

REQUEST FOR MAYORAL DECISION – MD1351

Title: Proposal to amend grant tranche payments for schemes within the Mayor’s Housing Covenant Programmes

Executive Summary:

The current Mayor’s Housing Covenant programmes are expected to deliver almost 10,000 affordable homes in London through the allocation of £255m of grant to more than 60 investment partners. The existing programmes were allocated in 2013 and the homes will complete by March 2017, with the majority complete by March 2016.

This paper outlines a proposal to adjust the payment method on schemes within Mayor’s Housing Covenant programmes. This will align the payment approaches of the different programmes, remove confusion for partners and provide increased incentive to partners to log starts promptly.

Decision:

That the Mayor:

1. Approves the variation of the profile of payments made to recipients of Mayor’s Housing Covenant funding; and
2. Delegate authority to the Executive Director Housing & Land, in consultation with the Executive Director for Resources and the Deputy Mayor for Housing, Land and Property, to adjust the tranche payments to investment partners within the Mayor’s Housing Covenant programmes as required in future, taking due regard of the financial implications, and impact on partners of such changes

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: 16 May 2014

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

Decision required – supporting report

1. Introduction and background

- 1.1 The current Mayor's Housing Covenant (MHC) programmes are expected to deliver almost 10,000 affordable homes in London through the allocation of £255m of grant to more than 60 investment partners.
- 1.2 The existing programmes are due to complete by March 2017 and were approved by MD1145 (MHC *Homes for Working Londoners*) and MD1242 (MHC *Building the Pipeline*).
- 1.3 Investment partners are in contract to deliver affordable homes paid at an agreed grant rate per unit. The schemes can be confirmed sites, or indicative forecasts with firm scheme details provided as the programme progresses.
- 1.4 For MHC Building the Pipeline's Rent and Sale schemes the grant is currently paid in two tranches of 75% at start on site and 25% at scheme completion, but Homes for Working Londoners schemes are paid at 100% on completion.
- 1.5 It is proposed to change the payment tranches for MHC Homes for Working Londoners to 75% at start on site and 25% at completion until 31 March 2015. This will encourage delivery of more starts in 2014/15.
- 1.6 In addition it is proposed that from 1st April 2015 all MHC programmes move to payments of 50% at start on site and 50% at practical completion. This is in line with the MHC 2015-18 programme. This excludes the MHC Empty Homes, TIS and Extensions which are all paid 100% on completion.
- 1.7 The change should encourage on time delivery at both stages and ensure partners are equally incentivised to deliver under all MHC programmes.
- 1.8 The change to the payment rate for the MHC Homes for Working Londoners programme will bring forward approximately £7.33m of expenditure from 2015/16 financial year to 2014/15. This has been taken into account in agreeing the MHC budget for 2014/15.
- 1.9 The predicted expenditure is based on estimated outturn for the MHC Homes for Working Londoners programme, taking into account grant levels and starts and completions per year. Expenditure for 2014/15 on current tranche payments would be approximately £16.75m, but with the change proposed this would increase to £24.08m
- 1.10 The contracts applicable to the MHC Programmes afford the GLA flexibility in the structuring of payments made to grant recipients. Grant recipients will be notified of the change and the GLA's requirements in this regard in due course.

2. Objectives and expected outcomes

- 2.1 This change is proposed in order to encourage earlier starts on site, avoid confusion between the MHC programmes and to regularise the payment mechanisms. The change would be announced to partners showing a clear timetable for future changes enabling them to plan their starts and completions and effectively manage their cash flow.

3. Other considerations

a) Key risks and issues

These changes only apply to Investment partners who are Registered Providers, for whom the GLA's investment is protected by the regulation of the Social Housing Regulator. Non-registered and organisations in the process of registration will not be paid until completion. This change therefore does not expose the GLA to additional financial risk.

The change will be announced to partners as soon as possible after approval, and any issues arising will be managed through the standard quarterly contract management reviews.

The change is managed through IMS, the GLA's Investment Management System, so the payment tranche applied will be specific to the timetable of each scheme delivered.

b) Links to strategies and Mayoral and corporate priorities

The Mayor's Housing Covenant programmes deliver on the policy to increase affordable housing supply as set out in the Mayor's revised housing strategy and specifically policy 2.1L which commits the Mayor to developing proposals for affordable housing delivery after March 2015.

c) Impact assessments and consultations

Not applicable as the proposals are in line with existing investment policy.

4. Financial comments

4.1 This proposal can be contained within existing budgets.

5. Legal comments

5.1 Under section 30 of the Greater London Authority Act 1999 (the 'Act') the Mayor, acting on behalf of the GLA, is entitled to do anything that he considers will further the promotion, within Greater London, of economic development and wealth creation, social development and the improvement of the environment.

5.2 Furthermore, section 34 of the Act allows the GLA, acting by the mayor, to do anything which is calculated to facilitate, or is conducive or incidental to, the exercise of any functions of the GLA exercisable by the mayor. In the instant case, the officers are seeking approval of the variation of the profile of payments made to recipients of the Mayor's Housing Covenant ("MHC") funding. As set out in paragraph 1.1 of this report, MHC funding aims to deliver 10,000 affordable homes in London. Furthermore, as set out in paragraph 1.5 above, the variation of the profile of the MHC funding is expected to deliver the commencement of the building of more properties in the 2014/15 financial year. To this end, the variation of the funding structure may be viewed as calculated to facilitate social development in Greater London.

5.3 The officers are reminded that, where the profile of the payment of tranches of funding has been agreed by way of a funding agreement, the new profile must be agreed between the GLA and recorded in writing in the manner required by the relevant funding agreement.

5.4 Section 38 (1) of the Act provides that any function exercisable on behalf of the GLA by the Mayor shall also be exercisable on behalf of the GLA by any member of staff of the GLA if or to the extent that the Mayor so authorises, whether generally or specially, and subject to any conditions imposed by the Mayor.

- 5.5 In decision 2 of this report, the officers seek a delegation of mayoral authority to the Executive Director Housing & Land in consultation with the Executive Director Resources to adjust the profile of MHC funding in the future. The said executive director is a member of staff of the GLA. Accordingly, the Mayor may make the requested delegation, if he be so minded.

6. Investment & Performance Board

The programmes to which these changes relate were considered by Housing Investment Group (HIG) on 16 January 2013 (MHC *Homes for Working Londoners*) and 10 July 2013 (MHC *Building the Pipeline*). The Chair of HIG was consulted and considered that this proposed change to payments does require HIG approval.

7. Planned delivery approach and next steps

Once agreed this proposal will be announced to investment partners to take immediate effect.

Appendices and supporting papers:

None

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? NO

If YES, for what reason:

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

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:

Alison Woodcraft has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

Assistant Director/Head of Service:

Jamie Ratcliff has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

Sponsoring Director:

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

✓

Mayoral Adviser:

Richard Blakeway has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

Date

CHIEF OF STAFF:

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

Signature

Date