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| <p align="center">GRANTS DETERMINATION SUB-COMMITTEE</p> <p align="center">1st May 2019</p> |  |
| <p>Report of: Mark Baigent, Divisional Director Housing & Regeneration</p> | <p>Classification: Unrestricted</p> |
| <p>Homelessness Prevention Procurement Hub (“Capital Letters”) MHCLG Sub-Grant Agreement</p> | |

Executive Summary

In September 2018, the Mayor in Cabinet approved Tower Hamlets as the Lead Borough of the Pan-London Homeless Prevention Procurement Hub (“Capital Letters”) and approved the incorporation of Capital Letters (London) Ltd to deliver better outcomes for homeless Londoners and those at risk of homelessness.

MHCLG has awarded £37.8m to the programme; as lead borough Tower Hamlets is the Grant Recipient. The Mayor acknowledged the requirement for further discussions to approve a Sub-Grant Agreement to allow Capital Letters (London) Ltd to draw on the MHCLG grant. This report recommends that the sub-committee pass on MHCLG grant funding that the Council receives to fund the company.

Recommendations:

The Grants Determination Sub Committee is recommended to:

1. Authorise the award of grant funding of up to £37.8m to Capital Letters (London) Ltd through a Sub-Grant Agreement; drawing on the grant from the MHCLG awarded to Tower Hamlets, Lead Borough of the Pan-London Homelessness Prevention Procurement Hub programme.
2. Authorise the Corporate Director, Place to enter into a grant agreement and make decisions relating to paragraph 1 above.

1. REASONS FOR THE DECISIONS

- 1.1 On 28th September 2018, the Mayor in Cabinet agreed to join a Company Limited by Guarantee (CLG), in order to reduce the costs of temporary accommodation and deliver improved outcomes for homeless families by, as a group of London boroughs, jointly procuring and managing accommodation across London. Delegated authority was given to the Corporate Director, Place.
- 1.2 The company is called “Capital Letters (London) Limited” and was incorporated on 17th December 2018 as Company Number 11729699.

- 1.3 The Cabinet noted that £38 million over three years was potentially being made available by MHCLG, specifically for pan-London collaboration on the procurement of accommodation for homeless households. £37.8 million funding was subsequently agreed, as a top-slice from the Flexible Homelessness Support Grant.
- 1.4 Delegated authority was used to agree a Memorandum of Understanding (MoU) between the Council and MHCLG on 27/11/2018, stating that Tower Hamlets would be the lead borough for the project, in direct receipt of the funds from MHCLG. The MoU states that funds would be used exclusively for Capital Letters purposes, and after the incorporation of the company, would be transferred to Capital Letters.
- 1.5 The decisions recommended are required to enable Capital Letters to draw on the MHCLG funding. For Capital Letters to continue setting up as an organisation and to commence delivery of services to its members, the funds, already partially transferred to Tower Hamlets, will be required by the company.

2. ALTERNATIVE OPTIONS

- 2.1 There is the option not to award the Sub-Grant Agreement and withdraw from the Memorandum of Understanding with MHCLG. This would result in a lost opportunity for the council to lead a collaborative effort between an initial 13 borough councils to deliver better options for homeless families within Tower Hamlets and across London. Dropping out of the Capital Letters programme, the Council would struggle to achieve General Fund budget savings by providing cheaper temporary accommodation for the Council. It would also lead to a significant worsening in the relationships between Tower Hamlets and the 12 other member boroughs of Capital Letters, as well as the relationship between Tower Hamlets and central government.

3. DETAILS OF THE REPORT

- 3.1 Capital Letters (London) Ltd has made significant progress towards a targeted operational launch in June 2019. A Sub-Grant Agreement is required to ensure Capital letters (London) Ltd can draw on the MHCLG Flexible Homelessness Support Grant top-slice funding and continue progressing towards its targeted launch.
- 3.2 A company bank account has been set up, and recruitment for a Chief Executive and Finance Director is underway. Part of the role of Finance Director will be to oversee financial reporting to member boroughs.
- 3.3 The Council will receive the funds as Capital Letters reaches milestones laid out in the Memorandum of Understanding between MHCLG and the Council. Funds covering years two and three of the programme are conditional on the performance of Capital Letters. It is proposed that the bulk of this funding is passed directly to Capital Letters (London) Ltd. Some funds will be spent directly by the Council for consultancy services procured in relation to setting up the Capital Letters project.
- 3.4 Capital Letters (London) Ltd will appoint auditors to ensure compliance with the relevant finance regulations and relevant Tower Hamlets finance policies.
- 3.5 Please see Appendix A for the 26th September 2018 Cabinet Report detailing the programme in greater depth.

- 3.6 Please see Appendix B for the Memorandum of Understanding agreed between MHCLG and Tower Hamlets as the lead borough for the Capital Letters initiative.

4. EQUALITIES IMPLICATIONS

- 4.1 The proposed collaborative procurement and ownership company will provide cheaper and better quality temporary accommodation for homeless families, thus promoting improved life chances and outcomes for a group of people over-represented in terms of protected equality categories compared with the general population.

5. STATE AID AND OTHER STATUTORY IMPLICATIONS

- 5.1 Capital Letters (London) Ltd is a not for profit company limited by guarantee. There are therefore no State Aid implications for the Council in providing grant funding to the company, as it operates in the general economic interest with a social purpose.

5.2 BEST VALUE (BV) IMPLICATIONS

This programme is intended to deliver cheaper and better quality temporary accommodation both locally and across London, achieving General Fund budget savings by providing a cheaper alternative to B&B and nightly paid accommodation.

The Tower Hamlets savings achieved will be monitored and reported to Members as part of the overall Homelessness budget position.

5.3 RISK MANAGEMENT IMPLICATIONS

The Council will take on a liability to repay the MHCLG flexible homelessness support grant top-slice if grant conditions are not met and outputs are not achieved. The Sub-Grant Agreement needs to be a robust agreement to minimise risk for the Council.

The risks in relation to procurement, management and allocation of properties will be held by the company, not falling to the Council itself.

Company Directors of Capital Letters (London) Ltd are registered with Companies House and Member boroughs, who have joint ownership of the company, have agreed the Articles of Association and the membership agreement.

5.4 CRIME AND DISORDER REDUCTION IMPLICATIONS

There are no specific implications.

5.5 SAFEGUARDING IMPLICATIONS

There are no specific implications

6. COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 6.1 The Council is one of a group of London local authorities that has secured financing of £37.8 million from the MHCLG toward an initiative to deliver better outcomes for homeless Londoners and those at risk of homelessness. The funding has been made available following a MHCLG top slice from the Flexible Homelessness Support Grant.

- 6.2 The Mayor in Cabinet on 26th September 2018 agreed that the Council would become a founding member of a company limited by guarantee – ‘Capital Letters’ - that will procure and manage temporary accommodation part funded through the MHCLG grant allocation. The MHCLG requires one authority to be paid the grant, so approval was also given for the Council to act as the accountable body in order to receive the grant funding and pass it to the company. In addition it was agreed that the Interim Divisional Director of Housing and Regeneration would be appointed as the Council’s company representative. The original Cabinet report is attached as Appendix 1 and includes detailed finance comments and implications of the project in section 6.
- 6.3 A Memorandum of Understanding (MOU) between the Council and the MHCLG in respect of the project has subsequently been signed and is included as Appendix 2. This report seeks the approval of the Grants Determination Sub-Committee to now authorise the award of grant funding of £37.8 million to Capital Letters (London) through a Sub-Grant Agreement.
- 6.4 The MOU sets out the grant funding profile by year in paragraph 8 as follows:

| | £ |
|--------------|-------------------|
| 2018-19 | 1,100,000 |
| 2019-20 | 7,000,000 |
| 2020-21 | 12,900,000 |
| 2021-22 | 16,800,000 |
| Total | 37,800,000 |

It should be noted that the continuation of the grant funding is dependent on the company’s performance in the previous financial year. The annual KPIs from the delivery plan are included in paragraph 19 of the MOU.

- 6.5 The MOU details the specific milestones in relation to the release of the first year’s tranche funding. These are set out in paragraph 10 of the MOU and relate to the establishment of the company. As at 31st March 2019, the first three milestones had been met, meaning that grant income of £500,000 was received from the MHCLG, with agreement that the residual entitlement of £600,000 can be claimed during 2019-20. Any costs that the Council has incurred in establishing the company will be recovered through a top slice from the allocation, as will future administration costs.
- 6.6 As the accountable body, the Council will be liable to repay funding if the grant conditions are not met or outputs are not achieved. It is therefore essential that the Sub-Grant Agreement and any other legal documentation protects the Council’s assets and minimises its exposure to risk.

7. COMMENTS OF LEGAL SERVICES

- 7.1 The Council is legally obliged to grant the money to Capital Letters (London) Limited by virtue of the grant agreement MOU executed with the MCHLG. Failure to do so would require the Council to return the grant to the grant funder.
- 7.2 However, the Council is still bound by the Best Value statutory duty and will therefore have to monitor the expenditure of funds by Capital Letters. The Council will also ensure that any expenditure complies with the grant terms stated in the MOU. Both

these aspects will be controlled via the terms of the grant agreement executed between the Council and capital letters.

- 7.3 Capital Letters is a contracting authority for the purposes of the Public Contracts Regulations 2015 and therefore, expenditure of the grant funds must also follow similar competitive tendering processes as apply to the Council.
- 7.4 The decision to make this grant does not have any immediate Equalities Act implications. However, the Council does have a duty to ensure that its contractors and agents also comply with the Act and this will be taken into account when Capital Letters make subsequent decisions relating to the use of the funding

Linked Reports, Appendices and Background Documents

Linked Report

- Appendix A: 26th September 2018 Cabinet Report

Appendices

- Appendix B: Memorandum of Understanding between MHCLG and Tower Hamlets.

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

- NONE

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