

REQUEST FOR MAYORAL DECISION – MD2372

Title: Community Housing Fund

Executive summary:

The London Housing Strategy sets out the Mayor's commitment to increasing the supply of community-led housing and enabling Londoners to play a role in building their own communities. To achieve this he is already supporting the London Community-Led Housing Hub to provide guidance to community groups looking to develop new homes, and to build support for community-led housing with local authorities.

To further boost activity in this area, the Mayor has now secured £38m funding from the Ministry of Housing, Communities and Local Government (MHCLG). This funding will be used in several ways, including capital grants and/or loans, revenue grants, and support for local enabling bodies.

This MD seeks approval for the GLA to receive this funding, endorsement for the key objectives of the fund, and approval of the proposed governance arrangements to enable deployment of the funding.

Decision:

That the Mayor approves:

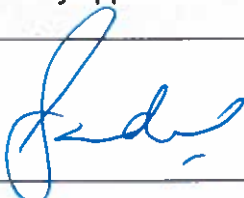
1. Receipt of £38m of funding (£30m capital and £8m revenue) from the Ministry of Housing, Communities and Local Government (MHCLG) in 2018-19, noting that the GLA will enter into an associated Memorandum of Understanding (MoU) with MHCLG to support the delivery of community-led homes to be started by April 2023 and the growth and development of the community-led housing sector under the Community Housing Fund (the Fund) in London;
2. Provision of £3.8m of the Fund as revenue grant to the Co-Operative Development Society Limited (CDS), £2.8m of which will be administered by the London Community-Led Housing Hub (which has been set up and is to be implemented by CDS) as a funding pot to community groups to support feasibility and pre-development work and £1m of which will be awarded as grant to enhance the London Community-Led Housing Hub's (the Hub) role in supporting community groups, extending its role until March 2023, as well as covering overhead costs associated with the administration of the £2.8m revenue grant, noting that the existing grant agreement with CDS will be varied to enable this to take place and taking total support for the Hub to £4.98m (including previous support agreed through MD2194); and
3. A delegation of authority to the Executive Director of Housing & Land to approve funding allocations within the remaining budget envelope of £34.2m and in line with the MoU with MHCLG and the existing agreed GLA decision-making process for the Affordable Homes 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:

19/12/18

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

Decision required – supporting report

1. Introduction and background

- 1.1 The Mayor is committed to increasing the supply of community-led housing (CLH), believing that Londoners should be able to play a leading role in building their own communities. To help achieve this, he is supporting the London Community-Led Housing Hub (which has been set up and implemented by The Co-Operative Development Society (CDS)), by contributing £250,000 over three years (MD2194) and securing a further c.£325,000 from boroughs to help fund it. In addition, the Mayor's Innovation Fund is funding a custom build scheme and, through his Small Sites, Small Builders initiative, the Mayor has allocated two sites for CLH.
- 1.2 To boost this work further, the Mayor has now secured £38m from central Government's Community Housing Fund. This Fund, which totals £60m a year nationally for four years, was announced in the 2016 Spring Budget. An initial tranche of £60m was allocated directly by central Government to local authorities in 2016/17, of which around £3.5m went to London boroughs. In November 2017, central Government announced its plans to allocate the remaining £180m. This funding will be used in several ways, including capital grants and loans, revenue grants to CLH organisations and support for local enabling bodies. Over £100m funding is being allocated to Homes England to run a programme outside the capital and the London funding of £38m will be allocated to the GLA. MHCLG will manage a small amount of funding directly.
- 1.3 The Fund will be allocated through a programme of continuous bidding, open from early 2019 until March 2020. It will be used to facilitate the delivery of community-led homes started by April 2023.
- 1.4 The terms of the funding and the responsibilities of the GLA and MHCLG respectively are to be set out in a Memorandum of Understanding and are summarised in sections 2-4 of this document.

2. Objectives and expected outcomes

- 2.1 The overarching objective of the Fund is to increase the supply of community-led housing. The London Housing Strategy (paragraph 5.56) sets out three common principles that all schemes that are genuinely community-led must share:
 - Meaningful community engagement and consent occurs throughout the development process. Communities do not necessarily have to initiate the conversation, or build homes themselves;
 - There is a presumption that the community group or organisation will take a long-term formal role in the ownership, stewardship, or management of the homes; and
 - The benefits of the scheme to the local area and/or specified community group are clearly defined and legally protected in perpetuity.
- 2.2 It is anticipated that a very large proportion of the new homes supported through the Fund will be genuinely affordable. It is expected that the £38m funding for London will support the delivery of at least 500 homes.
- 2.3 Support to eligible organisations through the Community Housing Fund will include the following:
 - Revenue funding (£8m, including £3.8m support to CDS Co-Operatives) to help cover the costs of group or project-specific activities that will support development of CLH proposals, such as:
 - Community group capacity-building, including seed funding to get started;
 - Project-specific professional fees and costs, including feasibility;
 - Planning applications, business planning and project management; and

- Extend support to the London Community-Led Housing Hub until 2022/23, enabling them to enhance their role, which is to build capacity and knowledge within the community-led housing sector, supporting the Fund's objective of securing a legacy for the sector.
 - Capital funding (£30m) to result in the delivery of CLH schemes, including grants and potentially loans:
 - To develop schemes; and
 - To develop associated infrastructure to support schemes.
- 2.4 Deployment of the Community Housing Fund will also serve to build capacity within the sector, resulting in a legacy of new homes delivered beyond the funding deadline of March 2023.

3. Revenue funding

- 3.1. £4.2m revenue funding will be allocated to applicants to support the development of CLH proposals. Bidding will be open to organisations which are, or intend to become, constituted as a body corporate, including (but not restricted to): registered charities; companies limited by guarantee; community benefit societies; co-operative societies; community interest companies; an organisation operating as a social enterprise and principally reinvesting their surpluses for social benefit; a registered provider; or a local authority. This mirrors the approach taken by Homes England.
- 3.2. It is proposed that where appropriate this is awarded as revenue grant, which may become recoverable where the initial project progresses through development, noting that this will require anti-money laundering assessments. Completion of the homes triggers repayment. Grant will be recycled to support further CLH proposals.
- 3.3. The London CLH Hub will support applicants to develop their plans through direct advice, signposting, relationship brokering and awarding the provision of expert adviser time. As part of this the Hub will have a role to play in identifying where revenue funding for the activities listed in paragraph 2.3 can enable groups to substantially advance their development plans, unlocking new capacity in the housing market.
- 3.4. It is proposed that CDS is also allocated £2.8m revenue grant for distribution by CDS through the London CLH Hub to applicants, between the launch of the fund and March 2023. This will be a CDS project to support the community-led housing sector, in line with the aims of the London CLH Hub. The London CLH Hub has previously received GLA funding, as agreed in MD2194, to support community groups to advance their early development plans through the provision of feasibility grants and access to expert adviser time. It is proposed that GLA funding is provided to enable the London CLH Hub to extend its existing role in scope and size, to provide early revenue grants until applicants have secured a suitable site. CDS, in their role as the London CLH Hub, will set the eligibility criteria for their project to administer £2.8m revenue funding, which should be in line with the overall aims of the London Community Fund, that is to enhance capacity in the community-led housing sector and support the delivery of development proposals.
- 3.5. In order to bolster the Hub's role of enabling the CLH sector to grow and develop new homes in London, it is proposed that up to an additional £1m be awarded to CDS to expand the Hub's capacity and reach through engagement with the sector, local authorities, and organising events, and to enable them to take on responsibility for the allocation of the early scheme revenue grants detailed at paragraph 3.4. The existing grant agreement between the GLA and CDS, approved through MD2194, provides for £750k support, and so the grant agreement will need to be varied to reflect the enhanced role of the Hub, the further £1m of funding, and the CDS project to allocate £2.8m revenue grant funding to organisations within the community-led housing sector. This funding will be drawn from the £8m revenue allocation received from MHCLG. CDS were provided with grant funding under

MD2194 as the sole organisation capable of the delivering the Hub project, and they continue to be the sole capable organisation.

- 3.6. The remaining £4.2m revenue grant will be allocated by GLA officers according to the governance structures set out in section 5. These revenue grants will be awarded to advanced scheme bids, with applicants becoming eligible for support with GLA revenue funding once a site for development has been secured.

4. Capital funding

New homes

- 4.1. Capital funding will be awarded to applicants (as detailed at paragraph 3.1) to enable the development, including acquisition of land, of intermediate market rented housing; discounted market rent; shared ownership; or homes at social rent levels (including London Affordable Rent). It is anticipated that grant funding would not be provided for non-affordable housing products. In the event of support being approved for the delivery of low-cost rented homes, including intermediate rent, a registered provider of social housing will need to be the landlord of the completed homes. This is in line with the requirements of the Housing and Regeneration Act 2008 and will be enforced through a funding condition imposed by the GLA.
- 4.2. Applicants will be able to bid for grant to fund viability gaps on development schemes. Applicants will choose whether to apply via the fixed grant rate route or negotiated grant rate route. Fixed grant rates will be funded using the Affordable Homes Programme 2016-21 tariff rates. Negotiated grant rates will require the applicants to share detailed viability workings to demonstrate that a higher grant rate is required, and this will be subject to additional scrutiny, and checks for state aid compliance.
- 4.3. Applicants will also be able to bid for capital loans, for example for development finance to support cash flow. These will be offered on a commercial loan basis, will be state aid compliant, and will be subject to a robust due diligence process. As loans, they will be repayable to the GLA and therefore can be used on a revolving basis to fund further projects in the future.
- 4.4. Due to the nature of the sector we anticipate applicants to be less well established than the GLA's traditional partners and less experienced in undertaking the application and due diligence processes required to secure funding support. It is therefore proposed that the Community Housing Fund remains open for continuous bidding, to enable applicants to secure all necessary support and guidance to fully develop proposals for the GLA's consideration.

Infrastructure

- 4.5. Capital grant funding will also be available to support the delivery of small scale infrastructure projects (for example road access) to unlock new community-led housing. Applications for capital funding for infrastructure will only be accepted directly from local authorities.

5. Allocations process

Delegated authority

- 5.1. This MD seeks authority for the Executive Director of Housing and Land to approve individual spending decisions, with advice from a newly created Community Housing Fund Expert Panel in line with the delegation arrangements set out in Mayoral Decision making in the GLA for the Affordable Homes Programme. The Deputy Mayor for Housing and Residential Development would be consulted on emerging director decision (DD) forms in the normal way.

- 5.2. The allocations for schemes being delivered through standard form contracts will be agreed in line with the Mayoral decision-making framework paragraph 18, by the Executive Director of Housing & Land and recorded and published by the Housing & Land Directorate.
- 5.3. Where allocations are made which are novel, and agreements do not meet the terms of the standard contract, individual DD forms will be reviewed and signed by the Executive Director of Housing and Land.

Housing and Land

- 5.4. A newly created Community Housing Fund (CHF) Expert Panel will assess applications for capital funding, and advanced scheme revenue bids (where applicants have already secured a site for development). The CHF Expert Panel will be formed of internal experts in CLH from the Area Teams, Policy Team, and wider directorate, with membership agreed by the directorate management team as appropriate. The Panel will make recommendations to the Executive Director of Housing and Land for approval. It is proposed that the CHF Expert Panel assess applications in order to provide consistency across the range of schemes funded through the Community Housing Fund, improve central monitoring of provision of grant, and assurance that public funds are being deployed effectively to unlock capacity within the CLH sector.
- 5.5. Each specific application for capital grant will be overseen and put to the CHF Expert Panel by the relevant Area Manager. This Expert Panel is anticipated to comprise representatives of the Area Teams, Transactions Team, and the Policy Team.
- 5.6. Where capital funding is allocated at the Affordable Homes Programme tariff rates, notification will be provided to the AHP Peer Review Group for information.

Role of the CLH Hub

- 5.7. The Hub will be the 'first port of call' for community groups that want to access funding through the Community Housing Fund. The only applications that will be received directly by the GLA will be local authorities applying directly for infrastructure funding.
- 5.8. The CLH Hub (implemented and delivered by CDS) is already using some of its funding from the GLA to allocate small feasibility grants (revenue) to community groups (up to £15,000 per group). It is proposed at paragraph 3.4 that £2.8m from the Community Housing Fund is allocated to the Hub (delivered by CDS) to enable the Hub to provide early scheme revenue grants to the CLH sector. As now, the Hub (delivered by CDS) will notify GLA officers of applications received and grants awarded.
- 5.9. It is proposed that the Hub (delivered by CDS) makes recommendations to the GLA on applications received for advanced scheme revenue bids. They are well-placed to do so, given their provision of expert advice, outreach work, and knowledge of the sector. All applications received will be provided to the GLA alongside a recommendation for consideration by GLA officers.
- 5.10. The Hub will also be invited to comment on applications for capital grant relating to the development of new homes, which will be assessed by GLA officers. Although they will not be responsible for assessing applications for capital grant funding, they will have an informal role in advising GLA officers.

6. Equality comments

- 6.1. In designing and formulating the target and the delivery of the Community Housing Fund the GLA has complied with the public-sector equality duty. GLA officers have had due regard to the need to: eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010; advance equality of opportunity between people who share a protected

characteristic and those who do not; and foster good relations between people who share a protected characteristic and those who do not.

- 6.2. There is a chronic shortage of affordable housing in London and those with protected characteristics are more likely to disproportionately suffer as a result of that shortage. A full equality impact assessment was conducted to inform the development of the Mayor's London Housing Strategy. Community-led housing generally produces decent affordable homes and is often designed to help particular groups of people and to meet community need.
- 6.3. By encouraging and facilitating community-led housing which meets local communities' needs, the GLA hopes to create a positive impact in equalities terms and to advance equality of opportunity for those with protected characteristics who are currently disadvantaged by the housing situation in London.

7. Other considerations

a) Key risks and issues

Risk description	Rating	Mitigating action
Take up of the Community Housing Fund is low	Low risk	A scoping exercise was carried out, which indicates that there are many groups and schemes at a very early stage and which could therefore benefit from revenue funding to assist them to build capacity and to buy in expertise to help their projects to progress. It also indicates sufficient potential demand for capital grant funding. There will be robust mechanisms to promote and allocate funding, including through the London CLH Hub and the GLA's investment teams.
Allocated capital funds do not result in delivery of new homes	Medium risk	A formal application process will be agreed for taking bidders through due diligence, to ensure public funds are only allocated where there is a reasonable likelihood of delivery. This process will allow some flexibility to reflect the nature of groups applying but will be modelled on other successful existing programmes such as the Innovation Fund.
Awarding revenue grants to groups without a track record for delivery does not result in community-led schemes progressing	Medium risk	A formal application process will be agreed for taking bidders through due diligence, to ensure public funds are only allocated where there is a reasonable likelihood of delivery.
Allocation of £3.8m funding to the Hub (delivered by CDS) for the provision of early revenue grants to the CLH sector reduces Mayoral oversight and control of performance against housing delivery targets	Medium risk	The relationship with the Hub will be managed through the amended funding agreement. Funding will be provided to the Hub in annual tranches, released on condition of outputs being met. Notification of grants awarded will provide GLA officers with oversight of allocations made.

b) *Links to Mayoral strategies and priorities*

7.1. Policy 5.3a of the Mayor's London Housing Strategy includes the following proposals:

'Working with councils and others, the Mayor will support Londoners to be involved in planning and delivering new homes. This will include:

- i. setting a target to identify a pipeline of community-led housing schemes by 2021, with capacity to deliver at least 1,000 homes;*
- ii. supporting the expansion of community-led housing schemes through a new Community-Led Housing Hub for London; and*
- iii. investing in community-led housing schemes and lobbying Government for a share of the national Community Housing Fund.'*

7.2. Policies H2 and H12 of the Draft New London Plan include the following proposals:

Small sites should play a much greater role in housing delivery and boroughs should pro-actively support well-designed new homes on small sites through both planning decisions and plan-making in order to ... support those wishing to bring forward custom, self-build and community-led housing. To determine the appropriate mix of unit sizes in relation to the number of bedrooms for a scheme, applicants and decision-makers should have regard to ... the potential for custom-build and community-led housing schemes.

c) *Impact assessments and consultations*

7.3. The London Housing Strategy and Draft New London Plan set the strategic framework underpinning the Mayor's work on CLH. Both have been subject to impact assessments.

8. Financial comments

8.1. The decision is seeking approval for the GLA to accept £38m from central Government's Community Housing Fund, which will be applied to the development of housing schemes and associated infrastructure, with the objective of increasing the supply of Community Led Housing by approximately 500 homes. GLA will enter a Memorandum of Understanding with MHCLG to agree the terms of the Fund.

8.2. The fund will be allocated as follows: £30m – to capital expenditure; £7m - to revenue expenditure and £1m - to the Co-Operative Development Society (CDS). Payments to providers will be in the form of grants and recoverable grants/loans. The fund will be available from April 2018 to March 2023 to fund Community-led schemes which have commenced by April 2023.

9. Legal comments

9.1. The provision of financial assistance (whether by grant or loan) to facilitate community-led housing and associated infrastructure is permissible under section 30(1) of the Greater London Authority Act 1999 (the GLA Act), if the Mayor considers that doing this will further one or more the GLA's principal purposes of: promoting economic and social development in Greater London and improving the environment in Greater London.

9.2. In determining whether or how to exercise the power conferred by section 30(1) of the GLA Act, the Mayor must:

- (i) Have regard to the effect that these decisions will have on the health of persons in Greater London, health inequalities between persons living in Greater London, the achievement of

sustainable development in the United Kingdom and climate change and its consequences (sections 30(3-5)) of the GLA Act;

- (ii) Pay due regard to the principle that there should be equality of opportunity for all people (section 33 of the GLA Act); and
- (iii) 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, and 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 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).

- 9.3. As noted in section 6 above, the GLA conducted an impact assessment, including an equalities impact assessment, of the London Housing Strategy. Policies related to increasing housing supply and delivering affordable housing, to which the Community Housing Fund will contribute, were also covered by the Integrated Impact Assessment (IIA) for the Draft London Plan, published in November 2017.
- 9.4. Going forward, the GLA will also need to have due regard to the Public Sector Equality Duty, and the matters set out in sections 30(3-5) and 33 of the GLA Act, when entering into any funding agreements.
- 9.5. In addition to the above, where the GLA is proposing to use the power conferred in section 30(1) of the GLA Act, the GLA must consider consulting in accordance with section 32 of the GLA Act. GLA officers have confirmed that it has consulted all bodies it considers appropriate.
- 9.6. Funding from MHCLG in respect of the Community Housing Fund is to be provided to the GLA on the terms set out in the MoU attached at Appendix 1 to this report. These terms will need to be complied with when GLA officers assess any bids for this funding and the terms of any funding agreements between the GLA and successful bidders will also need to reflect the terms of the MoU.
- 9.7. The GLA proposes to provide £1m and £2.8m respectively of further grant funding to CDS Co-Operatives (for delivery of the London CLH Hub and the extension of its role to provide further early revenue grants to the CLH sector) as a conditional gift rather than a contract for services and supplies. Paragraph 12.3 of the GLA's Contract and Funding Code requires that, in general, funding be distributed on the basis of the outcome of a transparent, competitive application process. Whilst such awards are generally made following a competitive exercise, in this instance GLA officers consider that CDS Co-operatives are the only organisation capable of delivering the project as envisaged. CDS were provided with grant funding under MD2194 as the sole organisation capable of delivering the Hub project, and they continue to be the sole capable organisation.
- 9.8. External lawyers provided an opinion on the State aid implications arising from the initial grant funding of up to £750,000 to CDS Co-Operatives, approved under MD2194. Officers must ensure that an updated opinion is obtained in respect of the further £3.8m of proposed grant funding to CDS Co-Operatives in light of the proposed extension of the London Community-Led Housing Hub's role as set out in this report. Officers must ensure that this is obtained and that an appropriate contractual agreement is put in place between the GLA and CDS Co-Operatives before any commitment to provide the further £3.8m of funding is made.
- 9.9. Furthermore, legal advice should be sought on the State aid implications of the other funding proposals set out in this report prior to the launch of the Community Housing Fund prospectus to ensure that the funding is offered on a State aid compliant basis. Again, no commitment to fund should be made until suitable contractual agreements are put in place between the GLA and the relevant successful bidder.

9.10. Section 38 (1) of the GLA Act provides that any function exercisable on behalf of the GLA by the Mayor shall also be exercisable on behalf of the GLA by any member of staff of the GLA if or to the extent that the Mayor so authorises, whether generally or specially, and subject to any conditions imposed by the Mayor. To this end, the Mayor may make the proposed delegation to the Executive Director of Housing and Land, if he be so minded.

10. Planned delivery approach and next steps

Activity	Timeline
Community Housing Fund announced at CLH roundtable hosted by the Deputy Mayor	20 September 2018
Prospectus submitted to Housing and Land DMT for discussion	24 October 2018
MD submitted for discussion at Corporate Investment Board	17 December 2018
MOU between GLA and MHCLG signed	20 December 2018
Group of internal experts established	January 2019
Payment made from Government for £2m to GLA for 2018/19 expenditure	January 2019
Amended grant agreement between the GLA and the London CLH Hub signed	January 2019
Formally launch Community Housing Fund prospectus	January 2019
Continuous bidding	From February 2019
Payment made from Government for balance of funding to GLA for remainder of programme	6 April 2019
Funding ends	March 2023
Start on site for new homes	2019 until April 2023

Appendices and supporting papers:

None

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) 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 approval or on the defer date.

Part 1 Deferral:

Is the publication of Part 1 of this approval to be deferred? NO

If YES, for what reason:

Part 1 should be deferred until publication of the Fund's prospectus, due in January 2019.

Until what date: (a date is required if deferring) 1 February 2019

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be 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:

Francesca Lewis has drafted this report in accordance with GLA procedures and confirms the following:

✓

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:

James Murray has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on the 17 December 2018

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature *M. D. Allen*

Date 17.12.18

CHIEF OF STAFF:

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

Signature *D. Bellamy*

Date 18/12/2018.