

# GREATER LONDON AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD1242

**Title: Mayor's Housing Covenant Building the Pipeline funding allocations**

### Executive Summary:

Approval is sought for £136.5m of initial allocations of funding as a contribution to recipients' costs of delivering 6,190 homes under the "Mayor's Housing Covenant – Building the Pipeline" programme and the delegation of authority to assist in the efficient delivery of the programme.

### Decision:

That the Mayor:

1. approves the GLA's:

- (a) acceptance of grant being made available by DCLG through the affordable homes guarantee programme as detailed in part 2; and
- (b) allocation of grant funding (subject to contract) with an aggregated value of up to £136.5m as set out in part 2 of this mayoral decision form as a contribution to recipients' costs of delivering 6,190 homes; and
- (c) use of the Mayor's Housing Covenant first round headroom towards the delivery of the covenant's "Building the Pipeline programme" strands
- (d) expenditure of up to £50,000 on services required for the preparation of documentation required for the award of allocated funding; and

2. delegates authority to:

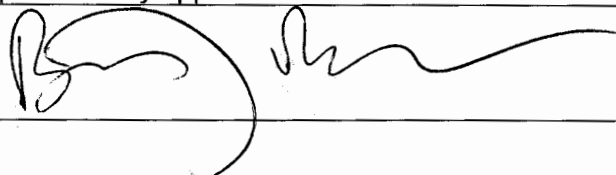
- (a) each of the Executive Director of Housing and Land and Executive Director of Resources to take all steps necessary to finalise allocations and the award of funding to each recipient including the final agreement of terms on which funding is awarded and agreement of reasonable substitutions for other schemes to be included within funded activity (subject always to the application of equivalent criteria); and
- (b) the Executive Director of Housing and Land, with agreement of the Executive Director of Resources, to approve movement of outputs and budgets between years in the programme;

### 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** 19/07/13

## PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

### Decision required – supporting report

#### 1. Introduction and background

1.1 The funding prospectus for the Mayor's Housing Covenant "Building the Pipeline" programme was published on 8 March 2013. The funding prospectus invited organisations to bid for funding to deliver one of, or a combination of, the following options with a deadline for bids to be submitted of noon on 21 May 2013:

- affordable homes to rent and buy, including bids for supported housing;
- schemes to bring empty homes back into use;
- a Tenants Incentive Scheme or similar type product;
- consumer led shared ownership; and
- extensions and deconversions.

1.2 In total, bids requesting £294m of GLA funding were received, with the aim of delivering 10,000 homes. This Mayoral Decision only deals with the first three of the products listed above, consumer led shared ownership and extensions and de-conversions will be considered subsequently.

#### Outcome Summary

1.3 Following a process of assessment carried out in accordance with the prospectus, established internal guidance and stages of internal moderation, initial allocations of £135.1m to assist in the delivery of 6,136 homes are proposed to be announced following Mayoral Decision. A further £1.3m to bring 54 homes back into use is proposed through the community grant empty homes programme run by Tribal Consulting Ltd. In total the funding requirement for approval is £136.5m.

1.4 DCLG analysis suggests that for every new home two jobs in the construction industry are created. On that basis up to 12,380 jobs in the construction industry could be supported as part of this investment. All bidders were asked to submit a jobs and growth statement detailing the economic impact of their bids in terms of jobs, growth and opportunities for apprenticeships and this will be appended to the their funding contracts with a commitment to implement the details set out in the statements.

1.5 The proposed programme will be partly funded from existing Housing and Land capital budgets and partly from the GLA's share of new funding being made available by DCLG. DCLG funding is incorporated within the Affordable Housing Guarantees programme announced on 6 September 2012 and expanded on 20 March 2013 with additional funding for Empty Homes. Further financial information can be found in part two of this decision.

1.6 At present the majority of the affordable housing funded by the GLA, with the exception of 854 homes funded through *Homes for working Londoners*, must complete by 31 March 2015. The *Building the Pipeline* programme aims to extend the completions timeframe to March 2018 and the proposed programme of allocations are made in respect of the delivery of 1,196 homes to the end of March 2015, with the remaining 4,994 due to complete in the years to March 2018.

1.7 This programme of funding was open to all organisations that could deliver homes in London. In total, it is proposed to give allocations to 56 organisations (listed in Part 2 below) of which 31 organisations have existing affordable housing contracts with the GLA and 25 are new partners. New partners will be subject to the existing agreed GLA process of qualification as a GLA Investment Partner and their allocations will be conditional on successful completion of the pre-qualification process.

## Assessment process

- 1.8 All bids, bar those for the Tenant Incentive Scheme where a bespoke bidding template was developed to capture specific bidding requirements, were entered onto the GLA's Investment Management System (IMS). Assessment of received bids was then carried out by nominated Area Managers within the Area Teams. Throughout the assessment process regular meetings were held to discuss common issues and ensure consistency in approach to assessment and recommendation. Each of the Area Teams carried out local moderation meetings followed by a pan-team moderation meeting to ensure consistency in the recommendations proposed and alignment with the agreed assessment framework. The wider moderation meeting involved representation from each of the Area Teams, the Programme Management team and was chaired by the Assistant Director of Programme, Policy and Services. The programme of recommendations was formally agreed by the Housing and Land Senior Management Team on 2 July 2013, prior to submission to the Housing Investment Group for further review and approval.
- 1.9 Bids were assessed in accordance with the assessment process approved by the Housing and Land Senior Management Team on 13 May 2013. The assessment included evaluation of the following criteria for all schemes submitted the bids:
- Value-for-money
  - Deliverability
  - Strategic fit
- 1.10 Through the assessment process 22 bids were rejected in full across the different programmes and a further 21 bids partially rejected (where part of a scheme was rejected).
- 1.11 The majority of bids that are being rejected are due to concerns on either value-for-money (evidenced through comparatively higher per unit costs without substantial justification) or delivery (evidenced through unrealistic delivery timetables or concerns on planning or land ownership). There are also some bids which did not fit strategically with GLA or Borough priorities and were unable to be supported. All bidders with rejected bids will be invited to improve their offer within a four-week window following allocation announcements for this programme. It is thought that a significant number of bids will be re-submitted with improved value-for-money and some may be able to offer improved delivery. These revised bids will be considered in Autumn 2013 and will be subject to a further Mayoral Decision.
- 1.12 All of the allocations will be subject to contract, using standard form funding terms in respect of which the GLA will not enter into any negotiation. It is anticipated that three sets of standard terms will be used: (a) Affordable Homes for Sale and Rent; (b) Empty Homes; and (c) Tenants Incentive Scheme.
- 1.13 The terms for (a) and (b) will be based largely upon terms currently used in the the GLA's Homes for Working Londoners and Empty Homes programmes. Those terms however, require some modification for the proposed award and new terms are required for (c) the Tenants Incentive Scheme. It is therefore necessary to make provision for legal costs and approval is sought for expenditure of up to £50,000 in this regard.
- 1.14 Tribal Consulting Limited have been procured by DCLG nationally to run an Empty Homes programme for community based organisations focussing on a specialist approach. A bidding round was held alongside the GLA's bid round and proposed allocation are set out in part two of this decision paper. Funding for these schemes would be top-sliced from the GLA's share of the Empty Homes funding provided by DCLG.

## **2. Issues for consideration**

### **a) Links to strategies and Mayoral and corporate priorities**

The allocation of this funding delivers on the policy to increase affordable housing supply as set out in the Mayor's revised housing strategy and specifically policy 2.1L which commits the Mayor to developing proposals for affordable housing delivery after March 2015. The proposed allocation will assist over 6,000 households to access affordable housing through affordable rent or home ownership.

### **b) Impact assessments and Consultation**

This programme was announced in the Mayor's Housing Covenant funding prospectus published on 8 March 2013. DCLG has published a range of information in relation to the Affordable Homes debt guarantee, to which this funding is linked. No separate consultation was carried out by the GLA however proposals largely build on existing investment policy.

### **c) Risk**

In assessing bids, consideration was given to the impact of awarding new allocations to partners with existing programmes. This was reviewed on a partner by partner basis and no allocations are proposed which it is thought could jeopardise the delivery of other programmes.

There is a general development risk that schemes proposed by partners may not be delivered on time. This has been mitigated by a careful review of deliverability on all schemes. Scheme progress will be monitored on an ongoing basis and formal contract management reviews will be conducted with partners quarterly in line with existing programme management arrangements.

The recommended programme includes allocations to 25 new partners. New partners will be required to successfully complete an Investment Partner qualification process confirming financial viability and technical capability to deliver their contracted schemes.

## **3. Financial Comments**

3.1 The proposed allocations of £136.4m to provide 6,190 homes can be met by funding provided by DCLG and headroom from the Mayor's Housing Covenant first round, due to the removal of support for First Buy. Further funding decisions are expected in the autumn, following re-negotiation of rejected bids.

3.2 The proposal to use £50,000 to cover external legal costs will be met from the Housing and Land consultancy budget.

3.3 Further financial details are contained within Part 2.

## **4. Legal Comments**

4.1 Officers have indicated in this decision form that:

4.1.1 the decisions requested of the Mayor fall within the discharge of the GLA's housing and regeneration functions contained in Part 7A of the Greater London Authority Act 1999 ("GLA Act")

and section 30 and 34 GLA Act powers to do such things to promote or which may be considered are facilitative of or conducive or incidental to the promotion of:

- (a) economic development and wealth creation in Greater London;
- (b) social development in Greater London; and
- (c) the improvement of the environment in Greater London;

4.1.2 in formulating the proposals in respect of which a decision is sought officers have complied with the Authority's related statutory duties to:

- (a) pay due regard to the principle that there should be equality of opportunity for all people;
- (b) 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; and
- (c) consider consulting with appropriate bodies;

4.1.3 the proposed payments to recipients amount to the provision of grant funding and not a payment for services rendered; and

4.1.4 the bidding and assessment process undertaken and use of GLA funding terms assist in ensuring that the funding will be distributed fairly, transparently, in accordance with the GLA's equalities obligations and requirements of the Contracts and Funding Code in particular ensuring that the proposed allocation of funding represents value for money.

4.2 Under Section 38(1) of the GLA Act the Mayor may delegate the exercise of any function exercisable on behalf of the GLA to any GLA staff member. Accordingly, the request that the authority be delegated to the Executive Directors of Housing and Land and Resources may be approved.

4.3 Officers must ensure that:

4.3.1 services required for the preparation of documentation required for the award of allocated funding are procured from a TfL Legal panel provider; and

4.3.2 no legally binding commitment to the award of funding is given until appropriate funding documentation is put in place between and executed by the GLA and recipients.

## **5. Investment & Performance Board**

These proposals for decision here were considered by Housing Investment Group on 10 July 2013 and were supported in full.

## **6. Background/supporting papers**

None

**Public access to information**

Information in this form is subject to the Freedom of Information Act 2000 (FOI Act) and other legislation. Part 1 of this form will be made available on the GLA website within 1 working day of approval. Any facts and advice that should not be made automatically available on request should not be included in Part 1 but instead on the separate Part 2 form. Deferment is only applicable where release before that date would compromise the implementation of the decision being approved.

Is the publication of this approval to be deferred? YES

If yes, for what reason:

To enable the GLA to manage the announcements of allocations with successful and unsuccessful bidders

Until what date: 01/08/2013

Is there a part 2 form - YES

**ORIGINATING OFFICER DECLARATION:**

Tick to indicate approval (✓)

**Drafting officer:**

Tajmina Jetha has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

**Assistant Director/Head of Service:**

Jamie Ratcliff has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

**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:**

Richard Blakeway has been consulted about the proposal and agrees the recommendations.

✓

**Advice:**

The Finance and Legal teams have commented on this proposal.

✓

**OFFICER APPROVAL**

**Executive Director, Resources**

I have been consulted about the proposal and confirm that financial and legal advice have been taken into account in the preparation of this report.

Signature *M. D. Allen*

Date 18.7.13

**Chief of Staff**

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

Signature *E. ...*

Date 19:07:2013