

CWU ASSET REVIEW – REPORT TO BRANCHES

Introduction

LTB 022/20 contained a report to Branches that provided an update on the Asset Review that was being undertaken as part of the Re-Design project within the CWU.

Since the publication of that LTB a number of significant developments have taken place that resulted in the Emergency Committee of the NEC and the full NEC taking final decisions in order to conclude the Asset Review.

This report sets out those conclusions and provides the context against which they have been made.

150 The Broadway

Since the publication of LTB 022/20 we have held a number of meetings with advisers (Keningtons). We have been informed that still no alternative premises that would suit our needs are up for sale at this point in time. LTB 022/20 set out in detail the financial issues around both remaining at 150 The Broadway and renting out parts of the building or of selling and relocating.

This document does not repeat those details, the significant point when considering options for 150 The Broadway is that no suitable alternative premises exist for us to relocate to and it is now almost 2 years since we engaged Keningtons to advise on these issues (June 2018).

When the current coronavirus situation ends, in that we can return to 150 The Broadway and resume some sort of normality to our operation, we need to provide some certainty to the question of where a CWU HQ building will be.

Continually waiting for Keningtons to identify suitable alternative premises is not a viable approach. It brings no degree of certainty and importantly they cannot begin to advertise and source potential tenants for us, in turn attempting to generate income for the CWU. Added to this is the uncertainty both for staff and for the continuity of our operation.

Accordingly, the NEC has agreed to remain at 150 The Broadway for the foreseeable future. We will be advising Keningtons that, as soon as possible, they should begin to develop marketing plans for different amounts of space to rent out at 150 The Broadway. This then allows us the time, once we are able, to finalise our own requirements based on continued occupation of 150 The Broadway.

Elstead Hotel

Following the issuing of LTB 022/20 we began discussing with a Hotel and Leisure sales and letting company to begin the marketing process of the hotel. The company being used carried out all the necessary checks (accounts, year to date performance and business on the books analysis) and compiled a draft brochure with a guide price of £1.85 million. We were due to finalise and sign the terms of agreement with the company week commencing the 23rd March 2020 when of course the “lockdown” scenario came into play.

Prior to that, one interested party who had become aware that the business may be up for sale had visited the hotel with a view to making a bid. Whilst no bid has been received we are informed that the potential buyer retains their interest and is compiling “proof of funding” in order to then make a bid. We have no indication of when such a bid is likely to be made or how it will compare to the potential asking price.

However the problem we have here is the current environment. The hotel is closed to normal business. The Hotel has a small number of bookings from NHS workers for the month of April. We have been able to use advisers, The Hotel Management Company, to ensure that hotel is “on the list” for Council, NHS and Police and Emergency services. It was one of only 4 hotels in Bournemouth currently open offering this facility. As a result we have a small number of bookings from NHS but we are both hopeful and confident that word of mouth will result in higher levels of occupancy.

The problem we have is that keeping it open costs money and as we have no way of knowing when “normality” will resume the cost of this approach needs to be tightly controlled. As the business is not generating sufficient cash to cover costs the burden of responsibility falls on the CWU to meet this demand. This generates a further cost to the CWU during this difficult period.

The view from advisers is that once “normality” is restored two things are likely to happen. Firstly, a lot of people will be looking to book UK holidays and “the season” as it is known will extend beyond September as large numbers of people will “want a break”. Secondly, access to travel abroad is likely to be severely restricted and so UK holiday destinations e.g. Bournemouth are likely to see a lot of business, indeed following a marketing initiative last week a small number of bookings for July are already being made. Advisers are adamant that hotels open, as the Elstead is to NHS/Emergency workers, will be far better equipped to hit the ground running at that time. Thus income will be generated sooner rather than later and we can show that the original guide price of £1.85 million is still valid.

Those we were working with on the issue of a sale advise that if we simply wanted the Elstead “off our books” we would have to “compromise” significantly on the asking price. At this point in time they cannot give an answer as to what that would be.

They would need to be commissioned to undertake a piece of work based on who is actively looking to buy and under what conditions. So the normal process of a high level visit inspecting every room, the kitchen and the behind the scenes operation is simply not possible. Accordingly buyers would look for a lesser sale price as their normal inspection process couldn't be carried out.

Separately we are advised that the cost of keeping it open with skeleton staff to service a small number of emergency/key workers is roughly the same cost as would be incurred with a complete shutdown. Particularly as insurance and security costs would spike with a complete shutdown. Either way then for the duration of the coronavirus “lockdown” additional costs will be incurred by us, placing a further strain on our own cash situation.

As a result of the above the NEC have taken the decision that we sell the Elstead Hotel at the earliest opportune moment.

Alvescot Lodge

We advised Branches in LTB 022/20 that, for the reasons outlined in that document the NEC had taken the “in-principle” decision to sell Alvescot Lodge against an original guide of £1.5m to £1.75m. Following the decision of the NEC we instructed Savills to prepare for market Alvescot Lodge. There has been an extremely high degree of interest in the property and this has culminated in a cash offer being made of the asking price of £1.75m.

The company making the offer have made several visits to the premises and are now moving at some pace, despite the coronavirus situation, to complete the purchase of the premises. Their intention is to have this finalised by the 15th May 2020, allowing for any problems arising out of our or their current and respective legal sides way of working.

The company specialise in running educational facilities for severely autistic children and their families and want to have the centre ready for use for the September term, anticipating a lifting of the current restrictions.

Savills say it is extremely rare to find a cash buyer for premises such as these and to find one who is willing to meet the asking price. By cash it is meant, they have the money in their bank account. They do not have to seek a loan or a mortgage from a bank and therefore they do not have to provide a business plan or security for such a loan, meaning no delay or uncertainty to their offer. In short Savills believe that it is unlikely we would receive such an offer at any point in the foreseeable future should we not go ahead with this offer. By way of comparison we received one other offer of £1.2 million, subject to bank loan being granted, which we turned down.

A decision to sell Alvescot Lodge needs to be seen not just in isolation, although the case for that in itself remains sound, but also in relation to the rest of the CWU cash position.

We have no idea how long the current lockdown will be in place and therefore no idea of how costs will outturn. In addition there is the situation at the Elstead which is going to see a continued and potentially increased demand for cash for a number of months, whatever we do with it.

Firstly, the original case for taking the “in principle” decision to sell Alvescot Lodge has not changed, the aims of the redesign process and in particular a new refreshed approach to Education have not altered. The long term financial issues set out in LTB 022/20 also remain unchanged, further uncertainty around future financial projections is hard to predict. We do not know how much longer the current “lockdown” will continue or what impact the changes in the economy will have on the short, medium or long term business plans of the employers where our members work and what knock on effect this will have on membership numbers.

Following the “in-principle” decision taken by the NEC nothing has arisen that would cause the NEC to reconsider the decision they took. By this we mean an inability to sell for reasons that were not known to the NEC when they made their original decision. Indeed the opposite has happened. There has been a great interest in the site and an offer that meets the advertised asking price has been made. The NEC has taken the decision to accept that offer and to progress to sale in line with the date set out above.

Staff

When we began the asset review we employed 12 staff at Alvescot Lodge. In the intervening period 5 members of staff have left and/or signed up to be released, leaving 7 current employees. The financial packages, secured through negotiation with the staff union, GMB, were agreed in a ballot of the staff members concerned. Accordingly the “staffing issues” as they might be termed, have been dealt with through both the correct negotiation and communication processes and through a GMB run democratic ballot of those concerned. For those interested the agreement was carried in that ballot by a majority of 10:1.

Following the decision of the NEC at its meeting yesterday (16th April 2020) a video conference was held with the remaining staff and the General Secretary and Senior Deputy General Secretary at which the decision of the NEC was conveyed to staff.

This is clearly both an emotional and difficult period for our employees and we are committed to working with them and their GMB representatives to provide all the assistance they feel they need. We also expressed our deepest appreciation for the work all of the staff has carried out for the Union over a prolonged period. We will ensure that once the current lockdown restrictions are lifted we arrange a suitable way of recognising their work.

However the NEC are required to make such decisions that are in the overall and long term interest of the whole union and have acted accordingly in making this decision.

Current Environment/Financial Factors

In addition to the reasons set out both in the covering LTB to this report under Re-design and also referenced in LTB 022/20 the NEC has had to take cognisance of a number of other issues.

It is impossible to ignore the current environment within which we are operating. This has meant an increase in expenditure (Elstead Hotel) and increase in CWU HQs equipment as we try to run the organisation on a “working from home” basis. The uncertainty that goes with not knowing how long this situation will continue or how it will impact upon the CWU mean normal planning assumptions for our finances are not as certain as they may otherwise be.

The current environment is bringing with it a number of additional financial problems that the CWU has to face up to. Additionally there are a number of specific occurrences around membership and legal actions that have the potential to impact negatively upon our financial position.

We will elaborate on these during the video meetings that we will be arranging for next week in which we will be providing all Branches with an update not only on the Asset Review but on the overall situation that the CWU is currently operating within.

It is important that we are clear that the decisions taken by the NEC are made on the basis of securing the overall objectives of the redesign project. However, it has also been necessary to consider the additional financial issues around our current operating environment.

It is for all the above mentioned reasons that the NEC has taken its decisions to bring to a conclusion the Asset Review and allow the CWU to begin planning for the future as soon as we return to normality.

Role of the NEC

We understand and appreciate that the timing of this announcement will lead to a number of questions with some Branches.

It is appropriate then that we address two issues here, these being Motion 57 carried at the Redesign Conference held in November 2018 and the authority of the NEC.

Motion 57 read as follows **“Our Branch notes that the review of the Unions assets is mentioned in the introduction of the redesign document but not in any of the sections 1-7. We therefore instruct the NEC to draw up a full strategic financial plan that sets out in a clear and concise way, the projected savings of each of the three elements of the asset review. This should be published to Branches before any final decision is taken to dispose of any Asset or before any special Rules revision conference necessary to enact CWU Policy on the redesign project.**

In reality the financial aspects of the Asset review were set out in LTB 022/20. In summary these are that we can expect, once we are able and normality is resumed, to work towards bringing in tenants to 150 The Broadway to generate rental income for the CWU in line with projections provided to us by Keningtons. A sale of the Elstead Hotel will generate whatever it does taking into account the current pandemic and the impact this has on the value of the business and a sale of Alvescot Lodge will meet the asking price of £1.75 million.

The difficulty we currently face however is the impact of the Coronavirus pandemic. What markets will look like for acquisitions of hotel companies during and after the pandemic is deemed over is anyone's guess. We are informed that there is a two thirds drop off in companies actively seeking to buy such properties than there was only a month ago.

Likewise, speculation over how long the economy will take to recover means we do not currently have any certainty over what levels of interest will exist to realise rental income of the amounts previously envisaged.

Such uncertainties therefore make the decision to sell Alvescot Lodge for the full asking price the right decision to make. It would be irresponsible to miss this opportunity and then to discover that a downturn in the economy restricts what we can realise with regard to the other two aspects of the asset review. In other words we are living through extraordinary times and the NEC, who by rule, are responsible for running the CWU between conferences, have the authority to make such a decision.

As stated above we accept also that the process may also raise some questions. The intended approach was for the NEC to make such a decision on the asset review at an earlier NEC and this would have resulted in an Emergency Motion being placed for debate before the General Conference that was previously originally set for next week, 19/20/21 April 2020. Neither of those events were possible and as such the preferred option of the NEC i.e. to place such an Emergency Motion is not available to us.

The problem is of course that decisions cannot be put off indefinitely. Given all the financial pressures the CWU faces, the successful marketing of Alvescot Lodge, the resolution of the staffing issues and the meeting in full of the asking price the NEC had a decision to make.

They did so as they are empowered to do under rule 8.1.1 b. this rule gives the NEC responsibility for **“the general management and control of the union between Annual/Special Conferences during which periods it shall have supreme authority on all issues except those which are within the remit of the Industrial Executives”**.

Additionally rule 11.2.5 which reads as follows **“The trustees, on the direction of the NEC, shall have power to borrow money on security or otherwise and dispose of any asset of the union.”** makes it clear that the NEC have acted properly within their remit and within the rules of the Union.

Clearly the NEC are not responsible for the circumstances within which we find ourselves but that the NEC are responsible for ensuring the right decisions for the long term sustainability of the CWU are made and that is what they have done.

The uncertainty around the economic climate means that our ability to develop a finite plan around long term income and expenditure is simply not possible. Once we are back working “normally” we will need to assess the impact the current way of operating has had on our finances and set out in clear and concise detail our financial projections for the future.

We are mindful of course of the narrative played out as part of this debate that selling these assets could leave us with nothing to show for them, the “selling the family silver” narrative. Firstly the largest and most valuable asset that CWU owns is 150 The Broadway and for the reasons outlined above we are retaining that asset.

Currently both the Elstead Hotel and Alvescot Lodge represent an ongoing cost to the CWU, sale of both reduces future costs and assists in stabilising CWU finances. This was always one of the key considerations of the Asset Review i.e. as well as developing and designing a new approach to how we operate we would simultaneously work towards achieving financial stability. That is why the retention of the main asset and utilising it to generate income is a key part of the strategy.

Also key and as previously outlined in LTB 022/20 is the need to invest in the organisation. We have explained on a number of occasions including at General and Special Conferences that as we currently stand much needed resource to invest in the organisation is not available. It only becomes available by exchanging some assets for cash. That is still the objective under a continued redesign process and so once we return to “normality” we will begin to finalise those investment plans previously outlined.

Such investment will be a part of the overall long term financial objective of making the CWU sustainable and these plans will be set out in full and forwarded to Branches once we have been able to assess the impact upon membership levels and income coming out of this Coronavirus pandemic.

We thank Branches for reading through this report but we also understand that not everyone has previously indicated support for the sale of these assets. We believe there will be a number of questions that some people will want to raise with us and that is why we will be setting up the video meetings referred to in the covering LTB.

We will provide more detail around various aspects of this report as well as providing an opportunity to give a general update on how we are operating as union at this moment in time.