

## Bath & North East Somerset Council

DECISION MAKERS:	<b>Cllr Tom Davies, Cabinet Member for Adult Services and Council House Building; &amp; Cllr Richard Samuel, Deputy Council Leader and Cabinet Member for Resources.</b>	
DECISION DATE:	<b>Not before 18<sup>th</sup> March 2023</b>	EXECUTIVE FORWARD PLAN REFERENCE: <b>E 3438</b>
TITLE:	<b>Transfer of Leased Properties</b>	
WARD:	All	
<b>AN OPEN PUBLIC ITEM</b>		
<b>List of attachments to this report:</b> Exempt Appendix 1: High-Level Revenue Cashflow Modelling Appendix is exempt information, according to the categories set out in the Local Government Act 1972 (amended Schedule 12A) – information relating to the financial or business affairs of any particular person (including the authority holding that information).		

### 1 THE ISSUE

- 1.1 There are 40 residential properties owned Freehold by the Council and currently leased to Curo Housing. This decision would, and with the full agreement of the lessee, transfer the properties back into the full ownership of the Council. The properties would be retained and operated on an ongoing basis as social rented accommodation as part of the B&NES Homes Programme.

### 2 RECOMMENDATION

**The Cabinet Members are asked to agree to;**

- 2.1 Authorise the Head of Housing to complete the transfer of the remaining Curo leased residential properties to full Council ownership including agreement of post transfer housing management arrangements.
- 2.2 Authorise the continued use of these properties as social rented accommodation as part of the wider B&NES Homes programme.
- 2.3 Fully approve £430k of capital funding from unallocated Right to Buy receipts to support the transfer and purchase of these units.

### 3 THE REPORT

#### Background

- 3.1 In 1999 the Council transferred its social housing stock to the Curo Group (formerly Somer Community Housing Trust) through a large-scale voluntary transfer agreement (LSVT) process. The transfer agreement mandates that specific properties are offered back to the Council when becoming vacant or upon lease expiry, subject to a formulaic surrender premium paid by the Council and dilapidations funded by Curo. These properties are typically, though not exclusively, city centre apartments situated in buildings owned freehold by the Council.
- 3.2 The unpredictability of the current arrangement provides challenges to both the Council and Curo. Since the LSVT 49 of these properties have been returned to the Council individually and either sold or more recently transferred to Aequus for market rent. None have remained in use as social housing.

#### Proposal

- 3.3 The proposal involves transferring the residual 40 properties (though number is subject to change due to potential hand-backs prior to transfer) to the Council as a portfolio package with existing tenants in situ.
- 3.4 Curo would be reimbursed:
- For the capital value of the remaining leases, approximately £400k based on 40 properties; and
  - Loss of estimated cashflow surplus (rent minus operating costs). The loss of cashflow is limited to 10 years and diminishes each year on the assumption that 1.5 properties per annum would have been returned to the Council had the transfer not taken place.
- 3.5 The estimated open market value of the 40 units is approximately £8m. The reimbursed cashflow and all operating costs should be fully funded by rental income in year 1 resulting in the proposal being revenue neutral for the Council. However, by year 10 the net revenue income to the Council will have risen to approximately £75k per annum and then to approximately £222k per annum in year 11 when loss of cashflow payments to Curo cease.
- 3.6 Curo would continue to provide the housing management role with agreed review dates (end of year 3, 6 and 10). This management role includes all maintenance and repair work, thus limiting demands on other corporate services.

#### Strategic Benefits

- 3.7 Whilst there is no net gain in affordable housing numbers the transfer provides the following wider strategic corporate benefits including:
- The wholesale transfer would preserve valuable city centre stock as social housing.
  - The current arrangement disincentivises investment in the stock. Having a portfolio of stock would allow the Council to invest in the properties, particularly energy performance, potentially through stock rationalisation.

- As most of the properties are within Council owned buildings repair and maintenance arrangements would be simplified and “marriage-value” with existing units could be leveraged.
- It would simplify the dilapidations process, which has historically been challenging, resource consuming and protracted.
- Provides the Council with stock critical mass and an experienced housing management partner. This early critical mass provides further housing management options and opportunities.

#### 4 STATUTORY CONSIDERATIONS

4.1 The delivery and management of housing is supported by the following:

- Local Authorities (Land) Act 1963 which allows Councils to develop land for the benefit or improvement of their area.
- Local Government Act 2000 (section 2) which allows Councils to act to promote or improve the economic, social or environmental wellbeing of their area.
- Localism Act 2011 (sections 1) which provides the local authority's general power of competence.
- The Council is registered with the Regulator of Social Housing as a Local Authority Registered Provider of Social Housing.

#### 5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 Total annual rental income is estimated to be circa £220K which is expected to meet all costs including a matching management fee payable to Curo which compensates for loss of income (and which will reduce over 10-year before terminating). Costs could be variable as asset management and repair liabilities will be met by the Council.

5.2 The proposal requires an initial capital outlay of around £430k comprising £400k payment to Curo and circa £30k for conveyancing and legal costs.

#### 6 RISK

6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance.

6.2 The key risks at this stage include:

Financial - Condition of the stock and costs of maintenance and future improvements.	Given the nature of the properties (predominantly older Georgian flats) the greatest risk within the proposal is the asset management and responsive repair assumptions. This will be mitigated through a formal review (at the end of Yr. 3 & 6) and potential reset of the business case assumptions agreed with Curo. In addition, disposal of vacant stock could be used to capially fund repairs.
Legal – Right to Buy	Current tenants have either preserved Right to Buy (RtB) status (if in occupation when the properties were transferred to Curo) or the less generous Right to Acquire provisions. Should the properties be transferred to the Council all tenants would be eligible to RtB which provides a discount up to 70% off the purchase price subject to a £87,200 discount cap. However, flats are typically less likely to be subject to RtB and any RtB would generate a positive financial return against purchase price.

## 7 EQUALITIES

7.1 A formal equalities impact assessment has not been undertaken on the proposal. However, the delivery of social housing has a positive impact on equality. It provides housing options for those residents would are unable to cope or compete on the open-market and may otherwise be forced to leave the area or reside in unsuitable housing conditions.

## 8 CLIMATE CHANGE

8.1 Housing is a key contributor to climate change. Having the stock returned in a portfolio provides the Council with a range of options and opportunities to invest in the stock, including energy efficiency.

## 9 OTHER OPTIONS CONSIDERED

### Do Nothing

9.1 Properties would continue to return to the Council as and when either the property becomes void and/or the lease expires to be disposed of or transferred to Aequus for market rent. On this basis it would be lost as social housing.

## 10 CONSULTATION

10.1 Internal officer consultation, including with s151 Officer and Monitoring Officer.

<b>Contact person</b>	Graham Sabourn – Head of Housing, 01255 477949
<b>Background papers</b>	None
<b>Please contact the report author if you need to access this report in an alternative format</b>	