

# WIRRAL COUNCIL

## CABINET

21 JULY 2011

<b>SUBJECT:</b>	<b>WESTMINSTER HOUSE BIRKENHEAD – SALE TO WIRRAL PARTNERSHIP HOMES</b>
<b>WARD/S AFFECTED:</b>	<b>BIRKENHEAD AND TRANMERE</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF LAW, HR AND ASSET MANAGEMENT</b>
<b>RESPONSIBLE PORTFOLIO HOLDER:</b>	<b>CORPORATE RESOURCES COUNCILLOR ADRIAN JONES</b>
<b>KEY DECISION?</b>	<b>YES</b>

### **1.0 EXECUTIVE SUMMARY**

- 1.1 This report informs members of the present position in respect of the sale of Westminster House to Wirral Partnership Homes (WPH) and seeks instructions as to the way forward.
- 1.2 The sale of Westminster House will support the goal of reducing the Council's running costs by improving the efficiency and value for money of its services.
- 1.3 There will be a saving in the Council's annual revenue budget as a consequence of the proposed sale, together with a capital receipt.
- 1.4 The sale is not a statutory duty.

### **2.0 RECOMMENDATIONS**

- 2.1 That members consider a reduction in the purchase price now offered by WPH for the purchase of Westminster House, together with further valuation advice, and instruct officers how they wish to proceed.

### **3.0 REASON FOR RECOMMENDATIONS**

- 3.1 Following their own independent valuation WPH have advised that they are unable to proceed with the purchase of Westminster House at the previously agreed figure. The Head Asset Management is awaiting external valuation advice, which will be reported to members when received.

#### **4.0 BACKGROUND AND KEY ISSUES**

- 4.1 Cabinet at its meeting of 25 November 2010 agreed to sell its freehold interest in Westminster House, Birkenhead, to WPH for a figure of £1.9m. The agreed sale price was based on an independent valuation undertaken in September 2010 by the District Valuer on the joint instructions of the Council and WPH. The sale is intended to form part of the Council's office rationalisation programme whose principal aim is to reduce the annual revenue costs to the Council of occupying office space.
- 4.2 Following agreement of the sale, and to meet WPH's intended timescales for refurbishing the building and vacating their existing accommodation, all staff have been relocated from the building, which is now vacant, and the necessary legal documentation has been prepared for the sale.
- 4.3 In the meantime WPH have engaged external consultants to survey the building and prepare a fully costed refurbishment scheme. They were also advised that in view of their status as a charitable body they would require their own independent valuation of the property, and this has been undertaken. The result is a figure substantially below the valuation produced by the District Valuer. Whilst WPH remain keen to buy and occupy the building they have advised that they cannot proceed at the previously agreed figure of £1.9m, in view of the more recent valuation they have received. The amount of the counter offer is detailed in the exempt appendix.
- 4.4 With the agreement of WPH, the Head of Asset Management has met their valuer to discuss and understand the valuation approach he adopted to arrive at his valuation. He has also discussed the difference in valuation with the District Valuer and has asked him to review his valuation in the light of information that was not available to him in September 2010. This includes:
- A survey of the mechanical and electrical installations within Westminster House
  - Costed refurbishment proposals for the building prepared by WPH's cost consultants
  - The requirement imposed by Cabinet when it agreed the sale that it should contain a 'clawback' provision in the event that WPH subsequently sold the building for redevelopment.  
The District Valuer's further advice is awaited at the time of writing this report.
- 4.5 The Head of Asset Management has also sought further independent valuation advice, and again this is awaited.

## **5.0 CONCLUSION**

- 5.1. There is a substantial difference between the original valuation of the property upon which the agreed sale price was based and the subsequent valuation obtained by WPH, and WPH are now unable to proceed at the original figure. Further valuation advice has been sought on behalf of the Council. When this has been received and further discussions have taken place with WPH more detailed advice and a recommendation will be provided to members.

## **6.0 RELEVANT RISKS**

- 6.1 Failure to agree a sale to WPH could result in the building remaining empty for some time. This risk is mitigated by the continued intention of both parties to complete the sale, by sharing information and by jointly addressing issues as they arise.
- 6.2 There is a risk that a sale at less than the previously agreed figure could be considered as a sale at less than the best price reasonably obtainable. This risk is mitigated by the Council taking independent external valuation advice from an appropriately qualified firm of surveyors.

## **7.0 OTHER OPTIONS CONSIDERED**

- 7.1 The Council could refuse to consider a sale at less than the originally agreed figure. This option has been rejected as it would lead to the withdrawal of WPH from the sale and would ignore issues that support a lower sale price.

## **8.0 CONSULTATION**

- 8.1 None required on the issues raised in this report.

## **9.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

- 9.1 None arising out of this report.

## **10.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

### **10.1 FINANCIAL IMPLICATIONS**

- 10.1.1 Sale of Westminster House will produce annual revenue savings of £350,000 and a capital receipt to be agreed. It will also remove from the Council the future responsibility to meet the cost of backlog maintenance and life-cycle maintenance, the costs of which are estimated at £95,500 and £655,500 respectively.

10.2 STAFFING IMPLICATIONS

10.2.1 None arising directly from this report.

10.3 ASSET IMPLICATIONS

10.3.1 None arising directly from this report.

**11.0 LEGAL IMPLICATIONS**

11.1 The Director of Law HR and Asset Management will complete the necessary legal documentation for the proposed sale.

**11.0 EQUALITIES IMPLICATIONS**

11.1 There are no equality implications arising directly from this report.

**12.0 CARBON REDUCTION IMPLICATIONS**

12.1 Based on October 2009 to September 2010 performance, the carbon emission from the building was 188 tonnes, which will no longer be associated with the Council should the sale proceed.

**13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

13.1 There are no planning implications arising directly from this report.

**REPORT AUTHOR:**

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**APPENDICES**

None

**REFERENCE MATERIAL**

None

**SUBJECT HISTORY (last 3 years)**

Council Meeting	Date