

# GREATER **LONDON** AUTHORITY

## REQUEST FOR MAYORAL DECISION – M2052

**Title: Homes for Londoners: Affordable Homes Programme 2016-21**

### **Executive Summary:**

The Mayor has successfully secured £3.15bn of funding over the period 2015-2021 from Government which is expected to support at least 90,000 affordable housing starts by 2021. £643m of this funding has already been paid to the GLA. This decision approves the GLA receiving a further £2.507bn funding from Government and the allocation of this funding towards the budget for Homes for Londoners: Affordable Homes Programme 2016-21.

Funding guidance will be published setting out details on how housing providers can bid for this funding.

### **Decision:**

That the Mayor approves:

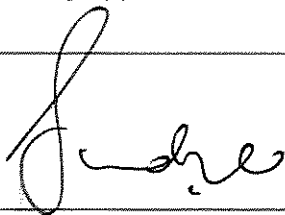
- The GLA receiving a further £2.507bn of funding from Government to assist in delivering at least 90,000 affordable housing starts from 2015-21.
- Allocating the above funding of £2.507bn from Government towards the programme budget for the Homes for Londoners: Affordable Homes Programme 2016-21 to support the above target
- Rolling over existing and arising unallocated funding from existing affordable housing programmes into the above programme as they become available

### **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:**

30/4/16

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

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1. Tackling the housing crisis is the Mayor's first priority. The historic under-delivery of affordable housing in the capital has meant that many Londoners cannot afford a decent home to rent or buy.

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 £643m already paid to the GLA as part of the Government's Affordable Homes Programme 2015-18. In return the Mayor will adopt a new 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 on a shared ownership or London Living Rent basis.

- 1.2. In this paper, the Mayor is asked to approve receipt of £2.507bn capital grant funding from Government (the balance of the £3.15bn, which the GLA has not yet received), which will be allocated towards the programme budget for the Homes for Londoners: Affordable Homes Programme 2016-21. Funding guidance will be published which sets out how housing providers can bid for funding through this programme.
- 1.3. The main three different affordable housing products expected to be funded through the programme are:
- Low cost rent homes
  - London Living Rent
  - London Shared Ownership
- 1.4. The majority of homes delivered through this programme are expected to be built by partners who are delivering 50 per cent or more affordable housing in London.
- 1.5. Other genuinely affordable products may also be funded under the Mayor's programme where they are genuinely affordable to Londoners and comply with state aid rules. Other affordable housing products may be funded by providers' own resources.

#### *Low cost rent homes*

- 1.6. Low cost rent homes are intended to help low-income households, typically nominated by London Boroughs, unable to secure or sustain housing on the open market. Rent levels for new low cost rent homes will be capped. The relevant rent caps for 2017/18 are set out in the funding guidance and reflect the formula rent cap figures for social rents uprated by CPI plus one per cent for September 2016. The cap for low cost rent homes will be uprated each April by the increase in CPI (for the previous September) plus one per cent and updated caps will be published by the GLA on an annual basis.

#### *London Living Rent*

- 1.7. London Living Rent is an intermediate affordable housing product with a London-specific rent introduced by the Mayor that will help, through sub-market rents on time-limited tenancies, middle-income households save for a deposit to buy their own home. Ward-level caps for London Living Rent homes have been calculated based on one-third of median gross household income for the local borough. The cap varies from the borough median by up to 20 per cent in line with house

prices within the ward. The caps have further variation based on the number of bedrooms within the home. Providers have the flexibility to let homes at lower rents if they wish.

### *London Shared Ownership*

- 1.8. 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 of the home. This is based on mainstream shared ownership but with an additional commitment from providers to work together on a 'charter' for service charges. The charter will aim to standardise approaches to service charges and, where possible, reducing these charges for consumers. It may be appropriate, in due course, for this to be endorsed by the Mayor and become an important standard for consumer protection.

### *Supported and specialist Housing*

- 1.9. The Mayor will continue to fund a variety of supported and specialist housing, including specialised housing for older people, accommodation for people moving on from hostels or domestic violence refuges, and for those who are homeless or at risk of being made homeless.

### *A streamlined programme*

- 1.10. The bidding process is intended to be significantly streamlined compared to previous programmes, giving providers more time to focus on delivery. Bidding for funding through the Mayor's Homes for Londoners: Affordable Homes Programme 2016-21 will be undertaken through the GLA's new Open Project System (OPS). This system is designed to be more intuitive and straightforward to use than the HCA's Investment Management System (which is currently used to manage the GLA's investment programmes). The level of information required of providers to submit, and therefore required of GLA officers to review, has been reduced substantially.
- 1.11. The GLA will specify set grant rates per tenure when it comes to funding affordable housing providers through this programme. These grant rates are inclusive of Recycled Capital Grant Funding (RCGF) and Disposals Proceed Funding (DPF). This differs significantly from previous affordable housing programmes, where funding has been negotiated with providers on a bespoke basis varying from scheme to scheme. Expert financial and legal advice has been obtained to support this change of approach.
- 1.12. This approach gives partners certainty over what grant levels they can expect from the GLA, and allows them to plan accordingly. Bidding has been streamlined for partners, reducing their overheads and administrative burden. There will be a set grant rate for London Shared Ownership and London Living Rent, and another, higher, set grant rate for low cost rent homes. Providers bidding for funding at these levels will be required to commit that at least half of the homes they start in London between April 2015 and March 2021 period will be affordable.
- 1.13. The GLA will also fund homes 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.
- 1.14. 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 bespoke funding approach to projects that fit spatial and thematic priorities, but this will be on an exceptional basis only and solely at its discretion.

### *Innovation Fund and strategic investment partnerships*

- 1.15. Funding will also be available for providers who want to deliver affordable housing using GLA investment in an innovative way. Providers will need to demonstrate that their proposals will deliver

products that offer a similar level of affordability as the three tenure products in the mainstream funding programme, and there is a presumption that initial GLA investment will be returned.

- 1.16. The Mayor will also make an offer to work at a more strategic level with a small number of providers who will be delivering at scale through the programme period and could be supported to do more. 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.

## **2. Objectives and expected outcomes**

- 2.1. The Mayor has successfully secured from the government £3.15bn of funding over the period 2015-2021, including £643m already paid to the GLA as part of the Government's Affordable Homes Programme 2015-18.
- 2.2. In return for this capital funding, the Mayor has agreed a target for 90,000 affordable housing starts between April 2015 and March 2021, with the aim that this includes 58,500 shared ownership and London Living Rent homes.
- 2.3. The Mayor and the Government have a shared aspiration both to support home ownership and deliver much-needed sub-market rented homes. The Mayor is ring-fencing an initial £900m to fund the supply of low cost rent homes, intended to help low-income households, typically nominated by London Boroughs, unable to secure or sustain housing on the open market.

## **3. Equality comments**

The Mayor's Homes for Londoners: Affordable Homes Programme 2016-21 will significantly increase the number of affordable homes in London, in turn helping to implement the current policies set out in the current London Housing Strategy. In January 2014 the GLA published an Integrated Impact Assessment (IIA), including an equalities impact assessment, of that strategy. The policies related to increasing housing supply were covered by the IIA for the Further Alterations to the London Plan.

The delivery of the Mayor's Homes for Londoners: Affordable Homes Programme 2016-21 will help to implement Objectives 1, 2, 3 and 4 of the Mayor's Equalities Framework "Equal Life Chances for All" (June 2014) through the creation of new homes, housing products and well-designed housing schemes.

The Mayor's Homes for Londoners: Affordable Homes Programme 2016-21 is likely to help 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.

There is a risk that some of those with protected equality characteristics will be less likely to be able to afford the homes which will support households into home ownership that 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. Developing smaller homes and specialist accommodation for older people is 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.

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 is unable to allocate its funding and does not meet its contractual targets agreed with Government

Mitigation: The GLA does not expect to allocate all its funding through the initial bidding round. Following initial allocations, 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. The Mayor is ring-fencing an initial £900m to fund the supply of low cost rent homes, intended to help low-income households, typically nominated by London Boroughs, unable to secure or sustain housing on the open market.

- 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.

- 4.4. Risk: The set grant rates per tenure are set too low, leading to low take up of the Mayor's funding

Mitigation: The GLA have calculated the set grant levels per tenure based on modelling a funding programme that achieves the Government's targets as well as delivering a significant level of Low cost rent homes. In recognition that providers will need to apply their own subsidy in conjunction

with GLA funding, the GLA has made the new programme as streamlined as possible, publishing the set grant levels in advance, and introducing the GLA Open Project System which should make bidding and managing allocations more straight forward and less time-consuming. These approaches give providers certainty and frees up their resources to focus on delivery.

### *Links to Mayoral Strategies*

- 4.5. 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' 2016-21 programme sets out how providers can access funding to deliver these affordable housing tenures.

### *Consultation*

- 4.6. GLA officers have engaged with providers, including London Boroughs, in the drawing up of the funding guidance for the new programme and the funding settlement has been concluded following deep and extensive discussions with Government.

## **5. Financial comments**

- 5.1. The Government has confirmed that the Mayor has successfully secured a total of £3.15bn in funding, including £643m already paid to the GLA as part of the Government's Affordable Homes Programme 2015-18. This funding is to deliver at least 90,000 starts by 2021. 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) 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 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. The funding guidance will need to be formulated having regard to the 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.
- 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**

The GLA will publish the funding guidance following formal approval of this decision. Providers will be able to submit funding bids on OPS from 31 January 2017, and bidding will close on 13 April 2017. Bids will then be assessed, with funding allocations formally confirmed in summer 2017.

<b>Milestone</b>	<b>Date</b>
Publication of funding guidance	November/December 2016
OPS opens for bid submissions	February 2017
OPS closes for bid submissions	April 2017
Assessment	April – June 2017
Announcement of allocations	Summer 2017
Partners in contract	Summer 2017
End date for project start on sites	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 by up to a week to allow the Mayor to formally launch his new funding programme.

Until what date: 31 December 2016 (or earlier depending on when funding programme is launched).

**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:**

Jamie Ratcliff 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 the 28 November 2016.

**EXECUTIVE DIRECTOR, RESOURCES:**

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

**Signature**



**Date**

28.11.16

**CHIEF OF STAFF:**

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

**Signature**



**Date**

28/11/2016