

Nottingham City Council Delegated Decision



Nottingham
City Council

Reference Number:	4083
Author:	Margaret Coward
Department:	Development and Growth
Contact:	Margaret Coward (Job Title: Senior Regeneration Officer, Email: margaret.coward@nottinghamcity.gov.uk, Phone: 01158762142)
Subject:	Consent to vary the lease of Fairham House
Total Value:	£400,000 saving (Type: Revenue)
Decision Being Taken:	To approve a variation to the agreed terms of the loan to Nottingham City Homes Enterprise Ltd (NCHEL), to allow NCHEL to lease Fairham House to Nottingham City Homes Registered Provider (NCHRP) for use as temporary accommodation for a period of 18 months, with the possibility of an extension until Laura Chambers Lodge is operational.
Reasons for the Decision(s)	<p>Nottingham City Council (NCC) has granted NCHEL a loan to buy a number of properties for Market Rent including Fairham House at Clifton. This property has been purchased, the loan has been drawn down and the mortgage is in place. To date the property has not been used for market rent as prior to occupation NCH Group volunteered this property for use as temporary accommodation to help with NCC's urgent need. NCH RP are operating and managing the property so that they can provide support and supervision to residents and cover these costs. The arrangement will save NCC circa £400,000 in costs to the homelessness budget. The total value of the decision going forward cannot be specified exactly as the proposed lease is for a temporary period.</p> <p>The loan agreement to buy the property between NCC to NCH EL requires NCC consent to allow NCH EL to lease it to a third party. Giving consent carries some theoretical risks as NCC will not have a direct contract with the lessee in relation to matters such as the repairs and maintenance of these properties. However, the proposed lease awaiting engrossment provides for the insuring and repairing obligations to remain with NCH EL. In practice these risks are mitigated as the lease would be between companies within the NCH family, all of which are wholly owned subsidiaries of NCC.</p> <p>The purpose of the original loan decision was to allow NCH EL to purchase market rent properties throughout the city, and as this new proposal is for a temporary relationship, it does not detract from the long term aims of the original loan.</p>

Other Options Considered:

1. To deny consent for the change of use for Fairham House from Market Rent as set out in the original loan agreement to use as temporary accommodation. This option was rejected as it would not enable the property to be used for temporary accommodation and as such would not contribute to NCC's obligations towards meeting housing need or provide savings to related budgets.

2. To deny consent for a lease between NCH EL and NCH RP but permit a change of use to temporary accommodation from Market Rent. This option was rejected as it would not be possible for NCH EL to deliver specialist supported temporary accommodation due to the costs incurred and the restrictions on help with housing costs in the private rented sector.

Background Papers:

None.

Published Works:

None.

Affected Wards:

Clifton East

Colleague / Councillor Interests:

None.

Consultations:

Those not consulted are not directly affected by the decision.

Crime and Disorder Implications:

None

Equality:

EIA not required. Reasons: An EIA is not required as this decision does not provide any change in function or policy

Decision Type:

Portfolio Holder

Subject to Call In:

Yes

Call In Expiry date:

13/01/2021

Advice Sought:

Legal, Finance

Legal Advice:

From the information provided in the report and the exempt appendix the proposed transaction does not appear to raise any significant issues of concern. The transaction will be subject to the usual legal due diligence, drafting, negotiation and agreement of formal legal documentation. Advice provided by Christina Price (Chartered Legal Executive) on 21/09/2020.

Finance Advice:

The loan to NCH-E Ltd for Fairham House was issued Nov-20, and has been funded by prudential borrowing. There is no capital issues regarding the proposed temporary change of use for Fairham House on the basis that the terms of the loan agreement are not breached.

The decision regarding Laura Chambers Lodge as mentioned in the body of the report is pending Council approval and will need to be considered within the financial context, debt levels and revised prudential borrowing framework the Council is currently operating within.

Current costs being incurred within General Fund for placing Homeless people in B&B accommodation/Nightly Paid temporary accommodation are at an average rate of £60 a night per person. The monthly cost to the Council per person placed is therefore £1,825. There is limited budget for this annually within the Council and therefore this accommodation will significantly reduce the overspends being incurred annually as well as provide more suitable accommodation than B&B.

As this development consists of 24 units it is anticipated to generate a general fund cost reduction of c£400,000 over the proposed 18 month period.

Advice provided by Susan Tytherleigh (Strategic Finance Business Partner - Development and Growth) and Tom Straw (Senior Accountant - Capital Programmes) on 10/12/2020.

Signatures

Linda Woodings as Portfolio Holder (PH Housing, Planning and Heritage)
SIGNED and Dated: 05/01/2021
Chris Henning (Corporate Director for Development and Growth)
SIGNED and Dated: 05/01/2021