

**Decision Maker:** RENEWAL, RECREATION AND HOUSING POLICY  
DEVELOPMENT AND SCRUTINY COMMITTEE

**Date:** Thursday 15<sup>th</sup> June 2023

**Decision Type:** Non-Urgent Non-Executive Non-Key

**Title:** UPDATE ON MORE HOMES BROMLEY SPV PROPERTY  
ACQUISITION PROGRAMME

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**Ward:** All Wards

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## 1. REASON FOR REPORT

- 1.1 This report provides an update in respect of the More Homes Bromley SPV which was set up by the Mears Group and the Council to acquire 400 properties for homeless households. The management contract is provided by Plexus on behalf of the More Homes Bromley SPV.
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## 2. RECOMMENDATION(S)

- 2.1 The Renewal, Recreation and Housing Policy Development and Scrutiny Committee is requested to review the content of this report.

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### 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.
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### Transformation Policy

1. Policy Status: Existing Policy: Homelessness Strategy 2018-2023.
  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.
    - (2) For residents to live responsibly and prosper in a safe, clean and green environment great for today and a sustainable future.
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### Financial

1. Cost of proposal: Not Applicable:
  2. Ongoing costs: Not Applicable:
  3. Budget head/performance centre: Operational Housing
  4. Total current budget for this head: £81m for Property Acquisitions
  5. Source of funding: BAE Pension Fund
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### Personnel

1. Number of staff (current and additional): N/A
  2. If from existing staff resources, number of staff hours: N/A
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### Legal

1. Legal Requirement: Statutory Requirement
  2. Call-in: Not Applicable: No Executive decision.
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### Procurement

1. Summary of Procurement Implications: Not Applicable.
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### Property

1. Summary of Property Implications: N/A
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### Carbon Reduction and Social Value

1. Summary of Carbon Reduction/Sustainability Implications:
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### Customer Impact

1. Estimated number of users or customers (current and projected): There are approximately 1500 households currently placed in temporary accommodation of which almost 1100 are in forms of insecure costly nightly paid accommodation. This scheme will provide around 242 units in Phase 1 and around 186 units in Phase 2. These will be good quality cost effective affordable housing units to fulfil the Council's statutory rehousing duties and reduce the current reliance on nightly paid accommodation.
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### 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 The Executive on the 23rd March 2016 agreed to set up an SPV between the Mears Group and the Council to acquire stock to meet the Council's homeless statutory rehousing duties.
- 3.2 The More Homes Bromley SPV was therefore set up as a joint partnership between the Council and Mears Group to acquire up to 400 properties comprising of 70% 2 bedroom accommodation and 15% 1 & 3 bedroom properties both in and outside of the borough.
- 3.3 Neither party in the Joint Venture is an investor in the SPV. An investor was sought from the market to provide funding of £81m for the acquisition of the 400 properties for a 40 year period. At the end of the 40 year period when the loan from the investor has been fully repaid, the properties will be owned by the Council.
- 3.4 Plexus (a RP subsidiary of the Mears group) is contracted by the SPV to provide the property and tenancy management of the acquired units.
- 3.5 The SPV is managed by Mears and the Council jointly by means of a partnership agreement and accompanying suite of documents including the financial model and business plan, acquisitions plan, nominations and agreement and housing management services specification

### **4. Scheme Overview**

- 4.1 The Scheme currently holds 360 properties located within and outside of the borough.
- 4.2 Initially the Scheme was operated as temporary accommodation for homeless households who, after a period of time moved on to alternative accommodation. However, approximately 213 tenancies have been converted from temporary to settled accommodation. Meaning that those housed there can remain in those properties indefinitely and will not have to face the disruption of further move on. It is expected that approximately 300 units of accommodation within the Scheme will be utilised as settled accommodation with the remainder continuing as temporary accommodation in order to give officers flexibility in terms of nominations.
- 4.3 The performance in the specification continues to be monitored through the service levels and KPIs reported to the monthly operation meetings and formal SPV Director Management Board. It has been a challenging period for the Plexus Team in respect of Contractor shortages and some enhanced works / maintenance within the stock. This has impacted significantly on both their property turnaround times and repairs response times. Details of the KPI's are attached in appendix 1. New contractor arrangements have been sought but these still require a period of bedding in and therefore performance will require on going monitoring and action if improvements do not continue.
- 4.4 The accommodation within this Scheme is situated primarily outside of borough boundaries. In some instances a considerable distance away. This makes nominating to these homes more difficult and they attract a high volume of refusals. Whilst this Scheme has provided the Council with much needed access to accommodation the lessons learnt from it have been well utilised in the other property purchasing Schemes that the Council has and is progressing.
- 4.5 Should the Council be unable to nominate tenants for all of these properties, we are liable for void costs until they are filled. There is flexibility built within the Scheme so that, should it become necessary, the vacant properties could be offered to other local authorities, or let to the private sector or other Housing Associations. There would also be the option to sell off any of the properties using the capital receipt to offset against the debt outstanding or to alter the balance of the properties if there proved to be low demand for one particular size of dwelling and more for another.

- 4.6 On average 7 tenancies are ended within the Scheme each month. Further work is ongoing to explore the reasons for this relatively high turnaround.

## **5. SOCIAL VALUE, CARBON REDUCTION AND LOCAL / NATIONAL PRIORITIES**

- 5.1 Prior to being let Plexus ensure that all homes are compliant with the required safety standards and energy performance ratings. The average spend for a standard void to be turned around is £1,718 rising to an average of £4,138 for those voids requiring more extensive works.
- 5.2 All homes are rented at an affordable level in line with the appropriate TA Subsidy or Local Housing Allowance levels. This ensures that tenants are able to maintain their tenancies and not fall into debt. In the event that a household experiences a change in their circumstances then support is available through Plexus, the management agent for these homes or the Council's Housing Team.
- 5.3 For those properties offered as settled accommodation tenants can make them their homes without the fear of having to move on. This allows them to build and maintain support networks, maintain employment and education.

## **6. IMPACT ASSESSMENTS (INCLUDING VULNERABLE ADULTS AND CHILDREN)**

- 6.1 This scheme supports children and vulnerable people through the provision of cost effective housing supply increasing access to local accommodation ensures that access to existing services and support networks can be maintained.

## **7. TRANSFORMATION/POLICY IMPLICATIONS**

- 7.1 The Council has a published Homelessness Strategy which sets out the approved strategic policy in terms of homelessness. This includes temporary accommodation provision and reducing the reliance on nightly paid accommodation. The Council already works with several providers for the provision and management of temporary accommodation.
- 7.2 Officers will consider the Council's statutory obligations under the Equalities Act 2010 as the scheme progresses and take appropriate action.

## **8. FINANCIAL CONSIDERATIONS**

- 8.1 The More Homes Bromley scheme was designed to be cost neutral to the Council, so that the rental income from tenants covers the debt repayment to the lender and the tenancy and housing management fee to Plexus. This would generate savings equivalent to the net cost of nightly paid accommodation, which is currently around £7k per unit per annum. Based on the 360 properties that have been acquired to date, the scheme will deliver full year gross savings to the Council of around £2.5m.
- 8.2 Rental income due to the SPV is inflated by 2.93% every year from year 5 onwards as set out in previous reports. Any shortfall between the rent due in the model and TA subsidy levels is met by the Council through the rent guarantee, so the Council will be liable to top up the rent levels in future if the subsidy levels do not increase to the same extent.
- 8.3 To mitigate this risk, Members agreed in November 2020 that the majority of the properties would be converted to discharge the Council's homelessness duty, which would increase rents to current Local Housing Allowance (LHA) levels (compared to 90% of 2011 LHA levels for the current temporary accommodation rents). In addition, in future some could be converted to market rents, although this would impact on the savings the scheme is delivering.

- 8.4 At present the shortfall referred to in paragraph 9.2 above is around £0.5m per annum, which means the net savings to the Council is around £2.0m per annum. The main reasons for the shortfall are as follows:
- Only 360 properties acquired instead of 400 due to higher than modelled acquisition costs, as well as delays in acquisitions meaning that expected rental income could not be used to acquire more properties.
  - The initial rent levels were lower than assumed in the financial model as properties were acquired in areas with lower LHA levels in order to try to keep acquisition costs within the model.
  - Temporary accommodation rent levels have not increased which means that from April 2022 the rents were 9% lower than the model. This has been partly mitigated by moving some to discharge of duty, although current LHA rates haven't increased since April 2020 either.
- 8.5 Another option available in the future would be to rephase the financial model, however this would increase the net debt at the end of the 40 year term, which the Council would have to pay to the SPV or cover by disposing of a number of the properties.

## 9. LEGAL CONSIDERATIONS

- 9.1 Under part VII of the Housing Act 1996 (as amended) the Council has a statutory duty to secure temporary accommodation for homeless households, if they are eligible for assistance and in priority need. . Failure to meet these statutory duties due to lack of, or inappropriate accommodation presents significant risk in terms of legal challenges which carries significant cost risk and reputational damage.
- 9.2 More Homes Bromley is a limited liability partnership set up by Mears Ltd and the Council for the purpose of acquiring properties to enable the Council to nominate homeless households as tenants. There are various contractual agreements that sets the relationship between the various parties and their respective obligations including an LLP Agreement, Acquisition Agreement, Asset Management Agreement, Funding Agreement, Deed of Covenant and Guarantee.
- 9.3 As this is an update report there are no other legal implications arising from this report.

<b>Non-Applicable Headings:</b>	Procurement / IT / Personnel / Market Considerations
Background Documents: (Access via Contact Officer)	Update on More Homes Bromley SPV Property Acquisition Programme 25/03/2020

APPENDIX 1

Key Performance Indicator	Target	Red	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
% of rent arrears as total of rent roll	<3%	>5%	-0.55%	1.50%	0.22%	-0.17%	0.98%	-0.30%	0.97%	-0.15%	-1.36%	-0.65%	-0.16%	-0.60%
Number of days allowed to carry out dilapidations after tenancy ended	<14 days	> 30 days	80	72	80	31	32	146	77	130	154	44	199	193
Number of days from tenancy end to new tenancy start	< 18 days	> 38 days	125	91	138	69	44	208	119	148	177	195	204	78
Loss rent as % of rent roll after LA penalty	< 2.8%	> 7%	9.39%	13.42%	10.32%	10.34%	11.77%	8.84%	10.58%	11.68%	11.48%	11.11%	13.25%	11.89%
Emergency repairs completed within 24hrs	100-99%	<75%	78%	86%	90%	83%	57%	60%	83%	81%	83%	87%	100%	91%
Routine repairs completed within 28 days	95%	<75%	61%	46%	64%	83%	32%	37%	39%	48%	63%	55%	70%	64%
Controls of routine maintenance cost	< 4.9%	> 10%	1.34%	1.09%	1.38%	0.88%	1.00%	1.03%	1.68%	2.47%	2.83%	1.77%	2.74%	0.00%
Visits completed every quarter	> 95%	< 75%	71%	90%	61%	78%	92%	132%	97%	94%	76%	97%	127%	84%
Gas safety certificate completed prior to expiry	100%	< 75%	95%	95%	97%	97%	98%	97%	96%	96%	98%	99%	98%	98%