

# MUNICIPAL YEAR 2019/2020 REPORT NO. 167

## MEETING TITLE AND DATE:

Cabinet Meeting  
22<sup>nd</sup> January 2020

## REPORT OF:

Executive Director of Place  
Director of Housing and Regeneration  
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Agenda – Part: 1

Item: 7

Subject: Homelessness in Enfield (2)

Wards: All

Key Decision No: KD 5049

PL19/124

Cabinet Members consulted: Cllr Needs & Cllr Maguire

## 1. EXECUTIVE SUMMARY

- 1.1. In September 2019 Cabinet approved a strategy to address a 246% increase in homelessness over seven years. This report follows directly from this. It provides an update on the work carried out to date including the development of our new service model which provides a far greater focus on upstream prevention and early intervention. It outlines some measures against which we will judge the success of this work in future years.
- 1.2. Approval is also sought to move to the next stage in relation to our desire to increase the accessibility of the private rented sector for residents and reduce the need for temporary accommodation.
- 1.3. It also puts forward an innovative proposal, part funded by MHCLG to meet the needs of single homeless people through a joint partnership with the Single Homelessness Prevention Service. These residents are not in priority need for affordable housing but are particularly disadvantaged when it comes to finding suitable affordable housing in the private sector. This solution provides additional support on a payment by results basis.

## 2. RECOMMENDATIONS

Cabinet is recommended to:

- 1.1. Join Capital Letters as an 'A' member in Phase 2 (April 2020) subject to agreement of the terms of joining Capital Letters (the Members Agreement). This to be authorised by the Director of Law and Governance.
- 1.2. Nominate the Director of Housing and Regeneration to the Board of Capital Letters.
- 1.3. Nominate the Lead Member for Social Housing to the Borough Representative Body of Capital Letters.
- 1.4. Approve the phased mobilisation of Enfield Let commencing April 2020 as a trading division of Housing Gateway Ltd, subject to the approval of the Board of Housing Gateway to the viability of the Business Plan with authority delegated to the Leader in consultation with the Cabinet Member for Finance to agree the revised Housing Gateway Business Plan arising.
- 1.5. Delegate authority to the Executive Director of Place to join the Single Homelessness Prevention Service, subject to affordability within the agreed 2020/21 budget.
- 1.6. Note progress on the implementation of the Homelessness Prevention Strategy including the launch of the Homelessness Prevention Board

### **3. BACKGROUND**

- 3.1. In December 2019 Cabinet agreed the Homelessness Prevention Strategy which has now been published on the website. The Homelessness Prevention Board has been convened with its first meeting in January and which will produce the annual action plan. A campaign in Enfield will also be launched to promote to residents how the homelessness service is changing and how residents can build their sustainability for housing.
- 3.2. In September 2019 Cabinet approved a strategy to address a 246% increase in homelessness per head of population over seven years. The key decisions approved in September were:
  - a) Endorse the direction of travel outlined in the report to put greater emphasis on homelessness prevention.
  - b) Authorise the following actions prior to bringing back further reports to Cabinet:
    - Negotiate terms to join Capital Letters (the Pan London Housing procurement agency) to access Government funding for the procurement of private rented accommodation
    - Develop a business case for a lettings and property management agency
    - Delegate to the Director of Housing and Regeneration, after consultation with the Cabinet Member for Social Housing, to go to public consultation on a revised scheme of allocation for social housing
- 3.3. This report sets out progress to date since September and seeks approval to progress to the next stage.
- 3.4. The key principles that underpin the new service model are:
  - Private Rented Sector as the solution
  - Clear communication and messaging with residents on their options
  - Prevention and support are better than relief
  - Temporary Accommodation should be genuinely temporary
  - Give residents informed choices
  - Focus on outcomes for residents
- 3.5. Extensive work has been carried out on the design of the future service based on demand analysis. We envisage four teams being established that will bring together the existing functions from across the homelessness and temporary accommodation service with an enhanced remit. The four teams are:
  - Outreach – focusing on upstream prevention (including the Single Homeless Prevention Service) and using data to identify households at risk
  - Sustainable Housing – focusing on our statutory role in the prevention of homelessness
  - Market Shaping – focusing on our relationship with the private rented sector (including Enfield Let and Capital Letters)
  - Service Development – will combine data stewardship, staff training and development, and quality assurance systems
- 3.6. An overview of the proposed service is set out at Appendix A. The service will be geographically dispersed, with staff being located in those wards with the

highest levels of need. Discussions are continuing with the Build the Change team to establish an accommodation strategy for the service.

- 3.7. The aim is to transform our services to residents at risk of becoming homeless with the aim of preventing households from reaching crisis point. Where residents do become homeless, we want to ensure that they move into a permanent home quickly and preferably without spending time in temporary housing.
- 3.8. We also recognise that we have a nearly 3500 households already in temporary accommodation. We want to assist these residents to find a permanent home as quickly as possible. Changes to the allocations scheme will help to incentivise residents to move into the private rented sector and the new service will provide training and support for residents. Additional resources have been built into the new service in its early years to ensure that we are able to effectively support households already in temporary accommodation.
- 3.9. Our overall measures of success are set out in the Rough Sleeping and Homelessness Prevention Strategy and will be monitored by the Homelessness Prevention Board: *'We will know that our approach is working if we can evidence:*
- *An **increasing** number of households are prevented from becoming homeless*
  - *A **reducing** number of people become homeless*
  - *A **reducing** number of people experience 1) delayed discharge from hospital and 2) a delayed move from residential care/specialist housing due to the need for general needs accommodation*
  - *Households are spending a **decreasing** amount of time living in temporary accommodation'*
- 3.10. The proposals will be implemented in phases over the next year.
- 3.11. This paper now focuses on increasing the supply of private rented sector homes.

#### **4. TIMELINES**

- 4.1. The September Cabinet Report set out a bold plan to transform the Council's approach to homelessness. The scale of the challenge is huge and cuts across a variety of different services that are currently spread across different parts of the Council. Work has been progressing across each of the workstreams and this is set out later in this report.
- 4.2. The transformation programme is working towards a staged approach to implementation throughout 2020/21. In order to progress this Cabinet approval is being sought for joining Capital Letters, establishing Enfield Let as a trading arm of Housing Gateway Ltd, and delegated authority to join the Single Homelessness Prevention Service. A further report on the Allocations Scheme will be brought to Cabinet in April following public consultation.
- 4.3. This will enable a staged approach to the implementation and launch of the new service:

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept
Capital Letters	Cabinet	Mobilisation		Launch					
Enfield Let	Cabinet	Consultation		Mobilisation		Launch			
New Service	Design		Consultation		Reflect	Mobilisation			Launch
Allocations	Consultation			Cabinet	Launch				
SHPS	Cabinet	Mobilisation		Launch					

## 5. SECURING ADDITIONAL PRIVATE SECTOR HOUSING OPTIONS

- 5.1. Our new homelessness model works on the basis that we more effectively prevent homelessness upstream. This relies in large part on the ability for residents to access and sustain private sector housing solutions. We are operating in a challenging housing market where 60% of the housing used to house homeless families is used by other Boroughs to meet their homelessness duties. This is something that we are seeking to change through collaboration with Boroughs and lobbying, for example for an increase in LHA levels allowing more residents to access housing in their home Boroughs.
- 5.2. In addition to these measures we have investigated options to bring about more PRS accommodation. The first is the Pan London Capital Letters initiative which is aiming to make strategic relationships with Landlords to procure large volumes of housing for the prevention of homelessness. Our participation in the strategic development of the company can help to ensure our aims of in-Borough housing are followed through. We can also access MHCLG funding.
- 5.3. Complementary to this initiative is our desire to establish a Lettings agency to procure PRS for letting on longer term tenancies to residents helping to increase the solutions we have to move tenants on from TA and discharge our homelessness duties.
- 5.4. The individual business case for each is outlined below.

## 6. CAPITAL LETTERS

- 6.1. Detailed negotiations have taken place with Capital Letters. Cabinet approval for joining the company is now being sought. Capital Letters is a pan London procurement company jointly owned by its members (all of whom are other London Boroughs). Its intention is to gain economies of scale in the procurement of private sector housing and reduce competition between councils. The project is part funded by the Ministry for Housing, Communities and Local Government. This is a key part of our new Homelessness model where we seek to minimise the need for crisis homelessness cases and time spent in temporary accommodation towards more stable private rented accommodation that can be accessed by residents.
- 6.2. The Capital Letters business plan estimates a financial benefit of the proposals to London Boroughs of 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). This agreement has led to reduced spending by preventing boroughs from outbidding each other in

securing private sector housing. Capital Letters will work within this system and provide further opportunities to rationalise and secure efficiencies in the procurement of accommodation for homeless households.

- 6.3. This is a new and untried venture. Whilst the outcomes are not guaranteed, we believe that not be part of this initiative and to benefit from the subsidy provided by MHCLG would be a lost opportunity. Being involved at an early stage, means that we can shape the agenda and help to ensure a strategic direction where Boroughs are looking to meet their own residents needs from within their own areas.
- 6.4. The cost of joining Capital Letters would be £163,000 (4 members of staff). This would either be through seconding existing staff to the Company or paid directly. The cost of joining is offset by the anticipated savings of £440,000 in year one and £330,000 in year two. The potential savings are set out below:

TA Budget	Proposed budget		Potential decrease
	Without Capital Letters	With Capital Letters	
2020/21	£4,017,920	£3,577,920	(10.95%)
2021/22	£3,182,920	£2,852,920	(10.37%)
Total	£7,200,840	£6,430,840	(10.69%)

6.5. **Membership Options**

6.6. There are two types of membership:

**‘A Member’** – this is where the local authority transfers a percentage of new procurement (all in respect of properties used for discharge of duty in London) to the company including an appropriate number of procurement staff. This will give the borough access to a slice of the £37.8m MHCLG grant funding. The current draft of the Articles of Association provides for the percentage to be 50%.

**‘B Member’** - this is where the local authority transfers some existing private sector leasing and other accommodation procurement to the company but retains 100% of their procurement staff (i.e. would not transfer any staff to the company). The borough will not have access to the MHCLG funding as a B member.

6.7. Capital Letters will be set up in several phases, so not all boroughs are required to join at once. Boroughs that do not join Capital Letters will still have properties procured by Capital Letters in their area but will not have access to them. London Councils have confirmed that Capital Letters will abide by the agreed IBAA rates (see 6.2). Given our relatively affordable housing market this makes us more exposed to further out of Borough placements.

6.8. MHCLG funding is to be used in the following three ways:

- Contribution to Private Sector Leases (PSL) – lease contribution £30pw per property for the life of the lease
- Contribution to Private Rented Sector (PRS) placement incentive

- Central cost contribution (20%), e.g. for additional procurement staff, tenancy sustainment staff, IT and premises, this cost is to be advised (this has not been factored into our financial modelling)
- 6.9. Full members of Capital Letters will either second staff from their procurement teams or pay for additional staff to be recruited by Capital Letters. Seconding of staff will allow the existing skills, expertise, local knowledge and client relationships held by those officers to be absorbed into Capital Letters. The cost of seconded staff will be covered by the employing borough for the first 3 years. Seconded staff would be able to return to Enfield if the Council withdrew from the Company.
  - 6.10. Seconded staff 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.
  - 6.11. Capital Letters has set a target that 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, although they cannot guarantee this target. 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.
  - 6.12. 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.
  - 6.13. Capital Letters is a company limited by guarantee and is owned and managed by the boroughs that constitute limited liability members of the company. The liability is limited to £1. It is Teckal compliant.
  - 6.14. Thirteen boroughs have joined the scheme to date. Membership of the company is governed by a Members Agreement.
  - 6.15. Each member appoints a representative who attends and votes at members meetings on behalf of the member. If we were to join Capital Letters, it is proposed that the initial representative for the Council shall be a nominated Director, subject to the availability of spaces on the Board. The appointment of Council officers to external companies is subject to ratification by full Council. We therefore recommend that the Director of Housing and Regeneration is appointed.
  - 6.16. There is also a Borough Representative Body for political appointees. It is proposed to nominate the Lead Member for Social Housing to the Representative Body.
  - 6.17. The Articles provide that there will be a minimum of 3 directors and a maximum of 12. This is to ensure that the size of the board of directors is not unwieldy. Each authority who is an 'A' member of the company will have the right to appoint a director. If the number of 'A' members is more than 12 then the member authorities will agree a policy on who the directors will be. It is the intention that strategic decisions will be determined by the members. The exact split of responsibilities between strategic member decisions and directors' operational decisions is still to be worked out.

- 6.18. The Articles also provide that the percentage of new procurement by each 'A' member will be assessed annually to confirm that the target has been achieved by each authority. If an 'A' member has not achieved its percentage then the other 'A' members may remove that authority as an 'A' member.
- 6.19. Any member, whether an 'A' member or a 'B' member may give 6 months' notice to terminate their membership of the company.

## 7. APPRAISAL OF CAPITAL LETTERS PROPOSED SERVICE OFFER

7.1. Capital Letters service offer comprises of 4 main areas:

- a) Procurement of PRS accommodation
- b) Procurement of leased accommodation
- c) Rent collection
- d) Full property management

7.2. For service offers (a) and (b) the MHCLG intend to put forward funding to assist with costs, however there is still a cost to the council as it is expected that a contribution will be made to Capital Letters for each service offer area. As you will see from Chart 1 below contained in the Capital Letters Business plan, the funding from MHCLG reduces over a 3-year period, with the council's contribution increasing over the same period:

	Year 0	Year 1	Year 2	Year 3
<b>INCOME INPUTS</b>				
PRS placement incentive - per unit (MHCG)	£2,000	£1,400	£1,050	£750
PRS placement incentive - per unit (borough)	£1,500	£2,100	£2,450	£2,750
MHCLG contribution to PSL - per unit per week	£30	£30	£15	£10
Borough contribution to PSL - per unit per week	£30	£30	£30	£30
Rent Collection fee - per unit per week	£30	£30	£30	£30
Management fee - per unit per week	£43	£42	£41	£41

- 7.3. Based on current procurement activity we would expect in the region of 419 lettings to be generated from a team of four Property Negotiators. This is expected to generate a cost saving of £440k for year 1 (Year 2 CL) in financial incentive costs, and £314k in year 2 (Year 3 CL). There will also be further savings generated in relation to moving households from cost nightly let accommodation. This does not take into account staff resourcing costs of £163k per annum.
- 7.4. On this basis it is proposed that the Council utilise the company to procure private rented property. It is not our intention to procure leased property or to take the option of utilising the company's weekly charged rent collection (£30), management services (£43), and borough contribution (£30) which appear to be expensive (£103).
- 7.5. Membership can be reviewed annually and terminated with six months notice.

## 8. ENFIELD LET

8.1. A detailed business plan has been developed for the establishment of a lettings agency. The aim of Enfield Let is to help to develop a quality Private Rented Sector offer, ensuring that it is an attractive choice for landlords and that private rented housing contributes in reducing the Council's homeless duties by increasing the housing choices of residents.

- 8.2. This complements the Capital Letters initiative by enabling the Council to deliver its own offer in the market and the proposed landlord licensing scheme by helping to create a high quality private rented sector.
- 8.3. Enfield Let will focus on securing properties from private landlords. It would operate under the umbrella of Housing Gateway Ltd which is a company wholly owned by the Council. The intention is to transfer properties currently leased as temporary accommodation by the Council to Housing Gateway. Residents could then be offered a long-term tenancy rather than being in temporary accommodation, helping to reduce the number of residents in temporary accommodation. This also generates an income stream from day one providing a strong financial rationale for its implementation independent of its success in securing management responsibility for private landlords.
- 8.4. To attract and secure private landlord properties for rent, Enfield Let may have to provide additional services and financial incentives to make lettings to nominated tenants a viable option. It is proposed that these could include floating support for tenants (that would also act as a point of contact for landlords), guaranteed rents, repairs and maintenance, and a fully-managed service with boiler servicing. It is possible that additional financial incentives may also be required given the strength of competition in the market.
- 8.5. Enfield Let would also incorporate the existing Homefinder Service. This service matches prospective tenants with private sector landlords and offers help with deposits and rent in advance to ensure that residents can access the private rented sector.
- 8.6. **Enfield Let Business Case**
- 8.7. Enfield Let would operate under the umbrella of Housing Gateway Ltd (HGL) to enable Assured Shorthold Tenancies to be offered. The company is owned by the Council and holds a portfolio of properties. Services are delivered by Council staff under a service level agreement and HGL does not directly employ any staff. Enfield Let will operate on the same basis, with services being delivered by Council staff.
- 8.8. Enfield Let will manage lettings to private-sector renters, at a combination of market rates, mid-market, and Local Housing Allowance rates (LHA). Four rental options have been considered as outlined below.
- Market rent
  - Market and Intermediate rent
  - Market, Intermediate, and LHA rent
  - Intermediate and LHA rent
- 8.9. Intermediate rent covers rents between social and market rent levels.
- 8.10. The financial modelling is based on a 5-year forecast and makes assumptions around the number of properties we propose to procure and transfer from the temporary accommodation portfolio (Private Sector Leasing – PSL). Our aim is to transfer 200 properties from the portfolio initially, followed by 50 properties per annum as they become vacant. We also aim to procure 70 new properties per annum for full management via the letting agency.
- 8.11. We have modelled the impact of different rent levels on the business plan. The four rental options and total properties in management after 5 years are detailed in the chart below:

	<b>Rent Level</b>	<b>LHA Rent</b>	<b>Intermediate Rent</b>	<b>Market Rent</b>	<b>Total Properties Y1</b>	<b>Total Properties Y5</b>
1	Market	N/A	N/A	70 pa	70	350
2	Market/Intermediate	N/A	35 pa (new units) 50 pa (PSL)	35 pa	120	600
3	Market/Intermediate/LHA	200 at transfer	35 pa (new units) 50 pa (PSL)	35 pa	320	800
4	Intermediate/LHA	200 at transfer	70 pa (new units) 50 pa (PSL)	N/A	320	800

8.12. Whilst there are costs associated with the running of a lettings agency, the financial modelling carried out shows a significant benefit to the council in savings against current costs. It is envisaged that a portion of the total council saving would need to be paid towards the letting agency by the council in the form of a management fee.

8.13. The financial benefits and break-even points are created by:

- Charging the council a fee of 10% of total rent for services provided in order for the letting agency to breakeven
- Reducing the number of households in TA (for social lettings options)
- Ensuring a minimum number of properties transferred (assumed at 200) for HGL to manage (options 2 to 4)
- Charging an intermediate rent – a stepping stone between LHA rates and market rates (options 2 to 4)

8.14. The existing portfolio of temporary accommodation is let at LHA rates. This means that unless there is a mixed portfolio the service will not break even and continue to need subsidy from the Council. The table below sets out the break-even and cumulative benefit to the council for the 4 rent level options:

	<b>Rent level</b>	<b>Total no. of Properties @ Y5</b>	<b>Year 1 Saving to General Fund</b>	<b>Year 1 saving as a % of TA Budget</b>	<b>5-year Cumulative Saving to General Fund</b>
1	Market	350	£228k	3.93%	£625k
2	Market/Intermediate	600	(£28k)	(0.48%)	(£2.18m)
3	Market/Intermediate/LHA	800	(£397k)	(6.85%)	(£4.51m)
4	Intermediate/LHA	800	(£378k)	(6.52%)	(£4.04m)

8.15. It is therefore recommended that Enfield Let is established with a mixed portfolio. It is envisaged that the management fee payable by the Council will be reduced as the letting agency becomes more profitable, increasing the saving to the Council (over the figures shown above).

8.16. It is imperative that Enfield Lets blends with Housing Gateways overall financial model, ensuring that whilst being as tax efficient as possible, there is not undue pressure on cash flows. The current business case assumes that

amendments can be made to the financial model to ensure it is viable for Housing Gateway. Modelling is being undertaken and early indications are that the model will be viable via the use of either / or working capital and a management fee. Approval of the financial model will be subject to Housing Gateway's governance process

- 8.17. Additional services including training and support will be offered to residents to enable them to maximise their opportunities for housing, as part of our wider offer to households at risk of becoming homeless.

## 9. **ALLOCATIONS SCHEME**

- 9.1. A new allocations scheme has been developed. This was originally planned to be presented to Cabinet in February 2020 for approval following a three-month statutory consultation. However, due to the general election this has been reprogrammed. The revised draft scheme will now be brought to Cabinet in April 2020 and the public consultation started on 16 December 2019.

## 10. **SINGLE HOMELESSNESS PREVENTION SERVICE**

- 10.1. The Housing Strategy highlights a potential affordability issue for single residents who are over 35 for new Council homes (although there are few residents with a priority need) and single people who are under 35 years old who have additional restrictions on their private sector housing costs (they are only eligible for shared accommodation rates through the benefit system). This means that there are few genuinely affordable housing options open to them.
- 10.2. Our homelessness service placed 423 single people into temporary accommodation pending a full assessment in 2018/19. This probably understates the potential demand as for the majority of single people there is no duty for us to house them and so they are unlikely to approach the Council for help.
- 10.3. In the September Cabinet Report, we made reference to the SHPS. This is a payment for outcomes programme aiming to prevent and relieve homelessness for single people. It has been set up by the North London Housing Partnership (a collaboration between five London Boroughs including Enfield). This would provide a housing pathway for single people in housing crisis, addressing the need identified in the Housing Strategy.
- 10.4. SHPS is the first outcomes-based Homelessness Prevention service in the world designed to align to the additional duties on Local Authorities under the Homelessness Reduction Act.
- 10.5. The model is based on payment by results and is part funded by the Ministry for Housing Communities and Local Government. Payments are triggered at three different stages:
- Accepting a referral
  - Placing someone in accommodation or preventing their homelessness
  - Sustaining a tenancy for eight months
- 10.6. SHPS will run for four years. Based on 500 referrals per year the cost of the scheme would be £1,097,450 over the four years. No referrals would be possible after year three and the service would be focused on existing cases in its final year. Services would be fully integrated with the Council's wider offering meaning that this would be seen as a Council service. The core

difference is that the Ministry for Housing Communities and Local Government effectively provide 35% of the funding for the project.

- 10.7. SHPS will work with single people and couples without children and who would not be deemed to be in priority need. Our current service does not include any provision for these households beyond limited advice and assistance as we do not have a statutory duty to provide accommodation for them. As a borough, Enfield has very few resources available for single homeless people. SHPS therefore offers an attractive way forwards that would help to alleviate homelessness in the borough.
- 10.8. The financial benefits of joining SHPS are that the service would assist us in reducing the numbers of households in temporary accommodation both through reducing the numbers of people moving into temporary accommodation and moving existing temporary tenants on into permanent accommodation. Our service placed 423 single people into temporary accommodation last year, pending a decision. These households could in future be referred to SHPS.
- 10.9. However, the most compelling argument is simply that this is the right thing to do. It meets a need that the Council is committed to addressing and provides a housing solution for a group of people that are effectively excluded from other routes into housing. Officers are committed to finding a way forwards to fund the project but recognise that this needs to be done within existing funding constraints and without this impacting on our statutory services.
- 10.10. Approval is being sought for delegated authority to decide whether to join the scheme in the light of the finalised budgets for Homelessness being brought to Cabinet in February.

## 11. **ALTERNATIVE OPTIONS CONSIDERED**

### 11.1. **Capital Letters and Enfield Let**

- 11.1.1. The Council could join the Capital Letters 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 we would not have access to MHCLG subsidy for newly procured properties. This would be of additional cost to the council.
- 11.1.2. The Council could increase its commitment to Capital Letters by transferring all its leased stock to the Company and abandon plans for a lettings agency. This would mean that all of our temporary accommodation was provided by a single supplier. This option was felt to be high risk as the Capital Letters is a new agency.
- 11.1.3. The Council could decide not to join Capital Letters and increase the investment to Enfield Let. This option would mean that the Council had no influence of the future direction of the Company. It would also mean that Enfield Let and Capital Letters would be in direct competition with each other as Capital Letters would still procure properties in the borough.

### 11.2. **Single Homelessness Prevention Service**

- 11.2.1. The Council could decide to join the Service on the basis that the moral arguments for joining the scheme outweigh the subsidised financial cost. This could result in reduced resources for our statutory service in order to achieve a balanced budget.

11.2.2. The Council could decide to reject the proposal outright on the basis that this is beyond our statutory duty. This could result in a failure to reduce costs in other areas including the need for supported housing and specialist services.

### 11.3. REASONS FOR RECOMMENDATIONS

11.3.1. The human cost of homelessness and households spending years in temporary accommodation is enormous. At the same time the financial cost to the council of an ever-increasing number of households in temporary accommodation is growing. The proposals outlined above are part of our wider homelessness prevention strategy and aim to reduce the number of people becoming homeless and provide solutions for those who do lose their home.

11.3.2. The council are set to benefit from joining Capital Letters using MHCLG funding and this should assist us in reducing the temporary accommodation budget pressure.

11.3.3. By working with other boroughs, we will minimise competition for properties and improve the opportunity to house residents closer to the borough.

### 12. COMMENTS FROM OTHER DEPARTMENTS

#### 12.1. Financial Implications

#### 12.2. New Service Model

12.2.1. The proposed new service structure for Temporary Accommodation (TA) and Homelessness will focus heavily on early prevention in a bid to drive down homelessness in the borough. If successful, this is expected to vastly reduce homelessness in Enfield in the next 5 years by an estimated ~2,500 people.

12.2.2. The new service structure and forecast numbers of households in TA have been modelled into the TA Business Plan and is shown to be affordable taking into consideration the current resources available and expectations that are reflected in the Medium Term Financial Plan (MTFP) and further savings proposals for 2020/21, 2021/22 and 2022/23 that will only be taken forward if agreed in the Budget Report for 2020/21. However, it should be noted that although affordable there is only minimal headroom in the first 2 years (2020/21 and 2021/22) as shown in the table below.

	2020/21	2021/22	2022/23	2023/24	2024/25
Income	45,476.94	31,850.50	24,785.88	21,652.57	19,649.36
Expenditure	50,143.67	35,711.16	27,836.72	24,973.58	23,473.61
Net cost of services	4,666.73	3,860.67	3,050.84	3,321.01	3,824.25
General Fund resources	4,852.16	4,016.16	3,891.16	3,891.16	3,891.16
Surplus/(Deficit)	185.43	155.49	840.32	570.15	66.91

12.2.3. The new service model and TA business plan are based on the following main assumptions:

- All agreed and proposed new savings totalling £1.8m are fully delivered in 2019/20.

- Future agreed and proposed savings totalling £0.836m for 2020/21 are also delivered in full.
- The Flexible Homelessness Support Grant (FHSG) continues for the next 5 years, decreasing by 10% each year. The exact value of the grant for 2020/21 has yet to be quantified but it has been confirmed that it will be at least the value received in 2019/20 and with additional funding being stated in the Government Spending review for Homelessness and Rough Sleeping there is a possibility that this may increase. A prudent approach has been taken in the model in that the existing level of grant has been assumed for 2020/21.
- A 1% inflationary increase has been assumed on salaries and it should be noted that this has been provided for corporately in the proposed pay award and inflation uplifts for the 5 years of the MTFs.
- The proposals to create Enfield Let and join Capital Letters are approved and deliver the estimated savings required.
- No increase in rents or rates.

12.2.4. There are several risks which could affect the viability of the service structure and these are as follows:

- The Government recently announced the Flexible Homelessness Support Grant and Homelessness Reduction grant for 2020/21 and this results in an additional £0.730m of funding for the Council's homelessness services. This increase in grant provides a greater level of assurance that the risks identified in this report can be mitigated should they materialise. However, there is still no certainty beyond 2020/21 regarding the grant funding and this could be reduced by more than 10% per annum or ceased completely. In this scenario the Council may be left with a structure which it could no longer afford to run.
- The service may struggle to cope with any unexpected costs in the first 2 years of the new structure due to only having a small amount of headroom. This could be neutralised to a degree by using some previously earmarked reserves for dilapidations works which are no longer required.
- Any increase in demand for homelessness services or a slowdown in tenants exiting TA would be likely to increase the number of residents in temporary accommodation and lead to greater costs.
- A budget of £1.400m has been allocated for Incentives which is approximately the same amount as this year, however it is possible a greater number of people could be moved into the Private Rented Sector (PRS) triggering an increase in incentives.
- The business plan assumes the savings agreed and proposed in the MTFs are fully delivered and should these not be achieved it is likely the plan would be unaffordable without mitigations actions or alternative savings delivered which would lead to an increase in resources from the General Fund.
- Should Capital Letters not generate the expected amount of properties for use by Enfield or Enfield Let take less units than currently anticipated it is

likely a greater number of tenants than expected would be left in TA. This would result in a higher cost to the Council.

- Should the number of units in TA be significantly higher than projected in April 2020 it will immediately cause an overspend. As a guide, 100 units has an approximate equivalent cost to the Council of £0.230m.
- No increase in either rates or rents has been factored into this modelling. In theory the reduced need for Temporary Accommodation could mean the Council can cherry pick accommodation at the best rates more easily in future but there is an inherent risk of property rates rising which will put more strain on the business plan. The Council could look to raise rents at some point in the future, both to raise additional income and to dissuade people from thinking of Temporary Accommodation as a cheap means of accommodation in Enfield compared to the Private Rented Sector.

12.2.5. However, despite all the risks around the new service model it is favourable compared to the business as usual model which is forecast to see a continued growth in the number of people housed in Temporary Accommodation and therefore an increasing pressure on the General Fund. Many of the risks would be more severe in the current structure and in the long term these are largely reduced in the new way of working with less residents being housed in TA and a more strategic use of the PRS and external partners.

### 12.3. **Capital Letters**

12.3.1. Joining Capital Letters (CL) will enable the Council to reduce expenditure on incentives for the next two years by circa £750k due to the MCHLG contribution to each let made through CL.

12.3.2. Enfield will also need to pay for up to four members of staff to join CL on a temporary basis which should generate approximately 419 lets over a 12 month period.

12.3.3. This creates a risk to the expected savings as should those staff not procure sufficient properties Enfield may be forced to take on more staff internally to procure additional lets.

12.3.4. After two years the MHCLG payments for incentives will stop and it is up to CL to create a business model that is attractive to Boroughs. Without this there is little point in remaining in CL beyond that time frame as it will become a net cost rather than a net saving to the Council.

12.3.5. Enfield should consider seeking to mitigate the risk of CL not delivering the expected unit numbers by exiting early if CL procurement of units is below expectations.

12.3.6. As shown in table 6.4 (above) the gross saving from joining CL is over 10% annually for both years which drops to roughly 5% annually should Enfield need to replace the staff temporarily transferred to CL.

### 12.4. **Enfield Let**

12.4.1. Creating Enfield Let (EL) will bring large financial benefits to the Council which will enable the revenue budget to be reduced year on year.

12.4.2. An initial cohort of tenanted PSL properties will be transferred from the Council in the first instance and more will follow each year as they become void. In

addition, EL will actively seek new properties from the open market to supplement their stock.

- 12.4.3. EL will be able to charge higher rents than the Council which will enable them to take over staff, repair and void costs in relation to the properties being transferred. While the Council is limited to charging tenants subsidy rate for property rental, the lettings agency will charge LHA rate, an Intermediate rent and Market rent as appropriate in order to maximise income.
- 12.4.4. Moving tenants into Enfield Let will also reduce the number of people in TA which reflects positively on Enfield in a social sense as well as a financial one.
- 12.4.5. Enfield can expect to see net GF budget savings of up to £2.2m over five years from the introduction of EL which is inclusive of a management fee payment to support the company in the early years. However, should any additional financial incentives be required (as mentioned in 7.4 above) these will reduce the projected five year saving by the equivalent additional incentive amount.
- 12.4.6. It should be noted that company taxation has not been factored into the modelling at this stage but will be for future iterations.

## 12.5. **Single Homelessness Prevention Service**

- 12.5.1. Detailed financial imps will be written should a decision to join the SHPS scheme be made, it is currently estimated to cost circa £1m over four years. This report does not commit the Council to this level of expenditure and will only proceed if it is deemed affordable.

## 12.6. **Summary**

- 12.6.1. The impact of joining Capital Letters and establishing Enfield Let has not been factored into the MTFP and therefore any savings derived from this are over and above the commitments already made. These savings will be taken into consideration alongside the impact of the future service model to ensure that the overall cost is within the budget provision in the MTFP, noting that there are existing and proposed savings expectations that reduce the budget for 2020/21 and 2021/22 and subject to the continued availability of the Flexible Homelessness Support Grant (FHSG) beyond 2020/21. Should the FHSG discontinue or reduce significantly then the overall strategy will need to be reviewed.

## 13. **Legal Implications**

### 13.1. **New Service Model**

- 13.1.1. The Homelessness Reduction Act 2017 made wide ranging changes to existing homelessness legislation. Prevention and Relief duties are at the forefront of the changes. A focus on prevention as set out in this report and the successful or effective prevention of homelessness is in accordance with such statutory duties and the Council's overall aims as set out in its housing and preventing homelessness and rough sleeping strategies.
- 13.1.2. Section 111 of the Local Government Act 1972 permits local authorities to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of their functions. Furthermore, the Council has a general power of competence under section 1(1) of the Localism Act 2011 to do anything that

individuals may do, provided it is not prohibited by legislation and subject to Public Law principles.

### 13.2. **Capital Letters**

13.2.1. Capital Letters is a private company limited by guarantee, owned and managed by London local authorities who constitute limited liability members. The liability of each member is limited to £1. The members' agreement contains a provision for a member to cease to be a party to the members agreement by giving 6 months' written notice to the other members and Capital Letters. The Council will need to be organised and forward plan when the Council would like to exit from the arrangement and ensure that the formal requirements of serving the required notice are complied. This is especially in light of the financial implications set out above under 7.2 that MHCLG funding will cease after two years.

13.2.2. Capital Letters will provide services to the Council. The provision of such services is procurement activity subject to competition in accordance with The Public Contracts Regulations 2015 (the "**Regulations**"). Capital Letters has been described as a Teckal company. Under Regulation 12(4) of the Regulations 2015, a contracting authority may award a contract to any person without undertaking a competitive process where:

- (a) the contracting authority exercises jointly with other contracting authorities a control over that legal person which is similar to that which they exercise over their own departments;
- (b) more than 80% of the activities of that legal person are carried out in the performance of tasks entrusted to it by the controlling contracting authorities or by other legal persons controlled by the same contracting authorities. Continuous monitoring of the company's activities will be required to ensure that that this threshold is maintained; and
- (c) there is no direct private capital participation in the controlled legal person with the exception of non-controlling and non-blocking forms of private capital participation required by national legislative provisions, in conformity with the Treaties, which do not exert a decisive influence on the controlled legal person.

13.2.3. It is proposed that the Council becomes an 'A' member of the company. This requires the Council to agree that at least 50% of the total number of dwellings that it procures for use as temporary accommodation (excluding nightly lets or properties outside of the London area) are obtained through the company (paragraph 1.5 of the Articles of Association). The Council will therefore need to be confident that sufficient units to meet the Council's demand are made available by the company. Any legal agreements entered into must protect the Council's assets and minimise its exposure to risk of insufficient accommodation.

13.2.4. When the Director of Housing and Regeneration ('the Director') serves on the Board of Capital Letters the Director needs to be mindful of any perceived or actual conflicts of interest between their role on the Capital Letters Board and their role as a Director of the Council. When the Director acts on the Capital Letters board the Director must serve in the best interests of Capital Letters and when the Director acts as a Director of the Council the Director must serve in the best interest of the Council.

### 13.3. **Single Homelessness Prevention Service**

13.3.1. It is considered that the Council has the necessary powers to join the SHPS Partnership. Further legal advice should be sought when more information is known about the proposals.

13.3.2. A subsequent decision to join SHPS will be a Key Decision if it involves expenditure/savings of £250,000 or above or has significant impact on the local community in one or more wards.

### 14. **KEY RISKS**

14.1. Capital Letters cannot provide the PRS and leasing target units stated in the business plan. This will lead to additional pressures on the council's procurement team to procure the units required to meet current demand. If we are not resourced to procure the required units, this may lead to an increase in the use of nightly let accommodation.

14.2. From a pricing perspective there is a risk that to be competitive Capital Letters may increase their offer to the market which may lead to inflation of our local market pricing. However, we are assured that Capital Letters will keep to local agreed rates – Inter Borough Accommodation Agreement (IBAA).

14.3. A business plan has been prepared for the company which has ambitious plans to build up to managing 5,000 properties by the end of year 3 with turnover in year 3 of £238m. The business plan shows a small surplus in each quarter totalling £2.8m over the first 3 years. In year 4 when government funding ends there is £2.3m deficit for which funding has yet to be confirmed.

14.4. There are significant risks in setting up so large a company so quickly. Government funding is not certain but is conditional on the number of boroughs joining. The company business plan is considerably dependant on income from rent collection and management fees. However, as the company is limited by guarantee and, as set out in paragraph 6.13, the Council's liability is limited to its guarantee of £1, London Councils and their legal advisors have made assurances that there is no financial risk if the company incurs losses or has to be wound up.

### 15. **IMPACT ON COUNCIL PRIORITIES – CREATING A LIFETIME OF OPPORTUNITIES IN ENFIELD**

#### 15.1. **Good homes in well-connected neighbourhoods**

In seeking to drive up the quality and availability of properties in the private rented sector, the proposal will increase the number and quality of homes available to low income households in the borough.

#### 15.2. **Sustain strong and healthy communities**

Poor quality housing and homelessness have been identified as key factors in health inequality. Through reducing the number of households reaching crisis point and increasing the supply and quality of rented homes we will help to reduce the impact of homelessness and poor housing on the health and wellbeing of our residents.

#### 15.3. **Build our local economy to create a thriving place**

The proposals aim to ensure a thriving, high quality private rented sector that is accessible to low income households. By acting proactively to engage with and support landlords we aim to increase the supply of rented homes.

Through the creation of a landlord licensing scheme we will ensure that these homes are well maintained and good quality.

#### 15.4. **EQUALITIES IMPACT IMPLICATIONS**

This report seeks approval to progress with key elements of the strategy presented in September and outlines the Council's proposed approach to the prevention of homelessness and the elimination of the use temporary accommodation. In doing so the proposals should have a positive impact on all residents in the borough. Full Impact Assessments are being developed for each of the elements of the strategy.

#### 15.5. **PERFORMANCE AND DATA IMPLICATIONS**

This report outlines the Council's proposed approach to the prevention of homelessness and the elimination of the use temporary accommodation. A full analysis of the potential impact on data will be carried out once the proposals have been fully developed. Data on residents will be a key part of our prevention work to enable the Council to identify at risk households. The future proposals will therefore incorporate our data protection obligations and statutory duties.

#### 15.6. **PUBLIC HEALTH IMPLICATIONS**

Poor quality housing and homelessness have been identified as key factors in health inequality. Through reducing the number of households reaching crisis point and increasing the supply and quality of rented homes we will help to reduce the impact of homelessness and poor housing on the health and wellbeing of our residents.

### 16. **HR Implications**

#### 16.1. **New Service Model**

16.1.1. The proposed four strand service model under the Preventing Homelessness Strategy reflects a significantly changed focus for the service.

16.1.2. Although the current structure and the proposed structure have a similar FTE headcount it is likely, given the change in focus, that there will need to be a review of job descriptions and the skillset of the existing workforce.

16.1.3. In the event that there are changes to job description and / or job grades the Principles of Managing Reorganisations will be followed including full consultation with trade unions and staff.

16.1.4. The implications for our current employees include being placed at risk of redundancy; having to apply for new roles within the new structure; possibility of redundancy.

16.1.5. Consideration needs to be given to both the financial costs of redundancy, including potential pension on costs and the impact on employees from a wellbeing perspective.

#### 16.2. **Capital Letters**

16.2.1. The report indicates that we will be supporting Capital Letters by providing the cost of additional staff and not transferring or seconding our employees directly to them.

16.2.2. Based on the above there are no immediate implications for our current employees as they will continue in their current role working with Capital Letters as they would with any external provider.

**16.3. Enfield Let**

16.3.1. The report and business case outline several different options which may have different implications for employees.

16.3.2. Should new roles be required then new job descriptions will need to be written and evaluated and recruited to accordance with LBE guidelines.

16.3.3. Should Enfield Let be set up as part of the HGL team then existing resources will be allocated to support the service as necessary.

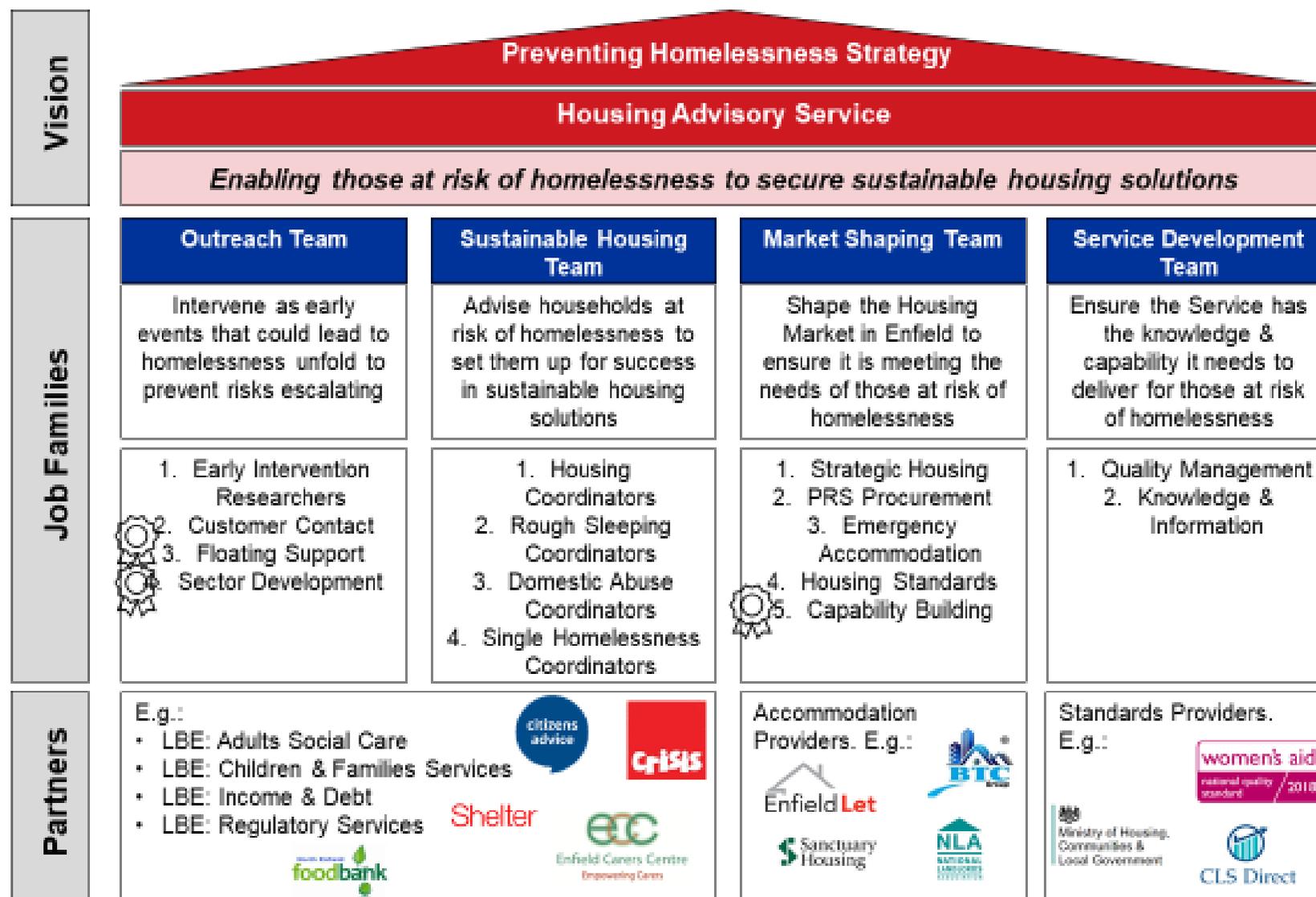
**16.4. Single Homelessness Prevention Service:**

16.4.1. There are no HR implications in the funding for this service as described in the report.

**Background Papers**

New Service Model overview

# The Service Model



# Service Benefits and Costs

**Benefits**

**Benefits to Households**

- Household resilience enhanced underpinned by an asset based approach that focusses on sustainable housing outcomes
- Reduced Household stress and anxiety as better equipped to sustain existing or new tenancies
- At risk Households experience a dedicated Sustainable Housing Officer until a Housing resolution found
- Tenants more effectively matched to sustainable housing solutions with Temporary Accommodation defined as a six month maximum

**Benefits to Landlords**

- Influenced toward longer-term provision (out of nightly paid) whilst engendering their financial interests
- Clearer point of access to the Council for escalation of tenant queries and issues
- Reduced likelihood of damage or issues to Property

**Benefits to Partners**

- Homelessness prevention a shared issue across Council and Partners with reciprocal impacts noted
- Working with a Council who play a more active role to intervene, shape and empower national and local partners, networks and forums

**Benefits to Council**

- Higher rate of positive Prevention outcomes for Households & reduced spend on TA
- Homelessness recognised as a Council wide issue requiring enhanced cross Council working

**Costs**

**Staff Costs**

The delivery of the new service will require an increased staffing establishment, to be offset by changes in the TA cohort;

**Spend(£m) and FTEs (No) for Operating Models**

Category	Target	Current
Early Intervention	£1.50	0
Sustainable Housing	£2.50	£2.20
Market management	£1.00	£1.80
Service Development	£0.20	0
Leadership	£0.10	0
<b>Total Spend</b>	<b>£5.30</b>	<b>£4.00</b>
<b>FTEs</b>	<b>113</b>	<b>112</b>
Sub-categories	EI - 34, SH - 47, MM - 28, SD - 5, L - 1	H - 69, TA - 43

**Temporary Accommodation Costs**

Model in development; validating assumptions of;

**Cost Assumptions**

- Capital Letters
- Enfield Lets
- Demand Changes due to new Service Model

**Income Assumptions**

- Flexible Homelessness Grant
- Other sources; HRA, IHM etc.