

**MAYOR OF LONDON**

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# **HOMES FOR LONDONERS**

**AFFORDABLE HOMES PROGRAMME 2016-21  
FUNDING GUIDANCE**

**Addendum**

with updated guidance and arrangements for 2021-22



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## Introduction

1. This is an addendum to the [funding guidance](#) for the *Homes for Londoners: 2016-21 affordable homes programme*, which was published on 30 November 2016. It should be read in conjunction with that funding guidance. It encompasses four elements:
    - extending the programme into 2021-22;
    - changes to the set grant rates for the Approved Provider route;
    - a minor change to the Negotiated route; and
    - a new strategic interventions funding option.
  2. All other aspects of the published funding guidance remain in place.
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## Background

3. Following the announcement of an additional £1.67 billion for affordable homes for London in the Spring Statement 2018, and the associated increase in the GLA's target for starts of affordable homes to 116,000 by 2022, the Mayor would now like to engage with current and potential delivery partners to agree levels of ambition for additional delivery of genuinely affordable homes.
4. A funding prospectus for [Building Council Homes for Londoners](#) was published on 16 May 2018. The programme recognises the important role councils have played in building London's social housing and the role that the Mayor would like to support them to take on again. It is expected that direct delivery by London's councils will be funded through that programme, which means that the primary audience for this funding guidance will be other providers of affordable homes. These are primarily expected to be housing associations. Allocations agreed under this funding guidance and the prospectus specifically for councils will be funded through the additional £1.67 billion.
5. The Mayor has listened to his housing association partners who have warned that they are approaching the limits of what is possible by cross-subsidising genuinely affordable homes through market activity, particularly in the period up until March 2021. The GLA has made this point to central Government in negotiating the funding for this extended programme, with some success. As a result, while the set grant rates the GLA can offer here are still low by historic standards, they mark a slight increase on the rates set out in the original Affordable Homes Programme 2016-21 funding guidance. These set grant rates are described in more detail below and summarised in table form at Appendix 1.
6. Some partners may not be able to increase the overall number of homes they are delivering, particularly in the period up to March 2021, but nonetheless can explore how these increased grant rates could enable an increase in the proportion of affordable homes they are delivering across their programmes. Housing associations delivering across their programme at levels significantly above 50 per cent affordable housing will help to contribute to the Mayor's long-term strategic goal of half of all new homes built being genuinely affordable.
7. In July 2017, the Mayor confirmed funding allocations for 50,000 homes, almost triple the previous highest number confirmed by City Hall. Delivery in 2017-18, the first year of the Mayor's new programme, exceeded the target 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 since responsibility for funding affordable housing was devolved to the Mayor (10,128 in 2012-13). These starts included 2,826 homes based on social rent levels, which is more than in the previous four years combined and up from zero in the pipeline the current Mayor inherited.

8. The annual profile of starts against the 116,000 target is shown in the table below. Ongoing discussions with central Government and delivery partners mean that the split between 2020-21 and 2021-22 is not yet finalised and is shown in aggregate for these 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

## Approved Provider route

### Set grant rates

9. The increased set grant rates will only apply to the Approved Provider route. They are explained in detail below and summarised in table form at Appendix 1, with a worked example provided at Appendix 2.
10. These increased grant rates are only available for additional starts for affordable homes, over and above existing allocations. As there are currently no allocations to partners for 2021-22 all such starts will be additional. To establish each partner's existing allocations "baseline", the GLA will record the number of affordable homes allocated grant as of 18 June 2018. The baseline will include affordable homes in both Named and Indicative projects. The uplift in funding will only be available for starts which are additional to each partner's baseline. There will be a check in April 2021 of actual starts compared to existing allocations between 1 April 2018 and 31 March 2021. Where partners have claimed for a number of additional starts but the baseline target for existing allocations has not been exceeded by at least that number, some or all of the additional funding incentive would be withdrawn by the GLA. See Appendix 2 for a worked example.

### *London Living Rent/London Shared Ownership*

11. The grant increase for intermediate homes is focused on early delivery, in line with targets agreed with central Government. The grant rate for additional allocations for London Living Rent and/or London Shared Ownership homes that start prior to 31 March 2020 will be increased to £38,000 per home.
12. Starts that occur on or after 1 April 2020, or that are not additional, will be funded at the existing set grant rate of £28,000 per home.

### *London Affordable Rent at benchmarks (based on social rent levels)*

13. In recognition of the significant levels of cross-subsidy partners are investing in London Affordable Rent (LAR) homes and the overwhelming need for this tenure, the grant rate for additional delivery of homes at or below LAR benchmarks (based on social rent levels) will be increased to £70,000 per home. This will apply for all additional starts through to 31 March 2022.
14. Starts that are not additional to the baseline allocations by 31 March 2021 will be funded at the existing set grant rate of £60,000 per home. Existing named projects which slip into 2021-22 will be funded at the existing set grant rate of £60,000 per home.

### Indicative allocations

15. The published funding guidance limited the tenure of indicative allocations to London Living Rent and/or London Shared Ownership and only up until March 2020. These restrictions are being lifted and the GLA will now agree indicative allocations with any partner for any of the three primary affordable tenures funded in the 2016-21 programme, with starts profiled by year through to and including 2021-22.<sup>1</sup>
16. Many partners have ambitions to significantly increase their affordable housing delivery in the medium-term. The GLA encourages all partners with such ambitions to take advantage of indicative allocations to give grant-funding certainty to their delivery. These allocations will be agreed on an ongoing basis, as and when proposals are ready, up until the deadline of 30 September 2018.

### Bidding deadline

17. The GLA is making some revisions to its Open Project System (OPS) to accommodate the changes outlined in this addendum so that within the next few weeks it will be ready to agree additional allocations. All partners are encouraged to bid as soon as they are ready and allocation decisions will be made promptly following submission.
18. To accommodate the changes set out in this addendum, partners will be required to enter into a Deed of Variation to their existing Approved Provider contracts with the GLA.
19. In order to ensure there is funding available for continuous bidding on individual sites, which is particularly valuable to small and medium-sized housing associations, a bidding deadline for indicative allocations of **noon on 30 September 2018** is being imposed. This does not prevent earlier bids being submitted and approved where appropriate.
20. The funding the GLA has available for delivery in 2021-22 is currently limited and partners are therefore strongly encouraged to submit applications for funding for such projects by the same deadline. Bids for projects delivering in the financial year 2021-22 should be submitted on OPS by **noon on 30 September 2018**.
21. For individual projects starting prior to 31 March 2021, the GLA expects to remain open for continuous bidding in order to maximise opportunities for delivering additional affordable homes.

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<sup>1</sup> The three primary affordable tenures funded in the Affordable Homes Programme 2016-21 are: London Affordable Rent, London Living Rent and London Shared Ownership.

## Developer-led route

22. There are no changes to how the Developer-led route will operate as a result of this addendum, but the GLA can now approve starts in 2021-22 funded through this route. For the avoidance of doubt, the uplift to grant rates does not apply to homes funded through the Developer-led route.

## Negotiated route

23. As per the previously published funding guidance, the GLA expects to fund the majority of delivery through the Approved Provider route at its published set grant rates. As with the Developer-led route, the period over which starts can be funded through the Negotiated route will be extended to include 2021-22.
24. In addition to the criteria in the published funding guidance, which anticipates that Negotiated route bids will be primarily for forms of supported housing, the GLA will now consider bids for different levels of subsidy for homes where there is a clear need for rents to be set at different levels to the London Affordable Rent benchmarks (e.g. on estate regeneration projects to maintain historic rent levels as part of an offer to existing tenants).

## Strategic interventions

25. The GLA will also use its Affordable Homes Programme budget to commission investment into projects which unlock and/or accelerate high levels of affordable housing. The GLA's *Homes for Londoners* team is proactively engaging in the land market to identify such opportunities and will also be receptive to high-quality proposals of deliverable projects from partners, including housing associations, London boroughs, and other public-sector landowners. Partners who wish to discuss such opportunities are encouraged to engage with their relevant contact in the GLA Housing & Land Directorate.
26. Such strategic interventions will only be made where there is clear additionality or acceleration resulting from the GLA's investment and will be expected to be structured in a way to enable the GLA to recover its investment over time. In most cases it is expected that this additionality will be driven by front-loaded GLA investment. Potential ways in which this funding could work include, but are not limited to:
  - up-front funding for infrastructure, repayable over time or rolled into grant funding for affordable homes, to unlock projects with high levels of affordable housing;
  - development finance, on a commercial basis, to unlock and/or accelerate projects with high levels of affordable housing;
  - investment of equity, on a pari-passu basis, into Build to Rent projects with high levels of affordable housing; and
  - investing in different forms of genuinely affordable housing options, where there is a proven need.
27. Where possible, the GLA will use standard form documentation to support investment in the ways set out above in order to accelerate discussions with potential counterparties. This does not preclude discussions where GLA investment would be used in different ways to unlock and/or accelerate projects providing high levels of affordable housing.

## Appendix 1: Set grant rates for the Approved Provider route

	2018-19 starts	2019-20 starts	2020-21 starts	2021-22 starts
Existing commitment or substitutes to such commitments – London Living Rent or London Shared Ownership	£28k per home	£28k per home	£28k per home	Non-applicable (unless slippage of named projects from earlier years as agreed by the GLA, in which case £28k per home)
Existing commitment or substitutes to such commitments – London Affordable Rent benchmarks or lower	£60k per home	£60k per home	£60k per home	Non-applicable (unless slippage of named projects from earlier years as agreed by the GLA, in which case £60k per home)
Delivery in addition to existing baseline – London Living Rent or London Shared Ownership	£38k per home	£38k per home	£28k per home	£28k per home
Delivery in addition to existing baseline – London Affordable Rent benchmarks or lower	£70k per home	£70k per home	£70k per home	£70k per home

## Appendix 2: Worked example of revised set grant rates for the Approved Provider route

Potters Fields HA is an Approver Provider with a GLA allocation of £22 million to start 500 affordable homes (250 for London Affordable Rent and 250 for London Living Rent) between 1 April 2018 and 31 March 2021.

As at 18 June 2018, Potters Fields HA's baseline was 500 affordable homes. It subsequently bids for a further £1.78 million to deliver an **additional** 30 affordable starts as follows:

- 2019-20 – 10 London Living Rent/London Shared Ownership homes – £380,000.
- 2020-21 – 20 London Affordable Rent homes – £1.4 million

Although Potters Fields HA has **not started** all the projects contributing to its baseline level of 500 homes, it can still start the additional projects that attract the higher set grant rates (i.e. £38,000 per unit for the 10 LLR/LSO homes starting in 2019-20 and £70,000 per unit for the 20 London Affordable Rent homes starting in 2020-21). The GLA allocates the additional £1.78 million to Potters Fields HA.

Potters Fields HA **actually starts** 515 affordable homes between 1 April 2018 and 31 March 2021, as set out in the table below.

		2018-19	2019-20	2020-21	Total
LAR	Baseline	100	100	50	250
	Actual	100	100	60	260
LLR/LSO	Baseline	100	100	50	250
	Actual	100	105	50	255
<b>Total</b>	<b>Baseline</b>	200	200	100	<b>500</b>
	<b>Actual</b>	200	205	110	<b>515</b>

Potters Fields HA has exceeded its baseline by 15 homes.

As a result, only 15 of the 30 **additional** affordable homes bid for qualify for the increased grant rates. The GLA's additional allocation sums to £890,000 in grant (i.e. £38,000 per home for the additional five LLR/LSO homes started in 2019-20, plus £70,000 per home for the additional ten LAR homes started in 2020-21) so the GLA withdraws the remaining £890,000 from Potters Field HA's allocation.

In total the GLA pays Potters Fields HA £22.89 million in grant for the 515 homes, £890,000 higher than the baseline allocation.

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