

**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:** MEADOWSHIP HOMES UPDATE

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**Ward:** All Wards

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## 1. REASON FOR REPORT

- 1.1 This report provides an update on the Meadowship Homes joint venture with Orchard and Shipman for the acquisition of residential properties for affordable housing.
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## 2. RECOMMENDATION(S)

- 2.1 The Renewal, Recreation and Housing Policy Development and Scrutiny Committee is requested to:
- a) note the progress of the scheme to date and the risk register; and
  - b) note that future updates to the business plan by the Director of Housing, Planning, Property and Regeneration will be made in consultation with the Head of Finance, Adults Health & Housing and the Portfolio Holder for Renewal, Recreation and Housing.

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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 people to make their homes in Bromley
    - (3) 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: Estimated net savings of around £1.8m once all properties are tenanted
  3. Budget head/performance centre: Operational Housing
  4. Total current budget for this head: £87m for property acquisitions.
  5. Source of funding: Pension Insurance Corporation Loan (£67m), Housing Invest to Save Fund (£14m) and uncommitted Investment Fund (£6m) earmarked reserves
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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 Non-Statutory - Government Guidance None:  
Further Details
  2. Call-in: Not Applicable: No Executive decision.
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### Procurement

1. Summary of Procurement Implications: N/A
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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: N/A
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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 In February 2021 Council agreed to enter into a limited liability partnership (LLP) arrangement with Orchard and Shipman for the acquisition, refurbishment and management of approximately 242 residential properties (dependent upon final purchase price) for use as affordable rented accommodation to assist in meeting the Council's statutory rehousing duties and reduce the current reliance on and associated cost of nightly paid accommodation.
- 3.2 Phase 1 is likely to exceed predicted targets and it is expected that 255 units will be completed and tenanted by October 2023.
- 3.3 Following on from the success of Phase 1 further funding was agreed to fund a secondary phase for the further purchase of approximately 186 additional units of accommodation. The purchase of these properties commenced in April 2023.
- 3.4 Funding for the initial acquisitions were secured from Pensions Insurance Corporation PLC (PIC), a UK based insurance company specialising in securing the liabilities of Defined Benefit pension schemes, and a £20m loan from the Council.
- 3.5 At the time agreement in February 2021 it was estimated that the PIC loan would be between £60-65m for a set initial annual repayment of £1,679k, which would increase annually by Consumer Price Index (CPI) (collared at 0-4%), with no repayment in the first two years during the acquisition phase. Due to changes in the market between February and finalising the legal agreements, the final amount of the PIC loan was able to be increased to £66.8m for the same annual repayment.
- 3.6 The Business Plan and Risk Register are attached in Appendix 2 and will be considered in Part 2 of the meeting.

### 4. Scheme Overview

- 4.1 To date 254 properties, 99 x houses and 155 x flats, have been purchased in phase 1 at a cost of approximately £87m. Of these 72 properties have been secured within the borough boundaries.

1 Beds	23
2 Beds	101
3 Beds	110
4 Beds	19

- 4.2 As of May 2023 contracts had exchanged on 227 properties and 192 have been tenanted.
- 4.3 Key Performance Indicators are reviewed at both an Operational and Board level. These have been largely compliant in all areas with the management company performing well. A copy is provided in the attached appendix.
- 4.4 Whilst the Bad Debt provision is currently outside of the target range this is as expected for this stage of the Scheme. A number of properties have come online within a short period of time, the tenants moving into them out of temporary accommodation who are in receipt of benefits are required to transfer from Housing Benefit over to Universal Credit. They are supported to do this via the management team however there is a lag between the form submission, assessment

and payment. Therefore this figure will start to stabilise and come down as the Scheme settles and fewer new placements begin.

- 4.5 There is also a slight delay in the void turnaround times. This has largely been as a result of difficulties securing contractors and is an issue which has affected all Housing Providers across London since the pandemic. The Meadowship homes team has secured alternative contractors and has been actively seeking to secure high quality accommodation that require less works and can allow for a quicker turnaround time once secured.
- 4.6 Stability within the stock is being well maintained and 100% of residents have received a move in check within 3 months of the commencement of their tenancy in order to ensure that they are settling into their new homes.
- 4.7 Once the Council is notified that a property is becoming available for letting it takes an average of 14 days for that property to be allocated and tenanted.
- 4.8 Phase 2 of Meadowship Homes has only just begun therefore there is limited information available. It is expected to secure approximately 186 properties at a cost of £73m. It is recognised that there has been a shift in the market and the scheme has been projected on that basis.
- 4.9 The Purchasing Team are however now well established and have excellent contacts with many local agents, allowing them to respond quickly to new properties entering the market and they are confident in being able to achieve scheme targets despite the challenging nature of the housing market at this time.
- 4.10 To date 20 properties have been secured in Phase 2 at a total cost of £6.5m

## **5. MARKET CONSIDERATIONS**

- 5.1 The Housing Market is challenging at present and the cost of accommodation continues to rise. The Executive have previously requested that officers are mindful of the impact of large scale purchasing on the wider housing market. This is being kept under review as the scheme progresses. The properties purchased are located over a wide area and are not concentrated within a single location.

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

- 6.1 All homes purchased are of a good quality and are compliant with the required safety standards and energy performance ratings.
- 6.2 All homes are rented at an affordable level in line with the appropriate 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 Pinnacle, the management agent for these homes or the Council's Housing Team.
- 6.3 As these are long term, 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.

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

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

## **8. TRANSFORMATION/POLICY IMPLICATIONS**

- 8.1 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.
- 8.2 Officers will consider the Council's statutory obligations under the Equalities Act 2010 as the scheme progresses and take appropriate action.

## **9. FINANCIAL CONSIDERATIONS**

- 9.1 The scheme was initially expected to produce full year savings to the Council of around £1.50m per annum on temporary accommodation costs based on 242 properties being acquired. After 50 years the leasehold or freehold titles will be transferred to the Council for £1 with no outstanding debt payable.
- 9.2 As the number of properties secured in Phase 1 has increased to 254, and due to the increased average cost of nightly paid accommodation, the total savings are now currently estimated at around £1.8m per annum.
- 9.3 As referred to in paragraph 3.5, the loan from PIC was increased above the initial estimate whilst keeping the annual repayment the same. This not only means that more properties have been purchased, increasing the savings to the Council, but also that the rent income from Orchard & Shipman will increase, generating surplus income in the LLP.
- 9.4 Any surplus income in the LLP can be either used to purchase more properties, used to extend the lease lengths of leasehold properties (particularly where they are close to 80 years remaining), set aside to mitigate any future shortfalls as a result of LHA rate increases being lower than CPI, or paid to the Council.
- 9.5 In addition to this, as set out in the February 2021 report, a surplus has been building up during the first two years whilst there are no loan repayments. A report will be brought back for Member consideration in due course detailing any proposals to utilise these surpluses once the acquisitions have completed and the levels of surpluses can be reliably estimated.

## **10. LEGAL CONSIDERATIONS**

- 10.1 Meadowship Homes 1 and Meadowships Homes 2 are limited liability partnerships set up by the Council and Orchard and Shipman Residential Ltd for the purpose of acquiring properties to enable the Council to nominate tenants for affordable rent tenancies. There are various contractual agreements that sets the relationship between the various parties and their respective obligations including LLP Agreements, Facility Agreements in relation to investor funding, Facility Guarantee Agreements, Council Loan Agreements and Council Nomination Agreements.
- 10.2 As this is an update report there are no other legal implications arising from this report.

<b>Non-Applicable Headings:</b>	Procurement / IT / Personnel / Strategic Property
Background Documents: (Access via Contact Officer)	MEADOWSHIP HOMES – UPDATE AND CHANGE TO ACQUISITION CRITERIA. 26/01/2022 and 09/02/2022

## Appendix 1

KPI No	KPI	Description	Target KPI	Defaulted KPI	January	February	March
	<b>Income Collection</b>						
<b>KPI 1</b>	Bad Debt	% of rent arrears as a total of the rent roll	< 4% of gross rent	> 8% of gross rent	12.55%	11.63%	11.91%
	<b>Void Turnaround</b>						
<b>KPI 2</b>	Re-Let Target	Number of days from when a Tenancy ends to when the Property becomes available for letting. (Excluding Properties that require major and cyclical works).	< 14 Working Days from Tenancy end	> 28 Working Days from Tenancy end	56 days	56 days	N/A
	<b>Asset Management</b>						
<b>KPI 3</b>	Emergency Repairs- Attended	All repairs classed as an emergency, as set out in the Repairs Policy, to be attended to within 24 hours.	> 99% attended within 24 hours	< 85% attended 24 hours	100%	100%	100%
<b>KPI 4</b>	Emergency Repairs- Completed **	All repairs classed as an emergency, as set out in the Repairs Policy, to be completed within 14 days.	> 99% completed within 14 days	< 85% completed within 14 days	100%	100%	100%
<b>KPI 5</b>	Urgent Repairs - Attended	All repairs classed as urgent, as set out in the Repairs Policy, to be attended to within 5 Working Days.	> 95% attended within 5 Working Days	< 75% attended within 5 Working Days	90%	100%	95%
<b>KPI 6</b>	Urgent Repairs – Completed **	All repairs classed as urgent, as set out in the Repairs Policy, to be completed within 28 days.	> 95% completed within 28 days.	< 75% attended completed within 28 days.	100%	100%	100%
<b>KPI 7</b>	Routine Repairs - Attended	All repairs classed as routine, as set out in the Repairs Policy, to be attended to within 28 days. <b>Internal KPI 21 days</b>	> 95% attended within 28 days	< 75% attended within 28 days	100%	100%	100%
<b>KPI 8</b>	Routine Repairs - Completed **	All repairs classed as routine, as set out in the Repairs Policy be completed within 60 days. (Works required)	> 95% be completed within 60 days.	< 75% be completed within 60 days.	100%	100%	100%
<b>KPI 9</b>	Health and Safety Compliance	Completed annually or within legal timescales including gas/electricity annual fire alarm checks and any other statutory and regulatory health and safety requirements.	100% Compliance	< 95% completed by the annual or legal timescales.	99%	99%	98%
	<b>Customer Management</b>						
<b>KPI 10</b>	Annual Tenant Checks	Annual Tenant checks to minimise fraud, either by telephone/email/letter or in person visit depending on circumstances.	> 25% on a rolling programme	< 10% on a rolling programme	33%	25%	25%
<b>KPI 11</b>	3 Month Check on all new tenants	Initial check on all new Tenants within the 3 months of their Tenancy start date to ensure that they are settled.	100% completed within 3 months of the Tenancy start date	< 80% completed within 3 months of the Tenancy start date	100%	100%	100%

KPI No	KPI	Description	Target KPI	Defaulted KPI	January	February	March
KPI 12	Customer Satisfaction Survey	This is a general customer satisfaction survey to be carried out on all tenants every 2 years.	Format to be agreed by the Executive Board at the time.	Format to be agreed by the Executive Board at the time.	TBC	TBC	TBC
KPI 13	Complaints Performance	% of complaints addressed within the time frame	100% completed within the timescales	< 95% completed within the timescales	0%	N/A	N/A
KPI 14	Annual Complaints and Compliments Report	Annual Complaints report setting out the nature of the complaint, action taken, and time taken to resolve etc.	100% Compliance	100% Compliance	N/A	N/A	N/A