

Housing Select Committee			
Title	Capital Letters – Collaborative Pan London Accommodation Procurement Initiative		
Key decision	Yes	Item no	5
Wards	All		
Contributors	Executive Director of Customer Services Head of Law		
Class	Part 1	18 th September 2018	

1. Purpose of report

- 1.1 The purpose of this report is to:
- summarise the details of a London Councils led proposal, working with the London boroughs, to establish a London wide procurement vehicle to deliver new supply of leased and private rented sector (PRS) accommodation for families who are homeless or threatened with homelessness.
 - seek comments from the Housing Select Committee on this proposal to incorporate into the report to Mayor & Cabinet.

2.0 Background

- 2.1 The numbers of homeless households in bed and breakfast/nightly paid accommodation continues to rise across the Capital. Housing pressures on low income households in London have never been higher and a more co-ordinated effort is required from Councils across London to source an improved supply of suitable, more secure accommodation to meet ever rising demand and reduce competition between boroughs.
- 2.2 London Housing Directors and London Councils have been working on a model which would enable better outcomes for families who are homeless or at risk of homelessness. The model being developed is Capital Letters. This report outlines the principles behind this model and supports Lewisham's early membership as an *A member*, alongside a number of other London boroughs. Details of the boroughs who have confirmed membership will be made available at Committee.
- 2.3 The establishment of Capital Letters is being supported by £38m grant from MHCLG, top sliced from the London boroughs Flexible Homelessness Support Grant. This grant will be available to support increased procurement of leased and PRS lettings and help alleviate the costs to boroughs of providing temporary accommodation. The grant will also support the set up costs of the company including staffing and IT costs. In addition to the grant the financing of this model is supported by access to 100% Local Housing Allowance (LHA) from the Department of Work and Pensions, which on average across London is approximately £35pw higher than the current rate Boroughs can access set at 90% of 2011 LHA levels. Access to these increased LHA levels and the grant will enable Capital Letters to work with providers to convert Self Contained Nightly Paid (SCNP) into leased

accommodation or PRS direct lettings. In both cases the Council will be able to discharge its duty as homeless families will be appropriately housed. Local Authorities cannot access 100% of the LHA for their leased accommodation that is procured and managed in house. Discussions continue on the potential contribution from the grant to the rent and management fee but in all options with access to 100% LHA the costs to the participating London boroughs are expected to be reduced.

- 2.4 Capital Letters is a joint endeavour between London boroughs to support more collaborative working to procure leased accommodation and move away from directly competing with each other which puts an upward pressure on rents. The main aim and benefit is for boroughs to move away from the use of B&B and Self-Contained Nightly Paid (SCNP) as the worst, most insecure and most expensive forms of temporary accommodation (TA) for homeless families. Moving customers from SCNP into a more stable leased home offering longer term tenancies and better and consistent standards of accommodation can only be a benefit to those families and provide improved outcomes for customers. It is also intended to offer a simpler and more straightforward interface for landlords, managing agents and developers operating anywhere in London who are able to provide properties for those families and other households most in need of accommodation. The aim is to provide TA accommodation for each borough that is closer to the home borough and avoid customer dissatisfaction and disruption from placements far away in other areas of London.
- 2.5 To be involved in this scheme at this stage would not put the Council at risk. Financial risks are limited as Capital Letters is a company owned by the London Boroughs and limited by guarantee. The Council would commit to work with Capital Letters to deliver a minimum of 50% of our leased and direct lets procurement requirements by seconding 50% of the negotiator staff to Capital Letters (either staff or funding) to procure properties, as they do now. These staff would need to retain strong links with the Council to maintain relationships with local landlords. The details of this arrangement will be worked through over the coming weeks with the Unions and Human Resources. There is also a 6 month break clause in the contract.
- 2.6 Capital Letters are also developing a future management service option for any new leased accommodation which can be accessed by paying a fee. Currently TA management is largely provided by Lewisham Homes following the transfer of services in September 2016. There are no plans to transfer management responsibility at this time to Capital Letters but this will be reviewed with Lewisham Homes as more details are made available, as the benefits of having services for customers delivered from one organisation are clear. In Lewisham however there would be an expectation that any provider who leased their accommodation through Capital Letters would provide services directly themselves with the possible exception of the rental collection.
- 2.7 Capital Letters will grow in phases. London Councils report that there are around 15 London Boroughs who are aiming to present reports to their Members for consideration before the end of December 2018 for membership in the first phase. It is planned that a second phase will follow one year later with the aim of including other boroughs in this second phase. There are also two types of membership - A and B. The distinction is noted in **Appendix A**. The majority of boroughs are reporting that they are looking for A membership because of the advantages of grant access and Board and decision making powers.

- 2.8 Properties are expected to be a mixture of Private Rented Sector properties let by the property owner to households nominated by the boroughs, and properties leased directly from landlords or from managing agents. The majority of accommodation will be settled accommodation to prevent homelessness or end a homelessness duty, and the intention is to achieve a significant reduction in the use of Temporary Accommodation by the London Boroughs, who may also transfer properties currently leased as temporary accommodation to Capital Letters to let as settled private rented sector accommodation.
- 2.9 Capital Letters will be established as a Company Limited by Guarantee, wholly owned by the member boroughs.
- 2.10 Initially staff will be seconded by the boroughs to Capital Letters. By the end of the third year of operation it is envisaged that Capital Letters will have a staff complement of around 270 officers and an annual income of £238m. The aim is to deliver all London borough temporary accommodation through this organisation, which will be a very different organisation that the initial model. By this stage it will have secured almost 20,000 additional properties to help prevent and tackle homelessness, and will have an estimated 13,000 properties either fully or partially under its management.

3.0 Policy context

- 3.1 The contents of this report are consistent with the Council's policy priorities:
- Decent homes for all - Investment in social and affordable housing, improve housing conditions and tackle homelessness.
- It will also help meet the Council's Housing Strategy 2015-2020 in which the Council commits to the following key objectives:
- Helping residents at times of severe and urgent housing need
 - Building the homes our residents need
 - Greater security and quality for private renters
 - Promoting health and wellbeing by improving our residents' homes
- 3.2 Lewisham's Housing Strategy also contains the provision to put in place the framework for the Council to use the private rented sector to house homeless families, so as to increase the supply of properties available to the Council to manage the rising number of homeless households in temporary accommodation.
- 3.3 On 25th March 2015, Mayor and Cabinet resolved that officers should use the existing power to discharge the Council's homelessness duty into the private rented sector, pending the development of a policy setting out exclusions, and establishing operating protocols to allow staff to successfully implement the policy. Since March 2015, local pressures regarding supply and affordability of accommodation have become more acute. Furthermore, the Council approved the Location Priority Policy, summarised below.
- 3.4 On 11th November 2015, Mayor and Cabinet approved a Location Priority Policy which sets out how the Council will allocate individual homeless households to the supply of temporary accommodation available to the Council, including temporary accommodation located out of the borough. It also approved a Temporary Accommodation Procurement Strategy which sets out how the Council intends to procure sufficient temporary accommodation to meet demand. The Locational Priority Policy was

developed to ensure the Council discharged its duty to ensure that so far as is reasonably practicable it secures that accommodation is available for the occupation of the relevant homeless applicant in the Borough, and in light of the Supreme Court decision in *Nzolameso v Westminster CC* [2015] UKSC 22.

4.0 RECOMMENDATIONS

4.1 The Housing Select Committee is asked to:

- a. Note the £38 million proposed over three years by MHCLG specifically for pan-London collaboration on the procurement of accommodation for homeless households
- b. Comment on this report in advance of a report which is proposed to go to Mayor & Cabinet in on the proposal for the Council to join Capital Letters London Ltd as an A Member
- c. Note the further work that will be required to develop the proposal in advance of the report to Mayor & Cabinet, including the further work required on financial modelling
- d. Note that it is proposed to appoint the Private Sector Housing Agency Manager (Madeleine Jeffery) as the Council's initial representative who will have the right on behalf of the Member to attend meetings of the Company, to vote and to exercise all rights of Membership on behalf of the Council.

5.0 BACKGROUND

5.1 The estimated aggregate financial benefit of the proposals to London Boroughs are up to £116m, plus potential savings on changing how placements are made and reduced repeat homelessness through tenancy sustainment. It will also build on the effective work through the Inter Borough Accommodation Agreement (IBAA) which has led to reduced spending through rate sharing and the application of a cap on rates paid for certain accommodation. Capital Letters will work within this system, and provide further opportunities to rationalise and secure efficiencies in the procurement of accommodation for homeless households.

5.2 It is proposed that Capital Letters will be set up according to the timescale set out in the table in **Appendix B** in a number of phases, so that not all Boroughs are required to join at first. It is proposed that Lewisham joins as an *A member*. There are a number of reasons why it would be advantageous for the Council to be part of the first wave of boroughs which are anticipated to start operations in April 2019:

- 5.2.1 The MHCLG subsidy per borough will be greater in the first year. This is important because it should provide a greater uplift to procurement numbers for the boroughs in the first wave. The MHCLG subsidy per property will also be greater in the first year.
- 5.2.2 Boroughs joining in the first year will receive an additional year's subsidy from MHCLG.

- 5.2.3 The boroughs involved in the set-up of the company will have much more control over the way it is organised and shaped than Boroughs who join later after the organisation has been established. Lewisham are currently represented on the steering, working and ICT procurement groups.
- 5.2.4 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 IBAA rates, there is nevertheless a significant risk that landlords and agents will prefer to work with Capital Letters than within individual boroughs 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.
- 5.2.5 It will be possible for the Council to secure more PRS and leased properties within the borough or close to Lewisham through Capital Letters as the open competition between boroughs will reduce as CL will allocate properties in part by the location of the property, thus reducing the need to place families in B&B and hotel annexes, in distant areas of London or outside London altogether. It would be better to secure these benefits sooner rather than later.
- 5.2.6 By accessing 100% of Local Housing Allowance Rates and a top up contribution from the MHCLG funding pot of £38M, the aim will be to convert all of the self- contained nightly paid accommodation (SCNP) used by the Council to leased accommodation and then transferred over to Capital Letters. This will support the Council's aim to get out of SCNP, will provide longer security of tenure for the customers and will enable the Council to discharge duty where appropriate so customers can get on with their lives and not have to focus on their homelessness. The grant is also envisaged to be used to support incentives payments for resettling customers directly into the PRS. A possible contribution of 50% is being considered.

6. ALTERNATIVE OPTIONS

- 6.1 There is the option not to join Capital Letters in the first phase. This would result in a lost opportunity to access MHCLG grant funding in the first year that would support the better management of costs of providing TA, increase the procurement of leased TA and move away from expensive nightly paid TA and to enable the placement of households closer to home.
- 6.2 The Council could alternatively join the company as a *B member*. This would still enable the Council to receive services from Capital Letters but would mean that the Council has less influence over the strategic direction of the company. It also means that the Council would not have access to MHCLG subsidy for newly procured properties. The distinction between A and B membership is noted in the Articles of Association, with the relevant section copied below in **Appendix A**.
- 6.3 Should the Council join the scheme as an *A member*, this would mean that at least 50% of the Council's procurement activity for accommodation for homeless households would have to be undertaken by Capital Letters (excluding nightly paid and out of London properties which would remain with the Boroughs). This will be delivered by the secondment of 50% of the current procurement staff to Capital Letters who are working currently in the Council

delivering properties to meet this existing need for temporary accommodation. This still allows the Council to retain enough staff to undertake procurement to meet all needs – especially around emergency accommodation – which will still be required to meet the demand from households that present to Housing Needs. The procurement team has flexibility to move and change resources as need requires. More detail is set out in Section 7 of this report.

7. Lewisham homeless update and how this proposal fits within Lewisham:

7.1 There is an increasing burden on boroughs to source accommodation for the growing numbers of homeless families, especially in London. In March 2018 there were over 79,000 households in TA nationally, an increase of 65 per cent since March 2011. Of this number 54,500 were in London (seven out of ten households) and of those 2,000 households are in Lewisham. Shelter research suggests over 300,000 actual individuals are homeless (1 in 200 people in the UK) with a 42% decrease in available social lets since 2010/11.

7.2 The cost of providing TA in London in 2015/16 (£845 million) accounted for more than three quarters of the total cost of providing homelessness services nationally (£1.15 billion).

7.3 Currently Lewisham Council have circa 2000 households in temporary accommodation housed as below:-

B&B – shared accommodation	137
Self – Contained Nightly Paid Accommodation	456
LBL Hostel Accommodation	352
Leased (PSL) and Managed Accommodation (PMA)	724
LBL Stock (Place Ladywell & Lewisham Homes Acquisitions)	187
RP TA Stock (HALs – Notting Hill, L &Q, Phoenix)	144

7.4 The current procurement team consists of 3 x Negotiators within the Property & Business Accounts Service of the Private Sector Housing Agency (PSHA). This team is responsible for procuring emergency, temporary and leased and direct let PRS accommodation for housing and Children’s services, No Recourse to Public Funds (NRTPFs), and Intentionally Homeless clients.

7.5 To qualify as an *A Member* a minimum of 50% of our leased and direct let accommodation needs be procured through Capital Letters (not B&B or SCNP accommodation). During 2017/18 Lewisham’s procurement team delivered a total of 354 properties, of which 215 were leased and managed and 139 were direct let for prevention and or discharge of duty into the PRS. The expectation therefore is that around 177 properties (50% of the previous year) for 2018/19 will be procured through Capital Letters. To deliver this commitment participating boroughs will second staff from their existing procurement teams performing this function for Capital Letters. As CL would be committed to delivering 50% of the procurement needs of the borough as a minimum at the initial stage, it is agreed that 50% of the procurement staff would be transferred. For the Council this would be 1.5 staff or their equivalent staffing budgets. This will allow the existing skills, expertise, local knowledge and client relationships held by those officers to be absorbed into Capital Letters. Even with the transfer of 1.5 staff there is sufficient resource

left within Lewisham to ensure continuity of service is maintained and that service delivery is not compromised. 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.

- 7.6** 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.
- 7.7** The financial modelling is currently under discussion with Capital Letters and will be firmed up in the near future. In all scenarios it is considered that the Council would be in a better financial position in the short term whilst the grant is available. The main components which contribute to the level of bottom line saving relate to:
- how much of the MHCLG grant could be available to support the actual lease rent;
 - how many providers/properties out of the current 456 SCNP would agree to convert to a leased product. 271 of these properties are In Borough. Conversion of the Out of Borough properties may be more problematic depending on the rent and management fee rate agreed by the individual Boroughs ;
 - what future management arrangements would be in place – either management by Lewisham Homes or by Capital Letters – as the costs vary in the proposals.

There are detailed financial workings that are being undertaken by officers with the finance team but in all scenarios there is considered to be a saving to the Council. However until the variances above are determined then exact savings figures cannot be confirmed. These are considered in more detail in Section 8 below. More information on this will therefore need to be contained in the subsequent report to Mayor & Cabinet.

- 7.8** In recognition of the challenges faced by London boroughs in particular, MHCLG are looking at all available options to directly impact on reducing the numbers of homeless households and so are proposing to allocate the £38 million grant over three years, top sliced from the Flexible Homeless Support Grant (FHSG).
- 7.9** Capital Letters 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.
- 7.10** Capital Letters 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 of each member is limited to £1. It will also be

Teckal compliant, meaning Lewisham or any other Local Authority that is part of Capital Letters will not be required to undertake a separate competitive tendering exercise.

- 7.11** The activity of Capital Letters 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 the LB of Ealing are leading on the procurement of this PLP on behalf of the company, funded by grant from MHCLG.
- 7.12** The timescale for programme delivery assumes the new company is established early in the 2019/20 financial year. It is envisaged that there will be two phases with the second phase being rolled out in April 2020. It is proposed that the Council works with London Councils and other London Boroughs to join the company as an **A member** in the first phase so that the Borough may benefit from the services provided by the collaborative enterprise to supply new non-emergency accommodation for homeless households and accesses available grant.

8. Financial Implications

- 8.1** Under current regulations, the Council is limited in the amount of housing benefit that can be claimed for temporary accommodation to a rate of 90% of the January 2011 LHA for the particular bed-size.
- 8.2** The Capital Letters scheme proposes that London Boroughs procure their temporary accommodation requirements through an independent but wholly owned company. This company will pay landlords at current LHA rates + £60pw and, as an independent organisation will be able to attract 100% of the current LHA rates as housing benefit.
- 8.3** The £60 element will be funded via a combination of £30 MHCLG grant and a £30 top-up from local authorities once the authority becomes a member of the Capital Lettings Scheme. This applies only to newly leased units procured under the scheme and does not cover nightly paid accommodation and or existing leased units. The financial arrangements remain under discussion.
- 8.4** The current proposal in this report is to become an *A member* and move away from the use of B&B and self-contained nightly paid accommodation, converting them into leased accommodation or PRS direct lettings. It is not currently proposed to transfer existing leased accommodation (PSL/PMA) at this stage due to the competitive rates currently negotiated for these schemes.
- 8.5** The current overall budget for nightly paid accommodation which encompasses both shared and self-contained accommodation is £2.8m
- 8.6** At the end of May 2018, there were 456 families in self-contained accommodation of which 271 were accommodated in-borough. Accommodation is currently procured by the private sector housing agency procurement team, with on-going day to day tenancy management undertaken by Lewisham Homes via a management fee for that purpose.
- 8.7** The table below provides an analysis of the current full year costs and income for the 456 current self-contained nightly paid units used for homeless families, and provides a comparison with the Capital Letters scheme both

internally managed (by Lewisham Homes) and externally managed (by Capital Letters). Of the 456 units, 271 units are in use in-borough.

Analysis of 456 Units	Current Position	CL Scheme (Internal management)	CL Scheme (External Management)
Payments to Landlords	£8.7m	£7.4m	£7.4m
Rental Income (HB)	-£8.7m*	-£6.0m	-£6.0m
Rental Shortfall	£0.0m	£1.4m	£1.4m
Management Costs	£0.3m	£0.3m	£0.7m
HB Limitation Recharge	£2.7m*	-	-
Rent top-up to CL	-	£1.4m	£1.4m
Total Cost to LBL	£3.0m	£1.7m	£2.1m
Budget	£2.3m	£2.3m	£2.3m
Net Cost/(Savings)	£0.7m	-£0.6m	-£0.2m
Cost/(Savings) related to the 271 units in-borough	£0.3m	-£0.4m	-£0.1m

*Currently HB is received in full onto an LBL rent account. However, as this is in excess of the rate claimable @ 90% of the January 2011 LHA rate a recharge is applied to recover the overpaid amount.

The conversion of the accommodation from nightly paid to leased will be phased.

- 8.8 Analysis shows that a cost reduction of £0.9m (current net cost plus actual savings above), and a minimum full year saving of £0.2m (against budget) could be achieved by negotiating with landlords to turn the current nightly paid agreements into leased accommodation and transferring the units into the Capital Lettings scheme.
- 8.9 The exact cost reduction and savings would be dependent on how many units were transferred and the timescale involved in negotiating and effecting the change.

9. Legal Implications

- 9.1 The Council is considering participating in a London Wide procurement vehicle to deliver new supply of leased and private rented sector (PRS) accommodation for families who are homeless or threatened with homelessness. The report sets out the reasons for and implications of the proposal and seeks comments from the Housing Select Committee which will inform a report to Mayor and Cabinet in November.
- 9.2 The Council has a wide general power of competence to do anything that individuals generally may do (Section 1 of the Localism Act 2011). The Council can rely on this power to carry out housing development, to act in an “enabling” manner in relation to the provision of new affordable housing. Further, the Council can undertake activities that are either economically, socially or environmentally beneficial for the authority and residents (Local Government Act 2000). Finally, the Council has a duty to obtain best value in

the procurement of works, services and supplies and to secure continuous improvement in the way functions are carried out, having regard to a combination of economy, efficiency and effectiveness (Local Government Act 2003).

- 9.3 The Council has a statutory homelessness duty which this proposal is intended to support. The Council must be satisfied that this proposal will enable it to continue to meet its statutory duty and that the risks and benefits have been properly considered and weighed up.
- 9.4 General decision making principles require consideration of all relevant matters, including financial impacts.
- 9.5 Detailed legal implications will be set out in the subsequent report to Mayor & Cabinet. These will need to include state aid, procurement and employment implications.
- 9.6 The Council must comply with the public sector equality duty (the equality duty or the duty, see Equality Act 2010 - the Act). It covers the following protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 9.7 In summary, the Council must, in the exercise of its functions, have due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
 - advance equality of opportunity between people who share a protected characteristic and those who do not.
 - foster good relations between people who share a protected characteristic and those who do not.
- 9.8 It is not an absolute requirement to eliminate unlawful discrimination, harassment, victimisation or other prohibited conduct, or to promote equality of opportunity or foster good relations between persons who share a protected characteristic and those who do not. It is a duty to have due regard to the need to achieve the goals listed at 7.6 above. The weight to be attached to the duty will be dependent on the nature of the decision and the circumstances in which it is made. This is a matter for the Mayor, bearing in mind the issues of relevance and proportionality. The Mayor must understand the impact or likely impact of the decision on those with protected characteristics who are potentially affected by the decision. It is not an absolute requirement to eliminate unlawful discrimination, advance equality of opportunity or foster good relations. The extent of the duty will necessarily vary from case to case and due regard is such regard as is appropriate in all the circumstances.
- 9.9 Guidance from the Equality and Human Rights Commission (to which the Council must have regard) includes information which deals particularly with the equality duty, and covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value.

10 Best Value (BV) Implications

- 10.1 This programme is intended to enable Boroughs to access an improved supply of good quality accommodation to prevent and relieve homelessness

and where necessary for use as temporary accommodation. A cost benefit analysis has been conducted on a London-wide basis and identified four principal areas of savings. These are: more stable tenancies, improved productivity, co-ordination benefits (pricing) and reduced TA spending. If this proposal is agreed, the savings achieved will be monitored and reported to Members as part of the overall Homelessness budget position.

For more information please contact Madeleine Jeffery at madeleine.jeffery@lewisham.gov.uk

Appendices

Appendix A, extract from Articles of Association

Admission of Members and cessation of Membership:

The Members of the Company shall be divided into "A" Members and "B" Members. "A" Members and "B" Members will have the rights as specified in these Articles.

The subscribers shall be the first Members of the Company and shall be designated as "A" Members.

The Members may admit any other Public Body to Membership on receiving:

- A written application confirming that it agrees to be bound by the provisions of the Articles; and where a Members' Agreement has been entered into, a signed deed of adherence to the Members' Agreement from any such body.

A Member admitted under article 12.3 above shall be designated as an "A" Member or a "B" Member by the "A" Members upon admission.

A Public Body shall only be admitted as an "A" Member if they agree to ensure that at least 50% of the total procurement for that body of dwellings to support the discharge of that body's statutory responsibilities for homeless households or those at risk of homelessness (excluding nightly paid properties or properties outside of the London area) is to be procured by the Company.

A Public Body admitted to Membership who does not agree as per article 12.5 but will receive services from the Company will be admitted as a "B" Member.

The rights powers and obligations of each Member under these Articles shall take effect on the admission of that organisation to Membership.

Each Member shall nominate a person to act as its representative in the manner provided in Section 323 of the Act. Such representative shall have the right on behalf of the Member to attend meetings of the Company and vote thereat and to exercise all rights of Membership on behalf of the Member. The relevant Member may by written notice to the Company revoke the nomination of such representative and may nominate another representative in his place.

The rights of each Member shall be personal and shall not be transferable and shall be exercisable only by the Member or its Voting Representative.

Membership shall not be transferrable.

An "A" Member shall cease to be a Member of the Company if (i) it serves no less than six months' written notice to do so or (ii) is removed or expelled for

any reason by ordinary resolution of the Members passed at a General Meeting or under any agreement entered into between the Members from time to time and (iii) if at any time the Member ceases to be a Public Body or (iv) otherwise in connection with these Articles and the noting of the cessation of Membership in the Company's register of Members shall be conclusive in this regard

A "B" Member shall cease to be a Member of the Company if (i) it serves no less than six months' written notice to do so or (ii) is removed or expelled for any reason by ordinary resolution of the Members passed at a General Meeting or under any agreement entered into between the Members from time to time and (iii) if at any time the Member ceases to be a Public Body or (iv) otherwise in connection with these Articles and the noting of the cessation of Membership in the Company's register of Members shall be conclusive in this regard.

At the end of each financial year, the "A" Members shall each confirm to the Company (in a form that shall be agreed by the "A" Members from time to time) the percentage of its total procurement for that "A" Member of dwellings to support the discharge of its statutory responsibilities for homeless households or those at risk of homelessness (excluding nightly paid properties or properties outside of the London area) that was undertaken via the Company that financial year. In the event that this percentage is less than 50% the "A" Members have, at their discretion, the ability to terminate the "A" Member's Membership in accordance with article 12.14.

The decision to terminate an "A" Member's Membership in accordance with article 12.13 shall be taken at a meeting of the "A" Members (i) called on no less than 7 clear days' notice; (ii) attended in person or by proxy by at least 50% of the "A" Members (excluding the "A" Member whose Membership is being considered for termination); and (iii) made by no less than 50% of the total "A" Members excluding the "A" Member whose membership is being considered for termination.

In the event that an "A" Member's Membership is terminated pursuant to article 12.14 the Membership shall terminate immediately upon the decision having been taken.

In the event that an "A" Member's Membership is terminated in accordance with article 12.12 that Member may be re-admitted to the Membership of the Company as a "B" Member, subject to compliance with article 12.3 and 12.6.

11 Appendix B Timetable

Date	Milestone
June 2018	<p>Collaborative Procurement Group signs off Capital Letters documentation.</p> <p>Potential first phase (year 1) boroughs identify themselves and begin internal approval processes (8 boroughs minimum required in first year).</p>
July 2018	Borough Cabinet Papers drafted and submitted
September 2018	<p>Shadow Capital letters Directors Group meets</p> <p>Business case to be presented to London Councils' Chief Executives London Committee</p> <p>Procurement of IT system begins with OJEU Notice</p>
October 2018	<p>Capital Letters Incorporated as an organisation</p> <p>Business case to be presented to London Councils Leaders' Committee</p> <p>Cabinet Approval with first phase boroughs received</p> <p>Commence discussions with boroughs re possible resource including secondments</p> <p>Recruitment of CEO and key leadership team begins</p>
April 2019	Formal launch of Capital Letters

12Appendix C – Allocations

Allocations

The method by means of which properties procured by Capital Letters will be allocated to individual boroughs are set out in more detail in the Capital Letters Allocations policy. The main principles are:

Principle 1.

The number of properties (excluding HMOs and studios) procured for each borough over the previous year using the resources and contracts transferred into Capital Letters would set a minimum limit for allocation of properties to that borough. This should guarantee that (unless market conditions have markedly worsened) each borough will get at least as many properties over the first year as were procured by the staff it seconds in the previous year. Studios and HMOs will not be counted in these minimum allocations, but will be allocated separately according to location and borough need.

Principle 2.

It is expected that significantly more properties than this will be procured in practice, due to staff working collaboratively and because of the additional procurement resources available to Capital Letters. Properties procured above those numbers would go to the participant boroughs according in proportion to the staff resources they have contributed through secondment or funding of staff recruited directly by Capital Letters.

Principle 3.

Boroughs will be able to specify the proportion of each type (PRS, PSL etc.) and size of property that they want, as well as making requests to meet urgent needs for specific property types as they arise. These expressed preferences will guide the Capital Letters procurement strategy, and as much as possible they will be met, bearing in mind that some sizes and types of property are harder to obtain than others.

Principle 4.

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.

Principle 5.

Any additional properties procured beyond the needs of the participating boroughs may be offered to non-participant boroughs.