

Homes for Londoners Board

Date of meeting: **8 December 2016**

Title of paper: **Autumn Statement, London Affordable Housing Settlement and New Affordable Housing Funding Guidance**

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Classification: **Public**

1 Executive Summary

- 1.1 The Chancellor made his Autumn Statement to the House on 23 November 2016. This paper summarises the main housing points, including confirmation of £3.15bn for affordable housing in London. It also summarises the funding guidance for the Mayor's new *Homes for Londoners: Affordable Homes Programme 2016-21*, which was published on 29 November 2016.

2 Recommendation

- 2.1 That the Board notes the contents of this paper.

3 Introduction and Background

The Autumn Statement

- 3.1 The Autumn Statement included several housing-related announcements, many of which are broadly positive for housing in London. The main announcements are summarised overleaf.
- 3.2 One of the centrepieces of the Autumn Statement was the announcement of a new National Productivity Investment Fund (NPIF). This will add £23 billion in high-value investment from 2017-18 to 2021-22, focusing on three areas the Government considers critical to productivity: housing, research and development, and economic infrastructure. In particular, the Chancellor's speech highlighted the importance of tackling "the challenge of delivering the housing we so desperately need in the places where it is currently least affordable".
- 3.3 The Autumn Statement confirmed the London affordable housing grant funding settlement for 2015-21. In return for £3.15 billion funding, London will deliver 90,000 affordable housing starts by 2021. This will be a mixture of low cost rent, London Living Rent and shared ownership. It also includes specific targets for supported housing (2,000 units) and move-on

accommodation for rough sleepers and victims of domestic violence (770 units). This funding represents about 43% of the national total. Government has also confirmed that London will receive a share of the additional £1.4 billion that was announced by the Chancellor.

The Mayor's Homes for Londoners: Affordable Homes Programme 2016-21

- 3.4 The Mayor published guidance for his *Homes for Londoners: Affordable Homes Programme 2016-21* on 29 November 2016, setting out how providers of affordable housing can access the funding needed to deliver 90,000 starts in London by 2021.
- 3.5 This funding guidance is available at www.london.gov.uk/affordablehomes, and a copy is appended to this report.
- 3.6 The Mayor will primarily fund three tenure types through this programme; London Affordable Rent, London Living Rent and London Shared Ownership. A variety of supported and specialised housing will also be funded.
- 3.7 London Affordable Rent is intended to help low-income households who are unable to secure or sustain housing on the open market. Most London Affordable Rent homes funded through the programme are expected to be at GLA benchmarks, which reflect formula rent cap figures for social rents uprated by CPI for September 2016 plus one per cent. The GLA will also fund London Affordable Rent homes that have higher rent levels where providers are able to demonstrate to the GLA's satisfaction that the homes would be genuinely affordable.
- 3.8 Most London Living Rent homes are set at one third of borough median household income levels with variances based on the numbers of bedrooms and ward-level house prices. They will help households on average income levels to save for a deposit to buy their own home. Providers are expected to use London Living Rent to actively support tenants into home ownership within ten years.
- 3.9 London Shared Ownership is a standard shared ownership product with an additional commitment from providers to work together on a 'charter' for service charges, which should standardise, and where possible reduce, these charges for consumers.
- 3.10 The bidding process for this programme is intended to be significantly streamlined compared to previous programmes, giving providers more time to focus on delivery. The GLA has specified set grant rates per tenure, giving providers more certainty and allowing them to plan accordingly. These grant rates are:
 - London Affordable Rent - £60,000 per home, when rent is set at or below the benchmark levels; and
 - London Living Rent and London Shared Ownership – £28,000 per home.
- 3.11 Providers bidding for funding at these levels will be required to commit to delivering at least half of the homes they start in London between April 2015 and March 2021 as affordable homes.

- 3.12 The GLA will also fund homes on developer-led projects, with a clear incentive to increase affordable housing delivery on private sector-led developments to a level of 40 per cent or more, measured by habitable room.
- 3.13 On an exceptional basis, the GLA will fund supported and specialised housing projects at negotiated grant rates. At its discretion, the GLA will also fund projects that fit spatial and thematic priorities, and, where genuinely affordable, London Affordable Rent homes at rents above GLA benchmarks.

4 Objectives & Expected Outcomes

- 4.1 The Mayor's new affordable housing programme will deliver 90,000 affordable homes across a range of tenures, including London Affordable Rent, helping to address the chronic housing shortage and address affordability in the capital.
- 4.2 Nationally, Affordable Rent homes cannot be let at more than 80 per cent of market rents, inclusive of service charges. The Mayor does not consider 80 per cent of market rents to be genuinely affordable in most parts of London and he therefore expects most homes let for London Affordable Rent to be substantially below this level.

5 Equality Comments

- 5.1 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.
- 5.2 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.
- 5.3 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.
- 5.4 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.

6 Key Risks and Issues

- 6.1 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, and 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 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 within existing allocations.

- 6.2 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.

Government rules require that, nationally, Affordable Rent homes cannot be let at more than 80 per cent of market rents, inclusive of service charges. The Mayor does not consider 80 per cent of market rents to be genuinely affordable in most parts of London and he therefore expects most homes let for London Affordable Rent to be substantially below this level.

- 6.3 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.

- 6.4 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 agreed targets. 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.

7 Financial Comments

- 7.1 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.

8 Next Steps

- 8.1 The next steps following consideration by the Board are summarised below:

Activity	Timeline
Providers are able to submit funding bids on GLA system	31 January 2017
GLA system closes for bid submissions	13 April 2017
Assessment of funding bids by GLA	April – June 2017
Announcement of funding allocations by GLA	Summer 2017
Providers enter into contracts to deliver affordable homes	Summer 2017
90,000 affordable homes have started on site in London	March 2021

Appendices:

Appendix 1 - Funding guidance for the Mayor's *Homes for Londoners: Affordable Homes Programme 2016-21*