

Decision Maker: PORTFOLIO HOLDER

Date: For Pre-Decision Scrutiny by the Renewal, Recreation and Housing PDS Committee on 14 June 2022

Decision Type: Urgent Executive Key

Title: APPROVAL TO DISPOSE OF COBB HOUSE (HILLSIDE) PROPERTY UNDER THE MORE HOMES BROMLEY LLP SCHEME PART 1 (PUBLIC) REPORT

Contact Officer: Sara Bowrey, Director of Housing, Planning and Regeneration
Tel: 020 8313 4013 E-mail: sara.bowrey@bromley.gov.uk

James Mullender, Head of Finance ASC, Health and Housing
Tel: 020 8313 4196 Email: james.mullender@bromley.gov.uk

Chief Officer: Director of Housing, Planning and Regeneration

Ward: All Wards

1. REASON FOR REPORT

- 1.1 This report is seeking the authority for More Homes Bromley LLP to dispose of the property Cobb House known as Hillside.
-

2. RECOMMENDATION(S)

The Renewal, Recreation and Housing Scrutiny Committee is requested to:

- 2.1 Note the contents of the report and provide comments on the recommendations.

The Portfolio Holder is requested to:

- 2.2 Agree the recommendation from the More Homes LLP Board to dispose of the property Cobb House (known as Hillside) for the reasons set out in this report.
- 2.3 Delegate Authority to the Director of Housing, Planning and Regeneration and the Head of Finance ASC, Health and Housing in consultation with the Assistant Director of Strategic Property to complete the negotiations and sale of the property.

Impact on Vulnerable Adults and Children

1. Summary of Impact: The accommodation provided ensures that the Council is able to meet its statutory responsibilities in respect of housing.
-

Corporate Policy

1. Policy Status: Existing Policy:
 2. Making Bromley Even Better Priority: (1) For Children and young people to grow up, thrive and have the best life chances in families who flourish and are happy to call Bromley home. (3) For People to make their homes in Bromley and for business enterprise and the third sector to prosper. (5) To manage our resources well, providing value for money, and efficient and effective services for Bromley residents.
-

Financial

1. Cost of proposal: Not Applicable
 2. Ongoing costs: Not Applicable
 3. Budget head/performance centre: Housing Needs
 4. Total current budget for this head: £7.4m
 5. Source of funding: Existing revenue budget
-

Personnel

1. Number of staff (current and additional): Not Applicable
 2. If from existing staff resources, number of staff hours: Not Applicable
-

Legal

1. Legal Requirement: Statutory Requirement:
 2. Call-in: Not Applicable: Urgent Report
-

Procurement

1. Summary of Procurement Implications: Not Applicable
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): There are approximately 1,700 households in Temporary Accommodation to whom the Council owes a statutory duty, of which around 1,166 are in costly forms of nightly paid temporary accommodation.
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Not Applicable

3. COMMENTARY

- 3.1 More Homes Bromley (MHB) was formally set up in June 2016 as a Limited Liability Partnership (LLP) between the Council and Mears Limited. MHB is a Special Purpose Vehicle for the sole purpose of acquiring and refurbishing up to 400 properties for use as housing for tenants nominated by the Council for a period of 40 years.
- 3.2 To date, a total of 360 properties have been acquired by MHB, with cash available to purchase only a few more. To help mitigate the reduced level of rent achieved, the Leader agreed in November 2020 that the majority of the properties be provided in discharge of the Councils statutory homelessness duties to provide suitable settled accommodation for the households, and to increase the rent levels.
- 3.3 In January 2019, MHB completed the acquisition of Cobb House ('Property') which housed 10 self-contained converted flats, the conversion of which is understood to have been completed in December 2018.
- 3.4 In October 2019, MHB became aware of an Enforcement Notice relating to the Property when a planning officer of the Council attended the Property during ongoing works.
- 3.5 In late 2019 Mears on behalf of the LLP instructed Mishcon De Reya in respect of the Enforcement Appeal which was dealt with by written submissions. The Planning inspectorate issued their decision in June 2020 which required the LLP to cease using 6 of the 10 flats by June 2021 and to reinstate the property to the 4 flats by December 2021.
- 3.6 In order to comply with the Enforcement Notice, MHB had to move out the tenants from the Property (losing out on the rent), decommission 6 units and reinstate the Property to 4 units as of 8 December 2021.
- 3.7 Since this time the property has been secured and rent loss has been accruing at a rate of £6,657 per month, with payments to More Homes Bromley continuing at £5,185 per month.
- 3.8 Action has been taken by MHB to recover the loss that has resulted from this; details of which are included in the part 2 report.
- 3.9 Following the options appraisal of the property there were 3 options that the LLP Board considered: reconfigure and retain, reconfigure and sell, or sell the site as is. Further details of the appraisal are included in the part 2 report.
- 3.10 The LLP Board are therefore seeking authority for Mears Ltd on behalf of the LLP to dispose of the site in order to mitigate the LLP's losses.
- 3.11 Under the LLP Agreement, the decision to dispose of stock owned by the LLP is a Reserved Matter in addition to needing the written consent of the Funder.
- 3.12 For Reserved Matters the LLP Board needs to refer it to the LLP Members for a written consent. As such both Mears Ltd and the Council as Members need to give written consent to proceed to dispose of the Property.

4. STRATEGIC PROPERTY

- 4.1 Strategic Property considerations are included in the Part 2 report.

5. FINANCIAL CONSIDERATIONS

- 5.1 There are no direct financial implications to the Council from the proposal to dispose of this property, as it is owned by More Homes Bromley LLP and the proceeds will remain ringfenced within the LLP under the funder's security arrangements.
- 5.2 However, as long as the property remains vacant and/or not disposed of and additional properties purchased with the proceeds, then the Council is effectively paying for an additional 10 nightly paid accommodation places at an average cost of around £6,200 each per annum.
- 5.3 In addition to this, the LLP is losing the net rental income from these properties during this period. Under the rent guarantee, the Council is liable for any shortfall; however, as long as the debt service cover is maintained, it is currently assumed that any shortfall will continue to be rephased in the financial model which will increase the net debt that the Council will have to clear at the end of the 40 years.
- 5.4 The proceeds from the sale, along with any settlement of the claim will be used to acquire further properties within the LLP.

6. LEGAL CONSIDERATIONS

- 6.1 Under the More Homes Bromley LLP Agreement the disposal of any LLP stock is a Reserved Matter and as such subject to consent by each Member of the LLP. Accordingly, this report seeks approval from the Portfolio Holder on this Reserved Matter

Non-Applicable Sections:	Personnel and Procurement Considerations
Background Documents: (Access via Contact Officer)	Signed Delegated Authority Decision and Appendices Written Consent from Mears Ltd to issue proceedings Written Consent from Mears Ltd to dispose of the property Written Consent from the Funders to dispose of the property