

<b>Report to:</b>	<b>SHAREHOLDER COMMITTEE</b>
<b>Relevant Officers:</b>	Steve Thompson, Blackpool Council Director of Resources and Mark Towers, Group Company Secretary
<b>Relevant Cabinet Member:</b>	Councillor Ivan Taylor, Deputy Leader of the Council and Cabinet Member for Partnerships and Performance
<b>Date of Meeting:</b>	18 March 2022

## LANCASHIRE MANAGEMENT OPERATIONS LIMITED

### 1.0 Purpose of the report:

1.1 To consider the decisions of the Blackpool Housing and the Lancashire Management Operations Limited companies regarding the transfer of the lease for the Tramshed student accommodation in Preston.

### 2.0 Recommendation(s):

2.1 To approve as the Parent organisation, the decisions of the Blackpool Housing Company Limited and Lancashire Management Operations Limited for the transfer of the entire share capital of Lancashire Management Operations Limited from Blackpool Council to Blackpool Housing Company Limited and subsequently the business, assets, liabilities and company functions of Lancashire Management Operations Limited to form a subsidiary company of Blackpool Housing Company Limited.

2.2 Subject to 2.1 above, to authorise the Director of Communications and Regeneration to carry out any actions required to give effect to the transfer, on behalf of the Council.

### 3.0 Reasons for recommendation(s):

3.1 The Shareholder Committee has a role to ensure that companies within its group have robust governance arrangements based on guidance available and best practice. The model framework has been developed on this basis and provides consistent governance arrangements across the group. The review of the framework was noted in the recent external audit on wholly owned subsidiary governance and formed part of the recommendations for the Council in its shareholder role.

3.2 Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.3 Is the recommendation in accordance with the Council's approved budget? Yes

#### **4.0 Other alternative options to be considered:**

4.1 To retain the company as it is. However, as indicated the governance and management required is not proportionate for a stand-alone company. There are also experienced officers in Blackpool Housing Company who can add more tailored resource than is currently applied to oversee the contract with the managing agent.

#### **5.0 Council priority:**

5.1 The proposal is in line with the Council priority “The economy: Maximising growth and opportunity across Blackpool.”

#### **6.0 Background**

6.1 In November 2018, the Council through its Executive entered into a 31-year lease for the Tramshed Student Accommodation at 160 Corporation Street, Preston PR1 2UQ, with Aviva Investors. The Tramshed is purpose built student accommodation constructed in 2017 containing 316 highly specified student rooms consisting of 119 Bronze Rooms, 175 Silver Rooms, 19 Gold Rooms, 2 Studios, 1 Superior Studio. The building is in one of the prime locations for students being directly on the new University Square.

6.2 The Blackpool area has a strong link to the University of Central Lancashire with many local residents choosing to study there and its success underpins future growth on the Fylde Coast. Aviva Investors is a pension fund and owns the Freehold interest in the property. Aviva became the Council’s Landlord under the terms of the new Lease and the Council inherited the liabilities associated with the Aviva Lease, which in turn are being managed within the management contract.

6.3 The Council is currently prevented from issuing Assured Shorthold Tenancies (ASTs) that are the basis of student lets. The Council at the time in terms of expediency set up a company called Lancashire Management Operations Ltd (LMOL) to be able to issue such ASTs. The company was incorporated but with an expectation of only operating on a short-term basis with senior officers of the Council as that company’s directors.

6.4 The student accommodation was initially managed on behalf of LMOL by a company called Fresh Student Living (Fresh) who were the managing agent at the time of the purchase and undertook the role by way of a facilities management agreement.

6.5 During 2020 an exercise was undertaken by the LMOL Board to test the market and go out to tender for the managing agent role, through open competition. There were 4 bidders for the

new contract and Homes for Students was awarded the contract at the July 2020 LMOL Board meeting with a commencement date of September 2020. This contract is for a 4-year period (2+1+1). The extension to this contract has been triggered.

## **7.0 Current Financial and Performance Position**

- 7.1 The acquisition of the Tramshed lease was undertaken as part of the Council's growth and prosperity initiative. It was one of two out-of-borough investments made under that initiative within the Lancashire Economic Partnership (LEP) area.
- 7.2 The headlease for the Tramshed is held between Lime Property Fund and Blackpool Council; the occupational lease between Blackpool Council and LMOL is continuing on a periodic basis and this would be taken over eventually by Blackpool Housing Company Ltd.
- 7.3 The company's five-year financial forecast demonstrates it is forecast to achieve a cumulative breakeven position in early 2024-25 based on the Tramshed being fully occupied and allowing 3% for voids and bad debts.
- 7.4 LMOL currently pays Blackpool Council £720k per annum (with inflationary increases) in respect of its occupancy of the property and is committed to pay Blackpool Council a sinking fund contribution of £125k per annum to meet the cost of dilapidations at the end of the lease term.

## **8.0 Reason for Request to Transfer the lease to Blackpool Housing Company**

- 8.1 It is now considered that the Tramshed is operating in a sustainable way and can now be assimilated into one of the Council companies to be managed. The current set-up is disproportionate for the governance required for the lease and involves senior Council officers who are Board Members who need to manage conflicts of interest. Such an arrangement does not require a separate company to be in place and once transferred should not be too resource intensive.
- 8.2 At present the LMOL contact with Homes for Students is the Council's Head of Investment who undertakes this role as a small part of his work. There is also some financial management provided by a senior accountant in the Council on behalf of LMOL again as part of his wider role. The company employs no staff.

- 8.3 Does the information submitted include any exempt information? No

## **9.0 List of Appendices:**

- 9.1 None

## **10.0 Financial considerations:**

- 10.1 Both Boards have also received a five year financial projection regarding the business and

due diligence has been undertaken. Council officers and senior officers from Blackpool Housing Company Limited will work together on the transition.

#### **11.0 Legal considerations:**

11.1 From discussions with the external auditors and legal advice, the most effective way for Blackpool Housing Company Ltd (BHC) to manage this lease is to transfer the LMOL company itself to BHC and for it initially to be set up as a subsidiary. The next action would then be to dissolve LMOL and subsume its business, assets, liabilities and company functions into Blackpool Housing Company Limited.

11.2 Given the company is in a negative net retained earnings position, its current value is negligible. The valuation obtained by the Council at 31 March 2021 confirms this (£ nil). It is therefore appropriate to transfer the share capital at par.

11.3 The companies external auditors have advised that given there will be no change in the ultimate parent company as a result of this proposal, there will be no liability to Stamp Duty Land Tax or other direct or indirect taxes as a result of this transaction.

#### **12.0 Risk management considerations:**

12.1 From the Council's perspective, having streamlined governance arrangements with reviews of companies undertaken periodically is good practice, especially in view of governance failures across the country in recent years and in line with the recently published national advice from Local Partnerships. Having the Tramshed lease managed from within an established, sustained company protects the wider interests of the Council and utilises the experienced officers within Blackpool Housing Company Limited.

#### **13.0 Equalities considerations:**

13.1 None as a result of this report.

#### **14.0 Sustainability, climate change and environmental considerations:**

14.1 None as a result of this report.

#### **15.0 Internal/External Consultation undertaken:**

15.1 Discussions have been held with the Managing Director and Director of Finance and Resources of Blackpool Housing Company Ltd and the Blackpool Housing Company Board agreed to the transfer at its meeting on 22 February 2022. The Lancashire Management Operations Board agreed to the transfer on 8 February 2022. Subject to this Committee's agreement then it is proposed that the transfer be effective from 1 April 2022.

**16.0 Background papers:**

16.1 Confidential reports to the Blackpool Housing Company Board and the Lancashire Management Operations Board.

**17.0 Key decision information:**

17.1 Is this a key decision? No

17.2 If so, Forward Plan reference number: N/A

17.3 If a key decision, is the decision required in less than five days?

17.4 If **yes**, please describe the reason for urgency:

**18.0 Call-in information:**

18.1 Are there any grounds for urgency, which would cause this decision to be exempt from the call-in process? No

18.2 If **yes**, please give reason: