

Report of Finance Manager

Report to Director of Resources and Housing

Date: 12th March 2018

Subject: Purchase of Equity Share/Sale of Council's Share 18 Atha Close

Are specific electoral wards affected? If relevant, name(s) of ward(s): Beeston & Holbeck	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number: Appendix 1 to this report has been marked as exempt under Access to Information Procedure Rules 10.4 (3) on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) which, if disclosed to the public, would, or would be likely to prejudice the commercial interests of that person or of the Council. The information is exempt if and for so long as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. In this case the report author considers that it is in the public interest to maintain the exemption.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Summary of main issues

This report seeks the Directors approval to options available in dealing with an Equity Shared property. The leaseholder of the property wishes to sell their share on the open market.

The property is in the Beeston and Holbeck area of the City. It is a three bed house of traditional build. The condition of the property has not yet been ascertained.

The leaseholders hold a 50% share in the property with the Council retaining a 50% share. The lease agreement provides that surrender of the lease has to be made to the Council in the first instance unless transferred by Will or intestacy. Where the Council declines the surrender of the lease the leaseholder may dispose of their interest in the property.

The options open to the leaseholder are:

- 1) surrender their share of the property to the Council at market value, should the Council wish to acquire the property
- 2) sell the 50% share held on the open market

- 3) sell the 50% share held by the leaseholder along with the Council's 50% share of the property on the open market, should the Council agree.

The initial request was that the leaseholder sell their share. An estate agent was engaged and a sale was agreed however this fell through in early January. The estate agent has not had any further enquiries and believes selling 100% of the property would stimulate more interest.

Recommendations

The Director is requested to approve that the Council agree to sell the Council's 50% share of the property along with the leaseholders share, including the freehold of the property which will be dealt with coterminously. The leaseholder to be responsible for all costs in relation to the sale including legal fees.

1 Purpose of this report

- 1.1 To seek the Director's approval to accept the surrender of the lease for the property which is currently a shared equity property, the leaseholders and Council both holding a 50% share.
- 1.2 Where surrender is not agreed that the Director approves the sale of the Council's share of the property at the same time as the leaseholders share is sold, if this is requested by the leaseholder. The reversion of the freehold to be dealt with co-terminus.
- 1.3 These options are to be provided in order that the property, does not remain unoccupied for an extended period of time and reduces the debt due to the Council in respect of rent and service charge payable.

2 Main issues

- 2.1 The Council built a number of properties in the Beeston area of the city in the mid 1980's which were to be sold on an equity shared basis. These properties were to be acquired by individuals buying a minimum 25% share and then being able to acquire further 25% shares and ultimately the freehold at future dates.
- 2.2 The majority of the properties have been sold. However, the Council retains a share in 12 properties of which this property is one. The Council holding a 50% share of this property.
- 2.3 The lease is a full repairing and improvement lease resting with the leaseholder. The leaseholders are required to pay a rent for that part of the property which they do not own. In addition where required the Council arranges the buildings insurance. A monthly charge is made for rent and buildings insurance which is due on the 1st of each month.
- 2.4 The leaseholder wishes to sell her share and move to a smaller home in the near future.

2.5 Although there was a sale agreed previously there has been little or no interest in the 50% purchase option since that fell through. It is regarded that sale of 100% would provide a better chance of a completed sale.

2.6 In order that matters are not further delayed the options available to the Council and ultimately to the leaseholder are advised below along with the recommended course of action for the Council.

3 Options

3.1 **Purchase by the Council of the Leaseholders Share:** The lease under which this property is held requires the leaseholder or their representatives to offer surrender of the lease to the Council in the first instance. This does not apply where the assignment of the lease is under a will or intestacy.

3.2 **Sale of the Leaseholders Share:** Should the Council decline the surrender of the lease then the leaseholder can dispose of their share. This is usually done by advertising the share on the open market. However, where the share is low this can cause delays in assigning the lease or being unable to sell their share.

3.3 **Sale of Leaseholders Share and Council's Share:** In order to assist the leaseholders in disposing of their share the Council can offer its share for sale and dispose of the freehold of the property to coincide with the completion of the purchase.

3.4 The Council can exercise its right to take surrender of the lease and pay an agreed sum in consideration, where the lease is to be assigned and this is not under a will or intestacy. A valuation would be required, and consideration would need to be given to potential works required to bring the property to a decent homes standard.

4 Corporate considerations

4.1 Consultation and engagement

4.1.1 Consultation has been carried out with the Investment Strategy Manager from Housing Leeds. They have no plans within their asset management strategy nor set aside any provision in the capital programme to purchase percentages of leases.

4.1.2 Should the Council determine that the preferred option would be to acquire the property, Housing Leeds would then have to determine and agree the level of works required and meet the cost of these works. No other consultation has been carried out.

4.1.3 Equality and diversity / cohesion and integration

4.1.1 It is not considered that there are any equality, diversity, cohesion or integration issues. The Council has an equal share of this property (50%), and the determination whether to purchase, or sell its share at the same time as the leaseholder would be determined on the merits of each case.

4.1.2 An equality screening has been conducted and concluded that there were no equality, diversity, cohesion or integration issues to take into consideration.

4.2 Council policies and best council plan

4.2.1 The acquisition will assist in meeting the Council's priorities through the provision of additional affordable accommodation.

4.2.2 Resources and value for money

4.2.1 There is no provision for acquiring the 50% share of the property in the Housing Capital Programme (as per Planned Works manager), nor in the Housing Growth programme (as per Relationship Manager Housing Growth).

4.2.2 Alternatively should the Council dispose of its 50% interest in the property at the same time as the sale of the leaseholders 50% share this will be a capital receipt to the Council, although subject to the Governments pooling regulations.

4.3 Legal Implications, access to information and call In

4.3.1 It is not considered that this decision would have any legal implications.

4.3.2 The decision is a delegated decision under the Officer Delegated Decisions (Exec Functions) and is one which is not subject to call-in.

4.3.3 This report contains confidential information under Access to Information Procedure Rule 10.4(1 - 3) in that it contains information relating to the financial affairs of individual(s) (Appendix 1). It is considered in these circumstances that the public interest in maintaining the exemption from publication outweighs the public interest in disclosing the information.

4.4 Risk management

4.4.1 Should this property become empty for an extended period of time it is possible that it may be subject to vandalism, causing a nuisance to the local community and potentially a financial loss to the leaseholders and possibly to the Council.

5 Conclusions

5.1 The property is held by the Council and the leaseholder on a ratio of 50%- 50%.

5.2 The leaseholder no longer needs a property of this size and would prefer to move to a smaller property.

5.3 The purchase of the leaseholder's share (50%) cannot presently be met from the Housing Capital or Housing Growth programme.

5.4 The sale would realise a capital receipt for the Council.

6 Recommendations

6.1 The Director is requested to approve The Director is requested to approve that the Council agree to sell the Council's 50% share of the property along with the leaseholders share, including the freehold of the property which will be dealt with coterminously. The leaseholder to be responsible for all costs in relation to the sale including legal fees.

7 Background documents¹

7.1 None.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.