

Eden District Council

Overview & Scrutiny

1 December 2022

Heart of Cumbria Update

Portfolio:	Resources Portfolio
Report from:	Assistant Director Finance
Wards:	All Wards
OPEN PUBLIC ITEM	

1 Purpose

- 1.1 The purpose of this report is to update Overview & Scrutiny Committee on the status of the transfer of assets from Heart of Cumbria to Eden District Council.

2 Recommendation

It is recommended that Overview & Scrutiny note the report.

3 Report Details

- 3.1 The Council approved on 25 February 2021, for Heart of Cumbria Ltd to be closed and the assets and functions brought into the Council.
- 3.2 Since February 2021, there have been changes to staffing and limited resources which have meant that this resolution has not been able to progress as quickly as planned. The project is now being led by the Assistant Director Finance, Marianne Bastille.

Legal/Financial Transfer

- 3.3 External legal advice has been sought from Baines Wilson on the process for closing the company and bringing the assets into Eden District Council. A report was provided detailing that two main steps were required in the legal/financial process:

- o Reduction in Heart of Cumbria Share Capital
- o Distribution in Specie and transfer of assets

The advice sets out 22 different sets of documents that need to be prepared, approved and/or submitted as part of the two steps.

- 3.5 Advice has also been sought from Dodd & Co to ensure that there are no unforeseen tax or accounting implications on the transfer.
- 3.6 These steps have been converted into a project plan and timeline which is included at Appendix 1.

Operational Transfer

- 3.7 As the properties will be moving into a Local Authority, the type of tenancy arrangement with tenants will be required to change from an Assured Shorthold Tenancy to a Secure Tenancy under Part 4 of the 1985 Housing

Act. Any new tenancies created after the transfer will be Introductory Tenancies, which are 12 month tenancies, after which the tenant can be offered a Secure Tenancy. Advice is being provided on this transfer by Baines Wilson.

- 3.8 Eden District Council will register with the Housing Regulator as a Social Registered Landlord.
- 3.9 This part of the project is being led by the Assistant Director Customers, Performance and Housing, Amanda Yellowley and Housing Development Officer, Sue Powell.
- 3.10 The timeframe for the tenancy agreement changes will be aligned with the project plan for legal/financial transfer.

4 Policy Framework

- 4.1 The Council has four corporate priorities which are:
 - Sustainable;
 - Healthy, safe and secure;
 - Connected; and
 - Creative

4.2 This report meets the Sustainable corporate priority.

5 Consultation

- 5.1 External advice has been sought in relation to tenancy arrangements, legal processes and financial structure of the agreement.
- 5.2 The Tenants have been written to advise them that Eden District Council will be their landlord, and the Tenancy Agreements will be sent out at the end of November.

6 Implications

6.1 Financial and Resources

- 6.1.1 Any decision to reduce or increase resources or alternatively increase income must be made within the context of the Council's stated priorities, as set out in its Council Plan 2019-2023 as agreed at Council on 7 November 2019.
- 6.1.2 Balance Sheet. The closure of Heart of Cumbria and the movement of its assets into the Council is currently forecast to increase the Council's balance sheet by approximately £320k. This is however dependent on the value of the properties at the time of the transfer.
- 6.1.3 Revenue Account. Bringing the operations into the Council is anticipated to increase the net income into the council directly by at least £100k per annum.

6.2 Legal

- 6.2.1 Legal implications are dealt with as part of the report.

6.3 Human Resources

- 6.3.1 Part of the plans for moving the operations into the Council is to employ a Housing Officer. This has been advertised as a fixed term 12 month contract

for 20 hours per week. The post was set as fixed term due to Local Government Re-organisation.

6.4 Environmental

6.4.1 There are no environmental implications.

6.5 Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	There are no implications.
Health, Social Environmental and Economic Impact	There are no implications.
Crime and Disorder	There are no implications.
Children and Safeguarding	There are no implications.

6.6 Risk Management

Risk	Consequence	Controls Required
There is a risk that the tenants do not have valid tenancy agreements at the point of transfer of the assets	The Council and tenants rights are not clear	
There is a reputational risk if the transfer does not go ahead before 31 March 2023	Reputational damage	A detailed project plan has been created with all stakeholders' agreement. The project is being reported on regularly to the Interim Director of Resources.

7 Other Options Considered

7.1 Later timescales have been considered, however the current timetable allows for some slippage for unforeseen circumstances so was considered achievable but prudent.

8 Reasons for the Decision/Recommendation

8.1 To provide scrutiny on the Heart of Cumbria closure and transfer of assets process.

Tracking Information

Governance Check	Date Considered
Chief Finance Officer (or Deputy)	N/A
Monitoring Officer (or Deputy)	N/A
Relevant Assistant Director	21 November 2022

Background Papers:

Appendices:

Appendix 1: Financial/Legal Project Plan

Contact Officer:

Assistant Director Finance, Marianne Bastille

