

REQUEST FOR ASSISTANT DIRECTOR DECISION – ADD2546

Title: London's affordable housing funding requirement

Executive summary:

In June 2019 the GLA published a report entitled 'The 2022-2032 Affordable Housing Funding Requirement for London'.¹ The report's main finding was that, to support the delivery of 32,500 affordable homes a year between 2022-23 and 2031-32, the GLA needed £4.9bn a year in capital funding from Government. Since June 2019, a number of changes have occurred that impact London's affordable housing sector and associated costs – including pressures such as the building safety crisis, the Covid-19 pandemic, the net-zero agenda, rising building costs and labour shortages – as well as greater certainty provided by the 2021-26 Affordable Homes Programme and the implementation of the new London Plan 2021. In light of these changes, there is clear justification to review and reset London's affordable housing funding requirement, which will support the Mayor's lobbying to central government, and inform the Housing & Land Directorate policy work programme.

This decision seeks approval for the GLA to allocate £20,000 from the Management and Consultancy budget of the Housing & Land Directorate to commission consultancy research services. The services will produce specialist quantitative analysis aimed at understanding the annual capital grant funding required to maximise the number of affordable homes delivered in London over the next five years.

Decision:

That the Assistant Director of Housing & Land approves:

1. the direct award of a contract to Savills plc and the expenditure of up to £20,000 under that contract for consultancy services to analyse London's affordable housing funding requirement
2. an exemption from the requirement of the Contracts and Funding Code in order to undertake the direct award to Savills plc as set out in decision 1, above.

AUTHORISING ASSISTANT DIRECTOR/HEAD OF UNIT

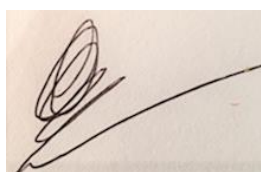
I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

Name: Natalie Daniels

Position: Assistant Director, Housing
(Housing & Land)

Signature:



Date:

18/1/22

¹ GLA, [The 2022-2032 Affordable Housing Funding Requirement for London](#), June 2019

PART I – NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. In June 2019 the GLA published a report entitled ‘The 2022-2032 Affordable Housing Funding Requirement for London’.²
- 1.2. The report’s main finding was that, to support the delivery of London’s affordable housing requirements, the GLA needed £4.9bn a year in capital funding from Government. At the time, the GLA procured Beacon Partnership LLP to build a financial model for affordable housing funding investment. The contract with Beacon Partnership LLP was valued at £10,000 and was approved by a Delegate Authority Record. The GLA has since consistently used the £4.9bn-a-year figure to argue for increased capital grant funding for London, particularly when lobbying central government.
- 1.3. Since June 2019, a mix of new pressures such as the building safety crisis, the Covid-19 pandemic, the net-zero agenda, rising building costs and labour shortages,³ as well as recent housing policy changes and announcements (for example the new 2021-26 Affordable Homes Programme settlement and the implementation of the new London Plan 2021) have emerged. In light of these changes, there is justification for the GLA to review and reset this funding analysis to support future lobbying work and the GLA’s internal work programme.

Exemption from the Contracts and Funding Code

- 1.4. The GLA does not have the in-house expertise required to build the viability model that is central to completing the research, and needs support from external consultants who can build it. The GLA is also looking to engage external consultants with an in-depth knowledge of wider trends across London’s affordable housing sector, including access to datasets. The GLA estimates that the cost of the provision of services will be up to £20,000, which will be paid from the Housing and Land Management and Consultancy budget.
- 1.5. Section 10.1 of the GLA’s Contracts and Funding Code provides that an exemption may be granted from the requirement to run a competitive procurement process where a service provider has had previous involvement in a specific current project; or where a project involves the continuation of existing work that cannot be separated from the new project/work. To that end, Savills:
 - built a similar model for the National Housing Federation (NHF) in 2019 and can amend it to match the GLA’s requirement
 - has conducted extensive work with the G15, London Councils and the NHF in the past 12 months that relates to the cost of affordable housing delivery in London, including by estimating the costs of addressing issues related to building safety remediation and transitioning to net-zero for registered providers⁴
 - has regularly worked with a wide range of London’s local authorities, and has access to specialist local authority business planning data, meaning that Savills would be able to deliver specialist insights about the unique costs of council-led affordable housing delivery (in contrast to registered providers).

² GLA, [The 2022-2032 Affordable Housing Funding Requirement for London](#), June 2019

³ Regulator of Social Housing, [Sector risk profile 2021](#), 19 October 2021

⁴ Examples of recent work conducted by Savills at the following links: [Decarbonising housing associations’ homes to cost £36bn, according to National Housing Federation](#) (research carried out by Savills aimed at establishing the cost of decarbonising the housing associations’ stock carried out on behalf of the NHF); [Delivering on London’s Housing Requirement: interim report](#) (research carried out on behalf of the G15 and London Councils that examines the barriers to housing delivery in London, particularly for affordable housing).

- 1.6. For an alternative consultant to deliver a similar job, they would need to demonstrate:
 - their access to the datasets (including sector analysis) and quantitative modelling tools to which Savills has access
 - an ability to deliver the work required in a tight timeframe and to a high quality, without the need to carry out extensive consultation
 - an ability to critically review the research carried out by the GLA in 2019.
- 1.7. Other consultants are unlikely to meet the above requirements without having to undertake significant research and stakeholder engagement, which would slow down the research project and increase costs for the GLA.
- 1.8. Savills' immediate access to information, as well as its track record in building similar models and delivering widely cited and respected research reports, will allow the GLA to deliver the project within the timeframe required. The work of Savills is widely recognised for its credibility, and any analysis produced will form a robust evidence base for the Mayor of London's affordable housing policies and any future funding requests to Government. In light of this, GLA officers are of the view that Savills is best placed to deliver the work to the highest standard and provide the best value for money. It is on this basis that the exemption from the requirement of the Contracts and Funding Code is sought.

2. Objectives and expected outcomes

- 2.1. The objective of this project is to understand the annual capital grant funding required to maximise the number of affordable homes delivered in London over the next five years.
- 2.2. The project will:
 - detail the constraints that have emerged since June 2019, and explain their impact on the ability of councils, housing associations and private developers to deliver affordable homes in London
 - detail how many properties can be funded by different delivery bodies across London – including by councils and housing associations, as well as by developers through planning obligations from private developers; this analysis will test the funding and financing model of affordable housing delivery more broadly
 - produce a final report that explains the level of annual capital funding required by the GLA to maximise the delivery of affordable homes in London over the five-year period.
- 2.3. The consultants will focus on building the financial model that will be used to calculate the level of annual capital grant-funding required by the GLA to maximise the delivery of affordable homes in London over the next five-year period. The consultants will also bring their own expertise and resources to the project, including datasets that are not otherwise available to the GLA.
- 2.4. The main benefit is that, once the research is completed, the GLA will have up-to-date analysis and high-quality figures that can be used by the Mayor for more targeted lobbying purposes. This will significantly strengthen the case to Government for additional funding to be devolved to London to deliver affordable housing and provide a sound evidence base for future engagement with government (including as part of future Comprehensive Spending Review submissions).

3. Equality comments

- 3.1. Once the research is completed, the Mayor will be able to use high-quality figures to argue for additional funding to be devolved to London to deliver affordable housing. Groups with protected

characteristics stand to benefit from an increase in affordable housing where they are disproportionately over-represented in markers of housing need.

- 3.2. In particular Black, Asian and Minority Ethnic (BAME) groups are disproportionately likely to experience poverty and associated housing constraints. These groups will therefore benefit from an increased supply of social housing particularly homes at social rents.
- 3.3. People with disabilities are also likely to benefit from the provision of supported and specialist accommodation. Increasing the supply of supported and specialist housing will help ensure those with specialist needs get the support they need. Provision of specialist domestic violence accommodation will benefit women who are more likely to be victims of domestic violence.
- 3.4. Older people are less likely to benefit from the homes in the programme supporting homeownership, as they are less likely to be eligible for a mortgage or meet the eligibility requirements of a rent to buy tenure. However, they will benefit from provision of social rent and an increased supply of supported accommodation where this is targeted at older age groups. The GLA has not otherwise identified ways that groups with protected characteristics will be adversely affected by these policies.

4. Other considerations

Key risks and issues

- 4.1. There is a risk that, with tight approval timescales, the contractor that the GLA intends to hire to build the financial model will not be in a position to deliver the project by the end of March 2022 (in line with budget timescales). To mitigate against this risk, GLA officers have engaged in some initial discussions with Savills to understand the feasibility of the work being undertaken within the prescribed timelines (which they have confirmed) and have engaged with TfL procurement to commence procurement activities quickly.

Link to Mayoral strategies

- 4.2. The 2017 Strategic Housing Market Assessment identified the need for 66,000 new homes a year in London, 43,500 of which should be affordable. The London Plan's housing target is 52,000 homes per year – or 520,000 homes over 10 years – and the strategic target is for 50 per cent of all new homes delivered across London to be genuinely affordable.⁵
- 4.3. Policy 4.2 and 4.3 of the London Housing Strategy define what the Mayor views as genuinely affordable homes and set out the Mayor's aim of increasing delivery of affordable homes.
- 4.4. The 2021 Mayor's manifesto commits to a 'relentless focus on building more council and other genuinely affordable homes'.
- 4.5. All of these strategies underpin the Mayor's commitment to deliver more genuinely affordable homes across London, which is in large part reliant on capital funding from central government. This analysis will strengthen the evidence base for these future discussions and ensure the GLA's capital funding programmes can deliver on London's housing need.

Consultation and conflict of interest

- 4.6. There are no conflicts of interest to note from any of the officers involved in the drafting or clearance of this decision form.

⁵ GLA, [The London Plan](#), March 2021

5. Financial comments

- 5.1. This decision seeks approval for expenditure of up to £20,000 in 2021-22 to award a contract to Savills for consultancy services to analyse London's affordable housing funding requirement.
- 5.2. The expenditure will be funded from the Housing & Land Management and Consultancy budget.
- 5.3. An exemption from the requirement of the Contracts and Funding Code in order to undertake the direct award to Savills is as set out in decision 1 above.

6. Legal comments

- 6.1 The foregoing sections of this report indicate that the decisions requested of the assistant director fall within the statutory powers of the Authority to promote and/or to do anything that is facilitative of or conducive or incidental to social development within Greater London; and in formulating the proposals in respect of which a decision is sought, officers have complied 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, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom
 - consult with appropriate bodies.
- 6.2 In taking the decisions requested of her, the assistant director must 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; 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 to 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). To this end, the assistant director should have particular regard to section 3 (above) of this report.
- 6.3 The procurement of the consultancy services from Savills plc is valued at up to £20,000. 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 where a service provider has had previous involvement in a specific current project or where a project involves the continuation of existing work that cannot be separated from the new project/work. The officers have set out at paragraphs 1.5 to 1.8, above, the reasons that the procurement of Savills falls within the said exemption. Accordingly, the assistant director may approve the exemption, if she be 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
Procurement of contract	17 January 2022
Delivery start date	20 January 2022
Interim findings shared by consultants with GLA	31 January 2022
Final report shared by consultants with GLA	14 February 2022
Final report cleared by GLA	25 February 2022
Delivery end date	25 February 2022
Project closure	25 February 2022

Appendices and supporting papers: None

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:

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 17 January 2022

✓

ASSISTANT DIRECTOR OF FINANCE AND GOVERNANCE:

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

Signature



Date

17/1/22