

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2282

Title: Additional funding for affordable homes

Executive Summary:

The Mayor successfully secured an additional £1.67bn, to start 26,000 affordable homes, in Spring Statement 2018. This decision approves receipt of that funding and adds it to the Affordable Homes Programme budget. This takes that budget to a total of £4.92bn to deliver starts of 116,000 affordable homes by March 2022. Addenda to existing funding guidance will be published to enable housing providers to bid to deliver additional affordable homes, this will include significant additional support to London boroughs to enable them to build many more genuinely affordable homes. Allocations for funding will be made on an ongoing basis.

Decision:

That the Mayor approves:

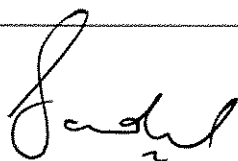
- The GLA receiving an additional £1.67bn of funding from government to assist in delivering 26,000 starts of affordable homes by March 2022.
- Adding the above funding to the Affordable Home Programme budget, taking it to a total of £4.92bn to deliver at least 116,000 starts of affordable homes by March 2022.

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:

21/5/18

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 a top priority for the Mayor. The historic under-delivery of affordable housing in the capital has meant that many Londoners cannot afford a decent home to rent or buy.
- 1.2. The Mayor has responsibility for the delivery and capital funding of affordable housing in London. In addition to the £3.25bn budget approved in June 2017 (MD2125) the Mayor has successfully secured £1.67bn of funding, confirmed at Spring Statement 2018, from Government to deliver an additional 26,000 homes by 2022. This takes the total affordable homes programme budget to £4.92bn. The funding will be used to start at least 116,000 affordable homes in Greater London between April 2015 and March 2022.
- 1.3. The funding announced at Spring Statement represented a share of national resources, half of national unallocated funding, that recognised the pressing housing need in London but fell short of the amount needed to meet it. GLA calculations are that an amount of £2.71bn per annum, almost four times higher than the current settlement, would be needed to fund the level of affordable homes that London needs.
- 1.4. In November 2016 the Mayor launched the Homes for Londoners: Affordable Homes Programme 2016-21. 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 initial funding bids and expressions of interest closed on 13 April 2017. Continuous bidding was opened to providers following the approval of MD2125.
- 1.5. The affordable housing products delivered as a result of this decision will principally be those anticipated in the previously published funding guidance and as set out in MD2052. This includes homes for rent based on social rent levels and below, homes at London Living Rents and shared ownership (part-buy, part-low-rent) homes. Other types of affordable home may be funded where they are genuinely affordable to Londoners and comply with state aid rules.
- 1.6. In July 2017 allocations for almost 50,000 affordable homes were announced, nearly triple the highest amount allocated by the GLA until that point (18,034 affordable homes as part of allocations for the 2015-18 Mayor's Housing Covenant programme in July 2014). Combining the 50,000 allocations announced in July 2017 with previous allocations and starts, sums to over 80,000 homes. Prospects of significantly increasing this number are high. There are many providers keen to increase their existing allocations, negotiations are ongoing for significant levels of replicable delivery through the 'innovation fund' within the main programme, and increased levels of public land continue to be released to the market with the Mayor's involvement.
- 1.7. Tangible progress on delivery is strong and in the first year following the new allocations the Mayor's targets were exceeded with 12,526 starts of genuinely affordable homes. This was 24 per cent higher than the previous highest number of starts achieved in any year (10,128 in 2012/13) since responsibility for funding affordable housing was devolved to the Mayor. The annual profile of starts against the 116,000 target is shown in the table below. Ongoing discussions with government and delivery partners means that the split between 2020/21 and 2021/22 is not yet finalised and is shown in aggregate for the two years.

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21- 2021/22
Starts of affordable homes	7,467	8,935	12,526	14,000-19,000	17,000-23,000	45,000-56,000

- 1.8. This decision approves an Affordable Homes Programme budget of £4.92bn to deliver starts for at least 116,000 affordable homes by March 2022. 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 2022.

Funding guidance

- 1.9. Updates, in the form of addenda, to the published funding guidance will be issued shortly after this approval is completed. The updated guidance will cover delivery in 2021/22, which previously wasn't possible, whilst ensuring appropriate incentives exist for providers to deliver starts prior to March 2021. Additional guidance will cover specific funding arrangements for London borough direct delivery and a strategic pot to unlock and accelerate sites with high levels of affordable homes.

London borough direct delivery

- 1.10. As the draft London Housing Strategy recognises, it will not be possible to build the genuinely affordable homes that Londoners need unless the public sector plays a much larger role in delivery. In the decade to 1980 a combination of London boroughs and the Greater London Council averaged completions in excess of 20,000 affordable homes a year. By 1999 this had fallen to zero. Whilst many London boroughs have strong ambitions to significantly increase their direct delivery of affordable homes, additional support in terms of funding, borrowing headroom and capacity building is needed to realise this.
- 1.11. A significant proportion of the additional £1.67bn approved by this decision is proposed to be used to support direct delivery of affordable housing by London boroughs. Whilst in the short-to-medium term this is likely to have a higher cost per home than delivery through housing associations, not least because of limited scope for cross-subsidy through market activity, there are significant ongoing benefits in creating additional delivery capacity in London boroughs.

Strategic pot

- 1.12. Within the overall affordable homes programme budget it is proposed to proactively commission schemes which unlock or accelerate high levels of affordable housing. This could be through up-front funding to meet infrastructure, land assembly or remediation requirements. It could also involve up-front investment, on a bespoke basis, to maximise the provision of affordable homes within estate regeneration schemes, Build-to-Rent proposals or direct land acquisition by the GLA.

Contracting

- 1.13. 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.
- 1.14. It is likely that most funding from the strategic pot 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.

- 1.15. It is considered unlikely that any of the proposals likely to be supported 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.

2. Objectives and expected outcomes

- 2.1. Combined with previous allocations and funding previously secured from government the £1.67bn approved in this decision is expected to support starts of 116,000 affordable homes over the period 2015-22.

3. Equality comments

- 3.1. This funding, combined with that already allocated for 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 draft London Housing Strategy, published for consultation in September 2017. In September 2017 the GLA published an Impact Assessment, including an equalities impact assessment, of that strategy.
- 3.2. Delivery of additional affordable homes in London 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.
- 3.3. 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.
- 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 is unable to allocate its funding and does not meet its contractual targets agreed with Government (Likelihood 2, Impact 3)
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 2022 gives time to build up delivery to these ambitious levels and approximately three-quarters of the homes are already allocated for delivery.
- 4.2. Risk: The homes funded through this programme do not meet the needs of Londoners (Likelihood 1, Impact 4)
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.
- 4.3. Risk: The GLA fails to comply with state aid regulations when allocating funding through this programme (Likelihood 1, Impact 3)
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 (Likelihood 3, Impact 3)
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. The draft London Housing Strategy, published for consultation in September 2017, dedicates a whole chapter to *Delivering genuinely affordable homes*. Contained within this chapter there are three policies (4.1 – genuinely affordable homes; 4.2 – increasing delivery of affordable homes; and 4.3 – protecting London's affordable homes.) which set out the need and means for delivering many more genuinely affordable homes for Londoners. This funding responds to that strategic priority.

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 decision is seeking approval for GLA to receive £1.67bn from MHCLG to fund the Mayor for affordable housing delivery. This funding is to deliver at least 26,000 starts of affordable homes by 2022. 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:
- 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);
 - pay due regard to the principle that there should be equality of opportunity for all people (section 33 of the GLA Act); and
 - 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 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 share it (section 149 of the Equality Act 2010).
- 6.4. The updated 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 the forms of funding agreement to be used for this funding programme and no commitment to fund should be made before the relevant agreement is entered into.

7. Planned delivery approach and next steps

- 7.1. The GLA will publish addenda to existing funding guidance following formal approval of this decision. Providers will be able to submit funding bids on OPS immediately, with an initial bidding deadline in autumn 2018. Bids will then be assessed, with funding allocations formally confirmed in Winter 2018.

Milestone	Date
Publication of funding guidance	May/June 2018
Initial bidding deadline	Autumn 2018
Funding allocations announced	Winter 2018
Continuous bidding	Ongoing
End date for project start on sites	March 2022

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: To enable the publication of updated funding guidance relating to this additional £1.67bn of funding.

Until what date: 30 June 2018

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:

Jamie Ratcliff has drafted this report in accordance with GLA procedures and confirms the following:

✓

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:

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 30 April 2018.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. J. Allen

Date

30.4.18

CHIEF OF STAFF:

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

Signature

D. Bellamy

Date

30 / 4 / 2018.