

THIS DRAFT IS NOT GOVERNMENT POLICY

Capital Letters: Memorandum of Understanding

Agreed: 16 November 2018

1. Purpose of the Memorandum of Understanding

1. This Memorandum of Understanding has been drafted to set out the principles and practices that will apply to the working relationship between MHCLG and the London Borough of Tower Hamlets with regard to delivering the Government-funded Capital Letters project.
2. The Memorandum of Understanding sets out the monitoring arrangements and responsibilities, accountability and governance structures, financial arrangements, strategic vision, and evaluation of the project.
3. This memorandum should guide future relationships, and be subject to review where appropriate (at least annually) to ensure that it continues to reflect organisational structures and activity, is intended to cover the duration of the pilot periods, inclusive of any reporting or feedback. As such, the Memorandum of Understanding is intended to run from September 2018 until March 2022 which covers the setup, implementation and delivery of the project. *[The end date for the MoU will be amended should the dates stated be extended]*. In such circumstance MHCLG will formally write to the London Borough of Tower Hamlets to notify of this change.
4. While this document is not a legal or binding agreement, all parties are committed to honoring it. The agreement will need to be updated to take account of any possible future changes in the wider relationship between the parties involved.
5. The document outlines the actions which are necessary to provide Government and local partners with assurance that decisions over funding are proper, transparent, and that they deliver value for money. In performing its role, the parties will continue to ensure that it acts in a manner that is lawful, transparent, evidence based, consistent and proportionate.
6. This document does not replace any of the checks and balances prescribed by the existing accountability system and local authorities' statutory responsibilities, such as those set out in the Local Government Fiscal Framework, the MHCLG Accountability System Statement for Local Government.

2. Funding Composition and Payment Mechanism

7. A third party company – Capital Letters – will be set up with funding for the company provided by MHCLG directly to the London Borough of Tower Hamlets via a Section 31 grant agreement.
8. Total funding over the 4 years of the project is as follows.

Year	Funding
2018-19	£1.1 million
2019-20	£7 million
2020-21	£12.9 million
2021-22	16.8 million
Total	£37.8 million

9. This budget covers the period from delivery of funding until March 2022. If there are any delays in the project, the London Borough of Tower Hamlets must notify MHCLG as soon as they're known.
10. The first year tranche funding will be released to the London Borough of Tower Hamlets subject to the following milestones in the set up of Capital Letters being reached:

Milestone	Date of completion	Maximum payment claim at each milestone
Milestone 1 IT procurement launched	20 November 2018	£300k
Milestone 2 Company incorporated	26 November 2018	£100k
Milestone 3 First wave of boroughs confirmed	3 December 2018	£100k
Milestone 4 CEO recruitment launched	17 December 2018	£100k
Milestone 5 Office space identified	4 February 2019	£300k

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Milestone 6 Agreement of procurement quotas with boroughs	4 March 2019	£100k
Milestone 7 Initial transfer of properties from boroughs to CL	18 March 2019	£100k

11. The second year tranche funding will be released in April 2019, the third year tranche in April 2020 and the fourth year tranche in April 2021– allocations are subject to performance in the previous financial year (details below).
12. This investment is for the sole purpose of setting up and delivering of Capital Letters. Anticipated outcomes are listed within the Monitoring & Evaluation section.
13. It will be the London Borough of Tower Hamlets' responsibility to provide assurance to their MHCLG account manager that funding is accounted for and is only applied to Capital Letters based activity.

3. Role of Capital Letters

14. The purpose of Capital Letters is the creation of a local government owned company to procure and manage accommodation across London, with the aim of improving efficiency, improving the quality of temporary accommodation and promoting the use of private rented sector offers to end a homelessness duty.
15. The main activities that Capital Letters will carry out are:
 - I. The procurement and allocation of new PRS and PSL properties.
 - II. The transfer of a proportion of existing temporary accommodation from the boroughs to Capital Letters, who will lease or license the properties from the borough making the transfer, from the landlord, or from the managing agent.
 - III. The transfer or renegotiation of contracts between participant boroughs and TA suppliers to Capital Letters.
 - IV. The marketing of Capital Letters to landlords and property developers as a new potential client and partner.
16. A plan for how Capital Letters will work in practice is set out in the delivery plan at annex B.

4. Governance and reporting

17. The London Borough of Tower Hamlets is the accountable body for the funding, and responsible for providing reporting on the progress of the project, submitting grant claims and providing any further assurance to MHCLG as necessary.

Agreed Outputs

18. In order to measure and track progress of Capital Letters it is necessary to establish a set of delivery outputs reached through mutual agreement between the London Borough of Tower Hamlets and MHCLG. The purpose of such outputs is in part to allow the London Borough of Tower Hamlets to monitor progress against Capital Letters stated aims and for MHCLG to perform its roll in accounting for the use of public funds.
19. The London Borough of Tower Hamlets is to make every effort to ensure, in line with the KPIs set out in the delivery plan, that by:

End of Year 1:

- Capital Letters is set up and fully operational and at least eight local authorities are members of the company.

End of Year 2:

- 3,400 additional properties have been procured by Capital Letters
- 5,000 temporary accommodation properties have been transferred to Capital Letters from boroughs
- 7,000 households have either had their homelessness prevented, relieved or their main duty ended via Capital Letters.
- 70 properties procured per year per procurement officer employed
- Cost of management of leased properties is £30 per week.

End of Year 3:

- 10,500 additional properties have been procured by Capital Letters*
- 12,500 temporary accommodation properties have been transferred to Capital Letters from boroughs*
- 20,000 households have either had their homelessness prevented, relieved or their main duty ended via Capital Letters*
- 75 properties procured per year per procurement officer employed
- Cost of management of leased properties is £30 per week.
- At least 21 local authorities are members of the company.

End of Year 4:

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- 19,500 additional properties have been procured by Capital Letters*
- 14,000 temporary accommodation properties have been transferred to Capital Letters from boroughs *
- 35,000 households have either had their homelessness prevented, relieved or their main duty ended via Capital Letters*
- 80 properties procured per year per procurement officer employed
- Cost of management of leased properties is £30 per week.
- At least 24 local authorities are members of the company.

*cumulative figure

Reporting arrangements and Governance structures

20. MHCLG will make available a named account manager who will be the primary point of contact in the department and responsible for the on-going monitoring of Capital Letters' delivery.
21. The London Borough of Tower Hamlets is required to make a quarterly return to the account manager using a standardised performance management form. An example of a performance management form that will be used can be found at annex A.
22. The performance management form will contain key performance indicators such as:
 - I. Number of boroughs signed up to the project as full active members
 - II. Number of additional properties procured by Capital Letters
 - III. Number of Temporary Accommodation properties transferred to Capital Letters from boroughs
 - IV. Combined Number of Homelessness Preventions, Homelessness Reliefs, and Ending of Main Homelessness Duties via Capital Letters
 - V. Number of new properties procured per year per procurement officer employed
 - VI. Cost of Management of leased properties
23. The London Borough of Tower Hamlets is committed to working collaboratively with the account manager to report on progress and escalate issues in a timely manner.
24. Quarterly data returns will inform the monthly MHCLG Homelessness Programme Board, with any auditing performed by the account manager. This data return will be supplemented by a quarterly "face-to-face" monitoring meeting and an end-of-year review.

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25. The end of year review will also be a decision point for granting subsequent year's funding. This will be based on a holistic assessment of the success of delivery. Any decision by MHCLG to reduce funding would need to be given with three months' notice.

26. MHCLG will also be a non-voting member of Capital Letters' board.

27. MHCLG will establish a Capital Letters project board, to advise on delivery at a high-level.

6. Data Protection

28. MHCLG and the London Borough of Tower Hamlets will co-operate with one another in order to enable each party to fulfil its statutory obligations under the General Data Protection Regulation (EU) (2016/679) as amended, superseded or replaced from time to time.

7. Signatories

SIGNED for and on behalf of

The Secretary of State for the Ministry of
Housing, Communities and Local
Government

SIGNED for and on behalf of

London Borough of Tower Hamlets

Name John Hall

Position Director, Homelessness

Signature

J. A. Hall

Date

16/11/2018

Name JANET FASAN

Position

DIVISIONAL DIRECTOR - LEGAL

Signature

[Handwritten Signature]

Date

27/11/2018

02/12/2018

8. Annexes

Annex A – Performance Monitoring Form

Annex B - Delivery plan

- Project timeline
- Model of procurement
- Financial modelling
- KPIs
- Milestones
- Progress reporting
- Identification of risks and mitigations

