# Capital Letters set to cease operations amid rising rental costs



Capital Letters, a non-profit organisation established to combat homelessness in London, is set to cease operations at the end of this year due to financial constraints. Founded in 2019 and created by a coalition of London councils, the organisation was designed to address the challenges posed by homelessness and to manage the expenditure on temporary accommodation.

Initially backed by funding from the Ministry for Housing, Communities and Local Government, Capital Letters emerged with a mandate focused on the implications of the Homeless Reduction Act 2018. The organisation was responsible for facilitating partnerships between private landlords and its member boroughs, enabling them to lease properties for homeless families at Local Housing Allowance (LHA) rates. Since its inception, it has provided nearly 6,500 homes and claims to have saved taxpayers an estimated £240 million.

However, the chief executive of Capital Letters, Sue Edmonds, has indicated that the significant rise in rental prices across the capital has severely impacted the organisation's ability to function effectively. Speaking to Building Design, Edmonds noted that the “original success” of the organisation has been undermined by “rent inflation” which has escalated in the wake of the post-pandemic housing crisis.

Edmonds explained that the reliance on landlords willing to let properties at LHA rates has become increasingly untenable. She stated, “escalating costs and opportunities to increase revenue” have led to rental prices exceeding LHA levels. Currently, properties available at these rates constitute roughly 1.6% of London’s rental market, a stark contrast to the original intent which aimed to cover the lowest 30%.

The organisation has actively sought new funding options and business models to sustain its mission. However, the financial landscape has imposed detrimental effects on the small margins within which the ethical non-profit operates, leaving them unable to find viable avenues for continued operation. Annual membership fees introduced in April 2023 resulted in several boroughs exiting the partnership, reducing Capital Letters to just ten member councils: Brent, Camden, Croydon, Enfield, Hackney, Harrow, Havering, Lewisham, Merton, and Waltham Forest.

The forthcoming closure of Capital Letters is occurring against a backdrop of growing apprehensions regarding affordable housing in London. The challenges are not isolated to this particular organisation; housing associations are also grappling with inflation, rising construction costs, and constraints on balance sheet capacities.

In response to these challenges, a recent report published by Building Design's sister title, Housing Today, alongside the G15 group of London housing associations, titled "State of the Capital," has advocated for interventions to bolster affordable housing delivery. The report suggests introducing an amortising grant model, which would allow housing associations to receive a higher sum of funding upfront. This would enable associations to borrow less privately for development costs while subsequently repaying part or all of the grant, interest-free, to the government.

Furthermore, the report proposes reclassifying affordable housing as national infrastructure, reintroducing rent convergence, and facilitating easier access to the Building Safety Fund for social landlords. It calls on the government to take a comprehensive approach to funding and rent policy, considering regional variations in costs and existing skills shortages.

As the year draws to a close, the dissolution of Capital Letters raises important questions about the future of affordable housing in London, highlighting the systemic issues that organisations face in this critical sector.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://capitalletters.org.uk/capital-letters-to-close-at-the-end-of-2025/> - Corroborates the closure of Capital Letters due to financial constraints and its achievements in providing homes and saving taxpayer money. It highlights the challenges posed by rising rental prices and the impact on the organisation's operations.
* <https://www.housingtoday.co.uk/news/financing-affordable-housing-impossible-in-london-says-ceo-of-homelessness-non-profit-forced-to-close/5135470.article> - Supports the claim that Capital Letters' operations were heavily impacted by rent inflation and the impossibility of financing affordable housing in London. It also mentions the organisation's efforts to find new funding models.
* <https://www.property118.com/london-councils-landlord-capital-letters-faces-closure-amid-market-challenges/> - Details the operational challenges faced by Capital Letters, including rising rents and changes in its operational model, which led to a reduction in member councils.
* <https://www.gov.uk/government/collections/homelessness> - Provides information on the Homeless Reduction Act 2018, which Capital Letters was established to address. This context is crucial to understanding the organisation's founding mission.
* <https://www.g15.org.uk/what-we-do/policy-advocacy/state-of-the-capital> - References the 'State of the Capital' report, which advocates for policy changes to support affordable housing delivery in London, aligning with the broader challenges highlighted by Capital Letters' closure.