

# MDA No.: 1577

## Title: The 2024-25 GLA Group Budget – Housing

### 1. Executive Summary

1.1 At the Budget & Performance meeting on 12 December 2023 the Committee resolved that:

*Authority be delegated to the Chairman, in consultation with the Deputy Chair and party Group Lead Members, to agree any output arising from the discussion.*

1.2 Following consultation with party Group Lead Members, the Chairman agreed the Committee's letter to the Mayor of London regarding the 2024-25 GLA Group Budget for Housing, as attached at **Appendix 1**.

### 2. Decision

2.1 **That the Chairman, in consultation with the Deputy Chair and party Group Lead Members, agrees the Committee's letter to the Mayor of London regarding the 2024-25 GLA Group Budget for Housing, as attached at Appendix 1.**

#### Assembly Member

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:**



**Printed Name:** Neil Garratt AM, Chairman of the Budget & Performance Committee

**Date:** 25 January 2024

### **3. Decision by an Assembly Member under Delegated Authority**

#### **Background and proposed next steps:**

- 3.1 The terms of reference for this investigation were agreed by the Chairman, in consultation with party Lead Group Members and the Deputy Chair, under the standing authority granted to Chairs of Committees and Sub-Committees. Officers confirm that the report and its recommendations fall within these terms of reference.
- 3.2 The exercise of delegated authority approving the report will be formally noted at the Budget & Performance Committee's next appropriate meeting.

#### **Confirmation that appropriate delegated authority exists for this decision:**

Signature (Committee Services): Paul Goodchild

Printed Name: Paul Goodchild

Date: 19 January 2024

Telephone Number: 07842 600832

#### **Financial Implications: NOT REQUIRED**

Note: Finance comments and signature are required only where there are financial implications arising or the potential for financial implications.

Signature (Finance): Not Required

Printed Name:

Date:

Telephone Number:

#### **Legal Implications:**

The Chairman of the Budget & Performance Committee has the power to make the decision set out in this report.

Signature (Legal): 

Printed Name: Rory McKenna

Date: 23 January 2024

Email: rory.mckenna@london.gov.uk

### **Supporting Detail / List of Consultees:**

- Krupesh Hirani AM;
- Caroline Russell AM;
- Caroline Pidgeon MBE AM.

## **4. Public Access to Information**

- 4.1 Information in this form (Part 1) is subject to the FoIA, or the EIR and will be made available on the GLA Website, usually within one working day of approval.
- 4.2 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.
- 4.3 **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

If yes, until what date:

### **Part 2 – Sensitive Information:**

Only the facts or advice that would be exempt from disclosure under FoIA or EIR should be included in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form? NO

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## **Lead Officer / Author**

Signature: Gino Brand

Printed Name: Gino Brand

Job Title: Senior Policy Adviser

Date: 19 January 2024

Telephone Number: 07511 213765

**Countersigned by Executive Director:**

Signature:

A handwritten signature in black ink, appearing to read 'Helen Ewen', written in a cursive style.

Printed Name: Helen Ewen

Date: 22 January 2024

Telephone Number: 07729 108986



**Neil Garratt AM**  
**Chairman of the Budget and Performance Committee**

Sadiq Khan  
Mayor of London  
(Sent by email)

25 January 2024

Dear Mr Mayor

I am writing to you on behalf of the Budget and Performance Committee, following its meeting on Tuesday, 12 December. This letter is part of our Committee's changed approach to its Budget work, aiming to provide timely scrutiny and recommendations throughout the annual budget scrutiny process.

During the meeting, we spoke with your Deputy Mayor for Housing and Residential Development, Tom Copley, alongside representatives from the Greater London Authority (GLA), London Legacy Development Corporation (LLDC), Old Oak and Park Royal Development Corporation (OPDC) and Places for London. The Budget and Performance Committee remains committed to fostering a transparent and accountable financial framework through the effective scrutiny of the GLA's finances. The four recommendations in this letter are intended to support and improve the drafts of your Budget for 2024-25, as well as seek clarity over the future of specific programmes.

**Lack of detail on £703 million planned spend in 2024-25 for the Affordable Housing Programme**

There is very little detail included in the draft 2024-25 GLA:Mayor budget to underpin the £703 million<sup>1</sup> it allocates for 2024-25 for the Affordable Housing Programme (2021-26) in the Draft Consolidated Budget.

When the Committee asked about targets for 2024-25, the Deputy Mayor said:

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<sup>1</sup> [Mayor's Draft Consolidated Budget - Part 2 Explanation of Proposals 2024-25](#), p121

*“We are not in a position to be able to set annual targets for the coming year yet because of the volatility that you have already heard about. The Government still has not published the response to the [Department of Levelling Up, Housing and Communities] second staircase consultation. As I say, that is holding so many homes up in limbo that trying to set annual targets at this stage is extremely difficult. However, we remain committed to the overall target range.”<sup>2</sup>*

Graeme Craig, Director and Chief Executive of Places for London, highlighted the way that the lack of clarity on the second staircase policy is a challenge for those working on housing delivery. He stated:

*“We are in a position at the moment where we cannot bring anything forward. It is a situation where we know that it impacts buildings above 18 metres, but we do not know whether it is a second staircase, second core that needs to be built. We do not know whether it is a second core with redundant lifts and it has been 12 months that we have had this uncertainty. We recognise, of course, the importance of building safety. Not that I think anyone is saying that a building with a single staircase is inherently unsafe, but until we actually know what the policy is going to be, there is no way in practice in which we can bring anything forward. Until we know what the conclusion is, we do not know what the impact could be in terms of having to resubmit planning applications or also the viability challenges involved in having to redesign buildings”.<sup>3</sup>*

The Committee recognises the challenges of setting budgets with such high levels of uncertainty, and that plans need to be agile and reassessed during the budget year. However, uncertainty around budget setting is common across the GLA Group, and other functional bodies have been able to provide detail based on transparent assessment of risks and assumptions. For example, TfL supports its budget for passenger income with clear assumptions around fares increases, fares yield and passenger growth. These are all likely to change over time, but it allows an assessment of variances to budgets by the cause.

The £695 million allocated to the Affordable Homes Programme next year is a significant amount of public money, and without further details to support this figure, it will be difficult to establish and explain budget variances in a transparent way.

## **Recommendation**

- 1. The Committee recommends that the Final Draft Consolidated Budget includes detail of the Affordable Housing spending plans, including the underpinning assumptions and risks around delivery.***

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<sup>2</sup> London Assembly Budget and Performance Committee - 12 December 2023, [transcript](#), p6

<sup>3</sup> London Assembly Budget and Performance Committee - 12 December 2023, [transcript](#), p18

## Rising Costs in LLDC's East Bank Project

Committee Members were updated by Gerry Murphy, LLDC's Executive Director of Financial, Commercial and Corporate Services, on the increased costs of the East Bank Project. Gerry highlighted an increase of £93 million over the last two years.<sup>4</sup> Gerry Murphy outlined some of the factors contributing to these rising costs, including additional financial implications related to design issues, leading to programme delays and associated costs, supply chain challenges, and macroeconomic pressures—specifically, the impact of inflation.

In response to a question about what lessons could be learned from this project, Lyn Garner, Chief Executive of LLDC, said that there should be a focus in the initial stages of a project on identifying strategies that could have reduced or mitigated additional costs and risks beyond the initially forecasted project expenses. She added:

*“What it says to me is about how we look at public sector development risk in the round. We are taking all of the risk on constructing this site. There are something like 37 different public sector procurements involved in that site because it is not a single-tier contractor, as you know. We have run huge public sector procurement. Virtually every procurement exercise came in over budget in comparison to the original costs plan in any case when the procurement was undertaken and then there have been these delays. It is hugely complex because of the way that we have procured it. Given the way the build works and the design works, some people are doing the glazing, others are doing the façades, three other companies are doing the roofs and so on and so forth, which gives you this number of individual packages across the whole. That is hugely complex to manage. We use Mace [Group Limited] as a construction manager effectively, but all of the risk is taken by the public sector.”<sup>5</sup>*

## Recommendation

- 2. The Committee recommends that the remaining costs of completion of the East Bank are set out in the Final Draft Consolidated Budget, along with an assessment of the main risks and a statement on any contingency funding available.***

## Joint Venture Partnership in lieu of City Developer Model

The 2022 Kerslake Review recommended the creation of a City Hall developer,<sup>6</sup> and this recommendation was initially adopted by you as a vehicle for housing delivery in London.<sup>7</sup>

At our recent meeting, Tim Steer, Executive Director for Housing, GLA, told the Committee that the GLA's focus would instead be on developing a 'private public partnership' between the GLA and other housing providers. He said:

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<sup>4</sup> London Assembly Budget and Performance Committee - 12 December 2023, [transcript](#), p23

<sup>5</sup> London Assembly Budget and Performance Committee - 12 December 2023, [transcript](#), p26

<sup>6</sup> [Kerslake Review of GLA Housing, Recommendation 8](#), February 2022

<sup>7</sup> [https://www.london.gov.uk/press-releases/mayoral/kerslake-review-of-gla-housing-published\\_18\\_March\\_2022](https://www.london.gov.uk/press-releases/mayoral/kerslake-review-of-gla-housing-published_18_March_2022)

*“We have been looking with providers and others in the sector to scope out what options and delivery models might help. We have been talking to everyone around this table as well about that. The key conclusions that come out of that is there is demand in the sector for greater risk-sharing, particularly in the current economic context, and that is something where the public and private sectors can come together effectively”.*<sup>8</sup>

The Deputy Mayor added some of your reasons for pursuing joint ventures instead of a city developer model:

*“The Mayor’s vision on this has not changed at all. What has changed certainly in the short term – we hope it will be short term anyway – is the economic environment. When Lord Kerslake published his report that was pre-Mini Budget, it was pre the soaring interest rates that we have seen in the financing costs, and that has presented an enormous challenge to the whole sector and we are not immune from that. The vision remains very much the same. What we are adapting to is the changed circumstances and that is why I think that pursuing these partnerships is very important”.*<sup>9</sup>

As noted above, the challenges with LLDC’s East Bank development have highlighted the importance of structuring development procurement well, and the difficulty of appropriately and cost-effectively sharing the risk between the private and public sectors.

We recognise the changing circumstances since the Kerslake report, but we are concerned over this switch in approach in the context of LLDC experience of significant procurement challenges in private public partnership development models elsewhere (ie the East Bank Project).

### **Recommendation**

- 3. The Committee recommends that you confirm the reasons for the change in the GLA’s current preferred approach from a City Hall Developer to a Joint Ventures model, and set out the financial impact of adopting this new model. You may wish to do this either in the Final Draft Consolidated Budget, or in direct response to this letter.***

### **2016-23 Affordable Homes Programme: Full remaining spending profile**

The Committee discussed the Affordable Housing Programme (AHP) for 2016-2023, which has recently concluded. The programme aimed to deliver 116,000 homes by 2023 with a budget of £4.8 billion.<sup>10</sup> Funds were allocated based on different stages in housing delivery, from initiation to completion. Even though the programme has ended, the Committee noted the presence of allocated yet currently unspent funds that are being held by the GLA.

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<sup>8</sup> London Assembly Budget and Performance Committee - 12 December 2023, Transcript of Agenda Item 5 - The 2024-25 GLA Group Budget – Housing, p9

<sup>9</sup> London Assembly Budget and Performance Committee - 12 December 2023, Transcript of Agenda Item 5 - The 2024-25 GLA Group Budget – Housing, p9

<sup>10</sup> <https://www.london.gov.uk/programmes-strategies/housing-and-land/homes-londoners-affordable-homes-programmes/homes-londoners-affordable-homes-programme-2016-2023>



The draft GLA Mayor Budget for 2024-25 outlines projected expenditures for the 2016-2021 Affordable Housing Programme (AHP) up to 2027 with a forecasted total spend of £227.9 million.<sup>11</sup> However, the GLA:Mayor budget does not include comprehensive information on the complete spending profile and the timing of the expected utilisation of the funding.

During the Committee session, we sought clarification on the spending profile of the 2016-2023 AHP, specifically inquiring about the anticipated timeline for the complete expenditure of all funds allocated for the programme. Heather Juman, Assistant Director Housing, GLA, responded that:

*“We have completions going on beyond 2026 and, yes, there is some spend attached to that. However, the whole allocation has been made, all of the starts have happened, and we are not holding on to the upfront payments that you referred to earlier. All of that was committed. We have had a proper reconciliation and the Department of Levelling Up, Housing and Communities (DLUHC) have paid everything that is due on top of that funding”.*<sup>12</sup>

In previous years, a table has been shared with this Committee showing the annual spending profile of the AHP, but it has not been published in the formal budget documents.

### **Recommendation**

- 4. The Committee recommends that the GLA publishes an annual spending profile of the remaining 2016-23 Affordable Housing Programme funding in your Final Draft Consolidated Budget. If it is not possible to include this in budget documents, please provide it in response to this letter.***

We appreciate the GLA officers’ attendance and engagement with the Budget and Performance Committee, and we look forward to assessing the forthcoming 2024-25 Budget. I look forward to your response to this letter by 9 February 2024.

Yours sincerely,



Neil Garratt AM  
**Chairman of the Budget and Performance Committee**

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<sup>11</sup> [Draft GLA Mayor Budget 2024-25](#), p16, 13 November 2023

<sup>12</sup> London Assembly Budget and Performance Committee - 12 December 2023, Transcript of Agenda Item 5 - The 2024-25 GLA Group Budget – Housing, p11