

**MAYOR OF LONDON**

---

# **HOMES FOR LONDONERS**

**AFFORDABLE HOMES PROGRAMME 2016-21  
FUNDING GUIDANCE**



**NOVEMBER 2016**

## COPYRIGHT

Greater London Authority  
November 2016  
Published by Greater London Authority  
City Hall  
The Queen's Walk  
London SE1 2AA  
[www.london.gov.uk](http://www.london.gov.uk)

Enquiries 020 7983 4100

Minicom 020 7983 4458

ISBN 978-1-84781-636-8

### Photographs

Cover image - Mayor of London, Sadiq Khan, visiting Brent - © GLA

Page 4 - Wornington Green, Kensington - by permission of Catalyst Housing

Page 9 - Hale Village, Tottenham - © Eleanor Bentall

Page 14 - Catford Green, Lewisham - © GLA

Page 19 - Woodberry Down, Hackney - © Eleanor Bentall

Page 22 - Kings Crescent, Hackney - © Eleanor Bentall

Page 27 - Cannon Road, Tottenham - © Eleanor Bentall

Page 30 - Greenwich Millennium Village - © GLA

Copies of this report are available from [www.london.gov.uk](http://www.london.gov.uk)

If you would like this report in a different format,  
please contact the Public Liaison Unit on tel: 020 7983 4100

# CONTENTS

<b>FOREWORD</b>	<b>5</b>
<b>PART 1: PRODUCTS</b>	<b>6</b>
Delivering affordable homes for Londoners	6
London Affordable Rent	7
London Living Rent	8
London Shared Ownership	10
Supported and specialised housing	12
Design	14
Larger homes and wheelchair units	14
<b>PART 2: FUNDING</b>	<b>16</b>
Available routes for affordable housing funding	16
Set grant rates	16
Approved provider route	17
Developer-led route	18
Negotiated grant rates	19
<b>PART 3: BIDDING FOR FUNDING</b>	<b>22</b>
Introducing GLA Open Project System	22
Eligible providers	22
Bidding mechanisms	25
Use of RCGF and DPF	26
Grant payment	26
Land acquisition	27
Additional Mayoral priorities	28
Branding	29
<b>PART 4: ASSESSMENT</b>	<b>31</b>
Assessment	31
Assessment of bids for Approved Provider and Developer-led routes	31
Negotiated grant rates	32
Contracts and programme management	32
State aid compliance	34
Compliance audit	34
Timetable	35
Questions	35
<b>ANNEX A – FUNDING AND EXPECTED OUTPUTS</b>	<b>36</b>



---

## FOREWORD

**London is open. We are a leading global city with a strong economy, with businesses that trade internationally, and with people drawn from all over the world.**

Our city's success is reflected by the number of people becoming Londoners. With 70,000 new Londoners every year, we are a bigger city than we have ever been, and our population is set to top 10 million within 25 years.

But our city's great success has brought huge challenges too. In recent years, we know that London has built nowhere near the number of new and affordable homes we need. As a result, too many Londoners can't afford a decent home to rent or buy.

We know we won't be able to turn round London's housing crisis overnight. It'll be a marathon, not a sprint. But I'm determined to get started, working with councils, housing associations, the development industry, central government, and Londoners themselves.

That's why I am pleased to set out my 'Homes for Londoners: Affordable Homes Programme 2016-2021'. Working with government, I have secured £3.15bn to start building at least 90,000 new affordable homes. We will help Londoners who would otherwise struggle to rent or buy, by building a range of new affordable homes. This will include homes for low-cost rent, London Living Rent, and shared ownership.

My long-term aim is for half of all new homes to be affordable. Most homes in this programme will be built by partners who are meeting or exceeding this target. I will also increase the amount of affordable housing delivered through the planning system, and bring forward more public land for affordable homes. Together, these steps will set us in the direction I want us to take.

I want to build a city for all Londoners. A place where no community feels left behind, and where everyone can benefit from the opportunities London has to offer. New and affordable housing is essential to this goal, and together, we can build the homes that Londoners need.



**Sadiq Khan**  
Mayor of London

---

## **PART 1: PRODUCTS**

### **DELIVERING AFFORDABLE HOMES FOR LONDONERS**

1 The Mayor has secured £3.15bn from the Government to fund new affordable homes for Londoners. This funding is expected to support starts for at least 90,000 new affordable homes in London through to 2021. The Mayor and Government have agreed at least 58,500 of this total will be a combination of London Living Rent and shared ownership. A detailed breakdown of funding and expected outputs can be found in annex A.

2 The Mayor is committed to delivering homes that are tailored to the different needs of Londoners. His *Homes for Londoners: Affordable Homes Programme 2016-21* will help increase the supply of new homes and the number of those that will be genuinely affordable. The majority of homes delivered through this programme are expected to be built by partners who are delivering half, or more, of their homes in London as affordable. Homes funded in this programme are expected to be primarily composed of three affordable products:

- London Affordable Rent;
- London Living Rent;
- London Shared Ownership.

3 Other products may be funded under the Mayor's programme where they are genuinely affordable to Londoners. They may also be funded by providers' own resources or secured through the planning system. Existing pipeline schemes may have affordable housing tenures fixed already, in which case there will be some flexibility during the transitional period.

4 The GLA expects the majority of the funding in this programme to be used as grant to support affordable housing delivery, but is also keen to identify how this funding can be used in flexible and innovative ways. This will include supporting new housing products through an Innovation Fund, and other interventions such as those to support land assembly and to increase affordable housing delivery in Housing Zones. This guidance also sets out other opportunities for providers to bid for funding to deliver supported and specialised housing, and to work with the GLA on the basis of sharing risk and reward to a greater extent.

5 Providers are invited to bid for funding to deliver affordable homes in London which start on site by 31 March 2021. A full definition of start on site is available in the [GLA's Capital Funding Guide](#).

---

## LONDON AFFORDABLE RENT

6 The Mayor and the Government have a shared aspiration to support both affordable home ownership and much-needed sub-market rented homes. Low-cost rented homes are needed in the capital to help low-income households, typically nominated by London Boroughs, who are unable to secure or sustain housing on the open market. To this end, the Government has agreed the GLA may use funding to support new homes for Affordable Rent. The GLA is keen to make good use of this flexibility, whilst bearing in mind the need to meet the target of 58,500 London Living Rent / London Shared Ownership homes.

### Setting rents

7 Government rules require that, nationally, Affordable Rent homes cannot be let at more than 80 per cent of market rents, inclusive of service charges. The Mayor does not consider 80 per cent of market rents to be genuinely affordable in most parts of London and he therefore expects most homes let for London Affordable Rent to be substantially below this level.

8 The starting point for London Affordable Rent should be the benchmarks for homes which are let in 2017/18, set out in the table below. These benchmarks reflect the formula rent cap figures for social rents uprated by CPI for September 2016 plus one per cent. These benchmarks will be uprated each April by the increase in CPI (for the previous September) plus one per cent and updated benchmarks will be published by the GLA on an annual basis.

**Table 1: London Affordable Rent benchmarks for 2017-18**

Bedroom size	2017-18 Benchmark (weekly rents, exclusive of service charge)
Bedsit and one bedroom	£144.26
Two bedrooms	£152.73
Three bedrooms	£161.22
Four bedrooms	£169.70
Five bedrooms	£178.18
Six or more bedrooms	£186.66

9 Other rent levels for London Affordable Rent will also be considered, where the provider is able to demonstrate to the GLA's satisfaction that the homes would be genuinely affordable.

**10** Once let, London Affordable Rent homes will be subject to rent-setting guidance issued by the Social Housing Regulator and will be subject to the annual one per cent rent reductions up to 2020. Providers will be able to re-let at up to the applicable benchmark level, uprated annually, or at an otherwise agreed level, as appropriate and in line with legislation and Regulator guidance. Providers have the flexibility to charge less than the benchmark. The benchmark rents do not include service charges, which may be charged in addition.

**11** For legal and regulatory purposes, the GLA views London Affordable Rent as Affordable Rent. Rents will have to be set in accordance with the Social Housing Regulator's Affordable Rent guidance. The landlord of these homes must be registered with the Social Housing Regulator.

### **Sharing nominations for London Affordable Rent homes**

**12** In order to increase pan-London mobility in the affordable sector, and ensure new homes can meet a London-wide need, providers will be required to offer the nomination rights to 5 per cent of the new homes delivered on each site through the GLA's Housing Moves scheme. On sites of 150 homes or more this will be increased to 10 per cent of lettings.

## **LONDON LIVING RENT**

**13** The Mayor is introducing London Living Rent as an intermediate affordable housing product with locally specified rents. When funded through this programme, London Living Rent is a Rent to Buy product with sub-market rents on time-limited tenancies. This will help households on average income levels to save for a deposit to buy their own home. Providers bidding for grant through this programme are encouraged to set out their commitment to delivering London Living Rent.

### **Setting rents**

**14** The GLA has calculated ward-specific rent levels for London Living Rent homes based on one-third of median gross household income for the local borough. The level is based on the borough median, but varies by up to 20 per cent in line with house prices for the ward. The levels have further variation based on the number of bedrooms within the home, though the GLA anticipates that most homes will be 1 or 2 bedroom properties, which are likely to better reflect the needs of households looking to access this product. London Living Rent levels will be published by the GLA annually.

---



**15** Providers will have the flexibility to let homes at lower rents if they wish. Rents should not be increased above the rate of CPI inflation and on re-let the rent should revert to the applicable London Living Rent level. The GLA's view is that the London Living Rent is not affected by the annual one per cent rent reduction, in accordance with the Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016<sup>1</sup>. For the purposes of the funding agreement, London Living Rent will be defined as Rent to Buy grant funding within the Affordable Homes Programme 2016 – 21. The landlord of these homes must be registered with the Social Housing Regulator. Further information on how the London Living Rent will be set is [available from the GLA's website](#).

### **Eligibility and priority**

**16** Eligibility for London Living Rent is restricted to existing private and social renters with a maximum household income of £60,000, without sufficient current savings to purchase a home in the local area. Any update to this criteria will be provided through the GLA's Annual Monitoring Reports. Where properties are oversubscribed, boroughs will be able to set additional priorities. All homes are expected to be advertised on the GLA's London-wide portal, which can be found [here](#).

### **Tenancy terms and route to home ownership**

**17** Providers are expected to use London Living Rent to actively support tenants into home ownership within ten years. This will include a requirement to assess the ability and inclination of prospective tenants to save, and offering tenants the right to buy their London Living Rent home on a shared ownership basis during their tenancy and within ten years. The grant rate offered in this programme assumes that if no tenant has purchased the home within ten years then providers are expected to sell the home on a shared ownership basis to another eligible household.

**18** Providers of London Living Rent will have flexibility to manage the tenancies in the way they see fit, although the GLA would not expect tenants to be required to move within the first three years.

## **LONDON SHARED OWNERSHIP**

**19** London Shared Ownership homes allow a home buyer to purchase a share in a new home, and pay a regulated rent on the remaining, unsold share.

**20** London Shared Ownership purchasers should have household incomes that can support an initial purchase of between 25 per cent and 75 per cent of the value of a property, and usually a mortgage deposit of around 10 per cent of the share to be

---

1. Limb (g), under definition of 'intermediate rent accommodation enabling programme', [See here](#)

purchased. Initial rents on the unsold equity of London Shared Ownership properties can be no more than 2.75 per cent of the value of the unsold equity at the point of initial sale, and all sales must use a form of lease containing the fundamental clauses set out in the [GLA Capital Funding Guide](#).

### **A charter for service charges**

**21** A common complaint from shared owners is a lack of transparency over service charges, causing confusion and dissatisfaction for those affected. The Mayor wants to work with the industry to improve satisfaction with shared ownership and is encouraging providers to commit to working together to standardise approaches to service charges and, where possible, reducing these charges for consumers. Providers of shared ownership are invited to work together to propose a charter on shared ownership service charges to the Mayor. It is hoped that this will address concerns and commit providers to meaningful positive action, which may be endorsed by the Mayor and become an important standard for consumer protection. This charter will be the key distinguishing feature for London Shared Ownership.

### **Eligibility**

**22** London Shared Ownership homes are available to Londoners who have a maximum household income of £90,000 in accordance with the London Plan (updated in the Annual Monitoring Report). Where boroughs specify lower local income thresholds or other restrictions, providers should only apply these restrictions for the first three months of marketing, after which the London Plan maximum household income should apply.

### **Accessing London Shared Ownership homes**

**23** All London Shared Ownership homes should be advertised on the GLA's London-wide portal, currently available [here](#).

### **Flexibility over London Shared Ownership and London Living Rent allocations**

**24** Providers will have the flexibility to switch homes between London Shared Ownership and London Living Rent up to the point of sale or letting, in response to consumer demand. All providers are expected to deliver a mixture of both tenure types.

---

## **SUPPORTED AND SPECIALISED HOUSING**

**25** Providers are encouraged to bring forward supported and specialised housing projects for vulnerable Londoners. The Mayor has existing funding streams available for providers to utilise, and is keen to support the provision of supported and specialised housing in the following areas:

- Specialised housing for disabled or older Londoners;
- Accommodation for those who are homeless, or at risk of being homeless;
- Move-on accommodation;
- Other forms of supported and specialised housing.

### **Specialised housing for disabled adults and older Londoners**

**26** Design is critical to the success of older person and disabled adult accommodation, and providers should adhere to the design principles laid out in the [Housing our Ageing Population: Panel for Innovation \(HAPPI\)](#) reports.

**27** Proposals to deliver specialised housing for disabled adults and older Londoners should follow the criteria set out in the Mayor's Care and Support Specialised Housing Fund (MCSSHF) Phase One funding guidance, published in October 2012. MCSSHF Phase Two was published in March 2015, focusing on encouraging private market solutions to older persons and disabled adult accommodation. The GLA is interested in any proposals that meet this criterion, though affordable solutions will take priority. Further information on MCSSH can be found [here](#).

### **Accommodation for those who are homeless, or at risk of being homeless**

**28** Proposals to deliver accommodation for those who are homeless, or at risk of being homeless, should follow the criteria set out in the [Homelessness Change and Platform for Life \(HCPL\)](#) funding guidance, published in March 2015. This guidance sets out how the Mayor is looking to support the provision of hostel accommodation for single people, including rough sleepers, as well as accommodation that helps younger adults at risk of homelessness, and who would struggle to sustain work or further education without access to settled accommodation. The latter programme has a valuable role to play in preventing young people from becoming homeless.

---

## **Move-on funding**

**29** In recognition of the extreme pressures facing the capital, and the Mayor's commitment to tackle homelessness and to develop better support for victims of domestic abuse, London has up to £50m of capital funding available to deliver move-on accommodation. This funding will enable the development of properties specifically earmarked for people who are moving on from either hostels or refuges because they no longer require the support services offered in those types of accommodation, and those leaving the streets who would benefit from a 'Housing First' approach<sup>2</sup>.

**30** The GLA will use these funds to support local authorities and housing associations to purchase and repair existing market accommodation, to develop new build properties and, in exceptional circumstances, to lease and repair existing market accommodation for a minimum of five years. All referrals to units delivered through this fund will be managed by the GLA on a pan-London basis.

**31** Grant will be awarded on a negotiated basis and detailed information for prospective bidders in relation to move-on funding is available [here](#).

## **Other forms of supported and specialised housing**

**32** The GLA encourages bids for other forms of supported and specialised housing for client groups not covered above, including gypsy and traveller accommodation, hostels for homeless people and refuges for those who have experienced domestic and sexual violence. There is particularly high demand for refuge spaces in London and new services should complement existing refuge provision.

---

2. Housing First is an approach where rough sleepers with high support needs move from the streets into sustained independent accommodation and receive intensive floating support.

## DESIGN

**33** The Mayor wants to deliver high-quality new homes; the required design standards for new homes London are set out in the 2016 London Plan and the Housing Supplementary Planning Guidance (SPG) published in March 2016, and are updated from time to time. Projects funded through this programme are expected to meet the housing design and sustainability standards set out in the London Plan and relevant SPGs, in common with all other new development in London.

**34** In the exceptional instances when projects do not comply with the London Plan design standards, providers will be required to specify the areas of non-compliance at both start on site and practical completion stage. Providers should ensure that a full assessment of final performance against the GLA's design standards is kept on file for assessment at compliance audit stage.

**35** The GLA will review the extent to which design standards are being fully reflected in projects funded through the programme.

## LARGER HOMES AND WHEELCHAIR UNITS

**36** Providers are expected to build homes that match local and pan-London needs, in terms of size and typology. The 2013 Strategic Housing Market Assessment (SHMA) estimated that currently 36 per cent of new homes are required to be three-bedrooms or larger.

**37** In line with London Plan policy, 10 per cent of all units across a provider's programme are expected to be wheelchair user dwellings, meeting Building Regulation requirement M4 (3). For funding purposes, providers are not required to provide these units as fully adapted (wheelchair accessible) from the outset unless there is demonstrable local need<sup>3</sup>. If local boroughs are unable to nominate any residents who require an adapted property, providers should consider working with local and neighbouring boroughs to ascertain whether the property can be used to meet demand elsewhere. The Mayor is considering whether, in instances where the local borough is unable to nominate to a property, nominations could be made through the Housing Moves scheme.

---

3. Providers should refer to [Approved Document M Access to and use of buildings Volume 1: Dwellings](#) for more detail on the requirements of M4.



## **PART 2: FUNDING**

### **AVAILABLE ROUTES FOR AFFORDABLE HOUSING FUNDING**

**38** The GLA will fund affordable housing through three different routes:

- The Approved Provider route, with a single set grant rate for London Affordable Rent at or below the benchmarks, and a different set grant rate for both London Living Rent and London Shared Ownership;
- The Developer-led route, with a single set grant rate to increase the level of affordable homes provided on section 106 sites;
- Negotiated grant rates mainly for supported and specialised housing, and for London Affordable Rent at levels above the benchmarks.

**39** The GLA does not expect to allocate its entire available grant in this programme through the initial bidding round. There will be further opportunities to bid on an ongoing basis, once the initial allocations are made.

**40** Following the completion of a review of the Housing Zones investment programme, the Mayor may consider moving funds into this programme, in order to increase levels of affordable housing in existing, or additional, Housing Zones. Homes which are subject to direct funding from the GLA's existing Housing Zone programme are not eligible for further funding under this new programme.

### **SET GRANT RATES**

**41** Under the *Homes for Londoners: Affordable Homes Programme 2016-21*, the GLA will specify set grant rates per home, available for the new supply of affordable homes. These grant rates are inclusive of Recycled Capital Grant Funding (RCGF) and Disposals Proceed Funding (DPF), and therefore the new funding paid by the GLA will be correspondingly lower than the grant rates where RCGF/DPF is included.

**42** This approach gives partners certainty over the grant levels they can expect from the GLA for certain products, and allows them to plan accordingly. The bidding process and systems have also been streamlined for partners, reducing overheads and administrative burdens, which will allow them greater freedom to optimise the use of their own resources.

---

## APPROVED PROVIDER ROUTE

43 The Approved Provider route is open to all providers of affordable housing who:

- Ensure that at least half of their London housing starts between April 2015 and March 2021 are affordable homes;
- Deliver their programme on sites controlled by them or by joint-ventures in which they have at least a 50 per cent share; and
- Intend to, either as themselves or as part of a consortium, own the completed affordable homes.

44 Two set grant rates are available under the Approved Provider route, which will be applied to all affordable homes delivered by partner organisations under the Mayor's *Homes for Londoners: Affordable Homes Programme 2016-21*. These set grant rates are as follows:

- London Affordable Rent - £60,000 (inclusive of RCGF/DPF) per home, when rent is set at or below the benchmark levels;
- London Living Rent and London Shared Ownership – £28,000 (inclusive of RCGF) per home.

45 Only benchmark London Affordable Rent, London Living Rent and London Shared Ownership products may be funded through the set grant rates in the Approved Provider route. Other genuinely affordable products may be brought into the programme on a nil-grant basis, through the Developer-led approach below, or at negotiated grant levels. The GLA will simplify the logging of nil grant homes on our system and funding conditions. Compliance audit will not apply to nil grant homes.

46 Funding for London Affordable Rent homes at rent levels other than the benchmarks can be requested through the negotiated grant rates. This will only be approved where the GLA is satisfied the homes will be genuinely affordable and grant rates will be expected to be significantly below the £60,000 per home set out above.

### Approved Provider route: Hypothetical example

Potters Fields HA is developing a programme of 1,000 homes, 500 of which are affordable. The homes will be developed across 10 sites that it controls, one of which is a 50:50 joint venture with a private developer which delivers 30 per cent affordable housing. As at least 50 per cent of the homes in Potters Fields' programme will be affordable, it may bid for grant through the Approved Provider route for funding on all 500 affordable units.

## **DEVELOPER-LED ROUTE**

**47** The Mayor wishes to see a clearer and more consistent approach to assessing the viability of delivering affordable homes through the planning system. The Mayor's Draft Affordable Housing and Viability Supplementary Planning Guidance 2016 sets out the approach to delivering affordable housing through the planning system.

**48** The Mayor is keen to provide a strong incentive to increase the level of affordable housing beyond that which is viable with nil subsidy on developer-led sites. Once the minimum viable level of affordable housing is established by the Local Planning Authority, GLA grant at £28,000 per affordable home will be available through the Developer-led route to increase the level of affordable housing. Bids for this grant are invited from providers that will own the completed affordable homes.

**49** In cases where this grant enables the level of affordable housing to be viably increased to 40 per cent or more, measured by habitable room, it can be applied to every affordable home within the relevant planning application.

**50** In cases where developments could viably achieve 40 per cent or more affordable housing without GLA grant, providers can use the grant-funding to increase the level of affordable provision to an even higher level. On all developments where GLA grant is being utilised, the purchasing of affordable homes from a developer must be compliant with State Aid rules.

**51** This approach can be applied to any residential development across London, including those that are not referable to the Mayor. The tenure of the affordable homes provided in schemes delivered through this approach should comply with the policy of the relevant Local Planning Authority.

**52** If, even with GLA grant, a development cannot viably achieve 40 per cent affordable housing, then GLA grant (at £28,000 per affordable home) may be applied for in respect of every affordable home above the nil grant level identified by the viability assessment. In these cases, grant will only be available for these net additional affordable homes and not for the total number.

---

### **Developer-led route: Hypothetical example**

Tower Bridge Homes (a private developer) controls a site with planning approval for 100 homes, 35 of which are affordable. In working with Potters Fields HA, they decide to offer an additional five affordable homes, taking the total affordable homes on site to 40. By reaching 40 per cent affordable housing on the site, Potters Fields can claim funding through the Developer-led route for all 40 homes.

On another site controlled by Tower Bridge Homes there is planning approval for 100 homes, 35 of which are affordable. Working with Potters Fields HA, they decide to offer an additional two affordable homes, meaning 37 per cent of the homes on the site are affordable. Potters Fields can claim funding through the Developer-led route for the two additional homes.

## **NEGOTIATED GRANT RATES**

**53** The GLA will fund a small number of projects at negotiated grant rates. The GLA will take this approach when funding supported housing projects, which vary in cost far more than standard affordable housing projects.

**54** The GLA may choose to extend this approach to projects that fit its spatial and thematic priorities, but this will be solely at its discretion. It is expected that most homes developed through the Mayor's *Homes for Londoners: Affordable Homes Programme 2016-21* will be funded through the Approved Provider and Developer-led routes.

**55** This funding route may also be used for London Affordable Rent homes at rent levels above the benchmarks. This will only be approved where the GLA is satisfied the homes will be genuinely affordable and grant rates will be expected to be significantly below the £60,000 per home set out above.

### **Negotiated grant rates: Hypothetical example**

Shad Support Services are developing a homeless hostel and decide to bid for funding through the Negotiated route. The total costs of the 100 bed-space facility is £20m, of which £5m can be covered by borrowing against the rental income and £9m from Shad's own resources and fund raising. Shad may bid to the GLA for grant to cover this gap.

## **Innovation Fund**

**56** Expressions of interest are encouraged from providers who want to deliver affordable housing using GLA investment in an innovative way. Proposals must deliver products that offer a similar level of affordability to consumers as the three tenure products set out in paragraphs six to 24. Interested providers must evidence the following:

- a previous track record of delivering homes at scale;
- that land has been acquired or lined up to enable early delivery;
- that the delivery model is capable of being scaled up to deliver significant numbers of new homes;
- that the delivery model will be compliant with State Aid rules;
- the circumstances in which GLA grant would be repaid and when this is expected to occur.

**57** Expressions of interest will be evaluated and, if of sufficient quality, further information will be sought to develop more detailed proposals.

**58** The GLA also offers funding which makes available very low cost investment on a loan basis to increase the volume and pace of housing delivery, with homes initially let on an intermediate rent basis. The term sheet for this funding stream is [here](#).

## **Strategic investment partnerships**

**59** The Mayor is interested in working with a small number of major providers who will be delivering at scale through the programme period and could be supported to do more by working at a more strategic level. These strategic partners may be able to benefit from higher levels of investment than that which is available through the set grant rate programme, but they would be expected to return some of that investment back to the GLA in the form of overage, should their programmes outperform assumptions.

**60** Such strategic partners must be willing to commit to bringing forward at least 600 affordable homes within a wider delivery programme consisting of at least 60 per cent affordable housing. Partners interested in this approach should signal their interest at an early stage of the bidding process.

---



## **PART 3:** **BIDDING FOR FUNDING**

### **INTRODUCING GLA OPEN PROJECT SYSTEM**

**61** Under the Mayor's *Homes for Londoners: Affordable Homes Programme 2016-21*, providers will need to submit funding bids through the GLA's new Open Project System (OPS), which is replacing the HCA's Investment Management System (IMS) for new projects funded by the Mayor. Providers submitting funding bids under other GLA programmes should continue to use IMS until informed otherwise by the GLA.

**62** Existing IMS providers will be invited to register on the new OPS system in December 2016, and new users wishing to register on OPS should complete a registration form. This form will be [available here](#), along with further information about OPS.

**63** OPS is a streamlined system which providers should find simple to navigate, but the GLA will be offering some training and guidance to help providers submit their bids.

### **ELIGIBLE PROVIDERS**

**64** The Mayor welcomes bids from a range of organisations to deliver the affordable homes that Londoners need.

**65** Only organisations who are intending, either independently or as part of a consortium, to own the completed affordable homes are eligible to bid for grant.

**66** The landlord of all properties funded as London Affordable Rent and London Living Rent must be registered with the Social Housing Regulator.

### **Small housing associations**

**67** The Mayor recognises the significant capacity of small housing associations, and strongly encourages them to bid for grant through this programme. The set grant rates in the Approved Provider route should provide certainty and clarity for smaller providers when appraising projects. There are excellent examples of existing consortia of small housing associations developing at scale, and the GLA warmly welcomes the formation of new consortium arrangements to benefit from economies of scale and development experience. Smaller housing associations may also like to take advantage of development arrangements offered by larger providers.

---

## London Boroughs

**68** Funding bids are also encouraged from London Boroughs. Boroughs should note that properties they deliver for London Affordable Rent and London Living Rent may be eligible for Right to Buy, where the local authority is the landlord. It is a Government requirement that boroughs cannot currently use their Right to Buy re-provision receipts in conjunction with GLA grant. However, there should be many opportunities through this programme to work with the GLA to fund mixed-tenure projects.

## Build to Rent providers

**69** Build to Rent providers are expected to provide some units in their developments for sub-market rents. Where these rents are set at the level of London Living Rent, Build to Rent providers who are retaining a legal interest in the homes will be able to secure grant from the GLA to deliver the properties if the landlord of the properties is registered with the Social Housing Regulator. Such properties cannot be subject to a mandatory right to shared ownership, and this should be made explicit to the prospective tenant before the commencement of the tenancy. Where Build to Rent providers are also providing shared ownership themselves, or through group companies, they will also be expected to actively provide advice and assistance to tenants interested in accessing shared ownership homes.

## Community-led organisations

**70** Community-led housing is shaped and controlled by a group representing residents or the wider community, with the aim of providing affordable homes for their community in perpetuity. The Mayor is keen to see more community-led housing projects delivered in London, potentially through custom build.

**71** Organisations developing community-led housing projects are invited to make contact for an informal conversation on how the Mayor can support their projects via [communityledhousing@london.gov.uk](mailto:communityledhousing@london.gov.uk).

## Investment Partner Status

**72** Providers must be qualified as a GLA Investment Partner before they can receive grant, and providers who are not a GLA Investment Partner will need to submit an application for qualification. Further information about the GLA Investment Partner qualification process can be found on the [GLA's website](#). Unregistered providers looking to offer London Shared Ownership will be required to undertake further due diligence in addition to the Investment Partner qualification process.

---



## BIDDING MECHANISMS

### Bidding through the Approved Provider route

**73** Providers wishing to bid through the Approved Provider route must ensure that at least half of their London housing starts between April 2015 and March 2021 are affordable homes. This will be a contractual obligation and will be monitored throughout the duration of the programme. Providers who cannot achieve this will only be eligible to bid through the developer-led route. If a provider fails to deliver 50 per cent affordable housing, but has received funding through the Approved Provider route, it will need to convert market homes into affordable housing to balance its wider programme, or repay the funding difference between the two funding routes.

**74** Providers can submit proposals for a combination of Named and Indicative projects.

**75** Proposals for Named projects must be for identified sites. These identified sites may not yet be owned by the provider but should have a clear timetable for acquisition and delivery. Providers will need to hold a secure legal interest in the property when claiming grant from the GLA.

**76** There is no requirement to submit Indicative proposals, but where providers choose to do so they must identify numbers of homes to start in each financial year. Indicative allocations of grant will be available by year for London Living Rent and/or London Shared Ownership allocations but not for London Affordable Rent. Indicative allocations will only be available during the initial bidding period. Funding for starts in the year 2020-21 will only be on the basis of Named projects in order to ensure certainty of delivery. The GLA will withdraw any Indicative allocations that do not start on site in their named year.

**77** Providers who are also delivering market sale homes may (as part of their Indicative proposals) reserve grant for the potential conversion of market homes to affordable housing in order to support the GLA's policy of maximising the provision of affordable homes for Londoners. However, grant may not be used to fund homes which will be sold or let at market rents.

### Bidding through the Developer-led route

**78** Providers wanting to increase the level of affordable housing on developer-led projects can access funding through this route. In addition, as per paragraph 74, providers whose London housing starts between April 2015 and March 2021 are not at least 50 per cent affordable can only bid through the Developer-led route.

---

**79** Where a provider is leading the delivery of an 'off-site provision' project in lieu of affordable housing being provided on a developer-led site, this will be considered to be a developer-led project. This type of project will only be eligible for GLA grant through the Developer-led route, and only when it is proposed to deliver more affordable homes than required under the section 106 agreement.

**80** When bidding, providers should make clear whether their project requires the Developer-led set grant rate to be applied on all homes in their project. This will only be the case when a provider is involved in a project that is delivering 40 per cent or higher affordable housing, or, in the case of off-site provision, the off-site provision represents 40 per cent of the total, including the main application site.

### **Bidding for negotiated grant rates**

**81** In addition to submitting a bid on OPS, providers bidding for supported or specialised housing should speak to their relevant GLA contact about further information that may need to be provided to allow a full assessment to take place. Providers who plan to bid for negotiated grant funding for projects other than supported and specialised housing should consult with their GLA contact in the first instance.

**82** When bidding for London Affordable Rent homes at levels above the benchmarks the provider will be required to submit other evidence to satisfy the GLA that the homes are genuinely affordable to Londoners.

### **USE OF RCGF AND DPF**

**83** The use of the term 'grant' in this funding guidance is inclusive of both RCGF and, for London Affordable Rent homes, DPF. Where RCGF or DPF has previously been applied to a project, bidders will need to identify how much when bidding.

**84** Providers should make full use of existing RCGF and DPF funds when submitting funding bids under the new programme, and providers will be expected to drawdown against RCGF and DPF funds before requesting GLA grant. Where grant, RCGF and DPF have been allocated to a specific project, providers should use their RCGF and DPF allocation first. Any use of RCGF outside of this programme will also require approval by the GLA.

### **GRANT PAYMENT**

**85** As an incentive for early delivery, if a project starts on site in the first year of the programme (2017-18), the GLA will pay 50 per cent of grant at land acquisition stage and the remaining 50 per cent of grant at start on site stage.

---

86 If a project starts on site in the second year of the programme, the GLA will pay 50 per cent of grant at land acquisition stage and the remaining 50 per cent of grant will be paid on completion.

87 This early incentive payment is only applicable to projects that have not previously been allocated grant in another GLA funding programme. Where schemes have been moved from another programme, and for projects that start on site in the third year or beyond of the programme, 50 per cent of grant will be paid at start on site and 50 per cent on completion.

**Table 2: Summary of GLA approach to payment of grant in 2016-21 programme**

Start on site year	Payment at land acquisition stage	Payment at start on site stage	Payment at Practical completion stage
2017-18	50%	50%	
2018-19	50%		50%
2019-20		50%	50%
2020-21		50%	50%

88 In addition, the GLA may allow flexibility on the timing of payments to providers when it leads to the early development of affordable homes or the delivery of spatial or thematic priorities. This will need to be on the basis of a clear business case.

89 Providers who are not regulated by the Social Housing Regulator will either receive 100 per cent grant upon completion of their projects, or will have to provide satisfactory security to the GLA so as to safeguard public funding.

## LAND ACQUISITION

90 Ensuring affordable housing providers have access to sufficient land in the right places and at the right prices will be fundamental to the success of this programme. The GLA is keen to support partners by whatever means necessary to achieve this. In most cases partners are expected to be able to buy the land themselves, largely using their own resources, although the early and flexible tranche payments outlined above will assist some partners.

91 Partners who may be able to benefit from GLA support in land acquisition are encouraged to discuss this with their relevant GLA contact at the earliest possible opportunity. The GLA will also consider further strategic opportunities to increase the land supply for affordable housing.

## **ADDITIONAL MAYORAL PRIORITIES**

**92** Providers wishing to secure grant from this programme will need to commit to helping the Mayor deliver a number of his priorities.

### **London Living Wage**

**93** The Mayor welcomes providers joining him in leading the way on tackling low pay in the capital. Providers receiving grant from the GLA through this programme will be expected to ensure that their employees are paid the London Living Wage, and should endeavour to ensure that consultants, contractors and sub-contractor employees similarly meet this requirement. This will be a contractual obligation of funding.

### **Estate regeneration**

**94** The Mayor is developing a Good Practice Guide to Estate Regeneration, which will set out good practice in relation to landlord aims and approaches, consultation and engagement, and offers to tenants and leaseholders that the Mayor expects to see in estate regeneration projects. Providers who bid for grant to deliver estate regeneration will need to contractually commit to these standards for their estate regeneration projects.

### **Cycle safety**

**95** The Mayor is committed to improving cycle safety across London. Recent data shows that heavy goods vehicles (HGVs) are disproportionately responsible for cyclist casualties in London. A significant number of HGVs in London are involved in the construction trade, and those in the industry are in a powerful position to take action to reduce the risk on London's roads for cyclists.

**96** The Mayor is introducing a new Direct Vision Standard which will rate construction and other HGVs based on the level of vision the driver has directly from the cab. TfL and the wider GLA group are leading by example and will adopt the new Direct Vision Standard in all future contracts from April 2017, to ensure that no trucks with poor direct vision are used in their future supply chains. Providers delivering homes through this programme are expected to introduce similar approaches within their own supply chains.

---

## **Supporting skills and apprenticeships**

97 [The Farmer Review](#) highlighted the need for more action to develop skills in the construction industry. Construction has an ageing workforce, and struggles to attract, develop and retain the people it needs. The provision of high-quality apprenticeship programmes is essential for the industry, and the GLA expects providers to review the quality of the apprenticeships they offer in light of the Review.

## **Modern Methods of Construction**

98 The Farmer Review also highlights the need to pre-manufacture more of our homes. Precision-manufacturing homes can offer an increased level of consistency and quality control and additional benefits in terms of speed of delivery, cost efficiencies and safety on site. Furthermore, an industry-wide move towards more off-site work could make a career in the construction sector more attractive to young people. The GLA therefore expects to see an increasing number of bids that involve the precision-manufacture of new and affordable homes.

## **Delivering affordable homes on public land**

99 The Mayor is keen to maximise affordable housing on public land. Public sector organisations, and providers bringing forward projects on public land, are encouraged to engage fully with the GLA at an early stage, in order to maximise affordable housing provision.

## **BRANDING**

100 In line with previous programmes, providers will be obliged to adhere to the Mayor's communications and branding requirements. These will include the need to display Mayor of London and/or Homes for Londoners hoardings as specified by the GLA and relevant Government branding on all development sites funded by this programme.

---



---

## **PART 4:** **ASSESSMENT**

### **ASSESSMENT**

**101** The GLA has introduced set grant rates to make the bidding and assessment of funding bids as simple as possible, giving providers certainty about grant availability and freeing up the resources of both the GLA and providers to focus on delivering the homes that Londoners need.

**102** By bidding for grant through this programme, all providers are confirming their willingness for all information to be shared with the relevant borough and the Social Housing Regulator.

### **ASSESSMENT OF BIDS FOR APPROVED PROVIDER AND DEVELOPER-LED ROUTES**

**103** The GLA will consider the following criteria when assessing funding bids under the Approved Provider and Developer-led routes:

- Deliverability;
- London Borough feedback;
- Regulator feedback.

#### **Deliverability**

**104** Only bids for projects that start on site by 31 March 2021 will be considered under this programme and the GLA will assess the certainty of delivery within the forecast delivery timescale, taking into account the pre-development and planning stage achieved and land ownership status.

**105** Providers with existing allocations with the GLA are expected to prioritise the delivery of these projects by the agreed delivery milestones, and the GLA will take into consideration a provider's performance in adhering to these agreed milestones when assessing funding bids under this programme.

**106** The GLA will look at the scale of a provider's delivery output in previous funding programmes when considering Indicative proposals.

**107** In considering bids for London Affordable Rent the GLA will bear in mind the need to deliver 58,500 London Living Rent/London Shared Ownership homes.

---

### **London Borough feedback**

**108** Local borough feedback will be sought on all funding bids submitted to the GLA. It is expected that providers will have consulted with London Boroughs extensively prior to submitting funding bids.

**109** Where a provider has bid through the Developer-led route, the local borough will be asked to confirm whether the relevant project is delivering at least 40 per cent affordable housing and that the borough is content with the tenure of affordable housing being delivered.

### **Feedback from the Social Housing Regulator**

**110** Information submitted at the bid stage by providers will be made available to the Social Housing Regulator, who will advise on providers' current compliance with the Regulator's Governance and Viability standard, and on the materiality of bids compared with the information that the Regulator holds concerning providers' business plans and existing stock holdings.

### **NEGOTIATED GRANT RATES**

**111** Bids submitted for negotiated grant funding will be assessed using the same criteria as bids through the Approved Provider and Developer-led routes. There will be additional Value for Money and affordability assessments using the information submitted by providers at bid stage.

**112** Bids for grant to deliver supported and specialised housing will undergo further assessment to ensure that full revenue funding is in place. Proposals that do not demonstrate a fully-funded revenue requirement will not be funded by the GLA.

### **CONTRACTS AND PROGRAMME MANAGEMENT**

**113** Providers will need to enter into a standard form contract with the GLA to secure grant through this programme. Contracts may vary depending on the provider and products being funded, but will retain the key provisions of the standard form contract. Template contracts will be published on the [GLA's website](#) in due course.

**114** Completed contracts will include the agreed delivery milestones for the projects that GLA has committed to fund. The GLA will monitor providers' performance against these delivery milestones on an ongoing basis. The GLA will be flexible when issues with project delivery are flagged at an early stage, but will reserve the right to review a provider's grant allocation where a provider cannot deliver a project or replace it with an equivalent project.

---



## STATE AID COMPLIANCE

**115** Whilst the GLA has designed this programme to be State Aid compliant, providers have a responsibility to ensure they are not over-compensated from the point of view of State Aid rules.

**116** The GLA has undertaken a detailed exercise to establish appropriate construction costs by the size, tenure and borough location. These costs will be set out on the [GLA's website](#) by 20 December 2016.

**117** The GLA will require providers to make returns about the actual costs incurred for both public accountability and State Aid compliance. The GLA is designing a process that will minimise costs to it and providers. This process will include the submission (and certification) of actual costs incurred, and a process to ensure a more detailed review of costs for each grant recipient at least once during the programme. More information will be supplied about the details of this process once it has been finalised.

**118** Providers delivering a high proportion of projects that have historically received low levels of funding, such as works-only projects, may be subject to additional monitoring. If any providers are found to have been over-compensated, they will be required to repay any over-compensation to the GLA.

## COMPLIANCE AUDIT

**119** All grant recipients will be subject to the GLA's compliance audit process, which ensures that the GLA's policies, funding conditions and procedures are followed. Projects not in receipt of GLA grant, inclusive of RCGF and DPF, will not be subject to compliance audit.

---

## TIMETABLE

120 Following the outcome of the assessment and negotiation process the Mayor will make an announcement of successful bidders in May 2017. We expect to have contracted with successful bidders by no later than 30 June 2017.

Milestone	Date
Publication of funding guidance	29 November 2016
OPS opens for bid submissions	31 January 2017
OPS closes for bid submissions	13 April 2017
Assessment	April – May 2017
Announcement of allocations	May 2017
Partners in contract	30 June 2017

## QUESTIONS

121 Any questions relating to this funding guidance should be submitted to [affordablehomes@london.gov.uk](mailto:affordablehomes@london.gov.uk). A compilation of questions and clarifications will be published on the [GLA's website](#) and updated on a regular basis.

## ANNEX A

# FUNDING AND EXPECTED OUTPUTS

**Table 1: Funding available through this programme, split by allocation status**

Allocation status	Funding allocation (£bn)
Mayor's funding settlement over the period 2015-2021	£3.150*
<b>Allocated funding</b>	
Affordable housing allocations made to date	£0.579
Affordable housing funding reallocated to Housing Zones Programme (in addition to £200m Housing Zones recoverable investment)	£0.400
<b>Funding available under the Mayor's Homes for Londoners 2016-21 programme</b>	
Affordable Homes Programme	£2.171

**Table 2: Confirmed and projected Starts on Site by 2021**

Status	Starts
London target for Starts on Site by 2021	90,000
Starts on Site achieved since April 2015	9,385
<b>Projected Starts on Sites by March 2021 within existing funding allocations</b>	
Affordable Homes Programme	9,615
Housing Zones Programme	11,000
<b>Targeted Starts on Site by March 2021 through currently unallocated funding</b>	
Affordable Homes Programme	60,000

\* Total grant available will be supplemented by Recycled Capital Grant Funding (RCGF) and Disposal Proceeds Funding (DPF)

