

## Report of the Director of Environment and Housing

### Report to Executive Board

**Date: 17/09/2014**

**Subject: Lease at Less Than Best Consideration – Agreement to lease 4 miscellaneous properties to GIPSIL on a 21 year lease agreement.**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s): Gipton & Harehills	<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 checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number: 10.4.3	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

### Summary of main issues

1. The purpose of the report is to seek approval to grant a long term lease at a peppercorn rent (less than best consideration) for 4 Leeds City Council owned miscellaneous properties (listed in the confidential appendix) to GIPSIL, a supported housing organisation. The proposal will ensure the capital investment required to bring the properties up to the Decent Homes Standard and contribute to regeneration in the areas. The properties will continue to be let to the existing tenants in line with the Council's Affordable Housing and Supporting People Strategies. GIPSIL will be responsible for all the maintenance and repair of the properties throughout the term of the lease.

### Recommendations

- 1 Executive Board is requested to approve:
  - The surrender of the committee tenancy arrangements between GIPSIL and Leeds City Council for the properties listed in the confidential appendix and the simultaneous re-grant of 21 year lease agreements at less than best consideration on terms to be agreed by the Director of City Development.

## **Purpose of this report**

- 1.1 To seek approval to surrender the committee tenancy arrangements between GIPSIL and Leeds City Council and formalise the use of the properties listed in the confidential appendix via standard 21 year lease agreements at less than best consideration.

## **2 Background information**

- 2.1 GIPSIL is a community-based project which has been providing furnished supported tenancies to young people on the Gipton estate since 1993. GIPSIL currently have flats for young single people, houses for single parent families and a supported housing scheme. GIPSIL also provide support to young people and families on a range of issues which affect their day-to-day lives. If they are unable to provide specialist help, they ensure contact is made with organisations who can assist. GIPSIL are in receipt of Supporting People funding to carry out their objectives.
- 2.2 The properties listed in the confidential appendix are vested with Environment and Housing and were originally part of the East North East Home Leeds (ENEHL) management portfolio. They have been leased to GIPSIL under external committee tenancy arrangements for a number of years and some of those arrangements have been in place since 1996.
- 2.3 The Investment and Asset team submitted a Panel report in February 2014 recommending all External Committee Tenancies be terminated and re-established via a formal lease agreement, which will be subject to panel approval. The reason for this is that Legal advice has indicated that the practice of letting 'committee tenancies' is unlawful and conflicts with the provisions of the Leeds City Council's lettings policy. GIPSIL have agreed to terminate the arrangement for the said properties under the committee tenancy agreement and formalise their use of the properties via a standard long term lease agreement subject to Executive Board approval.
- 2.4 The properties require substantial renovation work over and above the work required to meet the Decent Homes Standard. In order for GIPSIL to successfully bring the properties back into use they would require the properties on a long lease at a peppercorn rent.
- 2.5 The Council's policy for disposals of land at less than best consideration requires that Executive Board approval is necessary where the proposed value to be foregone on disposal exceeds £100,000. 'Best consideration' means the highest price which could reasonably be obtainable, which is usually that which could have been achieved if the land or property had been advertised on the open market without restrictions as to use etc., which may be imposed by the Council as vendor.
- 2.6 Environment and Housing would not support sale of the properties on the open market as it would result in the properties no longer being available as social rented housing. Disposal of the properties on the open market would go against the aims and objectives set out in the Affordable Housing Strategy.

- 2.7 By leasing these properties to GIPSIL the Council will be ensuring that they are retained as social housing. If the properties were to be retained by the Council, with little or no funding available for renovation to the decency standard, the decision could be to dispose of the properties via the open market at auction. It is more than probable that the properties would be bought by private landlords, which would increase the instability in the area. By leasing the properties to GIPSIL the properties remain social rented and contribute to the stability of the area.
- 2.8 The total current rent due to the Council on the 4 properties currently under committee tenancy agreements, when occupied, is listed in the confidential appendix. Over the proposed lease period to GIPSIL (listed in the confidential appendix), the potential rent loss to the Council is shown in the confidential appendix, assuming annual increases in line with those at present. Therefore Executive Board is requested to approve the principle of disposal at less than best consideration, subject to approval by the Director of Development having regard to the costs of refurbishment, subsequent maintenance, management and other outgoings.
- 2.9 Taking into account loss of rent and the proposed capital investment by GIPSIL the Less Than Best subsidy figure for the 4 properties is listed in the confidential appendix.
- 2.10 Environment and Housing and Legal and Democratic Services are liaising regarding the specific legal consents required to grant the lease.

### **3 Main issues**

- 3.1 GIPSIL currently has committee tenancy arrangements with Leeds City Council for the four properties listed in the confidential appendix. The properties are vested with Environment and Housing and form part of the miscellaneous property portfolio.
- 3.2 Following Legal advice it has recently been recommended that all committee tenancies be terminated and formal lease agreements be granted in their place on terms to be approved by Legal Services and the Director of City Development.
- 3.3 GIPSIL have been notified of the above and are ready to formalise the lease arrangements in line with the other leases agreements which Legal Services are in the process of completing.
- 3.4 The terms of the proposed lease are listed in the confidential appendix. The suspension of rent will cover the anticipated costs required to refurbish the properties and bring them up to decent homes standard. All four properties will therefore be renovated and made habitable and brought up to Decent Homes Standard by GIPSIL. The properties will be inspected by officers within Property and Contracts to ensure the works are completed to a satisfactory standard. GIPSIL will be fully responsible for all repairs and maintenance for the length of the lease and a schedule of works will be attached to each lease agreement.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

4.1.1 Local Ward Members, Housing Leeds and Area Management have been consulted on the proposal and no adverse comments were received.

### **4.2 Equality and Diversity / Cohesion and Integration**

4.2.1 An equality, diversity cohesion and integration screening exercise has been carried out. This has confirmed that equality, diversity, cohesion and integration considerations have been effectively considered in relation to this proposal and that a full impact assessment was not required.

### **4.3 Council policies and City Priorities**

4.1 The formalisation of the arrangements for GIPSIL's use of the said properties is in line with the Housing Act and also allows GIPSIL to continue to provide supported housing services to vulnerable people. This fits with the Council's Better Lives Programme - helping local people with care and support needs to enjoy better lives; with a focus on creating the right housing, care and support.

#### **Resources and value for money**

4.1.1 The Affordable Housing Plan was agreed by the Executive Board in November 2006. The GIPSIL proposal is in line with its objectives. The Plan will rely upon use of the Council's powers to dispose of sufficient assets at less than best consideration to maximise the level of investment in affordable housing in Leeds.

4.1.2 The total rent due to the Council for the 4 properties under committee tenancy agreements is listed in the confidential appendix.

4.1.3 GIPSIL are proposing to invest in the four properties currently leased under committee tenancy agreements in order to bring the properties up to the Decent Homes standard.

4.1.4 Granting the leases ensures the properties are refurbished and brought up to the Decent Homes standard at no cost to the Council. Furthermore if the leases were to be terminated at any point in the future the properties would be ready to return to the Council to be let as housing stock.

### **4.2 Legal Implications, Access to Information and Call In**

4.2.1 The information contained in the Appendix attached to this report relates to the financial or business affairs of particular persons, or organisations, and of the Council. This information is not publicly available from the statutory registers of information kept in respect of certain companies and charities. It is considered that since this information is to be used as part of one to one negotiations in respect of the leases of these properties in this report, it is not in the public interest to disclose this information at this point in time. Also it is considered that the release of such information would or would be likely to prejudice the Council's commercial interests in relation to other similar transactions of other similar

properties. It is therefore considered that this element of the report should be treated as exempt under Rule 10.4.3 of the Access to Information Procedure Rules.

- 4.2.2 The General Consent D under Section 25 of the Local Government Act 1988 (Local Authority Assistance for privately let housing) 2010 may be used provided that the Council has not exceeded the amount of financial assistance given under this consent in the current financial year and provided that the properties shall be occupied by persons with a special need. In the event that the general consent cannot be used specific Secretary of State consent will be sought in line with the standard process once the proposal has been granted Executive Board approval.
- 4.2.3 As the proposal to lease the properties at a peppercorn rent without any element of competition constitutes the provision of a subsidy, the Council needs to be satisfied that the proposed disposal does not contravene the European Commission's State aid rules. Funding for the provision of social housing is considered to be a Service of General Economic Interest (SGEI) provided that the recipient of the subsidy is placed under an obligation to provide the social housing and the subsidy is no more than is necessary to enable them to perform this obligation.

### **4.3 Risk Management**

- 4.3.1 There is a risk that GIPSIL will not undertake and complete the works outlined in the schedule for each property. This is however unlikely as they have funding available to carry out the required works and bring the properties up to Decent Homes standard.

## **5 Conclusions**

- 5.1 Referencing a Panel report submitted by the Investment and Asset Team in February 2014, it is concluded that all committee tenancy arrangements, both internal and external are to be terminated and in their place formal lease agreements are to be established. GIPSIL have been notified of this and are willing to formalise their use of the said properties by way of a formal lease, subject to Executive Board approval

## **6 Recommendations**

### **Executive Board is requested to approve:**

- The surrender of the committee tenancy arrangements between GIPSIL and Leeds City Council for the properties listed in the confidential appendix and the simultaneous re-grant of 21 year lease agreements at less than best consideration on terms to be agreed by the Director of City Development.

## **Background documents<sup>1</sup>**

None

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<sup>1</sup> 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.