

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2779

Title: Grenfell Assisted Homeownership Scheme

Executive Summary:

This decision approves the GLA's participation in the Grenfell Assisted Homeownership Scheme. This is a Government-designed scheme to support former Grenfell residents into homeownership by enabling them to use their Right to Buy discount to purchase their current home on a shared ownership basis. The GLA will be responsible for administering capital grant to Registered Providers to enable a peppercorn rent to be charged on the unpurchased share, as well as to cap service charges, and grant to residents to ensure that stamp duty liability does not exceed what it would have cost to exercise the Right to Buy in Grenfell Tower or Grenfell Walk if required. The GLA will be wholly reimbursed by the Ministry of Housing, Communities and Local Government (MHCLG) and will also receive revenue payments to cover the administrative costs of the scheme.

Decision:

That the Mayor approves:

1. the GLA administering the Grenfell Assisted Homeownership Scheme on behalf of the Government, including making capital grants of up to £40m over the lifetime of the scheme to Registered Providers to compensate for the loss of rental income and loss of service charge income; and residents to compensate for any stamp duty liability in excess of that which would have been incurred to exercise the statutory Right to Buy in Grenfell Tower or Grenfell Walk;
2. receipt of funding from MHCLG to fully compensate the GLA for the cost of administering the programme, including all capital grants awarded and legal costs and staff costs;
3. a delegation to the Executive Director of Housing and Land to approve the allocation of monies within this; and
4. a delegation to the Executive Director of Housing and Land to agree on operational details through a memorandum of understanding (MoU) between the GLA and MHCLG without the need for a further decision form.

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:

8/3/21

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

Decision required – supporting report

1. Introduction and background

- 1.1. Following the devastating fire at Grenfell Tower, residents of the tower and Grenfell Walk have been rehoused. The new homes provided are often of considerably higher value than their previous home, which may make accessing the Right to Buy (RtB) prohibitively expensive. The Grenfell Assisted Homeownership Scheme (GAHS) is a Government-designed financial support scheme to address this. It will provide grant funding to Registered Providers (RPs) to enable residents to purchase their home on a shared ownership basis. The grant funding enables the RP to charge a peppercorn rent on the unpurchased share, placing residents in a position of financial parity. Grant funding is also available to RPs to ensure service charges are capped at Grenfell levels and to residents to ensure that stamp duty liabilities do not exceed what it would have cost to exercise the RtB in Grenfell Tower or Grenfell Walk.
- 1.2. The GLA has been asked to administer the scheme, reflecting the organisation's experience of making grant payments to RPs. The GLA will be fully financially compensated by MHCLG for this role.
- 1.3. MHCLG did not consult the GLA on the design of the scheme and is responsible for setting funding criteria and reviewing the policy as appropriate. It is understood that MHCLG has consulted the Grenfell community in regard to the parameters of the scheme.

Scheme operation

- 1.4. Under the scheme, residents would combine mortgage finance and an amount equivalent to their RtB discount to purchase a share in their home, with an RP owning the remaining share, charged at a peppercorn rent. The minimum share a resident can purchase will be equivalent to the value of their previous Grenfell home. MHCLG will provide valuations for one, two and three-bed Grenfell properties (assuming the fire had not happened). Residents who purchase a share in their home under this scheme will have the right to subsequently purchase further shares up to 100% ownership.
- 1.5. The Royal Borough of Kensington and Chelsea (RBKC) will be responsible for determining whether a resident is eligible for the scheme. Residents who held a council housing tenancy, or who were in temporary accommodation, at the time of the tragedy can apply for the scheme or, if the lead tenant chooses, they can pass this option on to an adult non-dependent who was part of the original household and who has been housed under the Grenfell rehousing policy (once the household member has been a social housing tenant for at least three years). Confirmation of a resident's eligibility and the number of bedrooms they had at Grenfell will be passed to the RP.
- 1.6. RP participation will be limited to those organisations currently housing former Grenfell residents. The RP will be responsible for supporting the eligible household to purchase their home. If an eligible resident's landlord does not wish to deliver the scheme, then another delivery partner will be encouraged to apply for funding to purchase the home and offer the scheme to an eligible household.
- 1.7. The GLA will need to receive confirmation of eligibility and relevant bedroom size from the RP before funding can be released.
- 1.8. RBKC will also be responsible for paying delivery partners the RtB discount, prior to completion and after the GLA has confirmed that the RP will be eligible for funds.
- 1.9. The scheme has no fixed end point. It will operate for the lifetime of eligible Grenfell tenants or the lifetime of a beneficiary in cases where the lead tenant wishes to transfer their eligibility and RtB discount to a non-dependent who lived with them in Grenfell.

The role of the GLA

- 1.10. The GLA will work with MHCLG to ensure funding guidance is published setting out how the scheme will operate but has had no input into the design of the scheme. MHCLG will prepare a standard lease for the form of shared ownership to be offered to eligible residents. This will include the stipulation that residents are liable for all repairs and maintenance.
- 1.11. The GLA will be responsible for making grant payments to RPs. This will be calculated based on the capitalised loss of rental income from the peppercorn rent over 60 years, capped at 2.75% of the value of the share still owned by the RP. RPs will submit the grant requirement but the GLA will be responsible for verifying funding does not breach this cap.
- 1.12. The GLA will hold valuations for one, two and three-bed properties at Grenfell Tower. These will be supplied in the first instance by MHCLG using advice from chartered surveyors. The GLA will be responsible for updating the base valuation annually using the local house price index.
- 1.13. Delivery partners will be expected to cap service charges at Grenfell levels (with an assumed annual uplift of CPI). The GLA will administer funding to compensate for the capitalised loss of income sustained from capped service charges. The GLA will need to review applications to ensure they are reasonable and credible.
- 1.14. Residents will be eligible for a Stamp Duty grant if their liability is greater than they would have paid to exercise the RtB on their previous home. The GLA will be responsible for calculating any Stamp Duty grant and making payment to the resident's solicitor.
- 1.15. The GLA will be responsible for ensuring that historic grant received for the property is recycled if the resident staircases to a larger share or the property is sold on. Following discussions with the Grenfell community, MHCLG will also enter into a separate agreement with RPs to stipulate that any uplift in value realised by the RP upon a disposal (after the initial sale to the Grenfell resident) must be reinvested in affordable housing. Where a former Grenfell resident wishes to sell their share of the property before having purchased 100%, the relevant RP landlord will have pre-emption rights to re-purchase the property and will be expected to re-let the property on the standard shared ownership lease, including a rent liability.
- 1.16. The GLA will be expected to report on the scheme to MHCLG on a quarterly basis.
- 1.17. Decisions on individual applications will be made in reference to the published funded guidance and taken by the Executive Director for Housing and Land under a delegation. A record of all decisions will be held by the GLA.

Financing

- 1.18. MHCLG has committed to fully financing the GLA for administering the GAHS and ensuring enough capital funding is available to enable all eligible residents to access the scheme. Both capital and revenue funding will be paid to the GLA in arrears. The GLA will be reimbursed for reasonable and evidenced revenue costs that are directly attributable to the administration of the GAHS, including but not limited to staffing and legal costs. This will include costs incurred for unsuccessful applications.
- 1.19. To reflect the uncertainty of the take up, MHCLG will commit to providing revenue support to fund a full-time Grade 9 officer to administer the scheme for the first year alongside appropriate line management costs. In subsequent years, the GLA will estimate the staffing time required to administer the scheme and will review this with MHCLG to agree an estimated reasonable staffing cost.
- 1.20. The funding and monitoring arrangements, and the roles and responsibilities of MHCLG and the GLA, are to be set out in a Memorandum of Understanding (MoU), which is currently being finalised. MHCLG will also enter into a MoU with RBKC and the relevant RP landlords.

2. Objectives and expected outcomes

- 2.1. The scheme seeks to enable former residents of Grenfell Tower and Grenfell Walk to access home ownership at a comparable cost to if they have remained in their former home. While it is central Government that has made a pledge to residents that “everyone whose home was destroyed will be guaranteed a new home on the same terms as the one they lost”, the Mayor is committed to also providing support to the Grenfell community.
- 2.2. Participation in the scheme is voluntary and other routes to homeownership are available for residents. As such it is unclear how many residents will choose to participate.

3. Equality comments

- 3.1. The public sector equality duty requires the identification and evaluation of the likely potential impacts, both positive and negative, of this decision on those with protected characteristics (age, disability, gender reassignment, pregnancy and maternity, race, gender, religion or belief, sexual orientation) and to set out how the organisation is addressing the duty.
- 3.2. The scheme is only available to a small and narrowly defined community of individuals. The demographic breakdown of former Grenfell residents has not been shared with the GLA, but it is known to have been a diverse community of households from many different ethnic groups and nationalities. The ability of residents to nominate a non-dependent household member for the scheme will potentially benefit younger individuals who are unable to afford market housing.

4. Other considerations

Key risks

- 4.1. MHCLG is unable to provide any estimate for the likely take up of the scheme, which makes it difficult to estimate revenue costs. This has been mitigated by agreeing funding for a full-time officer for the first 12 months of the scheme, which will then be reviewed. However, there is a risk that the GLA and MHCLG are unable to agree a reasonable level of revenue support for subsequent years. Insufficient support will mean the GLA is unable to respond to higher than expected demand and may be unable to process applications in a timely manner. Information from comparable schemes indicates that such a surge is however unlikely.
- 4.2. The GLA will be responsible for assessing that service charges are reasonable and credible if funding is requested to compensate for a cap. Work is underway to develop a reasonable and credible benchmark.
- 4.3. The GLA has not been consulted on the design of the scheme and MHCLG is responsible for any subsequent review of policy. This creates limited ability for the GLA to modify the scheme in response to feedback from RPs or residents. This can be mitigated by emphasising the division of responsibilities between GLA and MHCLG and working with stakeholders to urge MHCLG to amend the scheme if required.

Links to Mayoral strategies and priorities

- 4.4. The Mayor has advocated for both central government and the local authority to respond to the needs of the Grenfell community. Within the GLA's own powers the Mayor has used affordable housing grants to support the purchase of properties for rehousing and has made funding available to support local small businesses.

- 4.5. The tragedy of the fire has informed wider policy response. The London Plan includes for the first-time fire safety measures. The Affordable Homes Programme 21-26 has also made it a contractual requirement to meet minimum standards on all homes delivered through the programme.

Impact assessments and consultation

- 4.6. The scheme was designed by MHCLG. MHCLG has consulted with the RPs eligible for the scheme. The GLA is aware that some informal consultation was undertaken with the Grenfell community but is not privy to the discussions. It is not considered necessary or appropriate to consult any other persons or bodies including those specified in section 32(1) of the Greater London Authority Act 1999.

Declaration of interests

- 4.7. There are no conflicts of interest to note for any of the officers involved in the drafting or clearance of this decision form.

5. Financial comments

- 5.1. This decision requests approval for the receipt and expenditure of capital grants up to £40m. The funds are received from MHCLG to be spent on the Grenfell Assisted Home Ownership Scheme as set out in Section 1 above.
- 5.2. The role of the GLA is to administer the scheme under the rules as set out by MHCLG. As well as capital grants paid to applicants, MHCLG will also fund the GLA for the revenue costs of administration of the scheme.
- 5.3. The GLA will finance the scheme in the short term from GLA funds. Returns will be made quarterly to MHCLG of the grants awarded and the costs incurred, and these returns will support the GLA's claim from MHCLG. The claims will be paid by MHCLG after the expenses have been borne by the GLA.

6. Legal comments

- 6.1. The GLA is empowered to receive funding from MHCLG and provide grant funding as proposed under this report under sections 30(1) and 34 of the Greater London Authority Act 1999 (the GLA Act), provided the Mayor considers that doing this will further one or more the GLA's principal purposes of: promoting economic and social development in Greater London, and improving the environment in Greater London. It is open to the Mayor to take the view that the provision of funding to enable social housing tenants, who were former Grenfell residents, to buy their new home at a similar cost to before the Grenfell tragedy promotes social development in Greater London.
- 6.2. 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); and
 - pay due regard to the principle that there should be equality of opportunity for all people (section 33 of the GLA Act).
- 6.3. In this respect the Mayor should have regard to section 3 above.
- 6.4. 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. This is addressed at paragraph 4.6 above.

- 6.5. Officers have indicated that this project amounts to the provision of grant funding and not payment for services. Officers must ensure that:
- no reliance is placed upon MHCLG funding until a legally binding commitment is secured from MHCLG in this regard and the GLA is able to comply fully with any conditions applicable to the provision of such funding;
 - the funding is distributed fairly, transparently in accordance with the GLA's equalities duties, and in a manner, which affords value for money in accordance with the GLA's Contracts and Funding Code; and
 - appropriate funding agreements are put in place between and executed by the GLA and successful applicants before any commitment to fund.
- 6.6. Any funding must be provided in compliance with subsidy control rules. Officers should ensure that the subsidy control position is clarified prior to signing any agreements in respect of this scheme and specialist subsidy control advice should be sought as necessary.
- 6.7. In taking the decisions requested, the Mayor must 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, gender, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment) and persons who do not (section 149 of the Equality Act 2010). To this end, the Mayor should have particular regard to section 3 (above) of this report.

7. Planned delivery approach and next steps

Activity	Timeline
Announcement	Spring 2021 – led by MHCLG
Delivery Start Date	Summer 2021

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

Until what date: (a date is required if deferring)

Part 2 - Sensitive information

Only the facts or advice that would be exempt from disclosure under 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:

Kate Webb has drafted this report in accordance with GLA procedures and confirms the following: ✓

Sponsoring Director:

Rickardo Hyatt 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. ✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 1 March 2021.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

D. Gene

Date

2 March 2021

CHIEF OF STAFF:

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

Signature

D. Bellamy

Date

1 March 2021

