

# Allerdale Borough Council

**Executive – 20 July 2022**

## Otley Road Flats, Keswick

---

<b>Portfolio holder</b>	Councillor Mike Johnson Portfolio Holder for Economic Growth, Community Development and Place Making (and Leader of the Council)
<b>Report from</b>	Graeme Wilson – Chief Officer (Maryport Programme & Covid)
<b>Wards affected</b>	Keswick
<b>Is this a key decision</b>	Yes / No

---

### **1.0 The reason for the decision**

- 1.1 Executive is asked to consider options for the lease or disposal of the four refurbished flats in Keswick.

### **2.0 Recommendations**

- 2.1 That Executive agrees to the flats being leased to an affordable housing provider at an affordable rent for an initial period of five years. A longer-term decision on the future use of the flats can then be taken by the new Cumberland unitary authority at the end of that period.

### **3.0 Background and Introduction**

- 3.1 Work is nearing completion on the conversion of a former Allerdale-owned commercial building into four one-bedroomed flats at Otley Road, Keswick. All capital works to the flats are now complete aside from the connection of utilities. The lead-in time for these connections can be up to three months, given the need for road-closures where required. The date for the connection of the water supply has now been confirmed as 7<sup>th</sup> September 2022 and it is anticipated the gas and electric connections will be installed around the same time – the suppliers have been paid in advance. There will be a small amount of internal work required that

can't be completed until the utilities have been connected and external work to cover over the utility pipework to the courtyard.

- 3.2 It had originally been intended that the management of the four flats at Otley Road, would be incorporated within Allerdale's own Local Housing Company (LHC). An earlier report *Proposal to Establish a Council Owned Housing Company* was approved by Executive on 15 January 2020, and the LHC was registered at Companies House in March 2020. However, due to Local Government Reorganisation (LGR) it was decided that it would be practical to delay the development of a LHC until the new Cumberland unitary authority was established. Consequently, the LHC was removed from the Companies House Register on 2 December 2021. A Cumberland Housing Company remains a possibility in the future – initial exploratory discussions have been held with Carlisle and Copeland; however, in the meantime an alternative option is required for the Otley Road flats.

#### **4.0 Content (to include alternative options considered)**

4.1 The options for the Otley Road Flats are as follows:-

4.1.1 Allerdale managing the flats: without the Local Housing Company in place, the Council would not be in a position to manage the service at present. If option 4.1.5 (short-term lease to an affordable housing provider) was the preferred option, Council management could be an option in the future, through the new Cumberland unitary authority (assuming a LHC is established).

4.1.2 Sale on the open market: could raise a capital receipt for the Council.

The possibility of market sale of the Otley Road flats would be a potential option.

A valuation of the property was undertaken by Walton Goodland Chartered Surveyors on the 25 March 2022 (appended to this report). The valuations are detailed in Appendix 2 of the report, which is private as it contains financial information relating to the Council.

Any purchase would, however, be subject to both the selling price being reasonable enough to ensure their business plan is viable and that is not less than the best consideration that can reasonably be obtained (in accordance with *section 123(2) of the Local Government Act (1972)*).

Should the property be sold the Lake District National Park Authority will apply restrictions relating to local occupancy to the new owners (full details set out within Notice of Planning Consent attached). We would look to ensure those most in need of affordable housing were prioritised, although given high levels of current demand, any prioritisation exercise in this respect is likely to require significant time to complete.

4.1.3 Sale to an affordable housing provider, such as a Community Housing Trust or Registered Provider (Housing Association): this would allow the flats to meet an identified housing need; however, based on the Walton Goodland valuations this is unlikely to be financially viable from the perspective of the affordable housing provider. The Council could elect to sell at an undervalue on wellbeing grounds

under the provisions of Section 123 of the Local Government Act 1972; although best value considerations would need to be taken into consideration.

- 4.1.4 Long-term lease: The valuation of the Otley Road properties (attached) undertaken by Walton Goodland on the 25 March 2022 provides an estimate of the current market rent that could be generated if the flats were rented out. Full details are included in *Appendix 2*, which is private, as this details financial information relating to the Council.

A lease of more than seven years would have implications as this would have to be registered with the Land Registry.

- 4.1.5 Short-term (five-year) lease to an affordable housing provider: whilst the Council is not able to administer and manage the rental service for the Keswick flats it is acknowledged there is a significant need and demand for properties of this nature within this area.

The Council's Housing Manager has suggested that an affordable rent should be charged at a maximum of 80% of the open market rent (including any service charges) based on Housing Association rents. Full details are included in *Appendix 2*, which is private, as this includes financial information relating to the Council.

A viable option would therefore be to set up five-year lease of the flats with a social housing provider. A local Housing Association has confirmed these rents would be comparable to Registered Provider affordable rents for a one-bedroom property in Keswick.

In respect of LGR, the short-term lease option would also allow the new unitary authority the opportunity to take a longer-term view over the future of the Otley Road flats.

- 4.1.6 'Do nothing': this option could not be recommended, as there has been significant financial investment in bringing these properties up to a saleable or lettable standard.

- 4.2 It is considered the two most viable options from the seven listed above would be:-

- 4.1.1 – Sale on the open market; and
- 4.1.5 – Short-term lease to an affordable housing provider.

- 4.2.2 Although the open market sale option would increase the housing supply by four additional flats for people with a local connection, it would not support the need to provide affordable rented accommodation in the Keswick area, which Housing colleagues have advised is the tenure with the greatest need. Whilst the option of the sale of a capital asset may benefit the council in the short-term, sale of these properties would not deliver the important longer-term objective of increasing the supply of well-managed affordable housing to rent for people with a local connection.

- 4.2.2 The preferred option is to seek approval to undertake the necessary steps in

relation to proceeding with option 4.1.5. – a five-year lease agreement with an affordable housing provider. Setting up a five-year lease with an affordable housing provider, such as a Registered Provider or Community Land Trust, would provide a more flexible approach for the Council, meeting the initial aspirations of the proposed Local Housing Company. Despite having transferred its council housing stock, the Council remains the Local Housing Authority, so providing four affordable homes for local people on low incomes in Keswick would be meeting the Council's objectives.

The Council's Housing team have provided the following information, confirming the significant level of housing need in the area. The parish of Keswick is part of the Lake District National Park Authority's North Distinctive Area (NDA). The findings from the 2016 housing study suggest that the need for affordable housing in the NDA (excluding the parish of Threlkeld) is as follows:-

- 27% one bed properties
- 27% two bed properties
- 19% three bed properties
- 13% one bed properties for older persons
- 7% four bed properties
- 4% three bed properties for older persons
- 2% five+ bed properties
- 1% four bed properties for older persons

Choice Based Lettings (CBL) shows how many bids are received for each property type. Information is updated weekly, and shows that in the NDA (excluding Threlkeld) in 2020/21 and 2021/22 the following property types became available for social rent:-

	No. Available	Total Bids	Bids Per Property
Two bed bungalow	5	317	63
One bed house	2	63	31
Three bed house	8	208	26
One bed bungalow	3	51	17
Two bed flat	22	466	21
One bed flat	4	85	21
Two bed house	6	96	16
Two bed maisonette	2	33	16
Bedsit	1	11	11

The Council's Legal Services team have confirmed that a short-term lease agreement, whereby the properties remained in the Council's ownership, would protect the Otley Road properties from the Right-to-Buy, which the Government is currently proposing extending to Housing Association tenants. Local affordable housing providers have expressed an interest in principle in managing the Otley Road flats. Longer-term (following the five-year lease to a social housing provider)

the lease could be extended if the arrangement was working well with the housing provider or, alternatively, the flats could potentially be incorporated into any new Local Housing Company, should such a vehicle be established through the new Cumberland Unitary Authority, or disposal of the asset could be considered at that point.

## **5.0 Delivery arrangements**

5.1 Rental income will be determined with the assistance of the Council's Estates Manager to ensure best value is achieved. Additional consideration will be given to the length of the Lease, condition of the property and such day-to-day costs incurred by an affordable housing provider, including but not limited to:-

- Cost of responsive repairs and maintenance
- Gas check (required annually)
- Electrical check (due every 5 years)
- Communal cleaning
- Grounds maintenance
- Void rental loss and bad debts relating to unpaid rent.

The Council would need to invest at least some of the rental proceeds into a sinking fund to provide longer-term maintenance costs not provided by the affordable housing provider's obligations under the lease (particularly those pertaining to the external structure.) Over the next few years, however, this is not expected to be a major issue, as the properties have just been substantially refurbished.

If the Council is requiring the affordable housing provider to take on responsibility for responsive maintenance and any rental loss it will be necessary to be realistic over the percentage of the rent that they would need to retain to cover these expenses, alongside their management costs. This can be assessed through the scoring matrix as part of the tendering process alongside the quality of their housing management offer.

5.2 The Council's Legal Services team have confirmed they will draw up suitable Heads of Terms and lease agreement.

5.3 Initial discussions with the Council's Procurement team have confirmed that undertaking an open tender would be the preferred route to ensure best value between the interested affordable housing providers. The tendering process to appoint the housing provider would be carried out 'inhouse', following guidance from the Council's Procurement team, in accordance with the Council's agreed processes, and would not require specialist external advice. Careful consideration needs to be given to the 'price' and 'quality' criteria that will be used to score any bids received. It is recommended the tender should be scored 70% on the quality of the bid, taking into account the provider's housing and tenancy management expertise, and 30% based on the level of rent the Council would retain, after factoring in the list of expenses incurred by the delivery partner, included in section 5.1, above. With respect to the 'quality' criteria, it may be difficult to effectively distinguish between bids and therefore a high emphasis of the weighting around quality and social value indicators, such as community development and tenant

participation, should be considered carefully to minimise the possibility of a challenge from unsuccessful bidder(s).

## **6.0 Implications and Impact**

### **6.1 Contribution to Council Strategy Priorities, Outputs and Outcomes**

The proposal to set up a short-term (five-year) lease to an affordable housing provider on the Otley Road flats would make a positive contribution to the themes in the Council's Strategy:-

- A financially secure council (would provide a source of revenue for the Council)
- A cleaner, greener Allerdale (the properties will benefit from solar panels and constitutes the reuse of existing buildings rather than Greenfield development)
- Invest to grow (investment in bringing redundant buildings back into use, generating a revenue stream and creating a longer-term asset)
- Outstanding local services (the affordable housing partner would be selected based on their strong commitment to customer service and delivery)
- Thriving towns and villages (would help to diversify the housing offer in one of the most expensive areas of Cumbria, as there is an identified shortage of affordable housing)
- Resilient communities (would support people with a local connection who may otherwise have to move out of the Keswick area due to a lack of affordable housing).

By undertaking this option, the Council would be able to provide a high standard of accommodation to people with a housing need and a local connection.

### **6.2 Finance/Resource implications**

The short-term lease option would generate a rental option for the Council and retain the capital asset. The cost of the capital works was £243,500 for the conversion of the building. This figure includes solar panels, water, gas, and electricity meter connection costs.

### **6.3 Legal and governance implications**

- Legal Services will draw up the lease agreement for use with the successful housing provider.
- Legal services have confirmed the short-term lease arrangement will protect the properties from any Right-to-Buy implications.
- Whilst this will not actually constitute a procurement (lease of a council building falls outside of procurement) since it is anticipated there is potential for interest from a number of social housing providers, the lease will be awarded following a competitive process to establish which affordable housing provider is able to provide best value for money.

- Marsh Commercial, the insurance broker for Allerdale Borough Council, have confirmed the preferred housing delivery partner would need to have the following insurance in place:-
  - Cover for the reinstatement value of the properties (advice will be requested from Property Services to ascertain this figure)
  - The rent quoted by Walton Goodland should be covered for a period of 36 months (although this would be a 60-month lease, 36 months is the maximum period that can be insured)
  - Property owner's liability – a minimum of £5 million is required (although the asset would be leased from the Council, the housing provider still needs to cover their liabilities).

#### 6.4 Risk analysis

Risk	Consequence	Controls required	Mitigated score
Delay in utility connections	Delay in properties being ready-to-let	Project Manager to maintain regular contact with utility providers	2
No suitable tenders received	Need to look at alternative tenure arrangements for the flats	Soft market testing carried out with local Registered Providers & Community Housing Trusts	2
Tenancy management/ ASB issues once the flats are let	Reputational issues for the Council	Selected housing provider will have experienced housing management staff to deal with any potential issues	1

#### 6.5 Increasing satisfaction and service

By undertaking this option, the Council would be able to provide a high standard of accommodation to people with a housing need and a local connection.

#### 6.6 Equality impacts

The successful affordable housing provider will need to provide the Council with an allocation policy for approval, demonstrating how their lettings policy will prioritise people in need of affordable housing, who also meet the Council's Local Lettings Policy: [Local Lettings Policy \(allerdale.gov.uk\)](http://allerdale.gov.uk) and the Lake District National Park's local lettings criteria, detailed in the Notice of Grant of Planning Permission (reference 7/2020/2188) appended to this report. It was therefore considered that it would not be necessary to carry out a separate equality impact assessment.

### 6.7 Health and Safety impacts

The tenants of the four flats will benefit from newly refurbished properties with new utility supplies.

### 6.8 Health, wellbeing and community safety impacts

The new housing scheme will be managed by an experienced affordable housing provider with a proven track record in community development and tenant participation.

### 6.9 Environmental/sustainability impacts

The scheme will bring an existing building back to use as a sustainable, affordable accommodation for local people in need of affordable housing.

### 6.10 Other significant implications

The preferred option also ensures that the asset is retained by the Council throughout the current Local Government Reorganisation process and provides the opportunity for a review by the new Cumberland Council of the situation at the end of that period.

## Appendices attached to this report

Appendix number	Title of appendix
1. Public	<b>Local Connection Criteria included in the Lake District National Park Authority's Notice of Grant of Planning Permission (planning application reference 7/2020/2188)</b>
2. Private	<b>Summary of Walton Goodland Market Value and Rental Valuations</b>
3. Private	<b>Walton Goodland Chartered Surveyors valuation, 25 March 2022.</b>

## Background documents available

Name of background document	Where it is available
None.	

## Report author(s) and contact officer(s):

*Officer name*                 Jeremy Hewitson  
*Job title*                       Strategic Advisor – Maryport Projects  
*Email address*               jeremy.hewitson@alderdale.gov.uk  
*Tel no.*                         01900 516929



**Appendix 1: Local Connection Criteria included in the Lake District National Park Authority's Notice of Grant of Planning Permission (planning application reference 7/2020/2188)**

- 3 The dwelling houses hereby permitted shall not be occupied otherwise than by a Person with a Local Connection as his or her Only or Principal Home, or the widow or widower of such a person, and any dependents of such a person living with him or her.

The Occupant will supply to the Local Planning Authority (within 14 days of the Local Planning Authority's written request so to do) such information as the Authority may reasonably require in order to determine whether this condition is being observed.

In this condition the following definitions apply:

'Person with a Local Connection' means an individual who before taking up occupation of the dwelling satisfies one of the following conditions:

(1) The person has been in continuous employment in the Locality defined for at least the last nine months and for a minimum of 16 hours per week immediately prior to occupation; or

(2) The person needs to live in the Locality defined because they need substantial care from a relative who lives in the Locality defined, or because they need to provide substantial care to a relative who lives in the Locality defined. Substantial care means that identified as required by a medical doctor or relevant statutory support agency; or

(3) The person has been continuously resident in the locality defined for three years immediately prior to:

- a) Needing another dwelling resulting from changes to their household, including circumstances such as getting married, divorced, having children, or downsizing.
- b) Undertaking full-time post-secondary education or skills training and is returning to the locality defined within 12 months of its completion, or
- c) being admitted to hospital, residential care or sentenced to prison, and are returning to the locality defined within 12 months of their discharge/release, or

(4) The person is a person who –

- a) Is serving in the regular forces or who has served in the regular forces within five years prior to occupation;
- b) Has recently ceased, or will cease to be entitled, to reside in accommodation provided by the Ministry of Defence following the death of that person's spouse or civil partner where –
  - i. The spouse or civil partner has served in the regular forces; and
  - ii. Their death was attributable (wholly or partly) to that service; or
- c) Is serving or has served in the reserve forces and who is suffering from a serious injury, illness or disability which is attributable (wholly or partly) to that service

'Locality' shall mean the administrative areas of the Parishes of: Above Derwent, Bassenthwaite; Bewaldeth and Snittlegarth; Blindbothel; Borrowdale; Buttermere

and Brackenthwaite; Caldbeck; Embleton; Keswick; Lorton; St Johns, Castlerigg and Wythburn; Setmurthy; Threlkeld; Underskiddaw; Wythop; and those parts of the Parishes of Blindcrake; Ireby and Uldale; and Loweswater which lie within the administrative area of the Lake District National Park.

An 'Only or Principal Home' is a dwelling house which is occupied continuously for a minimum period of six months in every twelve-month period. For the avoidance of doubt the dwelling shall not be occupied as a second home or for holiday letting accommodation.

The obligations contained in this condition shall not be binding or enforceable against any mortgagee or any receiver appointed by such a mortgagee, or any person deriving title through such a mortgagee or receiver provided always that a successor in title of such a person will be bound by the obligations contained in this condition.

REASON: To ensure that the resulting accommodation is occupied by persons with a defined local need in order to comply with Lake District National Park Core Strategy (Local Plan Part One) Policy CS18 and the accompanying Housing Provisions: Supplementary Planning Document. The provisions relating to armed forces personnel are in accordance with the Allocation of Housing (Qualification Criteria for Armed Forces) (England) Regulations 2012.