sell Millmead House, for residential redevelopment in line with the local plan. However, the same issues would apply.

Option (b) Refurbishment for continued office use

- (i) The Council could sell the property to an owner occupier to refurbish for continued office use. Again, the same issues would apply as option (a) above. However, the marketing campaign allowed for this use to ensure no opportunities were lost.

Option (c) Sale for Residential Use with prior approval for PD

- (i) The property location is not ideal for conventional residential use as it is very noisy being so close to the A3 and the Stoke intersection.
- (ii) However, a number of similarly located office buildings across the South East have been converted under the prior approval process and there would be a market for this, subject to there being a resolution to the flood risk issue.
- (iii) The level of on-site parking would be attractive to developers as a location such as this would need to be entirely self-contained in this regard.
- (iv) The site is mainly situated within the Flood Zone 3, which would usually preclude residential type uses. Therefore, the Council commissioned a flood risk assessment which has offered comfort in terms of prior approval for PD.
- (v) The site is located within 400m to 5km of the Thames Basin Heaths Special Protection Area.
- (vi) Officers have also considered the option of the Council developing the site, but it was felt that the additional risks relating to the construction and management of any build contract and letting/sale risk would be prohibitive.

Option (d) Sale for Residential Use

- (i) This is less appealing than a PD route due to the uncertainty around a planning contingent bid but also, on a purely commercial basis, by the fact that social housing provision would need to apply which would reduce the proceeds of sale.

Option (e) Sale for retirement living/care home

- (i) The retirement living and extra care sectors are very active at present with occupier demand increasing due to an ageing population - the number of people who are over 65 will double in the next ten years.

- (ii) Building prominence is a key factor for the operators in this sector as it is often the children of the occupants who are making decisions about location and ease of car access and visibility that gets homes considered.
- (iii) The specialist nature of this accommodation means that redevelopment would be required to create a bespoke building.
- (iv) The retirement living sector is experiencing some issues at present due to the uncertainties thrown up by Brexit and the impact this has had on the wider housing market. There is also an increasing realisation that more people looking to move into retirement accommodation see leasing as an attractive option and that the models of the retirement providers may need to adapt to this.
- (v) The site is mainly situated within the Flood Zone 3, which would also preclude residential this use.
- (vi) The site is located within 400m to 5km of the Thames Basin Heaths Special Protection Area.

Option (f), (g) and (h)

- (i) These options are unlikely to achieve the same prices as the above options but, again, bidders for this use were pursued to ensure no opportunities were missed.

5. Bids Received

- 5.1 The Council have been marketing the site on an 'any offer' basis to ensure that no opportunities are missed. 12 bids were received on 14 November 2019 and are detailed in **Appendix 1**. These vary in terms of price, quality and deliverability.
- 5.2 All of the bids have been initially assessed in terms of:
 - Price
 - Funding
 - Approvals required
 - Timescale
 - Conditions
 - Due Diligence undertaken
- 5.3 These now need to be interrogated further and negotiated with the interested party.

6. Consultations

- 6.1 The disposal is supported by the officer and Councillor represented Property Review Group and the Lead Councillor for Finance and Asset Management.

7. Key Risks

Risks in Retaining the Asset

- 7.1 There are inherent risks in property ownership; capital value/income derived from property will increase and decrease in line with the market, their location, and specification attributes.
- 7.2 The Options Analysis undertaken for this Property and summarised in section 4 considered the risks of the ongoing property ownership, weighed up against the potential level of returns expected, taking into account this point in the market cycle.
- 7.3 Retaining a property for the revenue return and granting a lease interest to a third party, thereby creating an investment product, exposes the Council to the additional risks of retaining property ownership and ensuring the resource and mechanisms are in place to manage the property effectively in terms of ongoing estate/asset management and valuation processes. This is worth it when a property will provide an adequate return to off-set these costs/risks, but officers do not believe the subject property meets this criterion. There will be ongoing expenses incurred while the property remains vacant, including repairs, maintenance, security, and rates.

Risk of Delay in Transacting

- 7.4 Developers, who have spent time and resources putting together a bid, will expect the Council to make a quick decision and be in a position to exchange contracts before Christmas. By delaying consideration of the matter to the next Executive meeting, the Council may lose the opportunity to dispose of this site at the best consideration.
- 7.5 To mitigate this risk, officers are requesting that the authority to negotiate the final deal with the preferred bidder from the schedule in Appendix 1, be delegated to the Corporate Property Manager in consultation with the Lead Councillor for Finance and Asset Management, the Managing Director, the Director of Community Services and Chief Finance Officer.

Risks of Sale

- 7.6 There are risks associated with the sale which include:
- Conditional bids – to mitigate the risk, all bids will be assessed taking into consideration any conditions, such as planning which could delay the sale and leading to further costs to the Council in terms of the void.

- Non-performance by preferred vendor – to mitigate this, details of the funding and due diligence already undertaken have been requested.

8. Financial Implications

- 8.1 The void currently represents a budgeted income shortfall of £980,000pa. In addition, whilst the property remains vacant there is an empty premises business rates liability of £125,000 meaning that the loss of income and additional costs are costing the Council £1.105m per annum. Office use would be the only real option to allow the site to continue to be income producing but as detailed above this is highly risky and would require a large capital outlay.
- 8.2 As set out in para 4.1 (a) (vi) the council has explored the option of relocating to the Property itself in order to release the Millmead site for housing development. The Millmead site has been included in the Council's town centre regeneration strategy for redevelopment for residential use. When the Property was purchased in 2013, it was purchased with the option of it being a new Council headquarters as a consideration for when the lease to UOP expired at the end of its 10-year period. The tenant having exercised its break-clause has meant officers have considered this option further alongside the disposal option. LSH have advised that the cost of refurbishing the Property for owner occupation would be in the region of £4m. We are awaiting an estimate of the disposal valuation of the Millmead House site in order to assess whether owner-occupation would be a viable option.
- 8.3 The current valuation of the Property in the Council's balance sheet is £13m. All bids have come in under this value, as a result the Council is likely to recognise a loss on disposal. In addition, the Council has an outstanding capital financing requirement of £11.89m, which the disposal proceeds need to cover. All bids suggest that the Council will be left with an overhanging debt liability that will need to be charged against the Council's General Fund as additional Minimum Revenue Provision at the point of disposal.

9. Legal Implications

- 9.1 The disposal of land and building assets must be undertaken in accordance with the provisions set out in the Local Government Act 1972 including the obligation to receive the best consideration reasonably obtainable in accordance with section 123 Local Government Act 1972.
- 9.2 In accordance with the Council's Constitution (30 May 2019) Part 4 the Financial Procedure Rules section C6.2 relating to Land and Buildings provide:
- (i) As the land and buildings to be sold exceed 0.2 hectares any disposal must be authorised by the Executive.
 - (ii) Where land or buildings are surplus to services' requirements, a recommendation for sale will be the subject of a joint report by the Director or Service Leader and Director of Community Services in consultation with the Council Solicitor and Monitoring Officer, and CFO or the Executive (as appropriate). The report shall set out the relevant

information, such as the planning position, potential use, legal issues, current and proposed development restrictions, estimated market value and confirmation that best consideration is achievable.

- (iii) For all disposals, a Chartered Surveyor must provide a valuation. If the likely value exceeds £100,000, this must be supplemented by a second valuation by an external Chartered Surveyor.
- (iv) subject to the over-riding requirement of public procurement legislation, the Council's Procurement Procedure Rules shall not apply to the disposal of land and buildings unless the Director of Community Services and Council Solicitor and Monitoring Officer consider that tenders or quotations would be appropriate. Where quotations or tenders are not required, this will be subject to the agreement of the Managing Director and consultation with the Leader or appropriate lead councillor in relation to tenders.

- 9.3 The general power of competence set out in the Localism Act 2011 section 1 empowers the Council to do anything an individual may generally do apart from that which is specifically prohibited by existing legislation. Any decision taken in exercise of the general power of competence, as with any other power, can be challenged under judicial review on the grounds of illegality, irrationality or procedural impropriety.
- 9.4 The Crime and Disorder Act 1998 section 17 imposes a duty on the Council to consider in all its decision making the requirements to reduce crime and disorder.
- 9.5 The Human Rights Act 1998 requires not only that the Council shall not infringe the convention rights but also (by inference) the Council is required to promote the convention rights in its decision-making.

10. Human Resource Implications

- 10.1 The sale of the Property will not have any human resource implications.

11. Equality and Diversity Implications

- 11.1 There are no Equality and Diversity Implications

12. Sustainability/Climate Change Implications

- 12.1 From 1 April 2018, landlords of buildings within the scope of the minimum energy efficiency standard (MEES) Regulations must not renew existing tenancies or grant new tenancies if the building has less than the minimum energy performance certificate (EPC) rating of E. The property has a EPC rating of F. If the Council was to pursue Option (a) works would need to be taken to improve this rating.
- 12.2 With the increasing awareness of the issues around climate change and the Council's declaration of a Climate Change emergency there is an expectation on

the Council to lead by example. If the Council were to relocate to the property there would need to be a large budget allowed for improving the energy efficiency of the building to not only increase the energy efficiency rating of the building but to implement further sustainable measures.

- 12.3 The property's location is also not well positioned for public transport, being more than one mile from Guildford mainline station. If the property was to be continued to be used for office use this would need to be addressed. Staff commuting to the office by car will have a big impact on the climate and electric car charging points, car-pooling or working from home would need to be promoted to try to reduce this impact.

13. Conclusion

- 13.1 The Council have been marketing the Property through LSH and have had a number of interested parties. LSH asked for best bids on 14 November 2019. Appendix 1 provides a schedule of these bids. It is believed that the Council's advisors can now negotiate to improve these bids and ensure deliverability.

14. Background Papers

None

15. Appendices

Appendix 1: Schedule of Bids

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COUNCIL MEETING

WEDNESDAY, 28 JULY 2021

ORDER PAPER

ORDER PAPER (Pages 1 - 32)

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COUNCIL MEETING

WEDNESDAY 28 JULY 2021

ORDER PAPER

WEBCASTING NOTICE

This meeting will be recorded for subsequent broadcast on the Council's website in accordance with the Council's capacity in performing a task in the public interest and in line with the Openness of Local Government Bodies Regulations 2014.

The whole of the meeting will be recorded, except where there are confidential or exempt items, and the footage will be on the website for six months.

If you have any queries regarding webcasting of meetings, please contact Committee Services.

I would like to welcome everyone to this evening's meeting of the Council.

I should be grateful if you would ensure that your mobile phones and other hand-held devices are switched to silent during the meeting. If the fire alarm sounds during the course of the meeting - we are not expecting it to go off - please leave the Council Chamber immediately and proceed calmly to the assembly point in Millmead on the paved area adjacent to the river as you exit the site.

This Order Paper sets out details of those members of the public who have given advance notice of their wish to ask a question or address the Council in respect of any business on tonight's agenda. It also sets out details of any questions submitted by councillors together with any motions and amendments to be proposed by councillors in respect of the business on the agenda.

Unless a member of the public has given notice of their wish to ask a question or address the Council under Item 6 (Public Participation), they will not be permitted to speak. Those who have given notice may address the Council for a maximum of three minutes. Speakers may not engage in any further debate once they have finished their speech.

Councillor Marsha Moseley
The Mayor of Guildford

Time limits on speeches at full Council meetings:	
Public speaker:	3 minutes
Response to public speaker:	3 minutes
Questions from councillors:	3 minutes
Response to questions from councillors:	3 minutes
Proposer of a motion:	10 minutes
Seconder of a motion:	5 minutes
Other councillors speaking during the debate on a motion:	5 minutes
Proposer of a motion's right of reply at the end of the debate on the motion:	10 minutes
Proposer of an amendment:	5 minutes
Seconder of an amendment:	5 minutes
Other councillors speaking during the debate on an amendment:	5 minutes
Proposer of a motion's right of reply at the end of the debate on an amendment:	5 minutes
Proposer of an amendment's right of reply at the end of the debate on an amendment:	5 minutes

1 APOLOGIES FOR ABSENCE

To receive any apologies for absence.

2 DISCLOSURES OF INTEREST

To receive and note any disclosable pecuniary interests from councillors. In accordance with the local Code of Conduct, a councillor is required to disclose at the meeting any disclosable pecuniary interest (DPI) that they may have in respect of any matter for consideration on this agenda. Any councillor with a DPI must not participate in any discussion or vote regarding that matter and they must also withdraw from the meeting immediately before consideration of the matter.

If that DPI has not been registered, the councillor must notify the Monitoring Officer of the details of the DPI within 28 days of the date of the meeting.

Councillors are further invited to disclose any non-pecuniary interest which may be relevant to any matter on this agenda, in the interests of transparency, and to confirm that it will not affect their objectivity in relation to that matter.

3 MINUTES (Pages 5 – 20 of the Council agenda)

To confirm the minutes of the Annual Meeting of the Council held on 19 May 2021 and the extraordinary meeting held on 6 July 2021.

4. MAYOR'S COMMUNICATIONS

To receive any communications or announcements from the Mayor.

5. LEADER'S COMMUNICATIONS

The Leader to comment on the following matters:

- Covid update
- Keep Britain Tidy's Love Parks Week
- Farmers' Market
- New online Housing Register
- Executive portfolio responsibilities: To clarify that air quality matters are the responsibility of the Lead Councillor for Climate Change

Councillors shall have the opportunity of asking questions of the Leader in respect of his communications.

6. PUBLIC PARTICIPATION

No questions or requests to speak have been received from the public.

7. QUESTIONS FROM COUNCILLORS

- (a) **Councillor Ramsey Nagaty** to ask the Leader of the Council, Councillor Joss Bigmore, the following question:

"Following the press release issued by the Council on 17 May 2021, which stated that 'We have started to review the Guildford Local Plan and the evidence behind it', may I please ask the Leader of the Council:

- (1) *To provide an update on progress with the review, and in particular progress with the appointment of a top level experienced independent Planning Expert or Barrister, who will take a fresh view and approach to this review, and to assist objectively and advise the best ways forward; and*
- (2) *To put in place a working group to progress the review urgently.”*

The Leader’s response is as follows:

- “(1) Officers have undertaken initial work reflecting the steps to be followed in order to review the Local Plan. This is based on published Planning Advisory Service guidance. I have agreed with our Strategic Services Director that this work should be expanded to incorporate a ‘roadmap’ reflecting the appropriate route to not only review the Local Plan, but also update the Plan’s Evidence Base. In parallel, the process of reviewing the Local Plan transport evidence base, as part of the wider review process, is being progressed with Surrey County Council and Highways England. Independent expertise will be drawn on as and when necessary during the process.*
- (2) Councillors Jan Harwood, John Rigg, and Tim Anderson have been providing input to this process. I will take under consideration whether to invite a formal working group to consider the ‘roadmap’ when it is delivered in the week commencing 6 September”.*

Councillor Joss Bigmore
Leader of the Council

- (b) **Councillor Ramsey Nagaty** to ask the Deputy Leader and Lead Councillor for Climate Change, Councillor Jan Harwood, the question set below. (Councillor Harwood’s response to each element of the question is set out in **red type** below.)

“There is considerable concern from residents of Shalford regarding progress with managing the Air Quality Management Area (AQMA) in Shalford. Could the Lead Councillor for Environment kindly confirm:

- (1) *what actions have been taken to address the air quality issues so far?*
“The Council understands the residents’ concerns about air quality within the AQMA in Shalford and wants to work with local residents, ward councillors, Surrey County Council and the Parish Council in achieving compliance with air quality limits. This is a really challenging issue to solve as the predominant source of emissions is domestic cars as they drive along the main road through the village.

The Council has an Air Quality Action Plan for Shalford which details the actions the Council is planning on taking to address the AQMA. A number of measures and initiatives, which will improve air quality, or raise awareness, are already being implemented in the Guildford area. These are not focussed specifically in Shalford but assist in reducing emissions more generally and increasing awareness of air quality, travel choice and choice of vehicle. These include easitGUILDFORD and an Electric Vehicle charging network pilot study.

Officers have started some early discussions on some of the Shalford specific measures such as improvements to cycle paths plus bus and train improvements and hope to make more progress this year. These are really challenging measures and will require support from partners to deliver improvements.”

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- (2) *what impact has this had on the air quality within the AQMA?*
“The impact is unknown at this stage particularly as air quality at this time is not representative of normal traffic patterns”.
- (3) *what actions will be taken going forward in light of the current pollution levels recorded as may be adjusted for the reduced traffic during the Pandemic?*
“The reduction in traffic during the height of the pandemic was reflected in our air quality monitoring across the Borough and therefore monitoring data during this period alone will not be used to make any key decisions about air quality. More recent results suggest traffic levels are starting to increase in parallel with the easing of restrictions”.
- (4) *when will the monitoring information to date, and any plans covering both Shalford and the wider Guildford area, be published for residents to see?”*
“Our air quality monitoring results for the whole Borough are published on the Council’s website. Please note that this is the raw data, and a valid bias factor must be applied for interpretation purposes.

<https://www.guildford.gov.uk/article/19807/Find-out-how-we-monitor-air-quality-and-pollution>

The ‘Annual Status Report’ submitted to DEFRA reviews the previous year’s air quality monitoring and follow up actions. Once approved by DEFRA this year’s report will be available on the Council’s website”.

- (c) **Councillor Paul Spooner** to ask the Lead Councillor for Resources, Councillor Tim Anderson, the question set below. (Councillor Anderson’s response to each element of the question is set out in **red type** below.)

“The Council acquired Liongate in 2013 following the financial crisis and during a period when investment in property still enabled significant return on investment for rental properties, as demonstrated by the significant rental income obtained over the period the Council retained ownership of the property.

However, the Council disposed of this asset in 2020 at a significant loss on the apparent basis that the Executive were informed that a conversion to residential could not be obtained, and the property was sold through private treaty (not public auction as claimed by the Leader) on an unconditional basis, without overage or any other clause to enable best value to be obtained should a new owner be successful in obtaining planning permission from the Local Planning Authority (GBC). In a very short period after disposal the new owners were able to obtain not one but two planning permissions for residential conversion and this has left the Council with a substantial loss to the residents of Guildford and no opportunity to use the site for affordable rent or social rent for the many residents who could have benefitted from retention and investment in the site, and a significant increase in book value for the Council Tax-payers of the Borough.

I ask that the Executive launch an urgent and thorough independent investigation into how this occurred. The decisions made are difficult to understand on so many levels and we need to understand what went wrong that resulted in a £3m loss between purchase and sale value and the lost opportunity for much needed Council housing.

In particular, I would like to ask the Lead Councillor for Resources:

- 1. Why was this property disposed of and not regenerated by the Council for much needed housing? Permitted Development rights would show that residential use would be readily obtained (as it was)?*

“In September 2018, pre-empting the tenant actioning their break, the Council commissioned Lambert Smith Hampton (LSH) to prepare an Options Appraisal for Liongate on the potential future uses of the site.

The report reviewed the relative merits of each option and provided a high-level range values for each and their view on demand/risk factors. To inform this a site survey, Flood Risk assessment and pre-planning advice were also commissioned.

- *Refurbishment by GBC for continued office use - **£4.0 - £5.0 million***
- *Sale for residential with prior approval for PD - **£8.5 - £9.5 million***
- *Sale for residential use - **£7.0 - £8.0 million***
- *Sale for retirement living/care home – Extra Care: **£8.5- £9.5 million**, Retirement: **£7.5- £8.5 million***
- *Sale/pre-let as a hotel - **£5.0 - £5.5 million***
- *Sale for retail use - **£5.0 - £5.5 million***
- *Sale for self-storage use - **£4.0 - £5.0 million***

The option to redevelop the site for housing internally was discussed with the Director of Community Services but dismissed due to the complexities of the site and the lack of in-house expertise.”

2. *On what basis was the property considered for use by the Council (if at all)?*

“See above. In addition, the Council did consider relocating its operations to the site and releasing Millmead, but it was agreed that the site was unsuitable”.

3. *Why wasn't a Permitted Development Planning Certificate put in place before the property was offered in the market, with the clear added value if that had happened?*

“In September 2018, pre-empting the tenant actioning their break, the Council commissioned LSH to prepare an Options Appraisal for Liongate on the potential future uses of the site.

The report reviewed the relative merits of each option and provided a high-level range values for each and their view on demand/risk factors. To inform this a site survey, Flood Risk assessment and pre-planning advice were commissioned. The flood risk assessor was in dialogue with the EA to produce their report. However, the EA was not very forthcoming with information.

The pre-planning advice stated:

“Sale for residential with prior approval for Permitted Development. The building is located within flood zone 3b. Residential uses fall within 'more vulnerable' as identified in the Flood Risk Vulnerability Classification of the NPPG. In Flood Zone 3b residential development should not be permitted. As such there is an in-principle objection. Any prior approval application would need to be accompanied by a site-specific flood risk assessment. We would consult the Environment Agency on any prior approval application. However, I must advise it is unlikely that prior approval would be granted, given the identified flood risk and 'more vulnerable' use.”

After commissioning a new and more involved flood risk assessment (using a different Assessor who had had success at Stoke Mill and a good dialogue with the EA) we received further advice from planning including the following statement from Planning dated 17 October 2019:

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“As discussed, I’m not aware the LPA has considered any office to resi PD prior approvals in flood zone 3 so we don’t have a lot of precedents to draw on. What I can say is that we have strongly resisted resi and student schemes in flood zone 3 where these have been subject to applications for planning permission. I think it would be hard for a scheme to pass the sequential and exception tests for resi on this site if planning permission was sought, but this will be something that needs to be considered and demonstrated by the applicant.”

Given the issues around planning and to take advantage of any interest, it was decided not to try to obtain prior approval but perform a full marketing campaign on an ‘any offer’ basis and asked potential purchaser to rely on the advice given in the new FRA (attached as Appendix 1 to this Order Paper) which stated that:

“Based on the modelling the site is concluded to be outside the Functional Floodplain (i.e. the 1 in 20-year event). As such the policy within Guildford Borough Council’s Local Plan that states that development within Flood Zone 3b should not increase the existing vulnerability classification does not apply. A proposed change of use application in this location can therefore be considered acceptable provided suitable flood resilience and resistant approaches be included within the scheme.”

This enabled the Council to obtain the full value for the site without the risk and cost of applying for PD approval and it being rejected which would have significantly reduced the value of the site”.

4. *Who authorised the property being sold at a £3m loss? I am not aware of any similar property that was valued in 2013 and then again in 2020 that ‘achieved’ such a loss in property value?*

“The matter was approved by the Executive on 29 November 2019 - minute EX65.

*The property was recorded in accounts as being sold for £10,820,000 (£10,170,000 + £700,000- £50,000 deposit). £108,463 of costs (legal, marketing, security, dilaps surveys) was deducted. This made a total capital receipt in accounts of **£10,711,536.93**. £850k was written out to I&E on disposal – investment properties hit I&E each year - both upward and downward.*

For information, valuation history is:

2013-14 purchase £13m

2014-15 £13.865m

2015-16 £14m

2016-17 £14.35m

2017-18 £14.42m

2018-19 £13m

2019-20 £12.15m

The void also led to a loss of rental of £980,000pa. Whilst the property remained vacant there was empty premises business rates liability of £125,000, meaning that the budgeted income shortfall was £1.105m per annum. There were also escalating costs around utilities and security.

Please also see best consideration letter from agent (attached as Appendix 2 to this Order Paper).”

5. *Why was the Council apparently so concerned by EA speculation that flood risk would make Residential conversion impossible given residential permission was so readily given by the same Council as LPA?*

“Pre-application advice highlighted that the site is located within Flood Zone 3b which carries significant constraints in terms of planning policies and flood risk concern. Consent was sought through the Prior Approval route and therefore only specific matters could be considered. The first two Prior Approval applications (19/W/00109 and 19/W/00110) were both refused on these grounds carrying objections from the Environment Agency. Therefore, this would highlight that the initial concerns were valid.

The following application, 20/W/00021, included a significant amount of additional information in respect of this matter and changes to the scheme as result the Environment Agency raised no objection to this application and as a result the Prior Approval application was approved.”

6. *Why didn't the Council write in an overage clause?*

“The purchaser was buying the site for residential conversion and was, in their view, paying a price based on the assumption they would obtain prior approval for that use. The next highest (i.e. lower) residential bid was in fact conditional on getting prior approval.

An overage clause is generally included in a commercial property/land sale contract and is used by the selling party for them to receive additional funds after the sale has been completed and an agreed 'trigger event' has taken place. The Council did request an overage payment but as the price already was a full price based on the assumption that they would obtain planning, an overage clause was unacceptable to the bidder”.

Given this Council's decision to hold independent enquiries on small matters such as Burchatts Farm Barn, this certainly justifies a formal and extensive investigation and report to the Council Tax payers in Guildford.”

“In this case, I believe an independent investigation is unnecessary. Previous investigations were seen to be necessary to uncover information to better understand the circumstances which led to a particular situation and the decision-making process. This time we are in possession of many committee meeting papers which were presented and minutes documenting conclusions. Additionally, we have reports from consultants on a wide range of options which were analysed and considered before decisions were made. The response to the six parts of the question above is comprehensive and has provided an opportunity to present an accurate picture which corrects assertions made in a political leaflet. Lastly, I do not question the original decision to acquire Liongate, but others may well do.”

8. LOCAL GOVERNMENT COLLABORATION (Pages 21 - 66 of the Council agenda)

Employment Committee – 22 July 2021

At its meeting on 22 July, the Employment Committee agreed to commend the proposed role profile (job description) in respect of the appointment of a Joint Chief Executive (Appendix 2 to the Council report) and also the proposed terms of reference and composition of the Joint Appointments Committee for approval by the Council (Appendix 4 to the Council report).

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Exempt Appendix 1: Draft Heads of Terms for the Inter Authority Agreement

Since the publication of the agenda on 20 July, a revised version of the draft Heads of Terms for the proposed Inter Authority Agreement has been drafted, a copy of which was circulated to all councillors on 22 July.

Exempt Appendix 2: Draft Job Description for new joint chief executive

Following a councillor's enquiry as to whether the job description/person specification needs to include proficiency in working with IT systems and also concerns regarding equalities, Jennifer McNeil from South East Employers has responded by agreeing that *"the new Joint Chief Executive will need to be proficient in IT and systems that are used in local authorities in particular. Whilst this might be implied in some of the areas on the role description, I agree that it would be clearer if digital skills and IT proficiency were specifically referenced in the person specification. This is particularly relevant given the new ways of working that we are all facing and growing reliance on digital technology. I suggest adding another line in the person specification under the heading 'Experience':*

Strong level of digital literacy and proficiency, including traditional office software suites (e.g. M/S Office packages) and modern ways of working (e.g. video conferencing, remote working); a proven track record of embracing digital approaches and new ways of working to meet organisational needs. (listed as 'E' Essential)"

It is suggested that this is dealt with by way of an alteration of the motion (see below)

With regard to equalities issues, Jennifer McNeil advises that, *"at this stage we will be obliged to ensure fair practices are followed under employment legislation with potential for redundancies / redeployment etc. of existing staff. However, until the consultation process has been commenced and finalised, we do not yet know what expressions of interest we will receive for this new post, nor whether this will remain an internal appointment, or if it will be advertised more widely. Should it go more widely, then areas of diversity would need to be taken into account"*.

Exempt Appendix 3: Human Resources Advice from South East Employers

The respective job descriptions for both Guildford and Waverley Heads of Paid Service and the Salary Benchmarking data for 2019-20 were omitted in error as attachments to the Human Resources report submitted by Jennifer McNeil. Copies of these documents were circulated to all councillors on 23 July.

Jennifer McNeil will also be present to answer any questions from councillors in respect of the proposed job description for the Joint Chief Executive, or the HR advice.

The motion:

The Leader of the Council, Councillor Joss Bigmore to propose, and the Deputy Leader of the Council, Councillor Jan Harwood to second the adoption of the following motion:

- “(1) To note the revised early draft of the Heads of Terms of the Inter Authority Agreement contained in Appendix 1 to the report submitted to the Council, and that significant further work is necessary to clarify the detail required to agree the Heads of Terms, and that a further report will be submitted to the Council to agree the final Heads of Terms.
- (2) To approve the draft job description, subject to consultation, in respect of the appointment of a Joint Chief Executive as set out in Appendix 2 to the report; and to agree the following as recommended by South East Employers in their paper outlining human resources issues, as set out in Appendix 3:

- (a) That the title of the new role be Joint Chief Executive (rather than Joint Managing Director).
 - (b) That the employing authority should be the existing employer if an internal candidate is appointed.
 - (c) That the salary for the new Joint Chief Executive post be a spot salary of £150,000 p.a. including all allowances, duties, and statutory responsibilities with the exception of election duties.
 - (d) That the new Joint Chief Executive post is ring-fenced for recruitment from the internal pool of affected employees in the first instance and that if no internal appointment is made then the role shall be advertised externally.
 - (e) That, subject to final approval by the Joint Appointments Committee the terms and conditions of employment for an internal appointment will be the existing terms and conditions of the employing authority.
- (3) To approve the establishment of a Joint Appointments Committee and its proposed composition and terms of reference, as set out in Appendix 4.
 - (4) Subject to paragraph (3) above, to confirm the following appointments to the Joint Appointments Committee:
 - The Leader of the Council, Councillor Joss Bigmore
 - The Deputy Leader of the Council, Councillor Jan Harwood
 - Councillor Paul Spooner
 - (5) To agree that redundancy and any settlement costs incurred as a result of moving to a Joint Chief Executive shall be shared equally between the Councils and that any pension strain costs (if applicable) will remain the responsibility of the employing authority of the affected officer. It is noted that the cost sharing arrangement for the remainder of the collaboration project will form part of the Inter Authority Agreement.
 - (6) To agree that the costs referred to in paragraph (5) above be funded from General Fund reserves.

Reason:

To approve the initial documents and governance required to progress the collaboration with Waverley Borough Council.”

Alteration of Motion:

Under Council Procedure Rule 15 (o), Councillor Joss Bigmore, as the mover of the original motion, has indicated that, with the consent of his seconder and of the meeting, he wishes to alter his motion in accordance with the proposed alteration below. The Mayor will put the proposed alteration to a vote without debate. If approved, Councillor Bigmore’s motion, as altered, will become the substantive motion for debate to which amendments may subsequently be moved.

Alteration:

Insert the following in the first line of paragraph (2) of the motion after “*subject to consultation*”:

“...and to the inclusion of the following additional line in the person specification under the heading ‘Experience’:

‘Strong level of digital literacy and proficiency, including traditional office software suites (e.g. M/S Office packages) and modern ways of working (e.g. video conferencing, remote working); a proven track record of embracing digital

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approaches and new ways of working to meet organisational needs. (listed as 'E' Essential)''

The motion, as altered, would read as follows:

- “(1) To note the revised early draft of the Heads of Terms of the Inter Authority Agreement contained in Appendix 1 to the report submitted to the Council, and that significant further work is necessary to clarify the detail required to agree the Heads of Terms, and that a further report will be submitted to the Council to agree the final Heads of Terms.
- (2) To approve the draft job description, subject to consultation and to the inclusion of the following additional line in the person specification under the heading ‘Experience’:

‘Strong level of digital literacy and proficiency, including traditional office software suites (e.g. M/S Office packages) and modern ways of working (e.g. video conferencing, remote working); a proven track record of embracing digital approaches and new ways of working to meet organisational needs. (listed as ‘E’ Essential)’

in respect of the appointment of a Joint Chief Executive as set out in Appendix 2 to the report; and to agree the following as recommended by South East Employers in their paper outlining human resources issues, as set out in Appendix 3:

- (a) That the title of the new role be Joint Chief Executive (rather than Joint Managing Director).
 - (b) That the employing authority should be the existing employer if an internal candidate is appointed.
 - (c) That the salary for the new Joint Chief Executive post be a spot salary of £150,000 p.a. including all allowances, duties, and statutory responsibilities with the exception of election duties.
 - (d) That the new Joint Chief Executive post is ring-fenced for recruitment from the internal pool of affected employees in the first instance and that if no internal appointment is made then the role shall be advertised externally.
 - (e) That, subject to final approval by the Joint Appointments Committee the terms and conditions of employment for an internal appointment will be the existing terms and conditions of the employing authority.
- (3) To approve the establishment of a Joint Appointments Committee and its proposed composition and terms of reference, as set out in Appendix 4.
- (4) Subject to paragraph (3) above, to confirm the following appointments to the Joint Appointments Committee:
- The Leader of the Council, Councillor Joss Bigmore
 - The Deputy Leader of the Council, Councillor Jan Harwood
 - Councillor Paul Spooner
- (5) To agree that redundancy and any settlement costs incurred as a result of moving to a Joint Chief Executive shall be shared equally between the Councils and that any pension strain costs (if applicable) will remain the responsibility of the employing authority of the affected officer. It is noted that the cost sharing arrangement for the remainder of the collaboration project will form part of the Inter Authority Agreement.
- (6) To agree that the costs referred to in paragraph (5) above be funded from General Fund reserves.

Comments:

Councillor Nigel Manning

**9. PERIODIC ELECTORAL REVIEW OF GUILDFORD BOROUGH COUNCIL –
WARDING PATTERNS SUBMISSION** (Pages 67 - 104 of the Council agenda)

The Chairman of the Electoral Review Working Group, Councillor Tony Rooth to propose, and Councillor Liz Hogger to second, the adoption of the following motion:

“That the Warding Patterns Submission, attached at Appendix 1 to the report submitted to the Council, be approved, and presented to the Local Government Boundary Commission for England, together with the accompanying maps at Appendix 2.

Reason:

To respond to the LGBCE’s invitation to make a Warding Patterns submission as part of the periodic electoral review of Guildford Borough Council”.

Alteration of Motion:

Under Council Procedure Rule 15 (o), Councillor Tony Rooth, as the mover of the original motion, has indicated that, with the consent of his seconder and of the meeting, he wishes to alter his motion in accordance with the proposed alteration below. The Mayor will put the proposed alteration to a vote without debate. If approved, Councillor Rooth’s motion, as altered, will become the substantive motion for debate to which amendments may subsequently be moved.

Alteration:

Insert the following as paragraph (2) of the motion:

“(2) That a Working Group be formed to consider and make long term recommendations (beyond 2026) regarding the suitable redrawing of borough and parish ward boundaries including the possible creation of new parish councils, taking account of implementation of new housing development on Local Plan Strategic Sites, and that such recommendations be used as follows:

- (a) to consider in respect of borough ward boundaries, seat allocations, and associated arrangements whether to request a further electoral review by the Local Government Boundary Commission for England, and*
- (b) to consider whether the Council should conduct a community governance review of relevant parished areas with a view to identifying appropriate revisions to existing parish boundaries and possible creation of new parish councils.”*

The motion, as altered, would read as follows:

- “(1) That the Warding Patterns Submission, attached at Appendix 1 to the report submitted to the Council, be approved, and presented to the Local Government Boundary Commission for England, together with the accompanying maps at Appendix 2.*
- (2) That a Working Group be formed to consider and make long term recommendations (beyond 2026) regarding the suitable redrawing of borough and parish ward boundaries including the possible creation of new parish councils, taking account of implementation of new housing development on Local Plan Strategic Sites, and that such recommendations be used as follows:*

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- (a) to consider in respect of borough ward boundaries, seat allocations, and associated arrangements whether to request a further electoral review by the Local Government Boundary Commission for England, and
- (b) to consider whether the Council should conduct a community governance review of relevant parished areas with a view to identifying appropriate revisions to existing parish boundaries and possible creation of new parish councils.

Reasons:

- (1) To respond to the LGBCE's invitation to make a Warding Patterns submission as part of the periodic electoral review of Guildford Borough Council.
- (2) To ensure the Council is able to respond appropriately to changing circumstances beyond 2026"

Comments:

None

10. OVERVIEW & SCRUTINY ANNUAL REPORT 2020-21

(Pages 105 – 118 of the Council agenda)

The Chairman of the Overview & Scrutiny Committee, Councillor Paul Spooner to propose, and Councillor Deborah Seabrook to second, the adoption of the following motion:

- “(1) That the report be commended as the annual report of the Overview and Scrutiny Committee.
- (2) That the current rules relating to call in or urgency provisions remain unchanged.

Reasons:

- Article 8.2(d) of the Council's Constitution requires the Council's Overview and Scrutiny Committee to report annually to Full Council on the work undertaken during the year, its future work programme, and amended working methods if appropriate.
- Overview and Scrutiny Procedure Rule 16(i), requires the operation of the provisions relating to call-in and urgency to be monitored annually and a report submitted to Full Council with proposals for review if necessary.”

Comments:

None

11. APPOINTMENT OF HONORARY ALDERMEN (Pages 119 - 122 of the Council agenda)

The Mayor, Councillor Marsha Moseley to propose, and Councillor Julia McShane to second, the adoption of the following motion:

“That a special meeting of the Council be convened on Thursday 2 December 2021 at 7pm at the Guildhall, High Street, Guildford for the purpose of conferring title of Honorary Alderman on:

Vas Kapsalis
 Tony Phillips
 Keith Taylor
 Jenny Wicks
 David Wright

Reason:

To recognise formally the eminent service to the Council of former councillors”.

Comments:

None

12. MINUTES OF THE EXECUTIVE/EXECUTIVE DECISIONS

(Pages 123 - 136 of the Council agenda)

To receive and note the minutes of the meeting of the Executive held on 20 April 2021, together with the respective statements of executive decisions taken by the Leader on 25 May, by the Deputy Leader in the absence of the Leader on 22 June, and by the Leader on 6 July 2021, which are attached to the Council agenda.

Comments:

None

13. COMMON SEAL

To order the Common Seal.

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Hydrock

Liongate House, Ladymead, Guildford

Flood Risk Assessment

*For Borough Housing, Guildford Borough
Council*

Date: 15 October 2019

Doc ref: 13600-HYD-XX-XX-RP-FR-0001

DOCUMENT CONTROL SHEET

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Hydrock Consultants Limited has prepared this report in accordance with the instructions of the above named client for their sole and specific use. Any third parties who may use the information contained herein do so at their own risk.

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1. INTRODUCTION

This report has been prepared by Hydrock Consultants Limited (Hydrock) on behalf of our client Borough Housing, Guildford Borough Council in support of an application to Surrey County Council for the proposed change of use from existing offices to residential use under permitted development.

Local Planning Authorities are advised by the Government's National Planning Policy Framework (NPPF) to consult the Environment Agency (EA) and Lead Local Flood Authority (LLFA) on development proposals in areas at risk of flooding. For a development of this nature the EA and LLFA normally require a Flood Risk Assessment to be submitted in support of such an application.

Whilst recognising that the application is being promoted under permitted development this report has been prepared to satisfy any concerns the EA and LLFA would have in connection with the development of this site and addresses Section C of the Exception Test, as defined within NPPF, through:

- Providing an assessment of whether the proposed development is likely to be affected by flooding; and,
- Detailing any measures necessary to mitigate any flood risks identified, to ensure that the proposed change of use and future occupants would be safe, and that flood risk would not be increased elsewhere.

The report considers the requirements for undertaking a FRA as stipulated in the Technical Guidance of NPPF. Only those requirements that are appropriate to a development of this nature have been considered in the compilation of this report.

This report has been prepared in accordance with current EA policy.

2. SITE INFORMATION

2.1 Location and Setting

The site is located towards the northern limit of Guildford and is bordered to the immediate south by the A25, to the east by Woking Road and by the A3 to the north. The A3 is separated from the site by a vegetated corridor in which there is secondary channel of the River Wey. The main River Wey channel is around 150m to the north of the site and 100m beyond the A3 road. The site is located within a predominantly developed area with existing commercial development to the west and east. To the south is Guildford Fire Station with residential development beyond.

The site is occupied by the Liongate Building which is currently used as an office building. The building itself is raised above the immediate ground level with undercroft parking being at lower levels. The building is also served by an internal access road and areas of car parking beyond the undercroft areas.

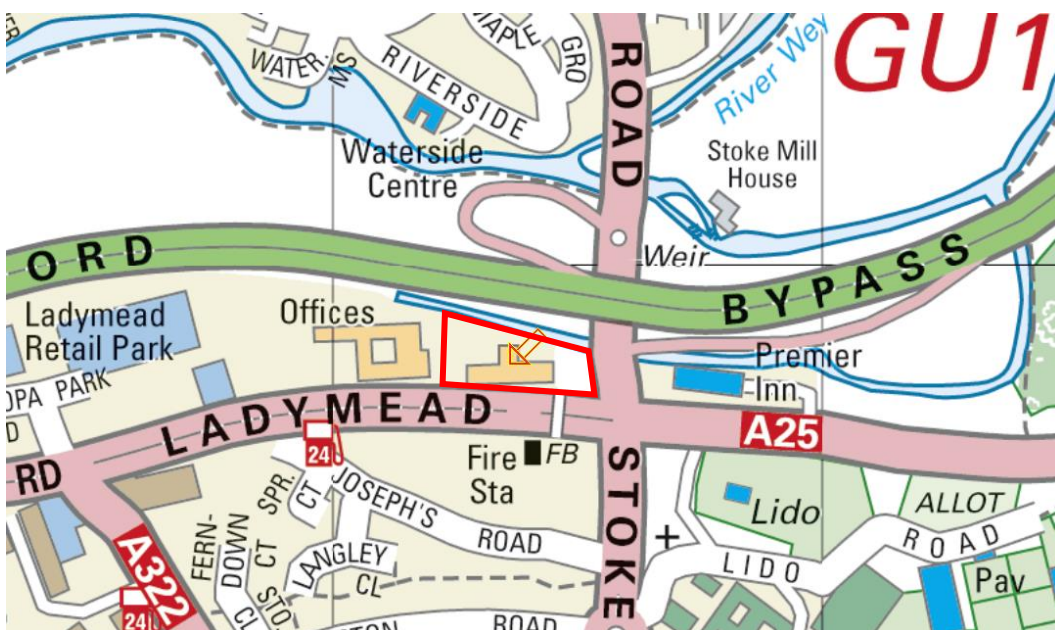
In respect to surface water drainage the site is almost entirely hardstanding.

A summary of the site referencing information is provided in table 1 and a site location plan is shown in figure 1.

Table 1: Site Referencing Information

Site Referencing Information	
Site Address	Liongate House, Ladymead, Guildford, GU1 1AT
Grid Reference	SU996508
X (Easting), Y (Northing)	499679, 150898

Figure 1: Site Location (with approximate site boundary)



Contains OS data © Crown copyright and database rights (2018)

2.2 Proposed Development

The proposals are for the conversion of the existing building to residential use.

A site layout plan is included with the application.

3. ASSESSMENT OF FLOOD RISK

3.1 Flood Zone Mapping

The site is currently shown by the EA’s Flood Zone Mapping, included in Appendix B, to be within Flood Zone 3 which comprises land having a greater than 1 in 100 annual probability of river flooding (>1%) in any year.

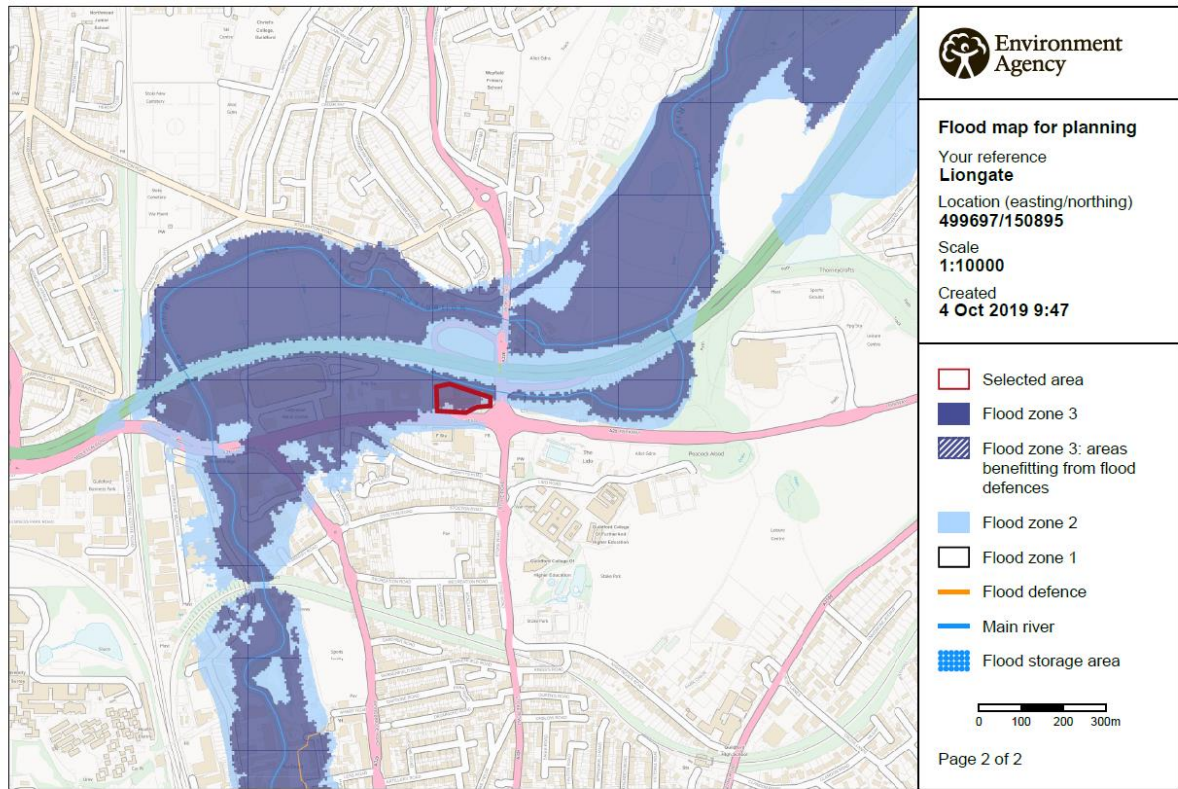


Figure 2: EA Flood Map for Planning

3.2 Fluvial Flooding

The EA have provided the modelled outputs from the River Wey (Lower) model that was undertaken in 2009. The results include the modelled grid depth data to allow a more accurate assessment of predicted flood depths through the site whilst making an allowance for floodplain flow routing (2D results).

The predicted depths through the site were reviewed and confirm that the site is predicted as being at risk during the 1 in 20year, the 1 in 100 year and 1 in 100 year plus climate change events. Based on the provided information (which is to a large resolution) the predicted depths during these events are 0.2-0.3m for the 1 in 20year and maximum depths of 0.3- 0.4m within the northern section of the site (not shown to impact the existing building) and around 0.6-0.7m deep within the centre of the site for the 1 in 100year and existing 1 in 100year plus climate change allowances. The climate change allowance used to determine these levels is a 20% increase in flows. The rest of the site has also been shown to be at risk during these events but with shallower depths.

The flood risk information provided by the EA also showed that the northern limit of the site is currently classified as being impacted during the 1 in 20year event and therefore is predicted as being within

Flood Zone 3b: Functional Floodplain. The area of the site within this flood zone is existing car parking. The building and access routes are shown as being outside Flood Zone 3B.

Following discussions with the EA, the current hydraulic model for the River Wey have been provided. This modelling doesn't include Navigational Channel which is considered to provide a potentially significant additional flow route in the area. It has been agreed with the EA that additional modelling to quantify the impact of including the Navigational Channel on flood risk, flow routes, and mechanisms is appropriate. The modelling works to include the Navigational Channel are discussed in Section 4.0

Measures to address flood risk are discussed in section 5.4.

The information provided by the EA has confirmed that the River Wey Navigation Channel is not tidally influenced at the location of the site. The site is therefore not considered at risk from tidal flooding.

3.3 Surface Water Flooding

The EA's Flood Risk from Surface Water mapping, as shown in Figure 3 below, shows the majority of the northern section of the site as being at 'low' risk of surface water flooding with depths of over 900mm being predicted.

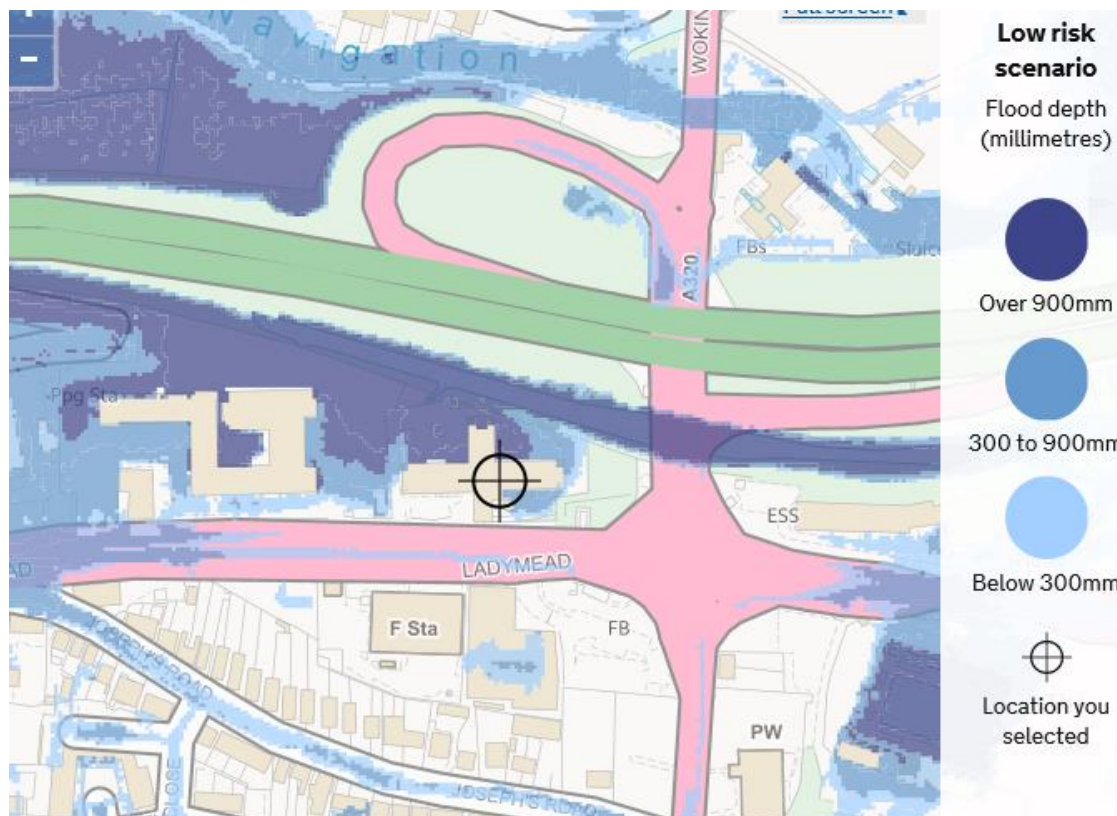


Figure 3: EA Flood Map from Surface Water

This area forms part of a wider area flow route with any generated overland flows being directed in an easterly direction towards the River Wey channel that runs along the northern site boundary. These flows are prevented from entering the main River Wey channel by the A3 road embankment

Whilst the majority of the site is shown as being at 'low' risk of surface water flooding the building, the southern limit of the site, and its access are shown as being at 'very low' risk. As such, this area of increased risk is considered as being representative of locally low points within the site and is not expected to impact on the building itself.

This would be considered a residual risk and therefore the site is concluded as being at risk from this source.

3.4 Groundwater Flooding

Given the proximity of the site to the River Wey it is expected that groundwater levels will be closely related to the 'normal' river level. As such, and given the observed site levels, the site is considered to be at low risk of groundwater flooding.

3.5 Infrastructure Failure Flooding

Given the existing use of the site there is expected to be an engineered sewerage system in the area. As such there is potential for the existing combined sewer network to become overwhelmed. However, no records of such incidences have been included within the SFRA for this area.

The site is therefore concluded to be at low risk from flooding as a result of sewer failure.

A review of the EA's Flooding from Reservoirs map indicates that the site is not within the maximum extent of flooding in the event of a failure of any artificial source.

The site is therefore concluded to be at negligible risk of flooding from artificial sources.

4. HYDRAULIC MODELLING

4.1 Introduction

As part of a permitted development planning application, a review has been undertaken of the modelling information supplied by the Environment Agency (EA). This showed that the northern section of the site is within an area currently categorised as Flood Zone 3b. The modelling predicts out-of-bank flows at this location for the modelled 1 in 20-year event (used to represent the 'functional floodplain').

Following discussions with EA, they have provided the hydraulic modelling files for the River Wey. Review of this modelling confirmed that the Navigational Channel that provides a potentially significant additional flow route has not been included in the modelling. By not including this channel the low routes and flooding mechanisms within the vicinity of the site are unlikely to be fully represented, and therefore will not reliably reflect actual site-specific fluvial flood risk.

The Navigational channel bifurcates from the River Wey around 80m upstream of the Woking Road bridge crossing upstream limit of the site. The Navigational Channel runs almost parallel to the River Wey, under Woking Road via a culvert, before flowing back into the River Wey via a lock system some 900m downstream of the site.

To investigate the impact the inclusion this Navigation Channel may have on modelled flood levels, and specifically in relation to an assessment of whether the proposed change of use is outside Flood Zone 3b, the original modelling has been augmented to include the Navigational Channel with modelling specifically addressing the 1 in 20-year event.

4.2 Inclusion of Navigational Channel

Given that the modelling provided by the EA is approved as being fit-for-purpose (and used to inform the current Flood Zone Mapping) changes to the model were strictly limited to those necessary to include the Navigational Channel. As such, the supplied model data relating to the hydrology and all modelled data for both the 1D and 2D elements (cross sections, structures, etc.) remain the same as those supplied, with alterations restricted purely to the locations between the junctions between the Navigation Channel and the River Wey.

A detailed survey has been undertaken along the Navigational Channel and included details of six cross sections and two structures. To model the Navigational Channel 11 sections were used augmenting the surveyed sections to include interpolates (to improve numerical stability) and 'dummy' units for the downstream faces of structures and junctions to follow the standard recommended approach. Given that these were to be included within a linked 1D-2D model, the survey focussed on levels between the top of banks only with floodplain levels being informed by the wide area LiDAR Data supplied by the EA (and upon which the wider area modelling was originally based).

The structures surveyed were the existing culvert under Woking Road and the existing lock gate at the downstream limit of the Navigational Channel. There are no other structures along this Navigation Channel.

The survey showed that the Woking Road culvert has a steep and sudden drop in bed level at the downstream face. As such, and to increase model stability, a spill unit was used to represent the drop-in bed elevation with 'dummy' cross sections from the nearest surveyed cross sections used to represent

channel dimensions at both the upstream and downstream faces. This approach was considered the most representative of conditions whilst suitably representing the flow process through this structure and improving numerical stability.

For the lock gate at the downstream limit of the Navigational Channel a conservative approach has been adopted. It is assumed that the Lock is shut. The channel bed levels at the point of the structure have been increased to the surveyed crest level of the weir gate to represent a 'worst case' control on water levels. Whilst several options were available for the modelling of this structure, the approach adopted is considered as having the greatest chance of conservatively representing upstream flood levels.

A copy of the structures surveyed, along with all of the surveyed cross sections, is included in the Appendices.

The 2D model was, as with the 1D elements, changed as little as possible from the already approved model. The Navigation Channel and cross sections have been included using the same methodology as that used within the supplied modelling but using a new version of the:

'2d_bc_ISISLink_NoMCS_split_HYD_Polyline', and, '2d_bc_ISISLink_NoMCS_split_HYD_Polygon' files.

These files have been used to represent the watercourse domain and also to provide the link between 1D and 2D Domains (via the use of CN lines). The Polygon layer, as with for the rest of the River Wey model, was broken at the location of structures with road/deck levels being informed by LiDAR levels.

The only other input layer amended from the original model was that with the ISIS Node Locations. This layer was updated to include the cross sections that have been surveyed, and interpolated, to represent the Navigational Channel. Once updated this layer was saved as '1d_1xd_ISISNodes_Split - Copy 1d_1xd_ISISNodes_Split - Copy Point'.

The changes made are referenced within the relevant 1D (DAT, IEF, IIC) and 2D (TRD, TCF, TGC, TBC) elements. This was then re-run as a linked model. The run parameters used within the IEF (MAXIT etc.) for the new Navigational Channel model matched those used within the original models. This was to ensure any comparison of the resultant new modelling to that of the original modelling could be undertaken. This comparison has allowed determination of the impact the inclusion of the Navigational Channel on flood extents and depths both at the site and in the wider area.

4.3 Results

The modelled results for both scenarios (original model and the new model that includes the Navigational Channel) have been compared for the 1 in 20 year event used to represent the limit of the functional floodplain. The comparison confirms that a significant volume of flow (around 14% during normal flows) is directed down the Navigational Channel.

Furthermore, the predicted flood extents for the new model with the Navigational channel included are noticeably reduced along the right bank of the River Wey in the location of the site. In addition, the resultant extents and depths of flooding within the area of land between the Navigational Channel and the main River Wey channel are also shown to increase.

Whilst noticeable differences in flood depths and extents around the Navigational Channel are predicted by including more realistic representation of the actual hydraulic environment in the location of junction between the channels, the results also confirm that the impact of this additional channel is

relatively localised with little, if any, impact to flood extents shown a short distance both upstream and downstream of the channel split/ confluence.

In relation to the site, the modelled 1 in 20 year event which now includes the Navigational Channel confirms that, whilst peak flood levels reach an elevation above that of the lowest surveyed site levels (taken from topographical survey as this is considered more accurate and representative than the wider area LiDAR Data), the predicted depths (and extent) of flooding within the site are marginally reduced from those provided by the EA using the original modelling.

Following the approval by the EA of the 1 in 20 year modelling, the EA have requested that the model be run for the 1 in 100 year event to determine the impact of the inclusion of the Navigational Channel on the existing Flood Zone 3.

Based on the modelled results, the existing building and access points (both vehicular onto the A25 and pedestrian into the building) are concluded to be outside the Functional Floodplain (i.e. the 1 in 20 year event). As such the policy within Guildford Borough Council's Local Plan that states that development within Flood Zone 3b should not increase the existing vulnerability classification would not apply. A proposed change of use application in this location can therefore be considered acceptable provided suitable flood resilience and resistant approaches be included within the scheme. That said, it is noted that the northern section of the site and open car parking areas (i.e. not the undercroft) would be within Flood Zone 3b. However, there are no proposed changes to the use of these areas and they are to remain as car parking.

The 1 in 100 year modelling has been run and this confirms that whilst the site would remain as being predominantly within Flood Zone 3 and at high risk, the predicted levels have reduced from those provided by the EA with predicted flood levels being a maximum of 29.723m AOD.

5. NPPF REQUIREMENTS

5.1 Flood Risk to the site

Whilst an Exception Test is not required under the permitted development rights application, the following section details those measures recommended to mitigate any identified flood risks, to ensure that the proposed change of use and future occupants will be safe, and that flood risk will not be increased elsewhere, akin to the requirements of the second section of the Exception Test.

As discussed in section 3.2 the main risk from flooding is the potential inundation of the car park areas behind the existing building during design flood events. Following assessment of the predicted flooding depths, it is recommended that all habitable rooms be set no lower than 30.323m AOD to ensure all habitable rooms are set with a 600mm freeboard above the 1 in 100 year event. The provided topographical survey confirms that floor levels are set at 30.57m AOD and therefore are suitably raised above the current flood levels.

As car parking areas are predicted to be at risk during design events, it is recommended that a Flood Evacuation and Management Plan be prepared for the site which should be managed by the site Management Company and disseminated to all future occupiers of the site.

5.1.1 *Resistance and Resilience Measures*

Owing to the raised nature of the existing ground floor level, no particular measures are considered necessary as all residential uses will be suitably raised.

5.1.2 *Safe Access and Egress*

Access to the site will be via Ladymead Road on the southern site boundary which is confirmed to be at low risk of flooding, based on the EA's Flood Zone and Flood Risk from Surface Water mapping.

As such, a safe / dry access and egress is considered to be possible to and from the site.

5.1.3 *Flood Risk within Catchment*

The proposed development will not increase flood risk within the catchment through a loss of floodplain storage as no external changes in levels are proposed.

5.1.4 *Surface Water Drainage Strategy*

As the amount of hardstanding within the site is not changing, the volume or rate of surface water generated from the site is not expected to increase.

6. CONCLUSIONS

This report has considered the flood risk posed to the proposal site from a variety of sources of flooding, as defined by the NPPF.

The report has confirmed that the existing building is located within Flood Zone 3 but outside of the functional floodplain. The only areas shown to be within the Functional Floodplain are along the northern boundary which is an existing area of car parking. The area of car parking to the north is also shown as being at an increased risk from surface water. The southern section of the site (including the existing building) is at low risk from fluvial and surface water risks. The entirety of the site is also shown as being at low risk from sewer, and groundwater flooding and is not considered at risk from flooding from artificial sources.

The proposed change of use is 'more vulnerable' but as the minimum floor levels for residential use are to be raised to a level that is at or above the maximum predicted depth for the 1 in 100 year climate adjusted flood level, such use is considered appropriate in the proposed location under NPPF criteria.

The proposed development will, where possible, implement measures to 'wet proof' the building access areas to improve existing flood resilience. This should include locating vulnerable services above the design flood depth – ideally 500mm above the predicted 1 in 100year flood level of 29.723m AOD to ensure a flood resilient approach has been adopted. Given the currently floor levels this is achieved (floor level is at 30.57m AOD). This will be in addition to the site preparing a Flood Evacuation Plan and signing up to the EA's Early Warning Scheme.

Provided a suitable flood management plan is in place the proposed change of use is considered to be acceptable from a flood risk perspective and to provide a viable future for the building.

Based on the modelling the site is concluded to be outside the Functional Floodplain (i.e. the 1 in 20-year event). As such the policy within Guildford Borough Council's Local Plan that states that development within Flood Zone 3b should not increase the existing vulnerability classification does not apply. A proposed change of use application in this location can therefore be considered acceptable provided suitable flood resilience and resistant approaches be included within the scheme.

Hydrock Consultants Limited

17th December 2019

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GU2 4BB

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Lambert Smith Hampton
2 Bell Court
Leapale Lane
Guildford
Surrey
GU1 4LY

Ref: PD/ph

Dear Melissa

Liongate, Ladymead, Guildford, Surrey GU1 1AT

As requested please see set out below a summary of the activities undertaken prior to and during the marketing of the freehold interest of above property.

The aim of the process was to undertake sufficient due diligence to enable a wide scale marketing campaign that was backed up with a comprehensive package of data, which would enable informed bids from interested parties.

Interest and bids were encouraged from different use types to establish open market values for these alternative uses and the bidding process employed developed the competitive tension to deliver best consideration.



Background

Liongate is a late 1980's office building situated on Ladymead and adjacent to the Stoke Intersection, which is the main access point from the A3 into Guildford. It comprises some 43,000 sq. ft. (Net Internal) of offices, mainly on three floors on a site of approximately 1.36 acres.

The property was leased to Honeywell UOP at a rental of £980,000 per annum and was subject to a tenant break clause in September 2019 which was exercised as the property was much larger than the business needed. Honeywell moved the Guildford operation into surplus space it had in Bracknell.

Liongate is very prominently positioned alongside the A3 and Ladymead at the Stoke intersection, which is the main vehicular access into central Guildford. However, this location is not convenient for office based staff as there is virtually no local amenity and it is poorly positioned for public transport, being more than one mile from Guildford mainline station.

The building is very heavily partitioned to create private offices and meeting rooms and the current layout would not suit a contemporary office occupier. There is undercroft and surface parking for 126 cars.

Liongate is now looking very dated and on inspection feels like a property of its time and not one which the modern business user would be inspired by. Also, as the property is now thirty years old, both M&E plant and finishes will be reaching life expiry and the building would require substantial investment before being capable of new occupation for office use.

Furthermore, the office market is undergoing significant structural change and the demand for large HQ office buildings such as Liongate is diminishing. The departure of major corporate occupiers from Guildford including Honeywell, Sanofi and Ericsson is a clear demonstration of this new environment.

Demand is now generally for smaller space areas in well located buildings with good access to amenity and transport links.

Planning

There are two key planning related factors which impact on the potential for alternative uses for the Liongate building/site and therefore the value which can be achieved for the property.

Firstly, the site is predominantly within Flood Zone 3B where 'more vulnerable' developments are generally not permitted by the EA. New residential development would be classified as 'more vulnerable' would not be permitted within Flood Zone 3B.

Also, in the newly adopted Local Plan the site is designated as a Strategic Employment Site. The site would therefore need to be actively marketed for a period of two years for offices, retail, warehousing and/or other suitable employment generating use, without success, before alternative non employment uses might be considered by the planning authority.

Pre-Marketing

To achieve best value in the sales process it is advisable to go to market with a comprehensive package of information regarding the property so there area as few unknowns as possible. This then means that the prospective purchasers are armed with sufficient information to make deliverable bids and that a transaction is less likely to be de-railed during the legal process by previously unknown information.

The due diligence included collating and commissioning the following:

- Topographic Survey
- Full measured survey of the building and production of detailed CAD plans
- Flood Risk Scoping Report
- Flood risk Assessment
- Photography including aerial

- Utilities Survey
- Title Report
- EPC
- Asbestos Report

Marketing

The marketing campaign was designed to widely expose this development opportunity to market and was based a combination of internet promotion and direct contact with potential purchasers.

The marketing timeline was planned to tie in with the exit from the property by Honeywell and was as follows:

September 2019 - For Sale board erected, particulars produced and released to investors/developers. Property details live on the LSH website and other key property web sites – Rightmove, Zoopla, Co-Star, EGi, Realla etc.

October 2019 - Registering interesting from 65 parties, granting access to the data room to 39 interested parties, accompanying viewings of the property with 18 interested parties (viewings taking place between 3rd October and 11th November).

November 2019 – Invite bids from interested parties by Thursday 14th November 2019. Twelve bids received. Review and clarify bids and invite best and final bids for the five highest bidders by Monday 25th November 2019.

Bids Received

The Bid Summary Schedule, dated 17th November, is attached and sets out details of the initial bids received.

These bids ranged from £5.0 million for a subject to planning bid from Lok'nStore for self-storage use to £11.1 million for a subject to planning bid from Signature Senior Lifestyle for a 93 bed new build care home.

The bids were presented Investment Property Fund Management Group (IPFMG) and it was agreed that only unconditional bids should be perused as there were very significant planning risks around the delivery of subject to planning offers. Particularly the Strategic Employment Site designation and also that the property is situated in Flood Zone 3B.

The time it might take to secure a planning consent, was also a factor when the proposed use is not compliant with Local Plan and the cost implications of this when business rates exposure alone is circa £500,000 per annum for GBC.

A revised bid request letter was submitted to Signature, Equinox, OCEA, Shaviram and BSD seeking unconditional offers that were not subject to third party debt. Responses were as follows:

Signature - declined to submit a revised bid and said that their £11.1 million bid needed to be conditional on planning.

Equinox – Resubmitted their original £10.7 million bid which was still subject to bank finance. This party had not viewed the property and in seeking clarification to their bid, they submitted a development appraisal that showed a reliance on gaining planning consent for a substantial additional amount of floor space on the site.

OCEA – Increased their bid from £9.51 million to £9.62 million and dropped the requirement to dis-apply the VAT.

BSD – Increased their bid from £9.5 million to £10.1 million and provided evidence of cash reserves to fund the purchase.

Shaviram – Increased their bid from £9.0 million to £10.00 million but conditional on environmental and building surveys.

It was agreed that we should exclude Signature's planning conditional bid as planning for the proposed use was unlikely to be achieved. Even if it was, any potential price advantage would be wiped out by the holding costs during the time it would take to secure the planning.

The Equinox bid was dismissed as being unreliable and unlikely to be delivered as they have not viewed the property, despite claiming to have done so and was still subject to raising bank debt. The development appraisal showing the requirement for more floor space to support the bid level was also of major concern.

The OCEA bid was a well-researched and a clean unconditional bid from a credible buyer but now somewhat off the pace.

Shaviram had increased their bid but were not able to demonstrate any significant level of due diligence and the conditionality of the surveys was a concern.

BSD had delivered the highest unconditional bid were a cash buyer and had inspected the property on three occasions with their professional team. It was therefore agreed that they were the preferred bidder.

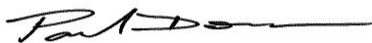
Solicitors were instructed accordingly and it is expected that the sale will exchange this week.

Best Consideration

LSH has undertaken a comprehensive marketing process and we have received bids for a variety of use types from both conditional and unconditional buyers. This has shown how different sectors value the property.

We are confident that the transparent and competitive bidding process has secured best consideration for the property and that the price of £10.1 million is a very good result for GBC and in excess of our original expectations for the property.

Yours sincerely


A handwritten signature in black ink, appearing to read 'Paul Dowson'.

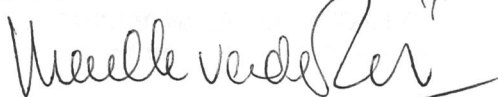
Paul Dowson

Director

DL +44 (0)1483 446703

E pdowson@lsh.co.uk

 GUILDFORD BOROUGH	RECORD OF EXECUTIVE DECISION TAKEN BY AN OFFICER UNDER DELEGATED AUTHORITY
SUBJECT:	Sale of General Fund Land/Building at Liongate, Ladymead, Guildford, GU1 1BX
KEY DECISION* Yes/No	Yes
Ward(s) affected:	Friary St. Nicolas Ward
NAME AND DESIGNATION OF OFFICER TAKING DECISION:	Philip O'Dwyer Director of Community Services
SOURCE OF AUTHORITY TO TAKE DECISION: Either: Executive Decision (please include date of meeting) Or: Scheme of Delegation to Officers	Executive 29/11/19 - minute EX65 (1) That the Corporate Property Manager be authorised to take such actions as are required to improve the bids received in terms of price and deliverability and to negotiate detailed terms for the disposal of the Council-owned property in Guildford referred to in this report in consultation with the Lead Councillor for Finance and Asset Management, the Managing Director, the Director of Community Services and Chief Finance Officer to ensure that the Council meets its best value obligations. (2) That the ring-fencing of the sale proceeds within the provisional capital programme for future re-investment in a better investment property, be approved.
CONSULTATIONS: (a) Relevant Lead Councillor(s): Comments: (b) Local Ward Councillor(s): Comments**: (c) Officers (state names): Comments:	(a) Cllr Joss Bigmore – Email [] at [TIME] agrees with proposal with no further comments being made (b) N/A (c) James Whiteman – Email 06/12/19 at 09:03 c/o Samantha Ruthven okays the proposal with no further comments being made Philip O'Dwyer - Email 04/12/19 at 13:51 agrees with proposal with no further comments being made Claire Morris – Email 05/12/19 at 17:20 is happy with the proposal [with no further comments being made]
DETAILS OF DECISION: (attach additional sheets if required)	To approve the freehold sale of Liongate House, Guildford, Surrey as detailed on the attached heads of terms. In summary: <ul style="list-style-type: none"> Price - £10,120,000 [Ten million one hundred and

<p>Appendix 16</p>	<p>twenty thousand pounds], exclusive of VAT. The purchase price will be subject to VAT at the prevailing rate.</p> <ul style="list-style-type: none"> • 10% deposit will be payable on exchange. • Each party to be responsible for their own legal costs incurred in the transaction. • The Council to treat exclusively with the purchaser within the confines of the agreed timetable and they will cease all direct and indirect marketing. • Exchange of contracts will take place within ten working days of the Purchaser's solicitor receiving full draft documentation. • Completion of the transaction will take place four weeks from the date of exchange, or earlier if possible. <p>In accordance with the Council's General Disposal Consent powers, this transaction provides the 'best consideration reasonably obtainable'.</p>
<p>Reasons for Decision:</p>	<p>Disposing of the property would allow the Council to reinvest the capital receipts in better property investments and remove the current difficulties and the potential future risks associated with this property whilst capturing the best consideration available in today's market.</p>
<p>Details of any alternative options considered and rejected when making the decision:</p>	<p>The decision meets the statutory requirements for the Council and there were no alternative options available.</p>
<p>Details of any conflict of interest declared by any executive councillor who is consulted in relation to this decision:</p>	<p>None</p>
<p>Contact Officer: Service: Direct Line: File Ref:</p>	<p>Melissa Bromham Corporate Property 01483 444587 -</p>
<p>I hereby take the decision referred to above, for the reason(s) stated.</p> <p>Signed: </p> <p>Job title of decision maker: Corporate Property Manager</p> <p>Date decision taken: 4/12/19</p> <p>Date decision may be implemented, subject to call-in provisions***:</p>	
<p>IMPORTANT NOTES (PLEASE READ):</p> <p>ACCESS TO INFORMATION PROCEDURE RULES Unless the details of this decision or any accompanying report or background paper contain confidential or exempt information (see note below), you <u>MUST</u> ensure that, as soon as reasonably practicable after making this decision,</p>	

Appendix 16

- (1) send a copy of this record of decision, together with any relevant report or background paper referred to therein, to Committee Services so that it may be uploaded to the website; and
- (2) make a copy of this record of decision, together with any relevant report or background paper referred to therein, available for inspection by the public at the Council offices.

This record, together with any relevant report or background paper, must be retained for six years following the date of the decision.

***KEY DECISION**

a "key decision" is an *executive* decision which is likely to:

- (i) result in significant expenditure or savings (of at least £200,000) having regard to the budget for the service or function to which the decision relates; or
- (ii) have a significant impact on two or more wards within the Borough.

Please note that before a key decision can be taken lawfully, public notice of intention to make it must appear in the published Forward Plan for at least 28 days before the date on which the key decision is proposed to be made. If the decision is more urgent, it will become subject to urgency provisions, in which case please contact Committee Services.

****CONSULTATION WITH LOCAL WARD COUNCILLORS**

Where a decision affects a particular area or locality, the scheme of delegation requires officers to undertake routine notification, and consultation where appropriate, of local ward councillors.

*****CALL-IN**

Any executive decision made by an officer under delegated authority may only be implemented on the expiry of five working days after the day of publication of the decision. During this time, the decision may be called in by councillors for review by the Overview and Scrutiny Committee. You will be informed by Committee Services if this happens.

CONFIDENTIAL / EXEMPT INFORMATION¹

If this record or any document (or part of a document) referred to herein contains confidential or exempt information, the requirement to make this record or any such document available on the website or for inspection by the public at the Council offices is removed. In such circumstances, you must still retain the record for six years for audit trail purposes, and send a copy of this record, together with any relevant report or background paper referred to therein, to Committee Services, who will circulate it to all councillors.

¹ If you are unsure as to what constitutes confidential or exempt information, please see Guidance or contact Committee Services

Melissa Bromham

From: Claire Morris
Sent: 05 December 2019 17:20
To: Melissa Bromham
Subject: RE: DELEGATED AUTHORITY: Liongate, Ladymead [UNC]

Switch-MessageId: e287272f6c3949e0b2786281150f6f30

Hi Melissa

I am happy with the proposal

Many Thanks
Claire

Claire Morris
Director of Finance
(Chief Financial / Section 151 Officer)
Guildford Borough Council
Phone: 01483 444827
Mobile: 07970 515973
Email: Claire.morris@guildford.gov.uk
Website: www.guildford.gov.uk

From: Melissa Bromham <Melissa.Bromham@guildford.gov.uk>
Sent: 04 December 2019 11:14
To: Joss Bigmore <joss.bigmore@guildford.gov.uk>; James Whiteman <James.Whiteman@guildford.gov.uk>; Philip O'Dwyer <Philip.ODwyer@guildford.gov.uk>; Claire Morris <Claire.Morris@guildford.gov.uk>
Cc: Marieke van der Reijden <Marieke.van.der.Reijden@guildford.gov.uk>; Victoria Worsfold <Victoria.Worsfold@guildford.gov.uk>
Subject: DELEGATED AUTHORITY: Liongate, Ladymead [UNC]
Importance: High

Dear All,

Further to the Executive on 29 November 2019, it was agreed that the Council's Corporate Property Manager be authorised to take such actions as are required for the disposal of the above property in consultation with the Lead Councillor for Finance and Asset Management, the Managing Director, the Director of Community Services and Chief Finance Officer.

Final heads of terms for the disposal of the above property have now been agreed with the preferred bidder and are attached reference. These are summarised in the 'Details Of Decision' section of the draft delegated authority record (also attached). Freeth LLP have been instructed and the sale pack was issued to the purchaser's solicitor last Friday.

Please may I now ask for you all to respond with your approval or any comments you may have by return and no later than Friday?

Kindest regards

Melissa Bromham (Mrs.) BSc (Hons) MRICS
Investment Property Manager

Corporate Property Management
Agenda item number: 6
Appendix 16

E-Mail: melissa.bromham@guildford.gov.uk
Telephone: 01483 444587 Mobile:07790 389883

www.guildford.gov.uk
Guildford Borough Council
Millmead House
Millmead, Guildford
Surrey GU2 4BB

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Melissa Bromham

From: Samantha Ruthven
Sent: 06 December 2019 09:03
To: Melissa Bromham
Subject: Sale of General Fund land/building at Liongate, Ladymead, Guildford, GU1 1BX

Hi Melissa

I just wanted to let you know that James has ok'd the DA.

Kind regards

Samantha

Samantha Ruthven
(Née Hannington)

**PA to Managing Director and
Corporate Management Team**

Thursday and Friday's only

Telephone: 01483 444801 **Ext:** 4801

Job share with Nyssa Archer contactable Mon - Weds:
nyssa.archer@guildford.gov.uk

Guildford Borough Council
Millmead House
Guildford
Surrey GU2 4BB
(SatNav – GU2 4BD)

www.guildford.gov.uk

Melissa Bromham

From: Joss Bigmore
Sent: 04 December 2019 20:04
To: Melissa Bromham; James Whiteman; Philip O'Dwyer; Claire Morris
Cc: Marieke van der Reijden; Victoria Worsfold
Subject: RE: DELEGATED AUTHORITY: Liongate, Ladymead [UNC]

Follow Up Flag: Follow up
Flag Status: Flagged

This is fine with me, good work Melissa

Joss

From: Melissa Bromham <Melissa.Bromham@guildford.gov.uk>
Sent: 04 December 2019 11:14
To: Joss Bigmore <joss.bigmore@guildford.gov.uk>; James Whiteman <James.Whiteman@guildford.gov.uk>; Philip O'Dwyer <Philip.ODwyer@guildford.gov.uk>; Claire Morris <Claire.Morris@guildford.gov.uk>
Cc: Marieke van der Reijden <Marieke.van.der.Reijden@guildford.gov.uk>; Victoria Worsfold <Victoria.Worsfold@guildford.gov.uk>
Subject: DELEGATED AUTHORITY: Liongate, Ladymead [UNC]
Importance: High

Dear All,

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Melissa Bromham (Mrs.) BSc (Hons) MRICS
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Surrey GU2 4BB
Agenda item number: 6
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Melissa Bromham

From: Philip O'Dwyer
Sent: 04 December 2019 13:51
To: Melissa Bromham
Cc: Marieke van der Reijden; Victoria Worsfold; Joss Bigmore; James Whiteman; Claire Morris
Subject: RE: DELEGATED AUTHORITY: Liongate, Ladymead [UNC]

Hi Melissa

Thanks for your note – agree with the disposal as set out in the attachments.

Best wishes

Philip

Ext 4318

From: Melissa Bromham <Melissa.Bromham@guildford.gov.uk>
Sent: 04 December 2019 11:14
To: Joss Bigmore <joss.bigmore@guildford.gov.uk>; James Whiteman <James.Whiteman@guildford.gov.uk>; Philip O'Dwyer <Philip.ODwyer@guildford.gov.uk>; Claire Morris <Claire.Morris@guildford.gov.uk>
Cc: Marieke van der Reijden <Marieke.van.der.Reijden@guildford.gov.uk>; Victoria Worsfold <Victoria.Worsfold@guildford.gov.uk>
Subject: DELEGATED AUTHORITY: Liongate, Ladymead [UNC]
Importance: High

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Investment Property Manager
Corporate Property Management

E-Mail: melissa.bromham@guildford.gov.uk
Telephone: 01483 444587 Mobile:07790 389883

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Millmead, Guildford
Surrey GU2 4BB

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Melissa Bromham

From: Claire Morris
Sent: 05 December 2019 17:20
To: Melissa Bromham
Subject: RE: DELEGATED AUTHORITY: Liongate, Ladymead [UNC]

Switch-MessageId: e287272f6c3949e0b2786281150f6f30

Hi Melissa

I am happy with the proposal

Many Thanks
Claire

Claire Morris
Director of Finance
(Chief Financial / Section 151 Officer)
Guildford Borough Council
Phone: 01483 444827
Mobile: 07970 515973
Email: Claire.morris@guildford.gov.uk
Website: www.guildford.gov.uk

From: Melissa Bromham <Melissa.Bromham@guildford.gov.uk>
Sent: 04 December 2019 11:14
To: Joss Bigmore <joss.bigmore@guildford.gov.uk>; James Whiteman <James.Whiteman@guildford.gov.uk>; Philip O'Dwyer <Philip.ODwyer@guildford.gov.uk>; Claire Morris <Claire.Morris@guildford.gov.uk>
Cc: Marieke van der Reijden <Marieke.van.der.Reijden@guildford.gov.uk>; Victoria Worsfold <Victoria.Worsfold@guildford.gov.uk>
Subject: DELEGATED AUTHORITY: Liongate, Ladymead [UNC]
Importance: High

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Melissa Bromham (Mrs.) BSc (Hons) MRICS
Investment Property Manager

Agenda item number: 6
Corporate Property Management
Appendix 16

E-Mail: melissa.bromham@guildford.gov.uk
Telephone: 01483 444587 Mobile:07790 389883

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Millmead, Guildford
Surrey GU2 4BB

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Lambert Smith Hampton

Heads of Terms

Between

Guildford Borough Council

and

BSD Construction UK Ltd

Liongate, Ladymead, Guildford GU1 1AT

Prepared by
Lambert Smith Hampton
2 Bell Court
Leapale Lane
Guildford
GU1 4LY

Tel: 01483 538181
Date: 27th November 2019

Private & Confidential
Subject to Contract

Section 1:	The Parties
Section 2:	Transaction Details
Section 3:	Other Matters
Section 4:	Agreement for Lease
Section 5:	Conditions
Section 6:	Advisors



SECTION 1 – THE PARTIES

Vendor: Guildford Borough Council
Millmead House
Millmead
Guildford
GU2 4BB

Purchaser: BSD Construction UK Ltd
(please confirm the correct buying entity)

SECTION 2 – TRANSACTION DETAILS

Property: Liongate, Ladymead, Guildford GU1 1AT

Tenure: Freehold

The approximate boundary of the ownership is outlined in red on the attached site plan.

Transaction: Sale of the Freehold interest with vacant possession.

The former tenant fixtures and fittings as seen by the purchaser will remain in situ.

The vendor retains the rights to any dilapidations receipts.

Purchase Price: £10,120,000 [Ten million one hundred and twenty thousand pounds], exclusive of VAT.

The purchase is from cash reserves and no third party funding or finance is required.

Deposit: 10% deposit will be payable on exchange.



SECTION 3 – OTHER MATTERS

Legal Costs: Each party to be responsible for their own legal costs incurred in the transaction.

Exclusivity: The vendor is willing to treat exclusively with the purchaser within the confines of the agreed timetable and they will cease all direct and indirect marketing.

However, they are not willing to document an exclusivity agreement.

VAT: The purchase price will be subject to VAT at the prevailing rate.

Timetable:

1. Exchange of contracts will take place within ten working days of the Purchaser's solicitor receiving full draft documentation.
2. Completion of the transaction will take place four weeks from the date of exchange, or earlier if possible.

Anti-Money Laundering: Both the Vendor and Purchaser are to assist with all reasonable requests to provide information, where possible, in support of all parties AML due diligence in a timely and efficient manner.



SECTION 4 – CONDITIONS

- Vendor's Conditions:**
- a) Subject to Contract.
 - b) Strict adherence to the Timetable for exchange and completion.
- Assignee's Conditions:**
- a) Subject to Contract.
- Confidentiality:**
- The Parties agree that the terms of this transaction shall remain confidential between the Parties and any press release shall be agreed prior to circulation.
- Notes:**
- i) This Memorandum of Sale is not intended to be legally binding.
 - ii) The plan attached to this Memorandum of Sale has been attached for illustrative purposes only and has not been based on the plans contained in the title deeds to the Property. Lambert Smith Hampton does not warrant the accuracy and/or correctness of the attached plan and it is recommended that the Purchaser inspect the title deeds in order to obtain an accurate and correct plan of the Property.

SECTION 5 – ADVISORS

- Vendor's Solicitor:** Freeths
- FAO: David Laurence
Tel: 0845 128 6982
Email: david.laurence@freeths.co.uk
- Vendor's Agent:** Lambert Smith Hampton
- FAO: Paul Dowson
Tel: 01483 446703
Email: pdowson@lsh.co.uk
- Purchaser's Solicitor:** Bude Nathan Iwanier
- FAO: Samuel Iwanier
Tel: 020 8209 2482
Email: si@bnilaw.co.uk
- Purchaser's Agent:** Lewis & Partners
- FAO: Steven Lewis
Tel: 020 7580 4333
Email: stevenlewis@lewisandpartners.com



Report to Overview and Scrutiny Committee

Report of Strategic Services Director

Author: James Dearling, Senior Democratic Services Officer (Scrutiny)

Tel: 01483 444141

Email: james.dearling@guildford.gov.uk

Date: 12 July 2022

Overview and Scrutiny Annual Report, 2021-22

Executive Summary:

This report outlines the work undertaken by overview and scrutiny (O&S) during the past municipal year and its future work programme as thus far developed.

The two decisions taken during the past municipal year under the 'urgency' provisions are listed within the report and detailed at Appendix 2. In 2021-22, call-in was waived by the O&S Committee Chairman on one occasion; no decisions were called-in for consideration by the O&S Committee during the past municipal year.

Recommendations to Council (26 July 2022)

- (I) That this report be commended as the annual report of the Overview and Scrutiny Committee; and
- (II) That the current rules relating to call in or urgency provisions remain unchanged.

Reasons for Recommendation:

Article 8.2(d) of the Council's Constitution requires the Council's Overview and Scrutiny Committee to report annually to Full Council on the work undertaken during the year, its future work programme, and amended working methods if appropriate.

Overview and Scrutiny Procedure Rule 16(i), requires the operation of the provisions relating to call-in and urgency to be monitored annually and a report submitted to Full Council with proposals for review if necessary.

1 Purpose of report

- 1.1 This report has been prepared in accordance with Article 8.2(d) of the Constitution which requires the Council's Overview and Scrutiny Committee (OSC) to report annually to Full Council on the work undertaken during the year, its future work programme, and amended working methods if appropriate.
- 1.2 Overview and Scrutiny Procedure Rule 16(i) requires that the provisions relating to 'call-in' and 'urgency' are monitored annually and reported to Full Council with proposals for review if necessary.¹

¹ Urgency provisions refers to the circumstances set out in the Access to Information Procedure Rules 15 (General Exception) and 16 (Special Urgency) and Overview and Scrutiny Procedure Rule 16(h) Call-in. [Guildford Constitution](#), Part 4, Procedure Rules.

- 1.3 Accordingly, this report asks the Overview and Scrutiny Committee to:
- (a) note the issues and topics considered by O&S during 2021-22;
 - (b) consider and approve the future work programme for O&S as developed thus far; and
 - (c) review the operation of provisions relating to 'call-in' and 'urgency'.

2. The Council's strategic framework

- 2.1 The O&S function strengthens the position of the Council to ensure that we are able to deliver our strategic priorities. For example, O&S assists the Council in improving services and helps to ensure we are open and accountable in our decision-making.

3. Work of the OSC in 2021-22

- 3.1 Overview and Scrutiny Procedure Rule 7 requires the chairmen and vice-chairmen of the OSC and the Executive Advisory Boards (EABs) to hold joint work programme meetings. The purpose of these meetings is to exchange, discuss, and agree work programmes for submission to the OSC and EABs respectively. Joint work programme meetings were held on six occasions in the past municipal year (26 May 2021, 21 July 2021, 15 September 2021, 10 November 2021, 19 January 2022, and 16 March 2022).
- 3.2 The O&S work programme has principally been prepared and progressed through online meetings and discussions between the O&S Chairman, Vice-Chairman, OSC members, and the Senior Democratic Services Officer (Scrutiny).
- 3.3 Lead Councillor question sessions continued to feature at OSC meetings in 2021-22 with nine individual sessions with members of the Executive, including one with the Leader of the Council. These sessions gave an opportunity for non-Executive Councillors (and members of the public²) to question a member of the Executive about decisions and performance. Questioning can focus on targets and performance over time; particular decisions, initiatives, or projects; or on a section of a Lead Councillor's portfolio.
- 3.4 The formal issues and topics considered by the OSC in 2021-22 include:
- Surrey's Mental Health Improvement Programme
 - Children and Young People's Emotional Wellbeing and Mental Health Service
 - Response to COVID-19
 - Food Poverty and Insecurity
 - Licensing of Houses in Multiple Occupation (HMO)
 - Safer Guildford Partnership Annual Report 2021
 - Air Quality Strategy Action Plan
 - Gypsy, Roma and Traveller Unauthorised Encampments and Potential Transit Site in Surrey
 - Guildford Crematorium Air Quality Audit
 - Review of the Implementation of the Future Guildford Transformation Programme
 - Annual Report: Modern Slavery Motion

² The Committee may facilitate the asking of questions submitted in advance by members of the public. Council Constitution, Part 2 (Article 8), section 8.2(b)iii.

- Guildford and Waverley Councils Collaboration
- Spend on Consultants and Agency Workers
- Report of an investigation relating to the Garden Village at the Former Wisley Airfield
- Review of the Annual Report and Monitoring Arrangements for the Operation of the G Live Contract 2020-2021
- Operation of Leisure Management Contract 2020-21
- Project & Programme Management Governance

- 3.5 As a result of adjusting and re-prioritising its approach and work plan, the OSC members scheduled two additional Committee meetings in the 2021-22 municipal year.
- 3.6 Two issues had been identified by the OSC for progression through an in-depth, task and finish group approach: Affordable Housing; and Mental Health Provision in the Borough.
- 3.7 Due to the ending of the Mental Health Provision in the Borough task group when its membership reducing to two, the issues identified were progressed through items at the October 2021 and April 2022 OSC meetings (with a further update scheduled for the July 2022 OSC meeting.)
- 3.8 The Affordable Housing task group is expected to report in 2022.

4. Current and future O&S work programme

- 4.1 Attached at Appendix 1 is the overview and scrutiny work programme for 2022-23 as developed thus far. This includes a programme of Lead Councillor question sessions for 2022-23.
- 4.2 The number of OSC meetings scheduled for 2022-23 was affected by the Council's adoption of the Pre-Election Period Publicity Policy; however, an additional OSC meeting is to be scheduled for October 2022.
- 4.3 The intention is for a long-term work programme that focuses on items that can make a tangible difference, but one flexible enough to accommodate urgent, short-term issues that arise.
- 4.4 The working groups drawn from non-Executive Councillors to scrutinise the Council's Leisure Partnership Agreement and G-Live contracts monitoring are scheduled to report back to the OSC in November 2022 and January 2023 respectively.
- 4.5 The O&S work programme is considered regularly and agreed formally by the OSC. Topics are shortlisted with reference to a P.A.P.E.R. selection tool (attached as Appendix 3).

Resourcing of O&S

- 4.6 Research suggests the resource allocated to scrutiny is fundamental in determining how effective the function is. The Council has a Senior Democratic Services Officer post dedicated largely to scrutiny and a separate scrutiny budget (of £5,000 p.a.) for external advice and expertise.

Training for O&S councillors

- 4.7 The Council offers induction training and ongoing skills training to Councillors, which has traditionally been facilitated by John Cade from the Institute of Local Government Studies (INLOGOV), University of Birmingham. All this training has been extremely well received by councillors.
- 4.8 Councillors are able to attend external O&S courses remotely (for example, with the Centre for Governance and Scrutiny and the Local Government Association).

5. Call-In Procedure and Urgency Provisions

- 5.1 The provisions relating to 'call-in' and 'urgency' are monitored on an annual basis and recommendations for changes will be submitted to the Council for consideration if necessary.

Call-in procedure

- 5.2 Call-in is the power of Overview and Scrutiny to scrutinise a decision by the Leader/Executive or an individual Lead Councillor before it is implemented. The call-in provisions also apply to a key decision made by an officer with delegated authority from the Leader/Executive.
- 5.3 The provisions relating to call-in are specified in the Overview and Scrutiny Procedure Rules contained in the Council's Constitution. The call-in mechanism enables non-Executive councillors to intervene when they feel that a decision being made by the Leader / Executive should be revisited or changed. The effect of call-in is to prevent implementation of a decision until the OSC has examined the decision. The OSC has the power to refer a decision back to the decision-maker or to refer a matter for further review by the Council.
- 5.4 The call-in procedure has not been exercised at the Council in 2021-22, nor was it used in 2020-21. In the 2019-20 municipal year call-in was used just once and prior to this call-in was last exercised in late 2012.
- 5.5 The call-in procedure was revised by the Council in October 2014 as part of a review of the Council's Constitution. In 2014, the call-in threshold was increased from three councillors to five, while retaining the call-in power of the OSC chairman and increasing the call-in period from 96 hours to 5 working days.
- 5.6 Having considered the statutory guidance on scrutiny³ and the current and previously considered approaches to scrutiny at the Council, there are no changes proposed to the call-in procedure at this time.

Urgency provisions

- 5.7 The 'urgency' provisions are specified in the Access to Information Procedure Rules and Overview and Scrutiny Procedure Rules. A principal purpose of these provisions is to enable the Leader/Executive or individual Lead Councillor, with the consent of the chairman of the OSC, to agree to preclude the call-in of any particular executive decision in cases of urgency. In addition, these provisions enable key decisions to be

³ Statutory Guidance on Overview and Scrutiny in Local and Combined Authorities issued in May 2019: <https://www.gov.uk/government/publications/overview-and-scrutiny-statutory-guidance-for-councils-and-combined-authorities>

taken with less than 28 days' notice: either with at least 5 clear days' notification or less notice with the agreement of the OSC Chairman.

- 5.8 During 2021-22, the urgency provisions were used on two occasions:
- Weyside Urban Village Development. Executive decision, July 2021.
 - G Live contract and lease. Executive decision, August 2021.
- 5.9 Further details of the two occasions during 2021-22 are attached at Appendix 2. This compares to four occasions in the 2020-21 municipal year.
- 5.10 The Chairman of the OSC agreed to waive call-in on one occasion: the Weyside Urban Village Development decision by the Executive in July 2021.
- 5.10 There are no changes proposed to the urgency provisions.

6. Legal Implications

- 6.1 This report on the operation of overview and scrutiny has been prepared in accordance with the requirements of the Council's Constitution. In particular, the Council's Overview and Scrutiny Procedure Rule 16(i) requires the operation of the provisions relating to call-in and urgency to be monitored annually and a report submitted to Full Council with proposals for review if necessary and Article 8.2(d) of the Council's Constitution requires the Council's Overview and Scrutiny Committee to report annually to Full Council on the work undertaken during the year, its future work programme, and amended working methods if appropriate.
- 6.2 The Council must 'have regard' to statutory guidance on O&S when exercising and reviewing its O&S function.⁴ This means that it is not necessary to follow every detail of the guidance, but it should be followed unless there is good reason not to do so.

7. Financial Implications

- 7.1 There are no financial implications arising directly from this report.

8. Human Resources Implications

- 8.1 There are no human resources implications arising from this report.

9. Equality and Diversity Implications

- 9.1 The Council has a statutory duty under section 149 of the Equality Act 2010 which provides that a public authority must, in exercise of its functions, have due regard to the need to (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do

⁴ Statutory guidance for O&S was published by the Ministry of Housing, Communities and Local Government in May 2019 under section 9Q of the Local Government Act 2000 and Schedule 5A paragraph 2(9) to the Local Democracy, Economic Development and Construction Act 2009. [Note 4 above refers].

not share it; and (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it. The relevant protected characteristics are: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

- 9.2 This duty has been considered in the context of this report and it has been concluded that there are no equality and diversity implications arising directly from this report.

10. Climate change / sustainability implications

- 10.1 There are no climate change / sustainability implications arising directly from this report.

11. Conclusion

- 11.1 Having considered the statutory guidance on scrutiny, the work undertaken during 2021-22 and its future work programme, together with current and previously considered approaches to scrutiny at the Council, officers recommend no change to O&S at this time.

- 11.2 Officers are not recommending any changes to call-in or urgency procedures at this juncture.

12. Background Papers

None.

13. Appendices

Appendix 1 – OSC work programme 2022-23, 30 June 2022.

Appendix 2 – Key decisions taken by Executive in 2021-22 under urgency provisions / call-in waived.

Appendix 3 – P.A.P.E.R. selection tool.

Overview & Scrutiny work programme, 2022-23

Overview & Scrutiny Committee items
<p>12 July 2022 meeting</p> <ul style="list-style-type: none">• Lead Councillor Question Session – Councillor Julia McShane, Deputy Leader of the Council and Lead Councillor for Community and Housing• Guildford & Waverley Councils Collaboration: update• Review of the Council’s ownership of Liongate House• Overview and Scrutiny Annual Report, 2021-22
<p>13 September 2022 meeting</p> <ul style="list-style-type: none">• Lead Councillor Question Session – Councillor Joss Bigmore, Leader of the Council• Guildford & Waverley Councils Collaboration: update• Safer Guildford Partnership Annual Report 2022• Procurement Annual Report (inc. annual reporting on Charter Against Modern Slavery)• Update on Mental Health Improvement Programme• Review of Council’s Customer Services
<p>October 2022 additional meeting (date to be confirmed)</p> <ul style="list-style-type: none">• Lead Councillor Question Session – Councillor to be confirmed• Guildford & Waverley Councils Collaboration: update• Review of Council’s Communications
<p>8 November 2022 meeting</p> <ul style="list-style-type: none">• Lead Councillor Question Session – Councillor James Steel, Lead Councillor for Environment• Guildford & Waverley Councils Collaboration: update• Guildford’s Air Quality Strategy• Operation of the Leisure Management contract, 2021-22• Review of Dogbusters stray dog contract
<p>17 January 2023 meeting</p> <ul style="list-style-type: none">• Lead Councillor Question Session – Councillor Tim Anderson, Lead Councillor for Resources• Guildford & Waverley Councils Collaboration: update• Borough’s response to refugees• Annual report and monitoring arrangements for operation of the G-Live contract, 2021-22
<p>28 February 2023 meeting</p> <ul style="list-style-type: none">• Lead Councillor Question Session – Councillor John Rigg, Lead Councillor for Regeneration• Lead Councillor Question Session – Councillor Tom Hunt, Lead Councillor for Development Management• Guildford & Waverley Councils Collaboration: update

Currently unscheduled items

- Children and Young People's Emotional Wellbeing and Mental Health Service – Update¹
- Corporate Performance Monitoring [subject to Council's approval of transfer from the Corporate Governance and Standards Committee]
- Management of Community Assets
- Regeneration
- Review of Older People's Services
- Visibility and transparency of asset disposals by the Council, including green spaces

Task and finish group

Title	Update
Affordable Housing	Membership: Cllrs Angela Gunning, Tony Rooth (Chair), Jo Randall, Ruth Brothwell, and Ramsey Nagaty. Due to report in 2022.

¹ A further update on Mindworks Surrey, Minute OS71, 25 April 2022 OSC refers.

Executive meeting	Item of business	Decision taken (K) = Key Decision	Chair of O&S informed under General Exception provision of Access to Information Procedure Rule 15	Chair of O&S agreement obtained under Special Urgency provision of Access to Information Procedure Rule 16	Chair of O&S agreed to waive call-in
6 July 2021	Weyside Urban Village Development Update Amendments to the Transaction with Thames Water and Appropriation of Land for Planning Purposes	<p>(1) To authorise the Managing Director, in consultation with the Leader of the Council, to sign and complete the Deed of Variation to the Thames Water Agreement and to proceed with the implementation of the relocation of the Sewage Treatment Works and associated works.</p> <p>(2) To appropriate for planning purposes, pursuant to s122 of the Local Government Act 1972, the Council owned land shown outlined in blue on the plan at Appendix 1 to the report in connection with the implementation of the WUV in so far as it is not already held for those purposes.</p> <p>(3) To note and recorded that the land to be acquired by the Council from Thames Water pursuant to the Thames Water</p>		✓	✓

		<p>Agreement (as varied) and any further land to be acquired by the Council for, or in connection with, the WUV development is to be acquired pursuant to s227 of the Town & Country Planning Act 1990 for planning purposes to enable the implementation of the WUV. (K)</p>			
24 August 2021	G Live contract and lease	<p>(1) To extend the G Live Contract with HQ Theatres from 1 October 2021 for 3 years until 30 September 2024.</p> <p>(2) To grant a Lease to HQ Theatres for a term of 3 years from 1 October 2021 until 30 September 2024.</p> <p>(3) To agree that the Lease and Contract shall be co-terminus. (K)</p>		✓	

P.A.P.E.R. topic selection tool

Public interest: concerns of local people should influence the issues chosen

Ability to change: priority should be given to issues that the Committee can realistically influence

Performance: priority should be given to areas in which the Council and Partners are not performing well

Extent: priority should be given to issues that are relevant to all or a large part of the Borough

Replication: work programme must take account of what else is happening to avoid duplication or wasted effort

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