

Report for: Cabinet 9 October 2018

Title: Membership of Capital Letters

Report authorised by: Helen Fisher
Director of Housing, Regeneration and Planning

Lead Officer: Alan Benson, Head of Housing Strategy and Commissioning

Ward(s) affected: All

**Report for Key/
Non Key Decision:** Key

1. Describe the issue under consideration

- 1.1 The report sets out a proposal to join the pan-London 'Capital Letters' scheme which will collaboratively procure new properties on behalf of London boroughs, supported by the Ministry of Housing, Communities & Local Government (MHCLG).
- 1.2 The Council currently provides temporary accommodation to nearly 3,000 households, at a cost to the Council of £8.3 in 2017/18. Around half of this accommodation is outside of the borough with around 1,000 of these in privately owned and nightly paid accommodation. At the same time, many other boroughs have sourced their own temporary accommodation within Haringey with net inflows from most of our neighboring boroughs.
- 1.3 The majority of accommodation that is procured through Capital Letters will be used to prevent homelessness or to end a homelessness duty through an offer of a private sector tenancy.
- 1.4 By removing competition and duplication between individual boroughs and through accessing additional funding, it is anticipated that this will also significantly reduce the cost of providing temporary accommodation. Where practical, the scheme will allocate new units in each member borough to that borough and so enable households to be placed more locally than is currently the case.
- 1.5 This scheme will focus on the rental/lease market. As such it will complement rather than be in competition with the recently approved Community Benefit Society and the proposed Purchase, Repair and Management Company. These schemes both focus instead on purchasing properties where the landlord wishes to sell and leave the rental market.
- 1.6 The scheme will also include support for households from tenancy sustainment officers funded by the MHCLG grant. This support will be in addition to any support currently offered by Homes for Haringey. With more households placed within the borough, the scheme will also reduce the disruption caused by homelessness and increase their resilience by allowing them to maintain informal and formal support networks

2. Cabinet Member Introduction

- 2.1 There is a desperate shortage of housing which is affordable to Haringey's population. This increases both the number of households in need of help and the costs the council incurs in supporting them.
- 2.2 With a limited supply and often short notice, the council frequently needs to use homes in neighbouring boroughs as temporary accommodation for homeless households, while at the same time those same boroughs place some of their households in Haringey.
- 2.3 Capital Letters is a pan-London scheme which seeks to increase the supply of temporary accommodation, reduce the cost of this accommodation, and reduce the need for households to be accommodated out of the borough. The pan-London approach should achieve economies of scale and reduce the competition between boroughs for this type of accommodation.
- 2.4 We are taking a number of steps to increase the supply of permanent affordable housing in the borough – including building new council homes ourselves. But as long as there is such a mismatch between the demand and supply of social housing, we also need to take steps to ensure the supply of suitable, affordable temporary accommodation as well.

3. Recommendations

It is recommended that the Cabinet:

- 3.1 Note the £39 million over three years potentially being made available by MHCLG for pan-London collaboration on the procurement of accommodation for homeless households.
- 3.2 Note the draft Articles of Association at Appendix A
- 3.3 Note the draft Members Agreement at Appendix B
- 3.4 Approve, in principle, for the Council to join Capital Letters London Ltd, a Company Limited by Guarantee that will be established by the London boroughs, as an 'A member'.
- 3.5 Delegate to the Director of Housing, Regeneration and Planning, after consultation with the Cabinet Member for Housing and Estate Renewal and the Statutory Legal and Finance Officers, the following:
 - a) Finalising and agreement of the Articles of Association
 - b) Payment of up to £100,000 from Flexible Homelessness Support Grant funding in lieu of seconding staff as set out in 6.11
- 3.6 Note that under the constitution part 3 Section D – local Choice Functions / function 16 - the appointment of officer(s) to the Capital Letters Board falls to the Chief Executive. Nominated officer(s) will represent the Council at Company meetings, and will vote and exercise all rights of Membership on behalf of the Council.

4. Reasons for decision

- 4.1 The decisions recommended are required to join the Company and participate in the collaborative procurement approach and to access the MHCLG funding.
- 4.2 The estimated aggregate financial benefit of the proposals to London Boroughs are up to £116m over the first three years, plus potential savings on changing how placements are made and reduced repeat homelessness through tenancy sustainment. Joining the scheme early will maximise Haringey's share of these savings.
- 4.3 Currently other London boroughs have temporary accommodation in Haringey meaning Haringey must place many households outside of the borough. Capital Letters will help rationalise temporary accommodation in London with properties obtained in Haringey being prioritised for households from Haringey.

Benefits to Haringey borough of being in the first phase:

- 4.4 It is proposed that Capital Letters membership will grow in a number of phases with some boroughs joining the first phase and others joining in later phases. There are a number of reasons why it would be advantageous for Haringey to be part of the first wave of boroughs which are anticipated to start operations in April 2019.
 - i) The MHCLG subsidy per borough will be greater in the first year. This is important in terms of the proportion of centrally funded staff compared to borough funded staff, which should provide a greater uplift to procurement numbers for the boroughs in the first wave.
 - (i) The boroughs involved in the set-up of the company will have much more control over the way it is set up and it's Articles of Association than boroughs who join after the company has been established. This may also include the terms and conditions of future boroughs joining the scheme.
 - (ii) Boroughs who do not join Capital Letters will still have properties procured by Capital Letters in their area. Although Capital Letters will abide by the agreed Inter-Borough Accommodation Agreement rates, there is nevertheless a significant risk that landlords and agents will prefer to work with Capital Letters than within individual boroughs. This is because of the profile it will have when launched, and because of the more streamlined ability to let properties across London with one organisation than with a number of different boroughs, all with slightly different terms and conditions and different personnel.
 - (iii) If Capital Letters is successful then it will be possible for Haringey to secure more private rented and leased properties in London within or close to Haringey, reducing the need to place families in nightly paid accommodation in neighbouring boroughs or elsewhere in London. It would be better to secure these benefits sooner rather than later.

5. Alternative options considered

- 5.1 To not join the scheme and instead rely on the existing team in Homes for Haringey, which procures Assured Shorthold Tenancies and nightly rate bookings, and on new Haringey-only schemes such as the Community Benefit Society and Purchase, Repair and Management Company.

This was rejected as existing resources are unlikely to be able to achieve the level of uplift that Capital Letters can with the additional funding. The two new schemes focus on purchasing properties when landlords wish to sell, whereas Capital Letters will focus on renting and leasing properties which landlords wish to retain. Not joining the scheme will

also lead to any properties Capital Letters obtains in Haringey being allocated to households from other boroughs who are members of the scheme.

5.2 To not to join the company in the first phase, but rather wait and assess the scheme's progress.

This option was rejected as it would result in a lost opportunity to access MHCLG grant funding for the first year, and delay the benefits of reduced costs and more local placements. There would also be less influence on the scheme's design by joining once the scheme has been established.

5.3 To join the company as a 'B member'.

Although this option would still enable the Council to receive services from Capital Letters, joining as a 'B member' would mean that the Council has less influence over the strategic direction of the company and the specific Articles of Association relating to 'B members'. Joining as a 'B member' also means that they would not have access to MHCLG subsidy for newly procured properties. The distinction between 'A' and 'B' membership is noted in the 21.2.3 of the draft Articles of Association at Appendix A.

5.4 There is an option to reduce funding for 'A membership' by seconding up to two staff to Capital Letters.

While there is no intention to make any compulsory secondments at this stage, this option may be taken up if individual members of staff request to take up this opportunity on a voluntary basis.

6. **Background information**

The need for new sources of temporary accommodation and private sector lettings within the borough

- 6.1 The Council currently provides temporary accommodation to nearly 3,000 households, with around half located in neighbouring boroughs. At the same time, many other London boroughs have sourced temporary accommodation in Haringey.
- 6.2 Although not all boroughs will join in the first phase, likely or confirmed phase one members currently make an estimated 300 individual bookings in Haringey each year. Although some of these bookings are short-term emergency placements for a few days and/or multiple bookings, access to these bookings could eventually result in Haringey placing 200-250 fewer households out of the borough each year.
- 6.3 Haringey has a Temporary Accommodation Placements Policy which gives vulnerable households priority to remain in the borough where they can receive higher levels of support. Although these placements and support will continue, development of the Capital Letters scheme will allow more households to be placed within the borough increasing both informal family support as well as access to support from Homes for Haringey. Haringey will also be able to opt into the company's tenancy sustainment officers funded by the MHCLG grant. This support will be available whether the households is placed in the borough or elsewhere.

The financial need for new sources of temporary accommodation

- 6.4 Although the Council owns some of its temporary accommodation, around 2,500 homes are provided by the private sector through either a lease or nightly paid contracts. The

costs of most of these homes is usually far in excess of the maximum rent the Council can charge which is set at 90% of the 2011 Local Housing Allowance for that area. This has led to a net cost the Council General Fund of £8.3 million in 2017/18.

Relationship forthcoming and existing schemes

- 6.5 The Council has recently approved setting up a Community Benefit Society and is considering setting up a Purchase, Repair and Management Company. Both these schemes will purchase properties from owners who are wishing to sell. Capital letters is therefore complimentary to, rather than in competition with this scheme as it looks to lease privately owned properties where the owner wishes to retain the properties and rent or lease them out.
- 6.6 The Capital Letters scheme will be in addition to existing programmes to source private sector tenancies and new temporary accommodation. This work is currently focused on directly procuring new accommodation which will be either leases held by the company which will act as landlord, or through obtaining assured tenancies for the household. As Capital Letters grows and reduces the need for direct procurement, existing resources will be focus on client-led schemes such as 'Find your own' schemes.

Financial savings and MHCLG grant

- 6.7 MHCLG has provisionally allocated £39 million over three years, top sliced from the Flexible Homeless Support Grant (FHSG) to support Capital Letters. As a minimum they have agreed to fund the first phase of the project.
- 6.8 It is anticipated that MHCLG will also fund the second phase, but bidding for this will take place in the next spending review and therefore MHCLG is at this point unable to provide a definitive position on the funding going forward. There is therefore a risk that MHCLG funding will only be provided in the first year, meaning that any boroughs that join in the second phase may not be able to benefit from the MHCLG subsidy and the project overall may not benefit from any further subsidy in the second year.
- 6.9 MHCLG funding is expected to be used in the following three ways:
1. Contribution to Private Sector Leases (PSL)
 2. Private Rented Sector (PRS) placement incentive
 3. Central cost contribution, e.g. for additional procurement staff, tenancy sustainment staff, IT and premises

Membership and staffing

- 6.10 At present, it is anticipated that there will be at least 12 boroughs in the first phase with a further 3-5 likely to join. Participating boroughs who become full 'A members' of Capital Letters will initially either second staff from their procurement teams performing this function to Capital Letters, or pay additional fees to cover newly recruited staff.
- 6.11 This report recommends that Homes for Haringey offers relevant staff the opportunity to be seconded to Capital Letters. Preliminary discussions have taken place with the affected staff and Unison. However, if no-one chooses to be seconded at this stage the Council will instead fund 2 posts using the Flexible Homelessness Support Grant (FHSG). The Council is currently using FHSG to fund one additional officer in Homes for Haringey – this arrangement would end and the money would be used instead to fund one post in Capital Letters with an additional £50,000 to fund the second post.

- 6.12 This fee may be reduced if individual staff wish to take up this opportunity on a voluntary basis. It is therefore proposed that the payment of this fee will be delegated to the Director of Housing, Regeneration and Planning.
- 6.13 In the medium term, it is anticipated that Capital Letters will replace the need for borough based staff and that more staff (or payments) will be required. Seconded staff from Haringey will allow them to use their existing skills, expertise, local knowledge and client relationships held by those officers to be absorbed into Capital Letters. Based on the procurement rates of existing staff and a modest increase from additional funding and economies of scale, it is anticipated that this will lead to 4,300 additional properties within Greater London being procured in the first three years.
- 6.14 As the scheme develops, it is anticipated that staff may eventually be transferred to the company. When this decision is made, full consultation will be undertaken with staff and unions but initial discussions on the possible long-term implications are already taking place with staff and unions.
- 6.15 Boroughs will be allocated at least as many properties over the first year as were procured by the staff it seconds in the previous year or an equivalent where staff are funded. This should ensure that there will be no net loss of properties to each borough. Any additional properties over and above the previous year's performance will be allocated to the participant boroughs in proportion to the staff resources they have contributed through secondment or funding of staff recruited directly by Capital Letters. Subject to meeting borough minimum allocations, and fair distribution of additional properties, all properties should be allocated as close to host boroughs as possible, also taking in to account the provisions of the homelessness suitability order as they apply to individual households. This should mean that a much smaller number of households have to move a long distance from their home borough than is currently the case.
- 6.16 The company will be funded by a combination of MHCLG grant, rents from tenants and top up payments from member local authorities. These are the payments that are already made by local authorities to ensure households are charge rents are affordable to households who rely on benefits. Payments include Discretionary Housing Payments (DHP) or other existing budgets which are needed when Local Housing Allowance (LHA) rates do not cover full rent. These payments will be lower for local authorities as a result of the MHCLG subsidy.

Company structure and status

- 6.17 The company will be established as a private company limited by guarantee, owned and managed by the boroughs who constitute limited liability members of the company. The liability is limited to £1 (one pound). It will also be a Teckal compliant company which means that it will be in compliance with Contracts Regulations and European law.
- 6.18 The object of the company is to procure and manage accommodation for homeless households and those at risk of homelessness by providing service to the member boroughs and others. This will be a mix of leases (held by the Company) and Assured Shorthold tenancies negotiated by the Company for the households.
- 6.19 The activity of the company will be supported by a digital Property Listing Platform (PLP). A specification for this IT system has been developed by London Ventures, in consultation with the Capital Letters working group. Soft market testing has identified a number of providers who would be able to develop a product which meets the specification requirements. Initially, one borough will lead on the procurement of this PLP on behalf of the company.

- 6.20 The timescale for programme delivery assumes the new company is established in April 2019, with a first wave of boroughs joining then and a second wave of boroughs joining in April 2020.
- 6.21 Therefore, the Cabinet is asked to approve that Haringey joins the company as an 'A member' so that the borough may benefit from the services provided by the collaborative enterprise.
- 6.22 A minimum condition of being an 'A member' of Capital Letters that Capital Letters provides at least 50% of the borough's new accommodation used to house homeless households and those at risk of homelessness. This requirement is to ensure that Capital Letters has sufficient households for the properties it procures and to reduce the potential competition from individual boroughs. This percentage is a minimum requirement, and it is anticipated that Capital Letters will provide a higher percentage of our supply.

Costs of the scheme

- 6.23 The business plan is still in development, so a definitive figure for the financial cost of the scheme is not yet available. However, boroughs will pay fees towards the services they receive from Capital Letters, which will be subsidised by the MHCLG grant. This will cover services such as rent collection, property management and some staffing costs for officers seconded to the entity.
- 6.24 This fee will represent a saving to the local authority on its temporary accommodation expenditure as it will be subsidised with the additional £39 million of MHCLG funding. The scheme will also enable households to claim 100% of current Local Housing Allowance (LHA) where their home is managed by Capital Letters. This represents around £35 per week more than the 90% of January 2011 LHA rates which apply to temporary accommodation managed by the Council. As the Council can only charge rents up to maximum claimable rent, this means an effective saving of up to £35 per week where the landlord charges for the property are higher than the current LHA.

Consideration of risks

- 6.25 As with all new initiatives, there is an element of risk connected with this scheme. Consideration has been given to these and any potential financial losses that may arise as a result.
- 6.26 There is a risk that the scheme will underperform in its initial stages. This under-performance could lead to a reduction in the supply of temporary accommodation and Assured Shorthold tenancies. This risk has been mitigated by retaining staff in HfH to ensure that our existing supply can be maintained until the company is established.
- 6.27 There is also a financial risk that the company may be unsuccessful and collapse. The council's liability is limited to £1 if the company collapses, although the Council would lose any payment already made in lieu of seconding staff. In the first year, this sum will be a maximum of £100,000 (if no staff are seconded), £50,000 of which will be funded through FHSG. This risk will be reduced or removed if staff are seconded as they would be free to return to Haringey.
- 6.28 There is also a risk that, if the company collapses, the Council may need to find alternative accommodation for households housed by the company or take over leases held by the company. This risk is limited where the accommodation is in the form of one-off Assured Shorthold tenancies, as these do not require further ongoing funding. Where the properties are leased, there is a risk that, as the Company will have access to

additional funding, these leases are likely to be more expensive than those the Council would have entered into independently. However, the leases will be with the Company not with the Council and the choice on whether or not to take on these leases will be up to the Council, which will have no liability if it decides not to take over the leases.

7. Contribution to strategic outcomes

- 7.1 Capital Letters will assist in the delivery of Priority 5 of the Corporate Plan 2015-18 which is to “Create homes and communities where people choose to live and are able to thrive” and helping to prevent homelessness and support residents with more local placements.
- 7.2 Capital Letters will assist in the delivery of Objective 2 of Haringey’s Housing Strategy 2017-22 to “Improve help and support to prevent homelessness”. Capital Letters will also help to prevent homelessness, providing suitable and affordable temporary accommodation and increase the local placements of households.
- 7.3 Capital Letters will assist in the delivery of the Homelessness Strategy 2018 by increasing the suitability, affordability and location of both temporary accommodation and private tenancies.

Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

8. Finance

- 8.1 There is a potential funding of £39 million, over three years, expected from MHCLG for this pan-London collaboration for the procurement of accommodation for homeless households either through a lease, or by obtaining Assured Shorthold tenancies for these households.
- 8.2 The £39m is to be used for company formation, staff procurement, Private Rented Sector placement incentives and Private Sector Leases contribution.
- 8.3 It is estimated that based on an assumed number of acquisitions, the benefit to the council per annum is as shown below:

Property Types	Average Number Per Yr over 3 yrs	MHCLG Contribution Per Property	Total Contribution Per Year
PRS property	50	1,250.00	62,500.00
PSL property	33	2,773.33	91,519.89
Transferred PSL	17	1,820.00	30,940.00
			184,959.89

- 8.4 The financial cost of the scheme is yet unknown as the business plan is still in development. However, it is anticipated that boroughs will pay fees towards the services they receive from Capital Letters.
- 8.5 This fee will cover services such as rent collection, property management and some staffing costs for officers seconded to the entity.
- 8.6 It is also anticipated each member borough will send staff on secondment to Capital Letters. Members will pay a certain proportion of their cost to Capital letters.

- 8.7 It is recommended that the Council contributes £100k in lieu of staff, funded from the flexible homelessness support grant. The Council's potential financial exposure is as highlighted in the Risk Section, 6.25 to 6.28.
- 8.8 The report states that this scheme will focus on the rental/lease market. As such it will complement rather than be in competition with the recently approved Community Benefit Society and the proposed Purchase, Repair and Management Company.
- 8.9 In addition to the above, and other potential benefits mentioned in the report, it is anticipated that the scheme will also enable boroughs to claim 100% of current Local Housing Allowance for the properties managed by the programme, which represents around £35 per week more than the 90% of January 2011 rates that that Haringey Council managed temporary accommodation is currently restricted to.
- 8.10 However, it is difficult to assess the full financial implication of this membership at this stage as most of these cost and benefits are speculative. Thus, the recommendation to approve the joining of this scheme in principle.

Procurement

- 8.11 Strategic Procurement notes the contents of this report and supports the concept of establishing a centralised unit to assist with temporary accommodation needs.
- 8.12 The intention is to establish a Teckal compliant company with Capital Letters; therefore, the Procurement Regulations will not apply to services provided through Capital letters.
- 8.13 Should approval be given to join the Capital letters an alternate commissioning process will need to be established

Legal

- 8.14 The Council owes a number of duties and has a number of powers to accommodate the homeless and those threatened with homelessness under a number of provisions in Part VIII of the Housing Act 1996.
- 8.15 The Council is entitled to bring its duties to an end by a suitable "private rented sector offer" made under s193 (7AA)-(7AD).
- 8.16 The Council under section 1 of the Localism Act 2011 has power to do anything that individuals generally may do but there are some exceptions. The general power confers power on the Council to do things for a commercial purpose and where, in exercise of the general power, the Council does things for a commercial purpose, the Council must under section 4 do them through a company.
- 8.17 It is stated in paragraph 6.17 of this report the Company will be a Teckal compliant company. In order to ensure this is the case any services provided to non-Members must be less than 20%. This should be monitored to ensure continued compliance with Regulation 12 of the Public Contract Regulations 2015.

9. Equality

- 9.1 The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act.

- Advance equality of opportunity between people who share those protected characteristics and people who do not.
 - Foster good relations between people who share those characteristics and people who do not.
- 9.2 The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.
- 9.3 This report relates to membership of the Capital Letters scheme, which seeks to procure accommodation for statutory homeless households. The decision will therefore primarily affect individuals and households currently living in temporary accommodation and those who are most at risk of homelessness.
- 9.4 Data held by the Council suggests that women, young people, and BAME communities are over-represented among those living in temporary accommodation. Furthermore, individuals with these protected characteristics as well as those who identify as LGBT+ and individuals with disabilities are known to be vulnerable to homelessness, as detailed in the Equalities Impact Assessment of the Council's Draft Homelessness Strategy.
- 9.5 Currently Haringey seeks to find any accommodation if can within the borough but in many cases, this needs to be in neighbouring boroughs. At the same time, neighbouring boroughs place households outside of their borough in Haringey. This scheme will help both Haringey and its neighbours rationalise the placements by prioritising lets to households from the host borough where practical. It will therefore increase the likelihood that statutory homeless households will be placed near to their previous accommodation.
- 9.6 It is reasonable to anticipate that this will benefit the groups identified above, including BAME communities and women, while also improving outcomes for those who are more likely to have regular contact with services, such as female-headed lone parent households and individuals with long-term health conditions, by maximising service access continuity.
- 9.7 An Equalities Impact Assessment which covers the placement of households in and out of the borough was completed as part of the Temporary Accommodation Placement policy and is published here:
https://www.minutes.haringey.gov.uk/documents/s88241/Supply%20Plan%20Cabinet%20report_Oct16%20App3%20TA%20EqIA%20v2%200.pdf

10. Use of Appendices

Appendix A: Extract from Articles of Association

Appendix B: Draft Members Agreement

11. Local Government (Access to Information) Act 1985

- Corporate Plan 2015-18
https://www.haringey.gov.uk/sites/haringeygovuk/files/corporate_plan_2015-18.pdf
- Housing Strategy 2017-22
https://www.haringey.gov.uk/sites/haringeygovuk/files/housing_strategy_2017-2022.pdf
- Homelessness Strategy 2018
<http://www.minutes.haringey.gov.uk/documents/s100152/Appendix1HomelessnessStrategyv24.pdf>

- Equalities Impact Assessment for Temporary Accommodation Placement policy
https://www.minutes.haringey.gov.uk/documents/s88241/Supply%20Plan%20Cabinet%20report_Oct16%20App3%20TA%20EqIA%20v2%200.pdf.
- Part Three, Section D - Responsibility for functions: Local Choice Functions
<http://www.minutes.haringey.gov.uk/documents/s95510/Part%203%20Section%20D%20-%20Responsibility%20for%20Functions%20Local%20Choice%20Functions.pdf>