

East Area Panel: 26 January 2015

Summary: Lions Court, Brighton

Background

The Brighton Lions, a charity and registered housing provider, were leased council (housing) land at Manor Way, Brighton in 1968 in order to build affordable residential accommodation for rent. They built 30 older persons' flats and manage them. The lease has 50 years left to run. The Brighton Lions now wish to buy the freehold to enable them to grow.

Report Recommendations

That the East area panel comments on the following recommendations, so the comments can be included in the report to housing committee:

- a. That committee approves that the Council sells the freehold of Lions Court to the Brighton Lions, on condition the council receives an agreed percentage of nominations (housing people from the council's housing register).
- b. That committee notes that the capital receipt could be used to subsidise the council's capital housing and regeneration programmes.

Background

- Brighton Lions (BL) is a registered provider and a charity
- BL has 15 board members, including professionals from the legal, finance and property sectors
- BL has never attracted government grant funding, they have been self-financing. The council provided the land for the initial blocks and they were able to fund the build thanks to a donor
- In addition to Lions Court (30 homes) BL owns (as freeholder) Lions Dene (37); Lions Gardens (6); and Lions Gate (42)
- Total stock: 115 homes
- BL tenants are on assured tenancy agreements
- The scheme appears to be well maintained and managed
- They operate their own Waiting list. Applicants must be residents of Brighton and have been resident for 5 years
- The majority of BL tenants are on Housing Benefit
- Vacancies are allocated on greatest need to people over 55 years old, using a needs-based points system.

Process

This item will go to the March 2015 Housing Committee for approval of the recommendations.

Contact officer: Simon Pickles, Housing Stock Review Manager
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AREA PANELS		Agenda Item
		Brighton & Hove City Council
Subject:	Review of long lease held by Brighton Lions at Lions Court	
Date of Meeting:	East Area Panel – 26 January 2015	
Report of:	Executive Director of Environment, Development and Housing	
Contact Officer:	Name: Simon Pickles	Tel: 29-2083
	Email: simon.pickles@brighton-hove.gov.uk	
Ward(s) affected:	East Brighton	

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 The Brighton Lions, through its Housing Society, an exempt charity, registered social landlord and registered industrial and provident society were leased council (housing) land at Manor Way, Brighton in 1968 in order to build affordable residential accommodation for rent. They built 30 older persons' flats which they manage. The lease has 50 years left to run. The Brighton Lions now wish to buy the freehold to enable them to grow.
- 1.2 They have met with council officers to discuss the options of:
- a) buying the freehold (the Lions' preference)
 - b) extending the lease (which they have a statutory right to do)
 - c) letting the current lease continue until it expires (not their wish)
- 1.3 The Brighton Lions' Manor Way scheme supports the council's housing strategy and the capital receipt would provide funds for the housing capital programme.

2. RECOMMENDATIONS:

- 2.1 That Housing Committee recommends to the Policy and Resources committee the sale of the freehold of Lions Court to the Brighton Lions for consideration equal to its market value, on condition the council receives an agreed percentage of nominations.

3. CONTEXT/ BACKGROUND INFORMATION

- Brighton Lions (BL) is a registered provider, and an exempt charity. They were last inspected by the housing regulator 8-10 years ago
- BL has 15 board members, including professionals from the legal, finance and property sectors
- BL has never attracted government grant funding, they have been self-financing. The council leased the land to Brighton Lions who were able to fund the build thanks to a donor
- In addition to Lions Court (30 homes) BL owns (as freeholder) Lions Dene (37); Lions Gardens (6); and Lions Gate (42). Total stock: 115 homes
- BL tenants are on assured tenancy agreements
- Despite provision in the lease, historically BHCC has not received requests from BL for housing register nominations.

3.2 Allocations process/ nomination rights

- They operate their own waiting list. Applicants must be residents of Brighton and Hove and have been resident for 5 years. Applicants are allowed up to £16K 'liquid assets' but must not own a property
- The majority of BL tenants are on Housing Benefit
- Vacancies are allocated on greatest need to people over 55 years old
- They prioritise to those in greatest need using a needs-based points system.

3.3 Brighton Lions' stated reasons for wishing to purchase the freehold of Lions Court

- a. Acquisition of the freehold will probably increase the Brighton Lions' borrowing power and improve their ability to commence a new social housing development for older people, which will benefit of the City. For any new development the finance provider takes a first charge on the entire portfolio and the funder's own surveyor values the portfolio to ascertain how much money they will lend. A lease with less than 50 years to run is a diminishing asset and will be down graded accordingly.
- b. Should any unexpected emergency work be needed at Lions Court ownership of the freehold will improve their chances of raising finance. These decrease as the lease length diminishes.
- c. To bring their portfolio all into line. All their other properties are freehold.
- d. To safeguard the future of Lions Court as social housing for older people in need.

4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1

Option 1:	Let the lease run to end of 99 year term	<ul style="list-style-type: none"> • Lease then reverts to BHCC • If BHCC doesn't agree to lease extension, BHCC may get the property back in 99 years with need for significant improvement • If BHCC takes property back (in 99 years), it would be able to develop the site at greater density.
Option 2:	Extend the lease – which they have a statutory right to do.	<ul style="list-style-type: none"> • In September 2014 Cluttons valued the leasehold at £165,000 • BHCC receives capital receipt (government tasks BHCC to achieve 'best consideration') • BL can borrow against a higher value and replace buildings at its own expense • BL is back in the same position in 50 years • Opportunity for BHCC to renegotiate nominations % (but with BL applying its own criteria).
Option 3:	BL buys freehold	<ul style="list-style-type: none"> • In September 2014 Cluttons valued the freehold at £700,000 • Government tasks BHCC to achieve 'best consideration' • Opportunity for BHCC to renegotiate nominations % (but with BL applying its own criteria) • BL would accept a covenant to permanently provide social housing on this site.

5 COMMUNITY ENGAGEMENT & CONSULTATION

5.1 The East Area panel was consulted on 1 December 2014.

6. CONCLUSION

6.1 The recommendation in this report is consistent with the draft asset management strategy, still to come before housing committee, which states: To consider and recommend to Members on expiry of such leases (long leases in favour of housing association partners that are about to expire) or on requests to extend the lease before expiry, one of 3 possible options:

- i) Non-renewal of lease and return of assets to BHCC management.

- ii) Renewal of lease (if fit for purpose)
- iii) Disposal of asset for best commercial consideration.

6.2 The significant receipt, together with a nominations agreement, enables the council to deliver its housing strategy in respect of meeting older persons' needs and subsidise the improvement of its own sheltered stock.

7. FINANCIAL & OTHER IMPLICATIONS:

7.1 Financial Implications:

7.1.1 Changes in Capital Financing regulations took effect from April 2013, which now means that the council is able to retain the full amount of the capital receipt from the sale of this freehold to fund capital expenditure. This does mean that the receipt can be used to fund capital expenditure such as affordable housing or regeneration projects.

7.1.2 In September 2014 the council's agent, Cluttons, valued the freehold of the land at £700,000. The council has asked the Brighton Lions to obtain their own valuation, to enable a sale price to be agreed.

7.1.3 With regard to the actual sale price and future nominations, negotiations are underway.

Finance Officer Consulted: Susie Allen
13.1.2015

Date:

7.2 Legal Implications:

7.2.1 Under section 32 of the Housing Act 1985 land held by the council for housing purposes can only be disposed of with the consent of the Secretary of State. Consent may be given either generally or in relation to particular land. The General Housing Consents 2013 allows a local housing authority to dispose of land for a consideration equal to its market value.

7.2.2 Under the council's constitution, the disposal of land must be referred to the Policy & Resources Committee for determination. The Head of Law would deal with the surrender of the lease and freehold disposal of the land, subject to such nomination agreement that is agreed between the parties.

Lawyers Consulted: Liz Woodley; Joanne Dougnaglo
07/01/15

Date:

7.3 Equalities Implications:

This Brighton Lions scheme addresses the needs of older people in the city.

7.4 Sustainability Implications:
There are none to report.