Report title: PLACE Limited - (Pan-London Accommodation Collaborative Enterprise)

Wards: All Wards

Portfolio: Cabinet Member for Housing: Councillor Paul Gadsby

Report Authorised by: Sue Foster: Strategic Director for Neighbourhoods and Growth

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Report summary

A working group of boroughs from across London has developed proposals for a collaborative approach to acquiring modular housing units, to be used as temporary accommodation. The pre-fabricated units will be installed on “meanwhile” sites that are awaiting permanent development, and then moved to other sites as required. The temporary homes will be let by participating boroughs to homeless families as a more cost effective and better quality alternative to Bed & Breakfast (B&B) or other nightly paid temporary accommodation.

The working group has established Pan-London Accommodation Collaborative Enterprise (PLACE Limited), a not-for-profit, local authority owned company limited by guarantee, to take this programme forward. PLACE Ltd has been incorporated by the London Borough of Tower Hamlets, as the lead borough for the programme, and will act as the procurement and ownership vehicle for the scheme. In order to participate in and benefit from the programme, boroughs will join the company as either “A” or “B” members depending on the level of input they prefer.

This report seeks approval for Lambeth to become a member of PLACE Limited, in order to benefit from the programme it aims to deliver.

Finance summary

There are no financial implications arising from this report. All costs of running PLACE will be met from the Grant Funding already allocated and so there is no direct cost to the Council.

Financial modelling has been undertaken on the concept of the PLACE programme which, based on current assumptions the availability of grant, demonstrates the potential for commercial viability. Details of the viability assessment are contained in an Appendix to Part II of this report which is exempt from publication due to its commercial sensitivity.
Recommendations

1. Approve that Lambeth Council join, as an “A” member, PLACE Limited, a company limited by
guarantee that has been established by the London boroughs to procure and own modular temporary
accommodation for the benefit of those London boroughs that become members of the company.

2. To appoint the Assistant Director- Homes & Communities as the Council’s initial Company Director
on the Board of PLACE Limited.

Reasons for Exemption from disclosure

The accompanying Part II report and its Appendix is exempt from disclosure by virtue of the following
Paragraphs of schedule 12A to the Local Government Act 1972:

3. Information relating to the financial or business affairs of a particular person (including the authority
holding that information).
1. **CONTEXT**

1.1 The shortage and cost of housing across London means that many London boroughs, including Lambeth, are experiencing unprecedented demand for temporary accommodation (TA) to meet their statutory duty to homeless households.

1.2 Lambeth currently has more than 2100 homeless households living in TA, with almost 60% of these households currently residing outside of the borough boundary. In response to this, the Council has developed a TA strategy which aims to increase the availability of Council-owned TA within the borough, and reduce reliance on expensive nightly paid annexe type accommodation, which accounts for the majority of out of borough placements and which places significant financial pressures on the Council.

2. **PROPOSAL AND REASONS**

2.1 The proposal described in this report will help facilitate the provision of additional TA in the borough by working jointly with other London Councils to offer streamlined and cost effective development opportunities on “meanwhile” sites. “Meanwhile” sites are currently unutilised sites that may have an identified future use or development, such as a transport or permanent housing project that for various reasons cannot be realised at the present time.

2.2 PLACE (Pan-London Accommodation Collaborative Enterprise) is a collaborative programme brought forward by the London Councils’ London Housing Directors’ Group (LHDG), a professional network of senior housing professionals from across the 32 boroughs and the City of London.

2.3 During 2017 the group began investigating the possibility of setting up a collaborative approach to procuring and owning demountable modular temporary accommodation to be used by boroughs across London on meanwhile development sites. Eighteen boroughs, including Lambeth, are currently members of a working group that supports the development of this programme, with potential sites identified in several boroughs.

2.4 In April 2017, on behalf of the London boroughs, LHDG submitted a successful bid for £11 million of grant funding from the GLA’s Innovation Fund. The Heads of Terms for the grant has now been agreed, and a Grant Contract is being reviewed by LB Tower Hamlets.

2.5 As the lead borough for the programme LB Tower Hamlets will receive the grant funding from the GLA, which it will passport onto PLACE Ltd. Detailed delivery arrangements are now being established and an OJEU procurement to purchase the modular housing units is anticipated to be launched in July 2018. The programme has a target to bring forward 200 new modular homes, which in line with grant conditions, will have been started on site by April 2021.

2.6 The group also successfully bid for £20,000 from the Capital Ambition programme (hosted by London Councils) as “seed-funding” for the further development of the proposals. This sum is also being received by LB Tower Hamlets to fund much of the programme development activity that has taken place to date.

2.7 The project team taking forward the proposals has explored a range of options for funding, owning and providing a centralised supply of modular homes to be used by London boroughs. Legal advice obtained by LHDG recommends setting up a not-for-profit company, limited by guarantee, to procure and own the modular homes. Boroughs who wish to make use of the homes will be required to become members of the company.
2.8 Any surplus made by the company will be reinvested to scale up the programme. LB Tower Hamlets has subsequently led on establishing the new collaborative company that is needed to facilitate this activity which has now been incorporated as PLACE Limited.

2.9 The company is to be funded by a combination of GLA grant (made available to the company via a member borough) and debt finance (either made available to the company by member boroughs or by securing debt from the private finance market).

2.10 Boroughs have two options for joining the company; the Council could join the company as an “A” member which would enable the Council to access the modular housing units, and the associated benefits of this. This would require the Council to nominate an officer to become a director on the company’s board which would offer the Council greater influence over the strategic direction of the company.

2.11 The Council could alternatively join the company as a B member. This option would enable the Council to access the modular housing units, and the associated benefits of this, but would mean that the Council has less influence over the strategic direction of the company. Each eight “B” members of the company will nominate one member to represent them on the board of directors.

2.12 The timescale for programme delivery assumes the new company is established in May 2018, with additional borough members formally joining the company throughout 2018.

2.13 Officers will seek to identify meanwhile sites within Lambeth that could be utilised for temporary accommodation through this programme. These sites will then be considered through our existing corporate asset governance and decision making arrangements for potential inclusion within the scheme.

2.14 Cabinet is asked to approve that Lambeth joins PLACE Ltd as an “A” member and that the Assistant Director of Homes and Communities is nominated to the company’s board of directors.

3. FINANCE

3.1 There are no financial implications of the Council becoming an “A” member of PLACE Ltd, however it is important to note that the concept, of meanwhile modular housing for TA purposes, that the company has been established to deliver has been professionally assessed as having the potential for delivering financially viable schemes.

3.2 LB Croydon, as a member of the group, has procured financial consultancy support on behalf of the programme in order to model the viability of providing modular temporary accommodation via the special purpose vehicle. This analysis is included as an Appendix to Part II of this report, which is exempt from publication due its commercial confidentiality.

3.3 The financial modelling is based on soft market testing in relation to production, installation and relocation costs. As well as assuming general costs of management and maintenance, the modelling also took into account the possible income variations between pan-London locations, assuming rents are fixed at 90 per cent of 2011 Local Housing Allowance levels (LHA, which vary between Broad Rental Market Areas). This is the level of LHA currently available for local authority temporary accommodation placements. Thus smaller sites are more viable in Inner London, whilst larger sites are required in Outer London to ensure viability.

3.4 The analysis clearly demonstrates that, based on the assumptions made and assuming sound decision-making by the company in relation to the size and location of the meanwhile sites, the
proposed approach can be viable on a pan-London basis, with the potential for cross-subsidising developments across boroughs. However the proposed recommendation to join the company does not commit the Council to any future funding obligations.

4. **LEGAL AND DEMOCRACY**

4.1 The acquisition of modular accommodation is a public supply contract for the purposes of the Public Contracts Regulations 2015 (PCR) and would ordinarily be subject to a competitive tendering exercise. In order for the scheme to be successful the Council must be able to purchase the accommodation as and when required from the specially set up local authority-own company, PLACE Ltd, without subjecting the purchase to competition. Otherwise, this would substantially reduce the utility and financial viability of the whole scheme.

4.2 Regulation 12 of PCR exempts competition where the Council makes a purchase from a separate company over which the Council exerts a level of control similar to that of one of its own departments. Regulation 12 also allows a group of local authorities to purchase from that separate company where together they exert the level of control over that company that each one would do over one of their own departments.

4.3 This means that each local authority will be able to purchase modular accommodation from the specially set up company if:

4.3.1 each local authority is represented on the board of directors and has the ability to have significant input on the overall strategic direction of the specially set up company;
4.3.2 at least 80% of the specially set up company is for the benefit of the controlling local authorities; and,
4.3.3 there is no significant private investment in the company.

4.4 The requirements stated in paragraph 4.3 should be stated in the company’s articles of association.

4.5 It therefore follows that in the event that a new local authority wishes to utilise the new company as a provider, provision needs to be made within the articles allowing a new local authority to gain a controlling interest along with the existing local authorities to ensure that the Company continues to satisfy the requirements of Regulation 12.

4.6 Initially, agreement should be reached between the participant local authorities as to their combined approach to the setting up of the new company and this will form part of a written agreement.

4.7 PLACE Ltd will be a contracting authority for the purposes of the PCR and will therefore have to perform a competitive tender before engaging with suppliers who will ultimately provide supplies and services to the participant local authorities.

4.8 Notwithstanding the fact that the new company is compliant with Regulation 12, for the purposes of procurement it should be made clear in all adverts relating to the new company’s tenders that the new company is purchasing on behalf of other local authorities. This should include a list of prospective users of the company’s supplies as well as existing ones.

4.9 The Council still has an obligation to ensure that it complies with its Best Value duty under section 3 of the Local Government Act 1999. However, this will be simply demonstrated provided that the new company’s tenders are evaluated on a “most economically advantageous” basis using a final score which represents a blend of quality and price.
4.10 While the new company will be controlled by the participant authorities it is still a separate trading legal entity for the purposes of UK law. Therefore, all supplies should be governed by a proper supply contract and all other constitutional processes of the Council followed prior to committing to a supply. Part VII of the Housing Act 1996 imposes several various duties on local housing authorities to secure accommodation for persons who apply to them as homeless. Further section 3 of the Homelessness Act 2002 requires local housing authorities to have a Homelessness Strategy for amongst other purposes, securing that sufficient accommodation is and will be available for people in their district who are or will become homeless.

4.11 Section 111 of the Local Government Act 1972 gives the Council the power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.

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4.14 The Council's Constitution requires that the appointment of any individual to any office other than the office in which they are employed by the authority must be taken by the Cabinet collectively. The report must also be published on the website for five clear days before the decision is approved. Any representations received during this period must be considered by the decision-maker before the decision is taken.

4.15 There were no further comments from Democratic Services.

5. CONSULTATION AND CO-PRODUCTION

5.1 Consultation is not required on the decision to become a member of PLACE Limited, but will be undertaken when identifying sites in Lambeth which may be suitable for temporarily accommodating the modular units and as part of the planning process.

6. RISK MANAGEMENT

6.1 PLACE Limited is a not for profit company limited by guarantee and membership carries no risk for the Council. However failure to take up either an A or B membership of PLACE Ltd will mean that Lambeth is unable to access the modular units and any additional benefits that membership of the company can offer.

7. EQUALITIES IMPACT ASSESSMENT

7.1 It is not considered at this stage that that the setting up of the company or the recommendation in this report to appoint the Assistant Director- Homes & Communities as the Council's initial Company
Director on the Board of PLACE Limited will have any significant equalities impact (either for the purposes of the Equality Act 2010 or in any wider context).

7.2 However, as there may be equalities impacts in respect of the actual supply and provision of the modular accommodation in individual circumstances the Council will ensure that it takes all appropriate measures (including where necessary consultation) to properly understand the impact the provision of an individual item of accommodation would have on persons who have a protected characteristic at the appropriate time.

8. COMMUNITY SAFETY
8.1 There are no community safety implications arising from the proposal to become a member of PLACE Limited.

9. ORGANISATIONAL IMPLICATIONS
9.1 Environmental
None.

9.2 Staffing and accommodation
None.

9.3 Procurement
There are no procurement implications arising from the proposal to join PLACE Limited, however the company itself will be subject to the Public Contracts Regulations 2015 details of which are included in paragraph 4 above.

9.4 Health
The provision of high quality and standard of temporary accommodation for homeless families is considered to have a positive impact on health outcomes.

10. TIMETABLE FOR IMPLEMENTATION

<table>
<thead>
<tr>
<th>Date</th>
<th>Activity</th>
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<tr>
<td>July 2018</td>
<td>Lambeth completes membership of PLACE Limited</td>
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<tr>
<td>July 2018 - January 2019</td>
<td>PLACE Ltd undertakes Procurement for Modular Units and Contractors</td>
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## Audit Trail

### Consultation

<table>
<thead>
<tr>
<th>Name/Position</th>
<th>Lambeth directorate / department or partner</th>
<th>Date Sent</th>
<th>Date Received</th>
<th>Comments in paragraph:</th>
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<tr>
<td>Councillor Paul Gadsby</td>
<td>Cabinet Member for Housing</td>
<td>26.06.18</td>
<td>05.07.18</td>
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<tr>
<td>Sue Foster</td>
<td>Strategic Director Neighbourhoods and Growth</td>
<td>26.06.18</td>
<td>05.07.18</td>
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<td>Daniel Grantham, Group Manager, Finance</td>
<td>Corporate Resources</td>
<td>26.06.18</td>
<td>29/6/2018</td>
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<td>Greg Carson, Legal Services</td>
<td>Corporate Resources</td>
<td>26.06.18</td>
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<td>Henry Langford, Democratic Services</td>
<td>Corporate Resources</td>
<td>26.06.18</td>
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<td>Rachel Sharpe, Director: Strategic Programmes</td>
<td>Neighbourhoods and Growth</td>
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<td>Neil Wightman - Director: Housing Services</td>
<td>Neighbourhoods and Growth</td>
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<td>Mandy Green, Assistant Director, Homes &amp; Communities</td>
<td>Neighbourhoods and Growth</td>
<td>26.06.18</td>
<td>28/6/2018</td>
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### Report History

| Original discussion with Cabinet Member | 28.06.18 |
| Report deadline | 11.07.18 |
| Date final report sent | 11.07.18 |
| Part II Exempt from Disclosure | Yes |
| Key decision report | No |
| Date first appeared on forward plan | N/A |
| Key decision reasons | N/A |
| Background information | Lambeth Homelessness Strategy 2012-2017  
Lambeth Housing Strategy 2017 |
| Appendices | Part II Appendix A – Pan London Modular Units Financial Viability Assessment. |