

## Background Detail

### 1.0 Capital Letters

- 1.1 The immediate background to this work is the increasing burden of homelessness and the resulting provision of Temporary Accommodation and homelessness prevention placements. In March 2017 there were 77,240 households in TA nationally, an increase of 60 per cent since March 2011. Seven out of ten of these households are placed by London boroughs. The cost of providing TA in 2015/16 (£845 million) accounted for more than three quarters of the total cost of providing homelessness services nationally (£1.15 billion).
- 1.2 In recognition of this MHCLG have provisionally allocated £39 million over three years, top sliced from the Flexible Homeless Support Grant (FHSG). As a minimum they have agreed to fund the first phase of the project. It is hoped that they will also fund the second phase, but bidding for this will take place in the next spending review and therefore they are unable to provide a definitive position on the funding. 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.
- 1.3 MHCLG funding is expected to be used in the following three ways:
1. Contribution to Private Sector Leases (PSL)
  2. PRS placement incentive
  3. Central cost contribution, e.g. for additional procurement staff, tenancy sustainment staff, IT and premises
- 1.4 Participating boroughs who become full members of Capital Letters will initially second staff from their procurement teams performing this function to Capital Letters. This will allow the existing skills, expertise, local knowledge and client relationships held by those officers to be absorbed into Capital Letters.
- 1.5 The activity of seconded staff continuing with the procurement activities they were previously undertaking for their borough, will be supplemented by approximately 20 additional staff employed directly by Capital Letters. It is anticipated that this will lead to 4,300 additional properties within Greater London being procured in the first three years.
- 1.6 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. Any additional properties would 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. Proposed allocation policy principles are set out in Appendix C.

- 1.7 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, for example through Discretionary Housing Payments (DHP) or other existing budgets when Local Housing Allowance (LHA) rates do not cover full rent. They will be made lower for local authorities as a result of the MHCLG subsidy.
- 1.8 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. It will also be Teckal compliant.
- 1.9 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.
- 1.10 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.
- 1.11 A minimum condition of being an A member of Capital Letters is that at least 50% of the annual supply of new non-emergency accommodation for homeless households for that borough is provided by Capital Letters in the first year. This is a minimum requirement, many boroughs will put through a higher percentage of their supply.