

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD3262

London Estate Regeneration Fund

Executive summary:

The Ministry of Housing, Communities & Local Government has allocated £50m of capital funding to the Greater London Authority (GLA) to deliver the London Estate Regeneration Fund (LERF), in 2024-25 and 2025-26. The GLA will operate LERF via side letters (addendum) to the London Affordable Homes Programme (AHP) 2021-26 to maximise affordable housing provision via estate regeneration schemes and will use existing AHP funding guidance, payment mechanisms, subsidy control, and estate regeneration funding terms.

The LERF will alleviate viability gaps on stalled estate regeneration schemes, bringing forward new housing supply. The fund will be administered by the GLA's Housing and Land (H&L) directorate and is expected to unlock up to 380 affordable homes and up to 850 new additional homes in total within estate regeneration schemes in London. This Mayoral Decision seeks approval for the GLA to accept this funding; and to delegate decision-making about funding allocations and programme implementation to the Executive Director of Housing & Land.

Decision:

That the Mayor approves:

- receipt by the Greater London Authority (GLA) of £50m of London Estate Regeneration Fund (LERF) capital funding from the Ministry of Housing, Communities & Local Government (MHCLG), to support the delivery of up to 380 affordable homes (850 new additional homes in total), on estate regeneration sites that are currently stalled in London
- administering and allocating the above funds in London as the LERF, which will form an addendum to the London Affordable Homes Programme (AHP) 2021-26, on the basis set out in this report (including at paragraphs 2.3-2.7)
- delegating authority to the Executive Director of Housing and Land to approve individual funding allocations in line with the above decisions, the decision-making processes for the AHP (as set out in Mayoral Decision Making in the GLA) and the Memorandum of Understanding with MHCLG for the LERF.

Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date:

7/10/24

PART I – NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

- 1.1. On 13 February 2024, the government announced £50m of new investment to help progress housing delivery on stalled estate regeneration sites in London. The Greater London Authority (GLA) will be allocated £50m through the London Estate Regeneration Fund (LERF) as part of this investment over financial years 2024-25 and 2025-26. The Ministry of Housing, Communities & Local Government (MHCLG) will allocate £25m to the GLA in 2024-25, and the remaining £25m in 2025-26. This funding will be delivered through side letters (addendum) to the London Affordable Homes Programme (AHP) 2021-26 and will be subject to the London AHP 2021-26 funding guidance. Funding will be made available for GLA investment partners (IPs) (local authorities and housing associations) to help alleviate viability gaps on existing stalled estate regeneration schemes, bringing forward new housing supply. The LERF is intended to support the delivery of up to 380 affordable homes and up to 850 new additional homes in total across an expected four to six estate regeneration sites.
- 1.2. The Mayor is committed to addressing London's housing crisis. In November 2020, the Mayor launched the £4bn London AHP 2021-26. This programme made funding available to housing associations and local authorities to deliver affordable homes in London. This programme follows the closure of the London AHP 2016-23, which saw over 116,000 affordable homes started in London between March 2016 and 2023.
- 1.3. The Mayor is also committed to ensuring that residents have a more decisive say in estate regeneration; and that estate regeneration does not contribute to a net loss in social housing. When done with the support of residents, estate regeneration can bring forward critical new affordable housing supply, and improve the quality of homes for existing residents.

2. Objectives and expected outcomes

- 2.1. The GLA will deliver the LERF, via an addendum, through established housing delivery structures that exist for the London AHP 2021-26. The GLA will be responsible for identifying and selecting schemes for funding, with the Executive Director for H&L approving schemes for funding subject to final sign-off by the MHCLG Senior Responsible Officer (SRO). The GLA will make funding available on a continuous market engagement basis. It is expected that IPs will be able to bid for LERF funding from Autumn 2024. If there are any funds remaining, bidding will remain open until all the funding is committed. Under the current agreement, all funding must be spent by March 2026.
- 2.2. A Memorandum of Understanding (MoU) between the GLA and MHCLG outlines the responsibilities of both parties in deploying LERF funding in London. The MoU covers: the allocation set out in this MD; the intention that up to 380 affordable homes (850 new additional homes in total) will be delivered; and the way in which the GLA and MHCLG will interact on the programme. It specifically sets out expectations for both parties in respect of the assessment processes; programme management; monitoring and performance management; delivery assumptions; governance; payment; evaluation; and risk management.
- 2.3. The GLA will publish funding guidance to support deployment of the LERF, and this will form an addendum to the [Homes for Londoners: Affordable Homes Programme 2021-2026 Funding Guidance](#) (AHP 2021-26 Funding Guidance). Subject to successful bidding and allocation of funding, IPs will need to draw down funding within agreed timelines set by the GLA in accordance with the MoU. Allocations will be administered through existing AHP 2021-26 contracts via side letters; additional funding allocated via the LERF will be confirmed with partners by a letter, which will clarify details such as the deadline for drawdown of the funding.

- 2.4. To be considered eligible for funding, GLA IPs must demonstrate they will take forward estate regeneration sites/projects in London that:
- can evidence viability gaps, which could not proceed without the financial support of additional grant funding through the LERF
 - demonstrate that funding can be spent in 2024-25 and 2025-26
 - deliver additional homes
 - do not have any critical known deliverability concerns or dependencies that would not be resolved by additional funding
 - are at an advanced stage of planning consent and resident engagement, preferably already achieving a positive ballot result (see paragraph 2.6)
 - deliver against government requirements on value for money.
- 2.5. GLA IPs in receipt of the LERF would also need to comply with requirements set out in the [AHP 2021-26 Funding Guidance](#), as well as associated funding agreements.
- 2.6. [Better Homes for Local People: The Mayor's Good Practice Guide to Estate Regeneration](#) sets out his expectations for how local authorities and housing associations should engage with residents, where they are taking forward housing delivery via estate regeneration. Paragraph 37 of the [AHP 2021-26 Funding Guidance](#) states that IPs who bid for grant to deliver estate regeneration will need to commit to these standards for their estate regeneration projects. In addition, providers will need to comply with the Resident Ballot Requirement as set out in Chapter 8 of the [Capital Funding Guide](#); and the sustainability standards set out in paragraphs 46-49 of the [AHP 2021-26 Funding Guidance](#).
- 2.7. The LERF will have distinct monitoring and accountability mechanisms as set out in the MoU between the GLA and MHCLG. The LERF funding will be administered via an addendum to the AHP; and will be provided in accordance with the AHP funding guidance and contractual requirements. As such, LERF-funded projects will fall within the AHP subsidy scheme and may also be in receipt of other grant from the GLA under the AHP. However, the GLA will maintain a clear distinction between individual homes delivered with assistance from the LERF and homes in receipt of other GLA grant from the AHP, with no individual home receiving both, to ensure the outputs from the LERF are clear. The LERF will follow existing subsidy control checks in line with the AHP, to ensure the GLA does not provide grant in excess of the viability funding gap, in relation to the delivery of the proposed affordable housing.
- 2.8. The MHCLG intends to work with the GLA to conduct a robust impact, process and value-for-money evaluation to investigate the implementation of LERF funding and its effectiveness against the stated strategic objectives. The evaluation will be made up of quantitative and qualitative research designed to be proportionate, and to ensure sufficient data is collected to understand impacts and implementation.

3. Equality comments

- 3.1. The Mayor and the GLA are subject to the public sector equality duty set out in section 149 of the Equality Act 2010. The Mayor and the GLA, like all public bodies, must have due regard to the need to: eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010; and advance equality of opportunity, and foster good relations, between persons who share a protected characteristic and those who do not.
- 3.2. Under section 149 of the Equality Act, protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, and sexual orientation. The

proposals in this paper are likely to have positive impacts on groups who have the following protected characteristics (who are also more likely to be in housing need or live in social housing):

- disability
- pregnancy and maternity
- race
- age.

3.3. Overall, the supply of new housing will benefit Londoners by providing much-needed housing when housebuilding is declining. The increased supply of new affordable homes, in particular, will bring significant equalities benefits to Londoners in housing need, who are more likely to be negatively impacted by poverty and higher housing costs. The following groups disproportionately make up those who are in housing need:

- households that contain children, including households where one member displays the pregnancy and maternity characteristic
- Deaf and disabled households
- Black and minority ethnic households
- older and younger Londoners.

3.4. The supply of social rented homes will also have positive equalities benefits to those living in social housing – many of whom have protected characteristics. Data from the [English Housing Survey 2021-22](#) shows that the majority of households (81 per cent) in the social rented sector have a white household reference person (HRP). However, households with an ethnic minority HRP are more prevalent among social renters (19 per cent) than owner-occupiers. In the social rented sector, households with a Black HRP are more common when compared to households with a Black HRP in the private rented sector and those who are owner-occupiers. Disabled households are also more likely to be social renters (54 per cent) than owners (30 per cent) or private renters (30 per cent). Social renters are almost twice as likely to have a longstanding illness or a disability than owners, even when comparing against similar age profiles. The social rented sector also has higher levels of overcrowding, with overcrowding also being more prevalent in London compared to the rest of the country. Overcrowding is also higher in social rented households with an ethnic minority HRP (11 per cent) than those with a White HRP (6 per cent). The supply of new social homes will help to provide housing that meets household composition needs and alleviate overcrowding, particularly for Black, Asian and minoritised ethnic communities.

3.5. Estate regeneration has sometimes been associated with the displacement of communities. IPs will only be allocated LERF funding if they have achieved an advanced stage of planning consent and resident engagement, ideally having already achieved a positive ballot result. The intended impact of the Resident Ballot Requirement is to provide residents with a stronger say and voice in estate regeneration. The LERF will therefore likely have a positive impact on residents (many of whom will have protected characteristics), who have expressed their consent and support for estate regeneration and will lead to the improvement of homes and the public realm for these communities.

4. Other considerations

Key risks and issues

- 4.1. The key risks are outlined below:

Risk	Rating	Mitigation
Delivery is impacted by cost and market instability. The current macroeconomic situation, with rising inflation, interest rates and construction costs, could lead to further gaps in viability.	Medium	The MoU sets out how the MHCLG and the GLA will work together to reduce this risk, including establishing monthly risks and issues reporting from the GLA to the MHCLG. Letters to IPs will also set out clear funding conditions, including monthly updates on progress against agreed milestones from IPs.
IPs may not reach agreed milestones, and projects may deviate materially from the expected and agreed-upon plans.	Medium	The GLA will utilise existing risk assessment frameworks used within the AHP 2021-26.

Links to Mayoral strategies and priorities

- 4.2. Tackling London's housing crisis is a key priority for the Mayor. The Mayor's [2021 London Plan](#) sets a target for 52,000 new homes to be built in the capital per year over the next 10 years. The London plan also sets a strategic target for making half of these homes genuinely affordable. In addition, the [London Housing Strategy](#) outlines the Mayor's key priority to increase housing supply in London, particularly affordable housing, through his AHP. The LERF contributes to new housing supply by helping to unlock the delivery of up to 380 affordable homes (850 new additional homes in total).
- 4.3. The Mayor is also committed to ensuring that: residents have a more decisive say in estate regeneration; it does not contribute to a loss in social housing; and it delivers improvements to the existing homes and places. This commitment, and his expectations for how local authorities and housing associations should engage with residents about estate regeneration, are set out in [Better Homes for Local People: The Mayor's Good Practice Guide to Estate Regeneration](#). The Mayor has made funding for estate regeneration contingent on IP adherence to this guidance; to paragraph 37 in the [AHP 2021-26 Funding Guidance](#); and to Chapter 8 of the [GLA Capital Funding Guide](#).

Consultations and impact assessments

- 4.4. The GLA has consulted with London Councils to seek views from a range of London boroughs and has engaged with the G15 to consult with larger housing associations. Furthermore, IPs who currently hold AHP estate regeneration allocations have been engaged with on a quarterly basis.

Conflicts of interest

- 4.5. The officers involved in the drafting and clearing this form have identified no known conflicts of interest.

5. Financial comments

- 5.1. The decision is seeking approval for the GLA to receive capital grant of £50m LERF from MHCLG. The fund will be managed through side letters of the AHP 2021-26 and will help alleviate viability gaps on existing estate regeneration schemes. The fund is intended to support the delivery of up to 380 affordable homes (850 new additional homes in total). The eligibility criteria for IPs receiving the LERF funding are set out in paragraph 2.4.

- 5.2. MHCLG has allocated £25m per year in 2024-25 and 2025-26, with each payment to the GLA for the LERF being made separately from any other grant payment the GLA might receive in respect of the AHP. The GLA will be responsible for identifying, selecting, and approving the schemes for funding, and final sign-off for the schemes will be provided by MHCLG. Grant payments from MHCLG to the GLA will be made when MHCLG has approved the selected sites. After the two years, funds that have not been allocated to IPs should be returned to MHCLG by 31 March 2026.

6. Legal comments

- 6.1. Section 30 of the Greater London Authority Act 1999 (as amended) (GLA Act) gives the Mayor a general power to do anything that he considers will further one or more of the principal purposes of the GLA. The principal purposes, as set out in section 30(2), are:
- promoting economic development and wealth creation in Greater London
 - promoting social development in Greater London
 - promoting the improvement of the environment in Greater London.
- 6.2. Given the above, and section 34 of the GLA Act, which allows the Mayor to do anything that is calculated to facilitate, or is conducive or incidental to, the exercise of any of his functions (including his functions under section 30), the GLA is empowered to receive funding from the government and provide financial assistance for the purpose of the recipient providing affordable housing.
- 6.3. In determining whether or how to exercise the power conferred by section 30(1) of the GLA Act, the Mayor must:
- have regard to the effect that these decisions will have on the health of persons in Greater London, health inequalities between persons living in Greater London, the achievement of sustainable development in the United Kingdom and climate change and its consequences (sections 30(3-5) of the GLA Act)
 - pay due regard to the principle that there should be equality of opportunity for all people (section 33 of the GLA Act).
- 6.4. In taking the decisions requested of him, the Mayor must also have due regard to the Public Sector Equality Duty – namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010; and to advance equality of opportunity, and foster good relations, between persons who share a relevant protected characteristic (race, disability, sex, age, sexual orientation, religion or belief, pregnancy and maternity, and gender reassignment) and persons who do not (section 149 of the Equality Act 2010). These matters will also need to be taken into account when preparing the addendum to the AHP funding guidance and when assessing specific bids for funding proposals and entering into funding agreements.
- 6.5. In respect of paragraphs 6.3 and 6.4, the Mayor should have particular regard to paragraph 2.6 and section 3 (above) of this report.
- 6.6. In addition to the above, where the Mayor is proposing to use the power conferred in section 30(1) of the GLA Act, the Mayor must consider consulting in accordance with section 32 of the GLA Act (see paragraph 4.4 above). The Mayor will need to consult in accordance with section 32 of the GLA Act, as appropriate, prior to entering into any funding agreements.
- 6.7. Where funding is to be granted by the GLA for the provision of low-cost rental accommodation, it should be noted that sections 31 to 36 of the Housing and Regeneration Act 2008 (as amended by section 333ZE of the GLA Act) will apply. This includes a requirement upon the GLA to impose a condition ensuring that a registered provider of social housing is the landlord when the accommodation is made available for rent.

- 6.8. The award of GLA funding under this programme is not a payment for services and is not therefore subject to the requirements of the Public Contracts Regulations 2015. This notwithstanding, the GLA is still subject to the overarching duties of fairness and transparency. Officers must ensure that the funding is distributed fairly, transparently, in accordance with the GLA's equalities duties and in a manner that affords value for money in accordance with the GLA's Contracts and Funding Code.
- 6.9. Legal advice should be sought on any supplementary letter to the AHP2021-26 grant agreements in respect of the LERF funding, and no commitment to fund should be made before the relevant letter is agreed by the proposed grant recipient.
- 6.10. Section 38 of the GLA Act provides that any function exercisable on behalf of the Authority by the Mayor shall also be exercisable by, amongst others, any member of staff of the Authority, if or to the extent that the Mayor authorises and subject to any conditions imposed by the Mayor. The Mayor may make the requested delegation to the Executive Director of Housing and Land, if he so chooses.

7. Planned delivery approach and next steps

- 7.1. An indicative timeline is outlined below:

Activity	Timeline
Publication of funding guidance	Autumn 2024
Bidding opens	Autumn 2024
Initial bids to be invited	Autumn 2024
Approval of sites including MHCLG approval	Autumn 2024
End date for expenditure of LERF through the AHP 2021-26	31 March 2026

Appendices and supporting papers:

None.

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after it has been approved or on the defer date.

Part 1 – Deferral

Is the publication of Part 1 of this approval to be deferred? NO

Part 2 – Sensitive information

Only the facts or advice that would be exempt from disclosure under the FoIA should be included in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form? NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to
confirm the
following (✓)

Drafting officer:

Jotepreet Bhandal has drafted this report in accordance with GLA procedures and confirms the following:

✓

Sponsoring Director:

Tim Steer has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

Tom Copley has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

Mayoral Delivery Board

This decision was agreed by the Mayoral Delivery Board on 30 September 2024.

✓

INTERIM CHIEF FINANCE OFFICER:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature:



Date:

30/09/2023

CHIEF OF STAFF:

I am satisfied that this is an appropriate request to be submitted to the Mayor.

Signature:



Date:

30/09/2023