

**Our reference** IS/NCC

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Dear Councillor Heptinstall

### **Sale of Bramwell residential care homes to Runwood Homes**

In response to your email of 3<sup>rd</sup> October 2011, I have now completed my work on the Council's decision to sell Bramwell residential care home to Runwood Homes.

Concerns were raised with me from a number of sources. As a result, I have carried out a review of the process applied by the Council in arriving at the decision to sell all six residential care homes and at the current time have not found any reason to challenge the proposed sale. A number of concerns were raised that I have addressed in carrying out my work:

1. Have the homes (including Bramwell) been sold at undervalue, and therefore has the Council met its statutory duty to obtain best consideration?
2. Can the Council be confident in the work of the valuer following the identification of errors?
3. Does the deal represent value for money?

#### ***Have the homes been sold at undervalue, and therefore has the Council not met its statutory duty to obtain best consideration?***

Under Section 123 of the Local Government Act 1972 (as amended in 2003), the Council must obtain best consideration in selling land unless that disposal improves well being and the undervalue does not exceed £2m. Concerns have been raised that the sale of the six residential care homes to Runwood Homes is not achieving best consideration.

The Council obtained legal advice to confirm that each individual care home can be treated as a separate disposal. Therefore, for the purposes of achieving best consideration, the £2m threshold applies to each individual care home disposal, including Bramwell. I have reviewed this legal advice and currently can find no reason to challenge it.

Having accepted that the above approach is valid, I have considered the valuation methodology for the six homes being sold. Unrestricted valuations were provided by Messrs Lambert Smith Hampton. The valuers are professionally qualified and independent of the Council and I have no reason to challenge their unrestricted valuations.

Having accepted the unrestricted valuations, I then considered the Voluntary Conditions applied by the Council for the sale of each home. These include full TUPE transfer of all staff, guarantees for residents, avoidance of future costs and an overage clause. The Council obtained clarification from its legal adviser on how to value voluntary conditions and has followed that advice. I have no reason to challenge this. Calculations of the value of voluntary conditions are supported by a clear audit trail and in my view appear reasonable. I have identified some issues that by their nature contain an element of subjectivity, but these do not affect the critical £2m undervalue position and in some cases would strengthen the Council's position by increasing the value being obtained.

I have carried out a limited sensitivity analysis on the Council's assumptions and this does not indicate that the Council's conclusions are vulnerable to reasonable variations in the key parameters used in the calculations.

Overall therefore, from the evidence I have seen, I have not identified any significant failings in the Council's assumptions or calculations of under or over value. The result of these calculations is to produce a range of net valuations from £2.1m overvalue to £638k undervalue. For Bramwell, this figure is an overvalue of £467k. These are all within the £2m undervalue threshold provided for by Regulations.

Whilst I recognise that this approach results in overall net proceeds of approximately £1.8m compared to an unrestricted value of £18.65m, my initial view is that this is supported by the value of the voluntary conditions applied to the sale process, as set out above.

***Can the Council be confident in the work of the valuer following the identification of errors?***

The error identified at the Council meeting of 22<sup>nd</sup> September 2011 was referred back to the valuer who subsequently confirmed that this would have had no impact on those valuations. At present, I have no reason to challenge this and could only do so by obtaining a further professional independent valuation. The cost of this would have to be met by the Council and is not in my view justified.

***Does the deal represent value for money?***

The determination of whether or not the sale provides value for money for the tax payers of Nottinghamshire is clearly more subjective than the determination of best consideration. However, I have taken a number of issues into account in coming to an initial view on this matter:

- The Council clearly has statutory powers to open, close or transfer residential care homes for the elderly. In this respect, the matter is clearly one of policy for the Council and in my view this decision has been taken properly.
- The Council has made a case for using the “well-being” powers to support this policy decision and I am not aware of any reason to challenge this.
- A full business case has been developed supported, where appropriate, by independent legal and other professional advice. I have reviewed this as set out above.
- An open competitive process was followed to find a current market value.

Therefore, based on the work I have carried and based on the evidence put before me, I currently see no reason to challenge the proposed sale on the basis of achieving value for money.

Overall, at the current time I have not found any reason to challenge the proposed sale. Whilst I recognise that you may be disappointed with my conclusions, I can assure you that I have considered the issue objectively when coming to my view. Please do not hesitate to contact me if you wish to discuss the matter further.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Ian Sadd', is enclosed in a light grey rectangular box.

Ian Sadd  
Engagement Lead