Shareholder Sub-Committee
14 July 2026

COMMERCIAL PROPERTY UPDATE

Head of Service:	Jackie King, Chief Executive
Report Author	Mark Shephard
Wards affected:	(All Wards);
Urgent Decision?(yes/no)	Yes
If yes, reason urgent decision required:	Awaiting urgent completion of legal documentation as described in paragraph 2.4 below.
Appendices (attached):	Exempt Appendix 1:confidential Report to Shareholder Sub Committee (exempt from publication under paragraph 3 of Sch 12A LGA 1972)

Summary

To consider the attached Epsom & Ewell Property Investment Company Ltd (EEPIC) confidential Report to Shareholder (Exempt Appendix 1).

Recommendation (s)

The Sub-Committee is asked to:

(1) Approve the confidential Report to Shareholder (Exempt Appendix 1), noting and agreeing to adhere to the implication of the section 24 direction.

(2) Recommend to the East Surrey Shadow Authority to approve the Company's confidential Report to Shareholder (Exempt Appendix 1).

1 Reason for Recommendation

1.1 To meet the requirements of the Shareholder's Agreement dated 28 December 2018.

1.2 The confidential Report to Shareholder (Exempt Appendix 1) is commercially sensitive as it includes external strategic advice to the Company. It is excluded under Part 1 Schedule 12A Local Government Act 1972, paragraph 3; Information relating to the financial or business affairs of the Company / Shareholder. To disclose Exempt Appendix 1 pre-contract would potentially jeopardise the transaction being considered.

2 Background

2.1 The Shareholder's Agreement between the Council and Epsom & Ewell Property Investment Company Limited ('the Company') provides for a series of requirements where the Company must seek the Council's consent.

2.2 Shareholder consent is requested to the confidential Report to Shareholder (Exempt Appendix 1).

2.3 Following implementation of the section 24 direction, the confidential Report to Shareholder (Exempt Appendix 1) will require the approval of East Surrey Shadow Executive in respect of:

- *Disposal of any land if the consideration for the disposal exceeds £100,000*; in the context of the proposal contained in the confidential Report to Shareholder (Exempt Appendix 1), s24 'disposal' relates to a lease extension.

2.4 Legal documentation on behalf of the Company has been prepared in anticipation that approval from the Shareholder will be forthcoming. This is to comply with the urgent timescale stipulated by the tenant to complete the transaction the next working day following S&R Committee / Sub-Committee approval. Any delay post approval will potentially jeopardise the transaction being considered i.e. the tenant may withdraw.

3 Risk Assessment

Legal or other duties

3.1 Equality Impact Assessment

3.1.1 Not applicable

3.2 Crime & Disorder

3.2.1 Not applicable

3.3 Safeguarding

3.3.1 Not applicable

3.4 Dependencies

3.4.1 None

3.5 Other

3.5.1 None

4 Financial Implications

4.1 The proposed Heads of Terms are set out in the confidential Report to Shareholder (Exempt Appendix 1).

4.2 **Section 151 Officer's comments:** The financial impact of the proposal would be mitigated by the Council through a transfer from the Property Income Equalisation Reserve.

5 Legal Implications

5.1 External legal advice is being provided by Cripps Solicitors who will be involved in the negotiation and preparation of the necessary documentation.

5.2 **Legal Officer's comments:** Members will be aware that further to the Structural Change Order, the Secretary of State indicated that they were minded to issue a statutory direction under the Local Government and Public Health Involvement Act 2007. This is colloquially known as a section 24 direction.

5.3 At the time of review (25 June), a section 24 direction has yet to be implemented but it is expected that this will come into force on 3 July and hence prior to consideration of this report by members. This means that any decision which commit the spend of capital or revenue over certain limits will be caught by the s.24 direction.

5.4 Its purpose is to make sure Shadow Authorities have a say in decisions about arrangements that will transfer to them, helping protect their future financial and operational position.

5.5 The s24 direction shall require this Council to seek the approval of the East Surrey Shadow Executive to:-

1. dispose of any land if the consideration for the disposal exceeds £100,000;

2. enter into any capital contract –

(a) under which the consideration payable by the relevant authority exceeds £1,000,000; or

(b) which includes a term allowing the consideration payable by the relevant authority to be varied;

3. enter into any non-capital (revenue) contract under which the consideration payable by the relevant authority exceeds £100,000, where –

(a) the period of the contract extends beyond 1 April 2027; or

(b) under the terms of the contract, that period may be extended beyond that date.

5.6 The financial thresholds apply to all cumulative expenditure with the same supplier, organisation or individual, or for similar services, since 1 April 2025.

5.7 The s.24 direction shall apply at the point of transaction, regardless of whether a decision has already been made by this council – meaning it may apply to some decisions already taken if contracts have yet to be signed.

5.8 In relation to property, 'Dispose of any Land' includes: -

5.8.1 Any part of Land of any tenure, Mines or Minerals, on the surface or otherwise

5.8.2 Buildings or parts of Buildings

5.8.3 Easement, right, privilege, or benefit in, over, or derived from land

5.9 Therefore, granting of leases and licences and similar transactions (such as that set our within Exmept Appendix 1) are also caught by the s.24 direction. Any transaction caught by the s.24 directions requires the consent of those Councils that are due to be abolished next year alongside consent form East Surrey Shadow Authority.

5.10 To support business continuity, a General Consent was proposed to delegate decisions meeting certain criteria, back to existing councils, so that existing councils can continue routine activity without being required to seek individual approval each time.

5.11 The relevant general consent to those matters contained in this report are:

5.11.1 Acquisition or disposal of any land and/or property where:

the decision to acquire or dispose of the land or property was taken by the existing council prior to 3rd July; and

the disposal or acquisition will complete prior to 31 March 2027.

5.11.2 Capital contracts in relation to expenditure on a project that has been fully approved in an existing council's 2026/27 approved capital budget (for the avoidance of doubt, this does not include any budgets that are 'provisional' or 'pipeline projects').

5.11.3 Non-capital (revenue) contracts relating to the implementation of existing council decisions where:

a. the procurement process commenced prior to 3rd July 2026; and

b. the expenditure is within the approved budget of the existing council for 2026/27.

5.12 The term 'commenced' means that a tender notice has been issued or a decision has been taken to call off a framework or undertake a direct award.

5.13 Members are invited to take this into account when debating the recommendations at committee

6 Policies, Plans & Partnerships:

6.1 **Council's Key Priorities**: The following Key Priorities are engaged: Opportunity & Prosperity, Effective Council.

6.2 **Service Plans**: The matter is included within the current Service Delivery Plan.

6.3 **Climate & Environmental Impact of recommendations**: Not applicable.

6.4 **Sustainability Policy & Community Safety Implications:** Not applicable.

6.5 **Partnerships**: None.

6.6 **Local Government Reorganisation Implications**: The Council remains under a statutory duty to achieve Best Value and ensure services can be delivered and maintained until LGR Vesting Day on 1 April 2027.

7 Background papers

7.1 The documents referred to in compiling this report are as follows:

Previous reports:

- Establishment of a Local Authority Property Investment Trading Company, Strategy & Resources Committee, 19 September 2017

- Establishment of a Local Authority Property Investment Trading Company, Council, 19 September 2017