

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2914

Supporting council homebuilding initiatives through the reallocation of London Business Rates Pilot Pool 2018-19 underspend

Executive Summary:

In 2017, MD2217 set out the Mayor's agreement to participate in the London Business Rates Pilot Pool, which was established via a memorandum of understanding (MoU) with the other pool members and the government. Through this MoU, the Mayor set out his intention to use his share of the net financial benefit of pooling on strategic investment in the capital through the establishment of a £112m Strategic Investment Fund (SIF).

In 2018, MD2363 allocated £90.89m from the SIF to deliver investment projects that contribute to the sustainable growth of London's economy, including the £10m Homebuilding Capacity Fund (HCF)¹. The HCF was also established in 2018 and provided revenue grants to local authorities, with an aim to increase the skills and capacity of council housing delivery teams to deliver a pipeline of new affordable homes. The £10m HCF programme budget was initially divided between £9.764m for grants to 28 council housing and planning teams to deliver 53 discrete projects, and £236,000 to fund two internal GLA posts. The HCF ended in September 2021 and respective councils drew down the final HCF grant in October 2021. The GLA has reported a £258,000 HCF underspend.

This decision seeks approval for the GLA to re-allocate £244,000 of the £258,000 underspend to alternative projects that aim to promote economic development in London through increased delivery of council housebuilding. This decision also seeks approval to return the remaining £14,000 HCF underspend to the central GLA budget.

Decision: That the Mayor approves re-allocating £258,000 Homebuilding Capacity Fund as follows:

- i. award a contract to Future of London (FoL) to deliver the Council-Led Housing Network (CLHN), a new iteration of the Council-Led Housing Forum (CLHF), at a value of £72,000
- ii. provide a £42,000 grant to London Councils to fund the start-up costs for a new Skills Academy for borough housing teams
- iii. provide a £130,000 grant to Be First (London Borough of Barking and Dagenham's wholly owned housing company) to deliver a Modern Methods of Construction (MMC) digital pattern book
- iv. approve an exemption from the requirements of the Contracts and Funding Code in relation to the award of the contract to FoL as set out in decision 1 above
- v. returning £14,000 to the central GLA budget.

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:

16/3/22

¹ Formerly titled 'Build for London' in MD2363.

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

Decision required – supporting report

1. Introduction and background

- 1.1 In 2018-19 the Mayor, the London boroughs and the City of London Corporation (collectively referred to as 'London government'), with the agreement of central government, established the London Business Rates Pool as a pilot arrangement. Through the pool, London government retained 100 per cent of any growth in business rates income over and above the business rates baseline set by central government. In the memorandum of understanding (MoU) with the other pool members and the government, the Mayor set out his intention to use his share of the net financial benefit of pooling on strategic investment in the capital through the establishment of a £112m Strategic Investment Fund (SIF). The MoU sets out that:

"strategic investment' is defined as projects that will contribute to the sustainable growth of London's economy which lead to an increase in London's overall business rate income. Examples of the kinds of projects the Mayor will seek to support with the GLA's share include supporting the delivery of housing through infrastructure investment and the provision of skills and training to further support housing delivery."

- 1.2 In 2018, MD2363 allocated £90.89m from the SIF to deliver investment projects that contribute to the sustainable growth of London's economy, including the £10m Homebuilding Capacity Fund (HCF).²
- 1.3 MD2363 approved the use of £10m to launch the HCF in September 2018 (previously titled 'Build for London'). The £10m HCF programme budget was initially divided between: £9.764m for grants to 28 council housing and planning teams to deliver 53 discrete projects, and £236,000 to fund two internal GLA posts: an HCF Programme Officer (Grade 8) and a Construction Skills Principal Project Officer (Grade 10), both based in the Housing and Land directorate. The first call on any underspend of the HCF was to commission an impact study (costing up to £40,000) to detail the outcomes and impacts of the completed proposals and overall programme. This evaluation is currently underway.
- 1.4 The HCF was launched in October 2018 and began delivery in 2019-20. To date, the programme funding has enabled the placement and retention of over 60 officers across council housing and planning teams, including through Public Practice. The HCF has also funded more than 41 studies, including Masterplans, Strategic Policy Documents and Design Codes, all of which aim to increase the delivery of council homes locally.
- 1.5 The HCF ended in October 2021 and reported a £258,000 underspend to the GLA. This underspend is largely due to 38 projects that did not require their full allocated budget in order to complete (due to initial overestimations in cost), alongside several projects that could not be completed and where grant was returned to the GLA.
- 1.6 This MD seeks approval to re-allocate £244,000 of HCF underspend to three alternative projects that meet the objectives of the London Business Rates Pool pilot. The projects are focussed on developing solutions to address structural challenges to the delivery of genuinely affordable homes for Londoners, in line with the initial aims of the London Business Rates Pool pilot and associated SIF. The Mayor's Economic Development and Housing Strategies both identify a lack of affordable housing supply as a key risk to the economy, which further emphasises that these proposals meet the original aims of the initial fund. Moreover, the projects support capacity in local authorities to implement the housing supply policies in the London Plan and the proposals were endorsed by members of the Corporate Investment Board at an informal sub-committee meeting held on 24 October 2021. There is a strong rationale to re-allocate funding to further the Mayor's council homebuilding agenda, noting that the Mayor's manifesto commits to a 'relentless focus on building

² Formerly titled 'Build for London' in MD2363.

would be selected to avoid any risk of the work becoming unstructured; and, establish stronger KPIs to ensure the proposal stays on track.

- 1.11 In order for an alternative service provider to deliver a similar work they would need to demonstrate the ability to:
- set up and successfully run a multi-year peer-to-peer learning and exchange programme specifically aimed at up-skilling council officers to deliver homes more effectively and efficiently
 - create a format that can be easily replicated in the future and establish durable collaborative working practices
 - receive positive feedback from the main project stakeholders (London boroughs and their staff).
- 1.12 Other organisations are unlikely to meet the above requirements without having to undertake a significant amount of preparatory work, which would increase the costs to the GLA. Furthermore, there is no guarantee that the said preparatory work would put a third party in a position to be able to deliver the project successfully; something that FoL has previously demonstrated that it can do.
- 1.13 In light of FoL's track record and the successful changes to the project design, GLA officers are comfortable that FoL is the only service provider that is able to deliver the work, and will provide value for money. It is on this basis the exemption from the requirements of the Contracts and Funding Code is sought.

Project 2 – London Councils, Skills Academy (£42,000)

- 1.14 London Councils and the London Housing Directors' Group submitted a funding proposal to the GLA in September 2021, seeking funding to launch a new Skills Academy for borough housing teams. If implemented, the Skills Academy will provide a shared training offer for local authority housing development staff that is established, led and owned by the London boroughs. The proposal includes a curriculum of six courses that provide accredited training options aimed at junior, middle and senior-level local authority housing development officers. Participating boroughs intend to commission an agency to develop and deliver the Skills Academy. The proposal is expected to serve up to 10 staff from 10 participating boroughs, meaning that up to 100 council staff each year could benefit from the offer, with 11 interested boroughs already confirmed. If adopted, the new Skills Academy would help to implement recommendation 12 of the BA report.⁵
- 1.15 The annual operating cost of the Skills Academy programme is estimated to be £128,565 and would be met by boroughs through annual subscriptions. London Councils is seeking £42,000 from the GLA to fund the start-up costs of the programme.

Project 3 – Be First, Modern Methods of Construction Pattern Book (£130,000)

- 1.16 The Mayor's new Affordable Homes Programme (AHP) 2021-26 was launched in November 2020. The Department for Levelling Up, Housing and Communities has set a requirement for 25 per cent of the new AHP to be delivered via MMC and HM Treasury has indicated a further desire for the GLA to consider wider objectives to increase uptake of MMC in London, including specific initiatives to aggregate demand of MMC to achieve economies of scale. These new requirements align with existing Mayoral policy to increase uptake of MMC across London, as set out in the London Housing Strategy and the Mayor's manifesto.
- 1.17 A key MMC project being taken forward through the AHP 2021-2026 (subject to contract) is a local authority 'MMC Buyers Club', which aims to collectively deliver 2,000 homes with MMC. Be First is the lead partner in the MMC Buyers Club, a consortium of five London boroughs covering Be First (Barking and Dagenham), Enfield, Haringey, Newham and Waltham Forest. In order to deliver 2,000 homes, Be First proposes to create a new procurement framework and a digital MMC pattern book

⁵ Recommendation 12: *The GLA or a partner organisation should provide additional support/training for housing delivery staff.*

that will govern a standardised approach to the use of MMC across the participating boroughs, with scope for expansion. The framework and pattern book are interdependent, with the pattern book described as central to the delivery of the Buyers Club. Funding the pattern book will enable the installation of prototype MMC homes, which are expected to be on-site locally in 2023. These prototypes will help to showcase the environmental sustainability and quality benefits of MMC to other London boroughs, potentially expanding the number of homes delivered by the Buyers Club and increasing uptake of MMC across London. If adopted, the new MMC pattern book would help to implement recommendations 7, 8 and 9 of the BA report.⁶

- 1.18 Be First is seeking an additional £130,000 to deliver the pattern book. Outside of the delivery of the pattern book, Be First's in-house design and development team has committed to deliver the project management of design, contractor and dynamic purchasing system framework at an estimated in-house cost of £150,000.

2. Objectives and expected outcomes

- 2.1 The central aim of the London Business Rates Pilot Pool as agreed in 2018-19 is to fund strategic investment projects that contribute to the sustainable growth of London's economy, leading to an increase in London's overall business rate income. MD2363 identified four strategic investment projects that would help the Mayor achieve this objective. One of these projects was the 'Delivery of London Plan Objectives for Affordable Housing Development' and, within this area of intervention, the Mayor allocated £10m to fund the HCF, which had the following objectives:
- develop a sustainable increase in the capacity and skills of both housing and planning departments within councils
 - promote the Mayor's good growth principles (sensitive to the local context, environmentally sustainable and physically accessible) in housing delivery across London
 - diversify the range of homebuilders, development models and sites for new homes in London
 - support the delivery of housing targets set out in the London Plan and the Building Council Homes for Londoners programme.
- 2.2 The three proposals outlined above all align with these objectives and will increase the delivery of affordable housing in London, which will bring wider economic benefits to London. The MMC Pattern Book will help to upskill council housing teams to deliver more environmentally sustainable construction, noting that – in the longer term – greater uptake of MMC can help to address industry-wide skills shortages in the construction sector.

3. Equalities comments

- 3.1 The greatest housing need in London is for low cost rented homes, particularly homes at social rent. Many of these homes are delivered by councils – in 2020-21, councils contributed to nearly half of all new low-cost rented homes started across London. There is significant evidence showing that a key barrier to increasing council housing in London is due to significant skills and capacity challenges faced by in-house teams, as evidenced by the BA research and the GLA's own research into council homebuilding.⁷
- 3.2 Delivery of new council rented housing is likely to have a positive impact on individuals in temporary accommodation as well as those who are vulnerable to homelessness. Data suggests that women,

⁶ Recommendation 7: The GLA or a partner organisation should promote and potentially expand framework agreements; recommendation 8: The GLA or a partner organisation should pursue citywide purchasing of precision manufactured (MMC) products; recommendation 9: The GLA or a partner organisation should research precision manufactured homebuilding methods and materials for homebuilding and the contracting sector.

⁷ See: [Building London's future: The next generation of council homes | London City Hall](#)

young people, and Black, Asian and minority ethnic (BAME) communities are over-represented among those living in temporary accommodation. Furthermore, individuals with these protected characteristics as well as those who identify as LGBTQ+ and individuals with disabilities are known to be vulnerable to homelessness. As such, it is reasonable to anticipate a positive impact on people with these protected characteristics.

- 3.3 The supply of new genuinely affordable homes (including those built by councils) will benefit those who are most likely to be negatively impacted by poverty and high housing costs, including people from BAME backgrounds, those with religious beliefs, Deaf and disabled Londoners, and young people.
- 3.4 Officers are also working closely with external partner organisations that are delivering these proposals to ensure the skills and capacity opportunities will themselves be taken up by a diverse range of people. For example, the London Councils Skills Academy proposal includes a KPI to ensure that 50 per cent of all placements are prioritised for under-represented groups; this KPI will be monitored by the GLA through standard contract-management practices.

4. Other considerations

Key risks and issues

- 4.1 Supporting and increasing council homebuilding is a priority for the Mayor highlighted in the manifesto and the London Housing Strategy. The aim of this package is to support councils' ability to further increase delivery of affordable homes, contributing to the sustainable growth of London's economy.
- 4.2 There is a generic risk that the proposed projects will not deliver their intended objectives. GLA officers will monitor their progress closely. Specific risks and mitigating actions associated with each project are discussed below.

Project 1 – Future of London, Council-Led Housing Network

- 4.3 The main risk associated with this project is low take-up. The project aims to establish up to eight learning groups with six to 10 participants each, over a 30-month period. To achieve this goal, FoL relies on council officers on similar roles and working on similar projects dedicating time to join the learning groups.
- 4.4 The objective is ambitious, particularly considering that a second skills-enhancing project targeted at council officers will be launched in the same period. However, this risk is mitigated as FoL is well-regarded by council housing delivery teams and has a track record in delivering similar projects and GLA officers have regularly received positive feedback about similar projects managed by the organisation.

Project 2 – London Councils, Skills Academy

- 4.5 There is a risk that the Skills Academy project has low take-up among councils and their staff, as well as education providers.
- 4.6 To appropriately mitigate against these risks, the GLA has required London Councils to:
 - provide written confirmation from 11 councils that have agreed to sign up to participate in the programme once established
 - confirm with the GLA that accredited providers are willing to deliver the skills academy prior to the GLA entering into contract with them
 - run a small-scale campaign to attract council employees to participate in the course.

Project 3 – Be First MMC Pattern Book

- 4.7 The project has an ambitious timescale that plans to deliver a beta version of the Pattern Book in Spring 2022, test it in the remainder of Spring 2022 and have it ready for launch in 2023, alongside the new contractor framework. To mitigate against the risk linked to a tight timescale, Be First has hired a dedicated project manager.

Link to Mayoral strategies

- 4.8 Policy 3.3 of the London Housing Strategy recognises that the homebuilding industry needs to be diversified to increase capacity and speed up delivery, including by “working with councils to support their homebuilding efforts across London by providing a package of investment, skills, and expertise from City Hall to enable councils to build more homes.”
- 4.9 Policy 3.4 of the London Housing Strategy acknowledges that the construction skills gap should be addressed, and construction methods modernised. The policy proposes for the Mayor to support and promote the modernisation of London’s construction industry through more precision manufacturing of homes (now referred to as MMC).
- 4.10 The 10-point Green New Deal announced in the 2021 Manifesto committed the Mayor to deliver a green recovery and to lead on carbon standards for housing at the national level. The Manifesto also committed to supporting MMC. Investing in Be First’s MMC pattern book supports these commitments, noting that MMC provides for environmentally sustainable construction outcomes.

Consultation and conflict of interest

- 4.11 The GLA commissioned a report entitled ‘Increasing Skills and Capacity to Support Council Homebuilding’, which was carried out by BA and published in October 2020. All recommendations were accepted in full by the Mayor. Carrying out the report BA conducted extensive interviews and consultations with more than 55 housing professionals from a variety of public and private sector roles, including 16 councils; a literature review; and four in-person workshops. As detailed in section 1 above officers recommend that the Mayor approves the re-allocation of remaining HCF funding to the identified projects, which aim to implement recommendations made by the BA report.
- 4.12 GLA officers have consulted with the proposed funding recipients (FoL; London Councils; Be First) and all parties have confirmed they would be willing to enter into contract in the 2021-22 financial year to deliver these new programmes.
- 4.13 There are no conflicts of interest to note from any of the officers involved in the drafting or clearance of this decision form.

5. Financial comments

- 5.1 This decision seeks approval to reallocate programme underspend of £258,000 from the Home Building Capacity Fund (HCF) programme to alternative projects. The projects aim to increase skills and capacity of council housing delivery teams, in line with the original purpose of the HCF and in line with a key Mayoral manifesto commitment to further support council homebuilding in London.
- 5.2 £244,000 of the funds will be allocated as summarised below to part-fund:

| | 2022-23 (£) | 2023-24 (£) | 2024-25 (£) | Total agreed to date (£) |
|--|----------------|----------------|----------------|-----------------------------|
| Future of London - Council-Led Housing Network costs | 38,000 | 25,000 | 9,000 | 72,000 |
| London councils led- Skills Academy costs | 42,000 | 0 | 0 | 42,000 |

| | | | | |
|-----------------------------------|---------|--------|-------|---------|
| Be First – MMC Pattern Book costs | 130,000 | 0 | 0 | 130,000 |
| Total | 210,000 | 25,000 | 9,000 | 244,000 |

- 5.3 This decision also seeks approval to return the remaining £14,000 underspend to the central GLA budget.

6. Legal comments

- 6.1 The foregoing sections of this report indicate that the decisions requested of the Mayor concern the exercise of the Authority's powers under section 30 and 34 of the Greater London Authority Act 1999, falling within the Authority's statutory powers to do such things considered to further or that are facilitative of, or conducive or incidental to, the promotion of economic development and wealth creation, social development or the promotion of the improvement of the environment, in Greater London.
- 6.2 In implementing the proposals in respect of which a decision is sought, officers should comply with the Authority's related statutory duties to:
- pay due regard to the principle that there should be equality of opportunity for all people
 - consider how the proposals will promote the improvement of health of persons, and health inequalities between persons; and contribute towards the achievement of sustainable development in the United Kingdom
 - consult with appropriate bodies.
- 6.3 In taking the decisions requested the Mayor must have due regard to the Public Sector Equality Duty under section 149 of the Equality Act 2010, 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, age, sex, sexual orientation, religion or belief, pregnancy and maternity, and gender reassignment) and persons who do not share it. To this end, the Mayor should have particular regard to section 3 (above) of this report.

Grant funding

- 6.4 Section 1 of this report indicates that part of the sought budget will amount to the provision of grant funding and not payment for services. Officers must ensure that the funding is distributed fairly, transparently, in accordance with the Authority's equality policy, subsidy control rules and in a manner, which affords value for money in accordance with the Authority's Contracts and Funding Code (the Code). Officers must ensure that an appropriate funding agreement is put in place and executed by the Authority and the recipient before any commitment to funding is made.

Procurement and exemption

- 6.5 Decisions 1 and 4 of this report relate to the procurement of FoL to deliver the CLHN, which is a new iteration of the CLHF, which was itself established by FoL under contract to the Authority. The proposed new contract with FoL is valued at £72,000. Section 9 of the Authority's Contracts and Funding Code (the Code) requires that the Authority undertake a formal tender process or make a call off from an accessible framework for procurements with a value between £10,000 and £150,000. However, section 10 of the Code also provides that an exemption from this requirement may be justified on the basis of previous involvement in a specific current project or the continuation of existing work that cannot be separated from the new project. The officers have set out at paragraph 1.9 and 1.12, above, the reasons why the procurement of FoL falls within the said exemption. Accordingly, the Mayor may approve the requested exemption, if he is so minded.

7. Planned delivery approach and next steps

7.1 The planned delivery approach and next steps associated with this decision are outlined in the table below.

| Activity | Timeline |
|------------------------------------|---------------|
| MD approved | 14 March 2022 |
| Decisions communicated to partners | 21 March 2022 |
| Contracts drafted and issued | 20 April 2022 |
| Contracts commence | 1 May 2022 |

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 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:

Luca Dellepiane 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

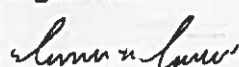
This decision was agreed by the Corporate Investment Board on 14 March 2022.

✓

EXECUTIVE DIRECTOR, RESOURCES: Enver Enver on behalf of David Gallie

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

Signature



Date

14/3/22

CHIEF OF STAFF:

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

Signature

D. Zelley

Date

13/3/22