



CABINET

16th December 2020

Subject Heading:

Capital Letters – Procurement of Affordable Private Rented Sector Properties

Cabinet Member:

Councillor Joshua Chapman, Lead Member for Housing

SLT Lead:

Patrick Odling-Smee, Director of Housing

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Policy context:

Havering Council have a statutory duty to accommodate homeless households in line with the Housing Act 1996 as amended by the Homelessness Act 2002 and use private sector market to fulfil these duties.

Delivery of the Prevention of Homelessness and Rough Sleeping Strategy.

Financial summary:

For an annual contribution of £100,000 from the Flexible Homeless Support Grant a saving of £170,000 could be delivered by provisioning properties through Capital Letters.

Is this a Key Decision?

Yes

When should this matter be reviewed? *N/A*

Reviewing OSC: *Towns and communities*

The subject matter of this report deals with the following Council Objectives

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[]
Connections making Havering	[]

SUMMARY

1. In order to meet the objectives of the Prevention of Homelessness and Rough Sleeping Strategy and to reduce the costs of temporary accommodation and homelessness prevention this report proposes that the Council joins Capital Letters (London) Limited. This is a joint procurement vehicle for private sector housing between London boroughs formed with significant funding from the MHCLG. Joining Capital Letters is one of a range of options being proposed to meet the increasing homelessness demand and reduce the costs to the Council. To a degree, joining Capital Letters will also enable the Council to control placements by other London boroughs in Havering.

RECOMMENDATIONS

Cabinet is asked to:

2. Agree to join Capital Letters (London) Limited, a company limited by guarantee established by the London boroughs, as a **member**. This will procure or lease accommodation for the benefit of those London boroughs that become members of the company including signing the relevant Membership Agreement and Deed of Adherence.
3. Agree to pay the annual sum of £100,000 from the Flexible Homelessness Support Grant to Capital Letters.
4. The Agree that the Council is represented as a Member by Cllr Chapman and note that this can be changed subject to availability for any Member Meetings.

REPORT DETAIL

Strategic Objectives

5. The recently published Prevention of Homelessness and Rough Sleeping Strategy 20-25 outlines the need to reduce the numbers of households in temporary accommodation as well as improve the quality of accommodation on offer. This is being done through a number of different initiatives where we are:
 - Developing a new Private Sector Leasing Scheme and responding to the internal audit

- Addressing the needs to accommodate single people with complex in specialist supported accommodation
 - Delivering very effective homeless prevention service with a prevention rate of 87.5%
6. The housing pressures on low income households in London have perhaps never been higher. This pressure has been increased as a result of COVID-19 and the anticipated increase in homelessness when the ban on evictions is removed, the furlough scheme ends and redundancies increase. Even more than before a more co-ordinated effort is required from Councils across London to source an improved supply of suitable accommodation to meet demand.
 7. In March 2019, there were 84,740 households in temporary accommodation nationally across England, an increase of 76% since March 2011. 66% of these households are placed by London boroughs. Havering currently has over 800 households in PSL properties in the borough.
 8. The recent spikes in homeless demand where August and September has seen an increase of 29% and 63% respectively in homeless approaches on the previous year leading to inflated expenditure in our Find-Your-Own rent deposit scheme. Our highest spend to date reaching £118,000 in a single month. We envisage that a continuation of such an upward trend in homelessness approaches could lead to additional pressures to place in temporary accommodation and risk to the current rate of prevention of homelessness. It is imperative we continue to develop the service and provide as many pathways into alternative accommodation for households as possible. One of these pathways includes the Capital Letters programme.
 9. Properties procured by Capital Letters are a mixture of:
 - a. Private Rented Sector properties let by the property owner to households nominated by Councils, and;
 - b. Properties leased directly from landlords or managing agents.
 10. All properties procured in the borough of Havering by Capital Letters will be procured for Havering Council on a first refusal basis. Havering Council will establish a robust property matching service to ensure that all properties are let to Havering residents. The current position of Havering not being a member of Capital Letters means that other boroughs procuring properties in Havering as a members of the Capital Letters and we have no control or influence over them. As members of Capital letters we will gain some control on this activity to ensure local people benefit as far as possible.
 11. Havering will be able to transfer existing leased properties into Capital Letters, which as a private landlord will be eligible for 100% Local Housing Allowance (LHA) from the Department of Work and Pensions, which on average across London is £35p.w. higher than the current rate for borough let Tenancy Agreement, which is currently 90% of 2011 LHA levels. This will be done through

the termination of the existing lease and the landlord entering into a new lease with Capital Letters. This can be carried out through existing delegations.

12. Capital Letters also provides a tenancy sustainment service which is an integral part of the offer, enabling households to successfully maintain their tenancies, thus avoiding repeat homelessness, whilst also giving landlords confidence about the security of their income and condition of the property.

Capital Letters

13. Capital Letters was established in December 2018 to increase the supply of good quality rented accommodation for homeless households across London. They have already procured over 3,600 properties across London which have been used by the current 17 owning boroughs. Some of these have been procured in Havering and used by other boroughs. By joining the scheme we will get nomination rights to Havering properties and information regarding placements in other boroughs.
14. Capital Letters is a not-for-profit company limited by guarantee. It has been supported by MHCLG using top sliced Flexible Homelessness Support Grant, to alleviate the costs to boroughs of providing accommodation, to encourage greater efficiency, and provide extra staffing, IT and other resources to increase supply and improve the service offered to both tenants and landlords.
15. By removing competition and duplication of effort, and by providing an organisation to represent all the London boroughs, Capital Letters offers a simpler and more straightforward interface (a One Stop Shop) for landlords, managing agents and developers anywhere in London who are able to provide properties for those families and other households most in need of accommodation. Capital Letters also offers faster payments to landlords (on behalf of member boroughs) and the confidence that they will be supported during tenancies as well as the households living in their properties.
16. It is envisaged that Capital Letters will have a staff complement of circa 150 and an annual income of £23m. By this stage the company will have secured some 20,000 additional properties to help prevent and tackle homelessness, and will have an estimated 3,000 properties either fully or partially under its management.
17. Participating boroughs who become members of Capital Letters will initially second 2 members of staff from our property procurement team performing this function to Capital Letters or contribute equivalent financial amount.
18. Boroughs will be allocated at least as many properties over the first year as were procured by its staff in the previous year. Any additional properties are allocated to the participant boroughs in proportion to the staff resources they have contributed through secondment or funding of 2 members of staff recruited directly by Capital Letters.

19. The Capital Letters' governance process requires the third wave of boroughs to secure internal approval to join the company by mid-March 2021 so the Borough Representative Body can confirm their membership at their meeting on 23 March 2021. However, the actual date of implementation will be designed to suit Havering Council's internal timescales and operational arrangements. However procurement activity can commence prior to formal confirmation of membership.
20. Subject to the decision taken under this report and call-in, the Cabinet is asked to agree that Havering Council intends to join the company with effect from December 2020, or shortly thereafter.

This report asks Cabinet to agree that Havering Council become a **member** of Capital Letters (London) Ltd. Capital Letters is a not-for-profit Company Limited by Guarantee. Boroughs will become members of the company in order to participate in and benefit from its activities and access the MHCLG funding.

21. The company has been 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. It is also REg 12 Public Contract Regulations 2015 compliant.
22. The activity of the company is being supported by a digital Property Listing Platform (PLP). The system is operational and allocating properties to existing member boroughs.

Savings

23. The MHCLG has allocated £38 million over three years, top sliced from the Flexible Homeless Support Grant (FHSG). MHCLG funding is being used in the following three ways:
- Contribution to Private Sector Leases (PSL).
 - PRS placement incentive. This year the grant is £1,050 to top slice the incentive payment boroughs make to landlords for each PRS property we procure.
 - Central cost contribution, e.g. procurement staff, tenancy sustainment staff, IT and premises.

REASONS AND OPTIONS

Reasons for the decision:

24. The Prevention of Homeless and Rough Sleeping strategy outlines the need to procure accommodation of a higher quality and value standard to meet variations in need. With Capital Letters we are able to meet the homeless demand without placing additional pressure on placing households in temporary accommodation.

Other options considered:

25. As detailed in the body of this report, the Council is undertaking a range of activities to ensure there is supply to meet demand, where possible. This option compliments those already in use and/or being developed.

Do Nothing:

26. The directorate is likely to receive further demand challenges leading to additional cost to the Council and a return to bed and breakfast or nightly charged accommodation.

IMPLICATIONS AND RISKS

Financial implications and risks:

27. Although the provision of Find Your Own is one of the Housing's existing high cost areas, Capital Letters intervention will play a significant role in stemming demand and this provision over the long term is imperative to avoid the use of comparatively higher cost Bed and Breakfast (B&B) or other nightly charged temporary accommodation.
28. The Council currently spends £639k on incentives to prevent homelessness by enabling households moving into the private rented sector. Access to the supply of properties through Capital letters will reduce this cost through the subsidy provided by the MHCLG.
29. For an annual contribution of £100,000, Capital Letters will procure properties in Havering for use by the Council, which could deliver savings of £170,000 based on the model used in the other member boroughs. This is based on;
30. Avoiding placing 25 households into our own PSL properties at the net cost of £2,000 giving an annual saving of £50,000 and returning the properties to the Landlords
31. The Council currently prevents around 10 households a month from becoming homeless through the discharge of its duty. They are offered privately rented sector accommodation and support through a rent deposit. The average rent deposit is £1,000. Not making these payments could save £120,000 a year, based on 10 households per month at a saving of £1,000 each.

Other financial risks

32. The suggestion from MHCLG is the FHSG will be available in 2021/22 and provide a similar level of funding to this year. The grants availability is less certain thereafter.

33. Capital Letters is initially a 3 year arrangement, funded by MHCLG. What happens at the end of this term is uncertain at this stage, as are the risks to its member councils.

Legal implications and risks:

34. The recommendations in this report is for the Council to join and participate in the Company giving the Council access to MHCLG funding for the purpose of acquiring temporary accommodation letting to enable the Council to satisfy its obligations under homeless legislation. The Council is required to make funding available to the Company and the company can access the central funding for the benefit of residents.
35. The Company is a company limited by Guarantee and the Council's liability is restricted to £1. The Council will be required to nominate a representative to act as Member on behalf of the Council.
36. The Council has the power to enter the arrangement and join as a Member by exercising its general power of competence under s1 Localism Act 2011 which gives the Council the power to do anything that individuals generally may do subject to any statutory limitations.
37. The Council has a duty under the Housing Act 1996 to ensure that accommodation is available for eligible applicants who are homeless, in priority need and not intentionally homeless. s188 provides that interim temporary accommodation is made available if the applicant meets the appropriate criteria and where a housing duty is accepted under s193, the Council is obliged to provide housing assistance. In meeting that duty, s111 Local Government Act 1972 enables the Council to do anything which is calculated to facilitate, or is conducive to or incidental to, the discharge of any of its functions, this would enable the Council to join the Company as a member in order to meet its functions.
38. The arrangements are that the services will be delivered by the jointly owned Company outside any procurement regime under Public Contract Regulation 2015. Reg 12 permits direct award of services being delivered by companies jointly owned by public authorities, subject to a limit of no more than 20% of its activity being available on the open market. The final form of the arrangements for participation will be checked before any agreement is entered into.
39. Any secondment of staff is permissible by way of Reg 12 where the Council is able to provide services to the Company. Such arrangements are to be made with the consent of the individual member of staff.

Human Resources implications and risks:

40. The proposals contained in this report are likely to lead to the need to second Havering employees to Capital Letters (London) Ltd. All such secondments will be managed in accordance with the Council's Secondment Policy.

Equalities implications and risks:

41. The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have 'due regard' to:
- a. The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
 - b. The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
 - c. Foster good relations between those who have protected characteristics and those who do not.
42. Note: 'Protected characteristics' are age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sex/gender, and sexual orientation.
43. The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.
44. The provision of high quality private sector accommodation close to family and support will have a positive impact on the quality of life for households with protected characteristics.

Health and Wellbeing implications and Risks

45. The implementation of this programme will benefit the health and wellbeing of vulnerable residents. Capital Letters seeks to secure affordable, better quality private rented properties on the open market. There will be emphasis to place households in the Havering borough which will reduce the pressures of upheaval particularly for children in schools.
- LBH will support this delivery to ensure that rehomed ex-homeless households have full access to primary and secondary health services (including mental health) – recognising that the impact of homelessness can have a long lasting effect
 - Therefore working with landlords, managing agents etc., to build in links with health services, including substance misuse services where appropriate
 - Similar re access to employment, and ensuring that children living in households previously homeless have appropriate support to learning tools (e.g. access to wifi and remote learning devices)