

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2125

Title: Homes for Londoners - affordable homes programme 2016-21 – approval of programme budget

Executive Summary:

The Mayor successfully secured £3.15bn of funding over the period 2015-2021 from Government to deliver 90,000 affordable housing starts. In addition there is a further £100m of previous funding, allocated to affordable housing projects by the previous Mayor, which could become available if they do not proceed to completion. Following the closing of first bidding window for the *Homes for Londoners: Affordable Homes Programme 2016-21*, this decision approves an Affordable Housing Programme Budget of £3.25bn. Allocations for funding will be made on an ongoing basis.

Decision:

That the Mayor:

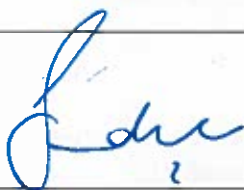
- Approves an Affordable Housing Programme Budget of £3.25bn to deliver at least 90,000 affordable housing starts through the *Homes for Londoners: Affordable Homes Programme 2016-21*.
- Approves the reopening of the *Homes for Londoners: Affordable Homes Programme 2016-21* for new bids under Continuous Market Engagement.

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:

13/6/17

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

Decision required – supporting report

1. Introduction and background

- 1.1. The Mayor has responsibility for the delivery and capital funding of affordable housing in London. The Mayor has successfully secured £3.15bn of funding from Government over the period 2015-2021, including £1.07bn previously allocated for the 2015-18 period which was subject to renegotiation. In return the Mayor has adopted a target of at least 90,000 affordable housing starts in Greater London between April 2015 and March 2021. This figure is expected to include 58,500 homes which will support households into home ownership including through shared ownership or London Living Rent.
- 1.2. The Mayor launched his *Homes for Londoners: Affordable Homes Programme 2016-21* on 30 November 2016. Housing providers were able to submit funding bids to deliver standard affordable housing products on the GLA's new Open Project System from 31 January 2017. Providers were also able to submit expressions of interest to secure investment for non-standard affordable housing products through the programme's Innovation Fund. The deadline for submitting funding bids and expressions of interest closed on 13 April 2017.
- 1.3. In November 2016, MD2052 approved the receipt of £2.07bn capital grant funding from Government (the balance of the £3.15bn secured from Government which the GLA had not previously been approved) and the allocation of this funding towards the budget for *Homes for Londoners: Affordable Homes Programme 2016-21*. In addition a further £100m of funding for affordable housing was previously received from Government under the previous Mayor and is allocated for completions tranches of schemes yet to complete. If these schemes do not proceed to completion then this funding would need to be reallocated and therefore this decision adds them to the overall budget.
- 1.4. This decision approves an Affordable Housing Programme Budget of £3.25bn to deliver at least 90,000 affordable housing starts through the *Homes for Londoners: Affordable Homes Programme 2016-21*. The funding will be paid largely as a mixture of start on site and completion payments, with a number of completions likely to occur after 2021.

Standard affordable housing grant

- 1.5. There are essentially two funding streams within the *Homes for Londoners: Affordable Homes Programme 2016-21*: standard affordable housing grant, and investment available through the Innovation Fund.
- 1.6. The vast majority of the funding within the *Homes for Londoners: Affordable Homes Programme 2016-21* will be allocated as standard affordable housing grant. This standard affordable housing grant will be funded through three standard funding routes, set out in the *Homes for Londoners: Affordable Homes Programme 2016-2021* funding guidance. These are:

- Approved Provider route

This route is for providers delivering at least 50 per cent of their London development programme as affordable. Set grant rates are available for three affordable products:

- London Affordable Rent (at benchmark levels)
- London Living Rent
- London Shared Ownership

- Developer-led route

This route provides funding available on developer-led schemes with a clear incentive to increase affordable housing delivery on private sector-led developments to a level of 40 per cent or more affordable housing, measured by habitable room.

- Negotiated route

On an exceptional basis the GLA will fund a small minority of projects at negotiated grant rates. This approach is mainly expected to be applicable for supported housing projects, which vary in cost far more than standard affordable housing projects. The GLA may choose to extend this funding approach to projects that fit spatial and thematic priorities, but this will be on an exceptional basis only and solely at its discretion.

- 1.7. The affordable housing products delivered through this programme will principally be those anticipated in the funding guidance and as set out in MD2052. Along with the affordable products available at set grant rates, other genuinely affordable products may be funded through the above funding routes where they are genuinely affordable to Londoners and comply with state aid rules.
- 1.8. The GLA will enter into standard form contracts to fund all homes delivered through the above three standard funding routes.
- 1.9. The Mayor will also work at a more strategic level with a small number of providers who will be delivering at scale through the programme period and can be supported to deliver more. These Strategic Partners will commit to bringing forward at least 1,000 homes within a delivery programme consisting of at least 60 per cent affordable housing. These Strategic Partners will sign standard form contracts for homes delivered through the above three funding routes.
- 1.10. The allocations for schemes being delivered through standard form contracts will be agreed in line with the Mayoral decision-making framework paragraph 18, by the Executive Director of Housing & Land and recorded and published by the Housing & Land Directorate.

The Innovation Fund

- 1.11. The *Homes for Londoners: Affordable Homes Programme 2016-21* also introduced an Innovation Fund. The Innovation Fund is for housing providers who want to deliver affordable housing using GLA investment in an innovative way. A significant number of Expressions of Interest were received from housing providers. Homes delivered through the Innovation Fund route must offer a similar level of affordability as the three tenure products in the mainstream funding programme. Although there is presumption that GLA funding will be returned, this will depend on the model of delivery.
- 1.12. It is likely that most bids received through the Innovation Fund will involve complex financial commitments and/or bespoke agreements. Such arrangements would require approval through a Decision form by the Executive Director of Housing & Land as per paragraphs 18.1-18.2 of the Mayoral decision-making framework. Whether or not such cases involve complex financial commitments and/or bespoke agreements will be considered on a case-by-case basis.
- 1.13. It is considered unlikely that any of the proposals likely to be supported through the innovation fund would be Novel, Contentious or Repercussive for the purposes of the Mayoral decision-making framework as all are likely to be supporting the delivery of affordable homes in London with grant or similar investment arrangements. In line with the Mayoral decision-making framework any proposals

that are considered Novel, Contentious or Repercussive will require an MD and this will be assessed on a case-by-case basis.

Capital Funding Guide

- 1.14. As a result of the new funding programme, the GLA will need to update its Capital Funding Guide to ensure it is consistent with the new programme and the new funding products it will be funding.

2. Objectives and expected outcomes

- 2.1. The Mayor has agreed a target with Government to deliver 90,000 affordable housing starts in London between April 2015 and March 2021, with the aim that this includes 58,500 homes for affordable home ownership including those for shared ownership and London Living Rent. The Mayor is also prioritising the delivery of London Affordable Rent at benchmark levels, providing genuinely affordable housing intended to help low income households, typically nominated by London Boroughs, unable to secure or sustain housing on the open market.

3. Equality comments

- 3.1. The Mayor's Homes for Londoners: Affordable Homes Programme 2016-21 has been devised with the Public Sector Equality Duty firmly in mind and GLA officers have had due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people. In January 2014 the GLA published an Integrated Impact Assessment (IIA), including an equalities impact assessment, of that strategy. Policies related to increasing housing supply were covered by the IIA for the Further Alterations to the London Plan and the conclusions reach by the IIA remain relevant.
- 3.2. The programme will significantly increase the supply of affordable homes in London. It is considered that the programme is likely to benefit many of those with protected equality characteristics, as many of these groups are disproportionately represented among those in need of affordable housing. This is in part because they are more likely to experience homelessness or overcrowding, or to have low incomes that make it difficult for them to afford market housing. Others with protected characteristics may be more likely to need supported accommodation or accommodation that meets particular design requirements. By enabling the development of new supported accommodation, the Mayor's 2016-21 programme will likely to advance equality of opportunity for those with protected characteristics.
- 3.3. Some people with protected equality characteristics may be less likely to be able to afford the homes which will support households into home ownership, which account for the majority of the new homes the programme seeks to deliver. This is in part due to Government targets on delivering home ownership products. The GLA's programme seeks to make best use of the funding within these constraints. There will be additional support for older people through developing smaller homes and specialist accommodation which is also likely to help to free up existing family-sized accommodation in the social rented sector, as older tenants downsize. In this way, the programme may indirectly help to meet the needs of additional households with protected characteristics.
- 3.4. In order to access funding, providers will be required to enter in to contract with GLA. With regard to project delivery, our contracts place the following standard obligations in respect of the Equality Act 2010 upon the counterparty:
 - The Grant Recipient will comply in all material respects with all relevant Legislation relating to health and safety, equality and relevant employment matters and will use reasonable endeavours to procure that all Grant Recipient Parties do likewise.

- The Grant Recipient confirms that it has, and is in full compliance with, a policy covering equal opportunities designed to ensure that discrimination prohibited by the Equality Act 2010 is avoided at all times and will provide a copy of that policy and evidence of the actual implementation of that policy upon request by the GLA.
- The Grant Recipient shall have due regard to the public sector equality duty under Part 11 of the Equality Act 2010 insofar as its activities under this Agreement could reasonably be deemed to be functions of a public nature for the purposes of that Part.

4. Other considerations

Key risks

- 4.1. Risk: The GLA does not allocate its funding and does not meet its contractual targets agreed with Government

Mitigation: The GLA has received a significant number of bids for its standard traditional funding, and a higher than anticipated number of expressions of interest to the programme's Innovation Fund. Once initial allocations have been made, there will be further opportunities to bid on an ongoing basis. Strong programme management arrangements will help ensure that providers deliver their funding commitments, including formal quarterly review meetings with all delivery providers. The GLA will work with providers to manage their delivery pipelines to ensure that, should projects slip their delivery milestones or fall out of the programme completely, providers are able to bring in replacement schemes. The focus on starts through to 2021 gives time to build up delivery to these ambitious levels and approximately a third of the homes are already allocated for delivery.

- 4.2. Risk: The homes funded through this programme do not meet the needs of Londoners

Mitigation: All projects funded through the programme will ultimately require planning permission, and therefore should adhere to London Plan requirements on tenure mix, design, size and typology.

The Mayor and the Government have a shared aspiration both to support home ownership and deliver much-needed sub-market rented homes, and funding allocations will reflect these aspirations.

- 4.3. Risk: The GLA fails to comply with state aid regulations when allocating funding through this programme

Mitigation: GLA-commissioned expert modelling demonstrates that the risk of providers being over-compensated through this programme is very low. External legal advice has been sought in relation to state aid compliance and both the funding guidance and, subsequently, the terms of the funding agreements will contain certain requirements to reflect this advice; for example, a requirement for bi-annual monitoring returns.

Links to Mayoral Strategies

- 4.4. In his recently-published vision for London, *A City for All Londoners*, the Mayor acknowledges that housing is unaffordable for many and sets out his commitment to tackling the housing crisis. This includes delivering a mixture of low-cost rented, London Living Rent and shared ownership homes. The Mayor's *Homes for Londoners: Affordable Homes Programme 2016-21* gives providers an opportunity to access funding to deliver these affordable housing tenures.

Consultation

- 4.5. GLA officers engaged with providers, including London Boroughs, in designing the *Homes for Londoners: Affordable Homes Programme 2016-21* and the funding settlement has been concluded following deep and extensive discussions with Government.

5. Financial comments

- 5.1. Approval is being sought for a budget of £3.25bn to deliver the 2016-21 Homes for Londoners Affordable Homes Programme.
- 5.2. The programme will be funded from the £3.15bn funding that the Mayor has secured from Government; plus an additional £100m, which is currently allocated to completions and may become available if the completions are not achieved. The profile of the funding has yet to be confirmed.

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 which 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: (a) promoting economic development and wealth creation in Greater London; (b) promoting social development in Greater London; and (c) promoting the improvement of the environment in Greater London.
- 6.2. Given the above, the GLA's housing and regeneration functions contained in Part 7A of the GLA Act and section 34 of that Act, which allows the Mayor to do anything which is calculated to facilitate, or is conducive or incidental to, the exercise of any of his functions (including his functions under section 30), and section 333A(3)(b), (4) and (10), the GLA is empowered to provide financial assistance for the purpose of the recipient providing social/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:
- (i) have regard to the effect that his decision 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);
 - (ii) pay due regard to the principle that there should be equality of opportunity for all people (section 33 of the GLA Act); and
 - (iii) comply with the Public Sector Equality Duty; namely to have due regard to the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity 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 share it and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (section 149 of the Equality Act 2010).
- 6.4. When making decisions regarding *Homes for Londoners: Affordable Homes Programme 2016-21* the decision maker(s) must ensure that they comply with Public Sector Equality Duty, and the matters set out in section 30(3-5) of the GLA Act detailed above (see section 3 above). These matters will also need to be taken into account when assessing specific bids for funding proposals and entering into funding agreements.

- 6.5. 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 section 4.6 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.
- 6.6. 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.
- 6.7. The award of GLA funding under this programme is not a procurement, 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 as per the GLA's Contracts and Funding Code
- 6.8. Legal advice should be sought on any documentation that the GLA proposes to use before the GLA starts to administer and operate this funding programme, and enters into any such agreements and to advise on specific legal issues arising.

7. Planned delivery approach and next steps

- 7.1. Bidding for the Homes for Londoners: Affordable Homes Programme 2016-21 closed on 13 April 2017. Bids are currently being assessed, with the first tranche of formal funding allocations expected to be confirmed in the summer.

Milestone	Date
Assessment of bid submissions	April - June 2017
Announcement of first round of allocations	Summer 2017
Continuous bidding opens	Summer 2017
Partners in contract	Summer 2017
End date for project start on sites	31 March 2021

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) 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 approval or on the defer date.

Part 1 Deferral:

Is the publication of Part 1 of this approval to be deferred? YES

If YES, for what reason: Publication of this approval is to be deferred to allow the Mayor to formally announce funding allocations.

Until what date: 15 July 2017.

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be 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:

Andrew Williams has drafted this report in accordance with GLA procedures and confirms the following:

✓

Sponsoring Director:

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

✓

Mayoral Adviser:

James Murray 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 5 June 2017.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

Date

Tom Middleton on BEHALF OF MARTIN CLARKE

08.06.17

CHIEF OF STAFF:

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

Signature

Date

D. Bellamy

8/6/2017