

A photograph of a residential building under construction. The building has a light-colored brick facade and several windows. The roof is covered with solar panels and has several tall, white metal structures (likely for antennas or ventilation) and red scaffolding. A worker in a high-visibility vest is visible on a platform. The background shows a dense residential area with many houses.

MAYOR OF LONDON

A close-up photograph of a building's facade, showing a row of windows with white frames and dark panes. The building has a light-colored brick or stone texture.

**Building Council
Homes for Londoners**

FUNDING PROSPECTUS

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Foreword

I grew up in council housing, so I know first-hand what a vital role it plays in London. I believe building new council homes must be at the heart of our efforts to tackle London's housing crisis. That's why we need a huge increase in the amount of housing councils build in London.

It is the only way we will ever build the number of homes we need in our city, and particularly those for social rent. London has a great tradition of social housing. This is thanks in large part to the ambition of London's councils over more than a century.



Today, amongst London's councils newly-elected in May, that ambition is stronger than ever. But like City Hall, they are being held back by a lack of resources and by Government-imposed restrictions on their freedoms.

Despite my limited powers at City Hall, last year my 'Homes for Londoners' programme saw work start on 12,526 genuinely affordable homes. That's more than in any year since City Hall took control of housing investment. Crucially, this included thousands of new homes based on social rent levels – that's up from zero homes for social rent when I came to office. London's councils have been stepping up too, building over 2,000 homes in the last seven years, compared to only 70 homes in the seven years before that.

My new 'Building Council Homes for Londoners' programme will help us go even further. I will work with councils across London to build new council homes for social rent that future generations can be proud of.

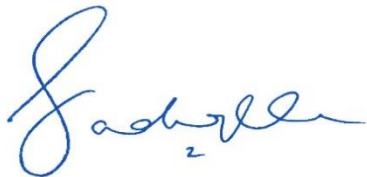
Through the programme, I will work with councils to start at least 10,000 new council homes over the next four years. I will help councils to achieve this with a special grant rate in my affordable homes programme specifically for new council homes, and I will support councils to invest their own resources including Right to Buy receipts. Alongside financial support, I will offer practical help to councils that are keen to boost their capacity to get these homes built.

This will make a real difference to tens of thousands of Londoners who need social housing. It is the first time City Hall has launched a programme specifically for council

housing. It reflects the significance to Londoners of new homes for social rent and how important I believe council homebuilding is. It also shows the ambitions of newly-elected councils across the city to do more.

The programme will also demonstrate the key role that councils can play in building homes, further strengthening our case to Government that London's councils and City Hall should be given the powers and resources to do much more.

Only by fully empowering us to build the new homes for social rent and other genuinely affordable homes that Londoners need, will we be able to truly fix the capital's housing crisis.

A handwritten signature in blue ink, appearing to read 'Sadiq Khan', with a small number '2' written below the name.

Sadiq Khan

Mayor of London

Part 1: Building Council Homes for Londoners

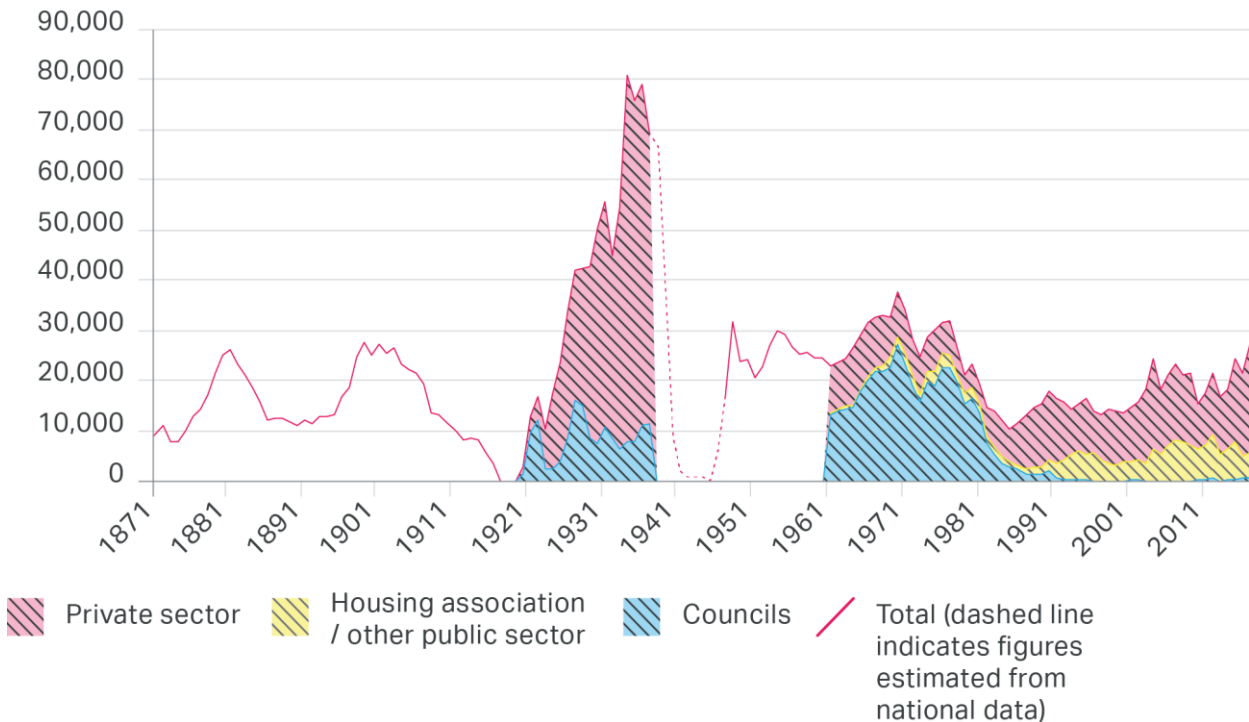
Context

1. In his draft London Plan the Mayor has set London's highest ever target for building new homes. London's chronic shortage of homes now affects almost every Londoner in some way including:
 - Those on low incomes who are increasingly locked out of London's housing market altogether;
 - Private tenants struggling to save for a deposit or simply to pay the rent;
 - Parents worrying that their children will have nowhere to put down roots and start families of their own; and
 - Small business owners or public service workers contemplating leaving London altogether because of high housing costs.
2. The Mayor has set a target to build 65,000 new homes each year, 50 per cent of which should be affordable, to accommodate our growing population and meet the backlog of existing housing need within the city. Moving towards these targets will require a fundamentally different approach to homebuilding to that which has become dominant in recent years. When he took office, the Mayor inherited a situation where the proportion of affordable homes in new developments had hit a low under the previous Mayor of just 13 per cent.
3. Increasing the supply of new homes to 65,000 per year of any tenure, and particularly with 50 per cent being affordable, cannot be achieved by the private sector alone. Yet homebuilding in London has become increasingly reliant on the private sector in recent years: in 2011-12, three in five new homes were built by the private sector, and by 2016-17, this proportion had risen to four in every five. In his draft London Housing Strategy, the Mayor sets out his plans to diversify the homebuilding industry and build more social rented and other genuinely affordable homes for Londoners. Supporting a new generation of council homebuilding is a key part of the Mayor's vision to achieve this.

Council homebuilding

4. Throughout most of the twentieth century, London's councils were major builders of new homes. During the 1970s London's councils built an average of over 20,000 homes a year. Since the early 1990s councils have built less than two per cent of London's new homes (see chart on next page).

New build homes in Greater London, 1871 to 2017



Source: Compiled by the GLA using GLA data, MHCLG data and various other sources

5. While council homebuilding currently falls far short of historic peaks, there has been a marked increase in recent years. Councils built 2,100 homes in London in the seven years to March 2017, compared with just 70 in the preceding seven years. Much of this increase has been driven by councils' ambition to replace homes sold through the Right to Buy. In order to increase the number of new council homes delivered significantly above current levels a range of issues need addressing that constrain councils' capacity to build new homes.
6. Councils across London have ambitions to build far more council housing, yet key constraints on their ability to do more include:
 - **Caps on council borrowing:** the Government-imposed Housing Revenue Account (HRA) borrowing caps artificially reduce councils' ability to finance new homes and to make grant or Right to Buy receipts go further, putting them at a disadvantage to their housing association counterparts;
 - **Arrangements for replacing homes sold through the Right to Buy:** councils seeking to replace homes sold through the Right to Buy are constrained by a range of central Government rules, including a time-limited period (currently three years) for use of receipts, restrictions on the proportion of the cost of each replacement home that can be

funded by receipts (currently 30 per cent of the full development cost of a new home), and restrictions on combining receipts with other sources of public subsidy;

- **Limited availability of subsidies to support new social housing:** in recent years the Government has focused funding for affordable homes on shared ownership and Affordable Rent tenures rather than social rent, and at grant levels geared towards the business models of housing associations rather than councils; and
- **Capacity and expertise within councils:** few councils have the resources and in-house development expertise that they did during the 1960s and 1970s. Funding reductions by central Government, compounded by years of austerity, have reduced the resources available for planning and housing services, severely limiting their development capacity.

7. Ultimately, many of these constraints can only be alleviated through reform by central Government. The Mayor, along with councils across London, supports the abolition of HRA borrowing caps and a step change in central Government investment in affordable homes and infrastructure. He also supports council calls to boost funding for key services, such as housing and planning departments, that are integral to supporting a new generation of council homes.
8. Since the Right to Buy was introduced in 1980 more than 300,000 social homes have been sold by councils in London. Over the same period, however, councils have built only 62,000 new social homes: just one for every five homes lost. When the Government reinvigorated the Right to Buy in 2012, it promised there would be one-for-one replacement of homes lost. This promise has been broken, with many council homes in London sold but not replaced. The Mayor wants to help councils replace as many homes sold through the Right to Buy as possible, and is calling on central Government to remove the arbitrary restrictions that prevent councils from building new, replacement council homes.

The 'Building Council Homes for Londoners' programme

9. While reform of central Government rules is necessary to support the scale of new council homebuilding that London ultimately needs, the Mayor wants to work with councils to use existing powers and resources to their fullest extent. Building homes requires vision, resources and expertise. All of this takes years to cultivate. Many of London's major private homebuilders have developed their capacity over decades. Likewise, housing associations have built up their delivery from hundreds of new homes each year during the 1960s to many thousands of homes each year today. The aim of *Building Council Homes for Londoners* is to support councils to follow the same path, helping them to regain the confidence and ambition they demonstrated during the zenith of council homebuilding in the 1960s and 1970s.
10. Through *Building Council Homes for Londoners*, the Mayor is inviting councils to develop ambitious proposals for delivering new council homes. In return, the Mayor is making

substantial levels of new funding available and assisting councils to develop the skills and expertise required to expand their homebuilding capacity.

11. The key objectives of the programme are to:
 - **Build at least 10,000 new council and Right to Buy replacement homes.** These will be started by 2022, focused on social rent levels, and will include homes in receipt of funding through this and other GLA programmes, as well as homes the Mayor is supporting councils to build by other means;
 - **Support council homebuilding in every borough in London** by giving any council that wishes to build new council homes the opportunity to do so, thereby helping to diversify London's homebuilding industry; and
 - **Boost London's council-homebuilding capacity** with the ambition that by the mid-2020s London's councils are building thousands of new council homes each year, compared with hundreds per year at present. With additional support from central Government, this ambition should be stretched even further.
12. *Building Council Homes for Londoners* will be delivered through ambitious strategic partnerships between councils and the GLA. The Mayor recognises that each council has its own unique local and political context driving different objectives within its own set of financial constraints. The GLA is offering councils flexible and tailored support from a menu of potential options.
13. The GLA will request a single bid from each council covering all elements of *Building Council Homes for Londoners*. It will prioritise affordable housing grant allocations based on fixed grant rates which will reduce complexity, increase certainty and enhance flexibility for councils. In addition, as part of the programme, the GLA is committed to facilitating open conversations with each council about the specific capacity challenges they face. All of this will be underpinned by a *Building Council Homes for Londoners* Memorandum of Understanding that will set out a shared ambition between the GLA and each council for new council homes in each area and how the GLA will work with each council to achieve it.
14. Part 2 and Part 3 of this prospectus cover the four areas on which *Building Council Homes for Londoners* will focus. These are:
 - Developing in-house skills and expertise within councils;
 - Increasing the affordable housing grant available to councils to build new homes;
 - Ring-fencing Right to Buy receipts; and
 - Managing additional HRA borrowing headroom.
15. Part 4 provides further information for councils wishing to bid for support as part of *Building Council Homes for Londoners* and Part 5 explains how the GLA will assess bids.

Part 2: Skills and expertise

Developing in-house capacity

16. The Mayor wants to see all councils in London supporting the delivery of new homes. In recognition that capital funding is not the only constraint preventing councils from doing more, the GLA is committed to working with councils to increase capacity, skills, and expertise in council delivery teams.
17. Councils across London are at different stages in establishing their delivery teams, with many ambitious councils already devoting or planning to devote additional resources to the task. So that he can help increase the contribution that councils make to housing delivery in London above current levels, the Mayor wants to understand what skills and resources are currently in place as well as the gaps and barriers to upscaling council development programmes.
18. As many councils have shown, successfully delivering new-build programmes requires strong leadership and senior officer support. Delivery teams – whether within a council itself and/or within dedicated delivery bodies – will need adequate resources and staff with relevant experience and expertise dedicated to programme delivery. Governance and decision-making arrangements must be streamlined and risks and mitigations identified at an early stage.
19. *Building Council Homes for Londoners* is an opportunity for the GLA and councils to work in partnership to identify and respond to any capacity issues currently preventing councils from directly delivering more affordable homes.

GLA support

20. To help councils develop their in-house capacity, *Building Council Homes for Londoners* offers a range of options for GLA support. Councils are encouraged to discuss these areas further with their relevant GLA contact.
21. The GLA will seek to provide support through regular senior-level meetings with each council participating in the programme to monitor progress and respond to issues as they arise.

Secondments and placements

22. The GLA is offering to make some of its staff available to councils to address resourcing issues. This option may be available where there is an identified need and a GLA member of staff seconded or placed within a council for an agreed length of time would assist with programme delivery. Councils seeking further information should consult their relevant GLA contact.

Technical guidance

23. Navigating the various rules and regulations associated with housing delivery can be complex. Partners with similar objectives and ambitions to increase supply will often proceed in different ways. While there are sound reasons for varied approaches, the GLA may be able to help councils by providing clarification about common technical issues that arise. Consequently, guidance notes covering the following areas are included in this prospectus:
- Using Right to Buy receipts and GLA grant within a project (see Appendix 2); and
 - GLA funding of council dedicated delivery bodies (see Appendix 3).
24. The GLA intends to publish additional guidance on any recurring issues pertinent to direct delivery of housing in response to requests from councils.

Revenue funding

25. A lack of revenue funding to support programme delivery can act as a barrier to councils wishing to develop ambitious housing programmes. Where councils already have delivery pipelines in place, there may be opportunities to capitalise revenue costs attributable to projects. For councils at an earlier stage, the GLA may in exceptional cases be able to provide revenue funding to support them to establish their housing programmes. Councils should, however, be aware that any available revenue funding is likely to be limited in scale. Councils seeking further information should consult their relevant GLA contact.

Information sharing

26. As councils build capacity to deliver their housing programmes, there will be opportunities for them to learn from one another. The GLA will work with Future of London¹ to develop a dedicated forum to share best practice, review high-level technical content, undertake site visits and benefit from bespoke research all aimed specifically at assisting councils to build more homes. Topics could focus on areas that councils request and might include:
- Building the right internal team;
 - Governance options;
 - Raising finance;
 - Procurement routes; and
 - Resident engagement.
27. The GLA will also explore options for involving housing associations and other partners in helping councils to learn best practice at key stages during the development process.

¹ Future of London is an independent network connecting London's regeneration, housing, infrastructure and economic development practitioners. For more information, see [here](#).

Part 3: Capital funding

Affordable housing grant

Social rented and other genuinely affordable homes

28. The Mayor has secured £4.82 billion from the Government to fund new affordable housing for Londoners. This funding is expected to support starts of at least 116,000 new social rented and other genuinely affordable homes in London through to 2022.
29. In November 2016, the Mayor launched the *Homes for Londoners: Affordable Homes Programme 2016-21* to help increase the supply of new homes and the number of those that will be genuinely affordable. In initial allocations made under the programme announced in July 2017, councils were allocated almost £150 million in affordable housing grant.
30. *Building Council Homes for Londoners* is designed to enable councils to deliver more housing, particularly for social rent.² The GLA therefore expects to allocate the majority of grant funding in this programme to support new council homes for rents at or below 'London Affordable Rent' caps, since these caps are based on social rent levels (see Table 1).
31. The Mayor's approach with 'London Affordable Rent' has been designed to allow national funding which is only available for the 'Affordable Rent' programme to be used to deliver homes based on social rent levels. These apply London-wide, and the specific level of rent for any individual property will be at or below these caps. The GLA will not specify whether homes have London Affordable Rent or Social Rent tenancies; councils will be free to choose which to offer in accordance with legislation and their own policies and procedures.

² *Building Council Homes for Londoners* forms part of the Affordable Homes Programme 2016-21.

Table 1: Current London Affordable Rent caps (based on social rent levels)

	2018-19 cap
Bedsit and one bedroom	£150.03
Two bedrooms	£158.84
Three bedrooms	£167.67
Four bedrooms	£176.49
Five bedrooms	£185.31
Six or more bedrooms	£194.13

32. Through *Building Council Homes for Londoners*, the GLA is also making additional funding available to councils seeking to build intermediate housing products, including London Living Rent and London Shared Ownership homes, to help Londoners on average income levels.³ It will consider funding other intermediate housing products where councils can demonstrate they are genuinely affordable to Londoners.
33. Councils are invited to bid for funding to deliver affordable homes in London that start on site by 31 March 2022. A full definition of start on site is available in the GLA's [Affordable Housing Capital Funding Guide](#).

Available approaches for affordable housing funding

34. The GLA will fund the majority of affordable homes in *Building Council Homes for Londoners* using a single set grant rate under the 'Programme Approach' for Social Rent/London Affordable Rent homes and a different set grant rate for London Living Rent, London Shared Ownership and other genuinely affordable intermediate homes.
35. In a few exceptional cases, the GLA will agree discretionary grant rates with councils under the 'Project-by-Project Approach' (see paragraphs 42 and 43 below).
36. The GLA does not expect to allocate all available grant in this programme during the initial bidding round. Councils will have further opportunities to bid on an ongoing basis after the GLA has made initial allocations, subject to availability of funding.

³ For further information on these products see the *Homes for Londoners: Affordable Homes Programme 2016-21 Funding Guidance* [here](#).

Affordable housing grant: Programme Approach

37. Under *Building Council Homes for Londoners*, the GLA will specify set grant rates per home, available for new supply of affordable homes. Set grant rates give councils certainty over the grant levels they can expect from the GLA for certain types of home and allow them to plan accordingly. The GLA has also streamlined its bidding process and systems for councils, reducing overheads and administrative burdens. This will allow them greater freedom to optimise the use of their own resources.
38. The Programme Approach is open to councils that are delivering the following types of homes – either directly and/or through dedicated delivery bodies:
- Social Rent/London Affordable Rent: £100,000 per home, when rent is set at or below London Affordable Rent caps; and
 - London Living Rent, London Shared Ownership or other genuinely affordable intermediate homes:
 - £38,000 per home started in 2018-19 or 2019-20;
 - £28,000 per home started in 2020-21 or 2021-22.
39. The higher grant rate for London Living Rent, London Shared Ownership or other genuinely affordable intermediate homes that start in 2018-19 or 2019-20 is intended to incentivise early delivery.
40. Under the Programme Approach, councils will commit to delivering a headline number of affordable homes broken down by tenure across a portfolio of sites in exchange for an allocation of affordable housing grant. Councils will have flexibility to manage the delivery profile of homes across this portfolio and additional discretion to substitute sites into, and out of, their portfolio.
41. In order to capture the full scale of council delivery accurately the GLA encourages councils to log all new-build homes on the GLA's Open Project System. This includes homes that might not need GLA funding and/or those funded using Right to Buy receipts. The GLA has simplified the logging of nil-grant homes on its system. Compliance audit will not apply to nil-grant homes.

Programme Approach: hypothetical example

Council A is developing a programme of 500 homes, 300 of which are affordable, across five sites that it controls. Of the affordable units, 275 will be let at social rents and 25 will be for London Shared Ownership. Of the 25 London Shared Ownership homes, 20 will start in 2019-20 and five will start in 2020-21. Council A may bid for £28,400,000 of affordable housing grant across its programme: £100,000 per unit for the 275 social rented homes; £38,000 per unit for the 20 London Shared Ownership homes that start in 2019-20; and £28,000 per unit for the five London Shared Ownership homes that start in 2020-21.

Affordable housing grant: Project-by-Project Approach

42. The GLA will fund most homes developed through *Building Council Homes for Londoners* with set grant rates via the Programme Approach. It may, at its discretion, choose to fund a small number of projects at different grant rates, where this is necessary for financial viability and clearly evidenced. To qualify for grant on this basis the GLA will require additional information from councils about these projects in order to scrutinise viability on a project-by-project basis.
43. Since the GLA will assess grant rates on a project-specific basis, it will not give councils seeking funding through the Project-by-Project Approach flexibility to reallocate housing outputs and funding between different projects.

Delivery bodies

44. The GLA is encouraging bids for grant regardless of whether a council wishes to develop affordable homes through its Housing Revenue Account or its General Fund. This includes where a council is using a dedicated delivery body.
45. While the GLA intends to use funding flexibly, funding allocations must meet legislative requirements. For example, where the GLA provides financial assistance on condition that the recipient provides low-cost rental accommodation, it must impose a further condition ensuring that a registered provider of social housing is the landlord of the accommodation when it is made available for rent.
46. Guidance for council dedicated delivery bodies wishing to apply for grant that are not registered providers is included in Appendix 3.

Right to Buy Ring-Fence Offer*Using Right to Buy receipts: current arrangements*

47. The failure to replace homes sold through the statutory Right to Buy policy is a key contributor to the loss of affordable homes in London. Since the policy was introduced in the 1980s, more than 300,000 social rented homes have been sold and the majority of these have not been replaced.
48. The rules governing council expenditure of Right to Buy receipts are enforced through legislation and agreements between councils and central Government. In the absence of these agreements – or if the receipts cannot be spent in accordance with the terms in these agreements – councils must return receipts to central Government which then redistributes them to the GLA in London. The agreements also allow councils to voluntarily return funding to central Government. The GLA has received more than £50 million of returned Right to Buy receipts since 2012. It has used this money to top up its affordable homes programmes through which it allocates the majority of funding to housing associations rather than councils.

Right to Buy Ring-Fence Offer: ring-fenced receipts for councils

49. *Building Council Homes for Londoners* will pioneer a new approach for managing Right to Buy receipts to help fund local replacements for homes lost as a result of the policy.
50. As part of the programme, the GLA is offering councils the opportunity to opt-in to its Right to Buy Ring-Fence Offer. For councils accepting the offer, the GLA will ring-fence any Right to Buy receipts that a council collects and returns to the GLA (via central Government) for use by that council in accordance with a standard agreement between the two parties.
51. The GLA will effectively act as a ‘custodian’ of Right to Buy receipts when councils voluntarily opt-in to the ring-fence offer. As such, the GLA will treat this money differently from the rest of its funding – its control will be at arm’s length, with spending decisions reserved for councils. The GLA will, however, expect councils to develop credible delivery plans and use funding in line with regulations.
52. There are a range of benefits for councils opting-in to the Right to Buy Ring-Fence Offer. Foremost, it provides councils with an opportunity to ring-fence receipts plus any interest paid on receipts; they would otherwise lose control of these resources once returned to central Government.
53. Another key advantage of the Right to Buy Ring-Fence Offer is it allows the GLA and councils to take a more strategic approach to utilising Right to Buy receipts to replace affordable housing. While the GLA would require assurance that councils identify projects within a three-year pipeline – to ensure resources are utilised quickly – it could reallocate ring-fenced receipts to councils on a project-specific basis which presents them with additional flexibility to manage their delivery programmes.
54. The Right to Buy Ring-Fence Offer will also present opportunities to help councils better manage their new-build programmes if combined with other support the GLA is offering in this prospectus. For example, by using ring-fenced Right to Buy receipts alongside an allocation of further affordable housing grant under this programme and some additional HRA borrowing headroom, councils would have greater scope to manage their delivery programmes on a flexible basis. They could reprofile funding allocations from different sources to different projects in response to changing circumstances and the different rules and requirements that govern these funding sources (many of which are fixed). Councils should note that affordable housing grant and ring-fenced Right to Buy receipts – reallocated to councils as grant – may not be used to fund the same home.
55. Councils that do not request any other affordable housing grant or additional HRA borrowing capacity under *Building Council Homes for Londoners* will still have the opportunity to opt-in to the Right to Buy Ring-Fence Offer.

56. As custodian of councils' funds, effectively holding Right to Buy receipts on behalf of councils at arm's length, the Mayor recognises it is up to councils who voluntarily opt-in to the ring-fence offer to determine how to spend receipts collected in their area. The GLA will therefore not seek to place additional conditions on the use of such receipts when allocating Right to Buy receipts back to councils. It differs in this respect from the GLA's mainstream affordable housing grant. Constraints will be limited to those required for regulatory issues or those specified elsewhere in this prospectus.
57. In line with central Government requirements, the principal restriction on councils' decisions over reallocated Right to Buy receipts will be that replacement homes must be rented affordable housing. Within this constraint, councils will have freedom to determine the tenure of homes. A further restriction, in line with national requirements, is that Right to Buy receipts the GLA reallocates to councils should not exceed 30 per cent of the full development costs for replacement homes.
58. Given the status of Right to Buy receipts, while the Mayor is currently considering introducing a new funding condition to require resident ballots on strategic estate regeneration projects involving demolition, this requirement may not be triggered on projects funded through reallocated Right to Buy receipts (providing these projects are not also in receipt of other affordable housing grant). This is to recognise that the GLA is acting as custodian of Right to Buy receipts that arise from the sale of council assets; they are not a GLA resource. While GLA funding conditions do not apply when councils use their own resources for the provision of affordable housing, the Mayor encourages all councils to consider introducing ballots as a matter of course when proposing to redevelop social housing estates.

Additional HRA borrowing

59. In the Autumn Budget 2017, the Government announced it would raise local authority Housing Revenue Account borrowing limits by up to £1 billion between 2019-20 and 2021-22. The GLA expects the Government to announce London's share of this increase soon and councils should be able to bid for additional borrowing thereafter.
60. The GLA and the Government are currently discussing how the additional HRA borrowing programme will operate in London. The GLA has proposed to Government to make the programme flexible by allowing councils to:
- Combine additional HRA borrowing in projects with retained Right to Buy receipts;
 - Link additional HRA borrowing to a delivery programme over a reasonable timescale rather than tying it to specific projects; and
 - Reduce required borrowing by expecting councils to contribute unallocated Section 106 commuted sums to their delivery programmes.
61. The GLA will make further announcements on how the HRA borrowing programme will operate in due course.

Part 4: Bidding for support

Preparing initial bids

Bidding through Open Project System

62. Under *Building Council Homes for Londoners*, councils will need to submit funding bids through the GLA's Open Project System (OPS). OPS is a streamlined system which partners should find simple to navigate. Councils should consult their GLA contact if they require further guidance on how to use it.
63. Many councils will already be registered on OPS but new users wishing to register should complete a registration form. This form is available [here](#), along with further information about OPS.
64. The GLA expects most councils to have submitted bids well in advance of the initial bidding round deadline of 30 September 2018 and will review any bids it receives earlier than this promptly to enable all initial funding allocations to be announced by October 2018. Initial bids submitted on OPS may prompt further discussions and exchanges of information between the GLA and councils about council delivery programmes, current capacity and GLA support (both financial and non-financial) before the GLA completes its assessment.
65. Continuous bidding for funding through *Building Council Homes for Londoners* will remain open after the GLA has made initial funding allocations, subject to availability of funding. Councils will need to submit further bids through OPS.

Supporting information

Affordable housing grant – Programme Approach

66. Councils bidding through the Programme Approach must deliver a minimum of 100 affordable housing starts by March 2022.
67. In their initial bids for affordable housing grant, councils must identify the number of affordable homes they expect to start in each financial year broken down by tenure. Councils are not required to submit proposals for named projects at the initial bidding stage and they will continue to have flexibility to swap projects in and out of their delivery portfolio provided they meet overall delivery obligations during the programme.
68. While councils may not yet own identified sites they should have a clear timetable for acquisition and delivery. They will need to hold a secure legal interest in the property when claiming grant from the GLA.

Affordable housing grant – Project-by-Project Approach

69. Councils wishing to bid for grant rates on a project-specific basis should consult their relevant GLA contact about further information they will need to provide to allow a full assessment to take place. As a minimum this information will include:
- The name of the project and the site location;
 - The number of new homes by tenure and an annual profile of starts and completions;
 - Proposed grant rates per home for different affordable tenures; and
 - A justification for the grant rates required to enable the project to be delivered.

Right to Buy Ring-Fence Offer

70. Councils should indicate if they wish to opt-in to the GLA's Right to Buy Ring-Fence Offer when submitting their initial bid in OPS. The GLA will write to councils opting-in to the offer setting out how arrangements will operate (see template letter in Appendix 1). The GLA may request information from councils concerning the amount and timing of payments they make to central Government in relation to Right to Buy receipts and interest.
71. Councils that do not wish to bid for affordable housing grant under the Programme Approach or Project-by-Project Approach or for additional HRA borrowing capacity may still opt-in to the GLA's Right to Buy Ring-Fence Offer.

Additional HRA borrowing

72. The GLA and the Government are discussing arrangements for councils in London intending to bid for additional HRA borrowing capacity between 2019-20 and 2021-22.
73. The GLA will collect some information on council requirements for additional HRA borrowing when councils submit their initial *Building Council Homes for Londoners* bids in OPS.
74. When councils suggest a profile of additional HRA borrowing between years, they should prioritise borrowing in year one (2019-20) and avoid backloading additional borrowing in the final year of the programme (2021-22). Ideally, they should aim to spread proposed additional borrowing across financial years. Councils should also be aware of central Government requirements that additional HRA borrowing should not displace other sources of available funding or be used for purposes other than the building of new housing.
75. The GLA expects to provide further details about the bidding process for additional HRA borrowing capacity in due course.

Council capacity

76. As mentioned in Part 2, council delivery teams will play a crucial role in making *Building Council Homes for Londoners* successful and increasing the supply of new genuinely affordable homes. While different London councils have varying levels of experience and

expertise in directly delivering new-build programmes, the GLA is encouraging bids from all councils.

77. As part of the bidding process, the GLA will require that councils commit to an open discussion with the GLA about their current capacity to deliver a new-build programme. The purpose of these discussions is to identify any barriers to delivering a new-build programme and agree a joint plan to address them. The discussion will cover the following areas related to delivering a new-build programme successfully:
- Council leadership and Mayoral support;
 - Senior officer support at the council and GLA;
 - Staff and resources dedicated to programme delivery;
 - Relevant in-house experience and expertise;
 - Current gaps in capacity and further support required;
 - Streamlining decision-making processes;
 - Dealing with practical challenges, such as land assembly; and
 - Key risks and mitigations.

Affordable housing grant payment

78. The GLA will pay 50 per cent of grant for projects at start on site stage and 50 per cent on completion. It may allow additional flexibility on the timing of payments to providers when it leads to the early development of affordable homes or the delivery of spatial or thematic priorities. This will need to be on the basis of a clear business case.
79. Where the GLA is contracting directly with dedicated delivery bodies, bespoke contractual terms may be required. For example, the GLA may pay 100 per cent of grant upon completion of projects.

Land acquisition

80. While the GLA expects that a large proportion of the land on which affordable homes funded through *Building Council Homes for Londoners* will be built will already be in council ownership, it is keen to support councils that do need to acquire land to deliver projects.
81. Councils that may be able to benefit from GLA support with land acquisition are encouraged to discuss this with their relevant GLA contact at the earliest possible opportunity. The GLA will also consider further strategic opportunities to increase the land supply for affordable housing.

Additional Mayoral priorities

Estate Regeneration

82. In February 2018, the Mayor published [Better homes for local people: the Mayor's good practice guide to estate regeneration](#). The guide sets out good practice in relation to

landlord aims and approaches, consultation and engagement, and offers to tenants and leaseholders that the Mayor expects to see in estate regeneration projects.

83. Additionally, the Mayor recently completed a consultation on a proposed new funding condition to require resident ballots in estate regeneration projects. Affordable housing grant allocated through *Building Council Homes for Londoners* may be conditional on the result of a resident ballot for certain estate regeneration projects if the ballot requirement is implemented. GLA funding conditions do not apply when councils use their own resources, such as Right to Buy receipts, for the provision of affordable housing. This includes Right to Buy receipts for which the GLA will act as custodian as a result of councils having voluntarily opted-in to the Right to Buy Ring-Fence Offer.

Branding

84. In line with previous GLA programmes, councils will be obliged to adhere to the Mayor's communications and branding requirements. These will include the need to display Mayor of London and/or Homes for Londoners hoardings as specified by the GLA and relevant Government branding on all development sites funded by this programme.

Part 5: Assessment

Assessment

85. The GLA has introduced set grant rates to make the bidding and assessment of funding bids as simple as possible, provide councils with certainty about grant availability and free up the resources of both the GLA and councils to focus on delivering the homes that Londoners need.
86. Initial bids submitted on OPS are intended to prompt discussions between the GLA and councils about council delivery programmes, current capacity and GLA support (both financial and non-financial).

Affordable housing grant – Programme Approach

87. The GLA will only consider bids for projects that start on site by 31 March 2022 under *Building Council Homes for Londoners* and it will assess the certainty of delivery within the forecast delivery timescale, taking into account the pre-development and planning stage achieved and land-ownership status.
88. Councils with existing allocations from other GLA programmes are expected to meet their agreed delivery milestones. Substitution of projects allocated in existing programmes into this funding programme will only be permitted in exceptional circumstances. In addition, the GLA will take into consideration a council's performance in adhering to these agreed milestones when assessing funding bids under this programme.
89. Given the pressing need for more affordable homes for Londoners, the GLA will prioritise bids which offer earlier delivery.

Affordable housing grant – Project-by-Project Approach

90. The GLA will assess bids councils submit for Project-by-Project Approach grant funding using the same criteria as bids councils submit through the Programme Approach. There will be additional Value for Money and affordability assessments using the information submitted by councils at bid stage.
91. Councils seeking to fund affordable housing under the Project-by-Project Approach should consult their relevant GLA contact.

Right to Buy Ring-Fence Offer

92. The GLA will discuss next steps with councils wishing to opt-in to the Right to Buy Ring-Fence Offer. For councils deciding to opt-in to the offer, the GLA will issue a letter setting out how the arrangements will operate (see template letter in Appendix 1). It will allow

councils that do not bid, or that are not successful in their bids for affordable housing grant, to opt-in to the Right to Buy Ring-Fence Offer.

Additional HRA borrowing

93. The GLA and the Government are discussing the arrangements for assessing bids for additional HRA borrowing from councils in London. It is expected that assessment criteria will include:
- Value for Money;
 - Deliverability; and
 - Local affordability pressures.
94. Further details on how bids for additional HRA borrowing will be assessed will be published in due course.

Memorandum of Understanding

95. For successful *Building Council Homes for Londoners* bids, discussions between the GLA and councils prompted by the initial bid using OPS will be formalised in a Memorandum of Understanding setting out agreed principles. As a minimum, this document will detail:
- The joint GLA and council ambition to deliver a number of affordable homes;
 - An indicative allocation of affordable housing grant to support this ambition;
 - Confirmation of whether a council intends to partake in the GLA's Right to Buy Ring-Fence Offer;
 - Delivery commitments linked to additional HRA borrowing;
 - A commitment to the level of resources councils and the GLA will provide to ensure housing programmes are delivered successfully; and
 - A commitment to governance arrangements to oversee programme delivery.

Contracts, agreements and programme management

Affordable housing grant

96. Councils will need to enter into a standard form contract with the GLA to secure affordable housing grant through this programme. Contracts may vary depending on the council and the products they fund, but will retain the key provisions of the standard form contract. Template contracts will be published on the GLA's website shortly.
97. Completed contracts will include the agreed delivery milestones for the projects that the GLA has committed to fund. The GLA will monitor council performance against these delivery milestones on an ongoing basis. The GLA will be flexible when issues with project delivery are flagged at an early stage, but will reserve the right to review a council's grant allocation where a provider cannot deliver a project or replace it with an equivalent project.

Right to Buy Ring-Fence Offer

98. Councils opting-in to the GLA's Right to Buy Ring-Fence Offer will need to enter into a standard agreement with the GLA to receive reallocated grant.

Additional HRA borrowing

99. The GLA will provide further details on the arrangements for additional HRA borrowing in due course.

State Aid compliance

100. While the GLA has designed this programme to be State Aid compliant, councils have a responsibility to ensure they are not over-compensated as defined by State Aid rules.
101. The GLA has undertaken a detailed exercise to establish appropriate construction costs by the size, tenure and borough location. These costs will be set out on the GLA's website this summer.
102. The GLA will require councils to make returns about the actual costs incurred for both public accountability and State Aid compliance. It has designed a process that will minimise costs to both the GLA and councils. This process will include the submission (and certification) of actual costs incurred, and a process to ensure a more detailed review of costs for each grant recipient at least once during the programme.
103. Councils delivering a high proportion of projects that have historically received low levels of funding, such as works-only projects, may be subject to additional monitoring. If any councils – or their dedicated delivery bodies – are found to have been over-compensated, they will be required to repay any over-compensation to the GLA.
104. Councils bidding for funding under the Project-by-Project Approach will be required to provide additional information to demonstrate compliance with State Aid rules.

Compliance audit

105. All grant recipients, including ring-fenced Right to Buy receipts reallocated as new affordable housing grant, will be subject to the GLA's compliance audit process as set out in the GLA's Affordable Housing Capital Funding Guide. The guide ensures that the GLA's policies, funding conditions and procedures are followed. Projects not in receipt of GLA grant will not be subject to compliance audit.

Timetable

106. Following the outcome of the assessment and negotiation process the Mayor will make an announcement of successful initial bidders by October 2018. Some announcements may be made before then. The GLA expects to have contracted with successful bidders for affordable housing grant by no later than March 2019.

Milestone	Timing
Publication of funding guidance	May 2018
Initial bidding on OPS opens	June 2018
Ongoing discussions and assessment	June – September 2018
<i>Building Council Homes for Londoners</i> Memorandum of Understanding finalised	Before September 2018
OPS closes for initial bids	30 September 2018
Announcement of initial funding allocations	October 2018

Questions

107. Any questions relating to this funding guidance should be submitted to affordablehomes@london.gov.uk. A compilation of questions and clarifications will be published on the GLA's website and updated on a regular basis.

Appendix 1: Right to Buy Ring-Fence Offer – template letter

GLA Housing and Land

2018

Dear [Council]

Ring-fencing of Right to Buy receipts (subject to contract)

This letter confirms the GLA's intention to ring-fence Right to Buy receipts and interest for your Council.

The GLA agrees in principle that any Right to Buy receipts and interest it receives from central Government arising from Right to Buy disposals in your borough will be ring-fenced and made available to your Council as affordable housing grant.

The Mayor takes the view that it is up to councils to determine how Right to Buy receipts collected in their area are spent. While ring-fenced receipts reallocated as grant must be used to deliver new rented affordable homes in line with national requirements, the Mayor recognises, within this constraint, councils are free to determine the specific tenure of homes in which the money is invested.

This GLA proposal is underpinned by your intention (which is acknowledged by countersigning this letter) to deliver a programme of projects on a three-year rolling delivery programme, aligning with the delivery requirements of the receipts. The GLA is keen for this funding to accelerate delivery of new homes and will be flexible on a site-by-site basis where external factors affect delivery.

The GLA proposes to make this grant funding available to your Council through a standard-form funding agreement. Your Council will be entitled to claim grant not

exceeding 30 per cent of the full development costs of homes, as defined in the funding agreement. Under current rules, the landlord of the rented affordable homes is required to be a Registered Provider at the point the homes are let, and the grant could not be used in conjunction with other GLA affordable housing grant on individual homes.

The GLA may request information from the Council concerning the amount and timing of payments the Council makes to central Government in relation to Right to Buy receipts and interest.

The GLA will notify the Council if its proposal set out above changes and, by countersigning this letter, you acknowledge that the Council will notify the GLA in writing if it no longer intends to apply for grant under this proposal.

We look forward to continuing to work with you to deliver genuinely affordable homes for Londoners.

Yours,

[GLA]

Appendix 2: Using Right to Buy receipts and grant within a project

Guidance note

The Housing Act 1985 (Part V), gives secure tenants the Right to Buy their council home from their council in circumstances defined by legislation. The council is then required to pay this receipt to central Government.

Councils can agree a retention agreement with central Government to retain part of the receipt from Right to Buy sales for the provision of social housing, provided this is invested within three years of the receipt and does not exceed 30 per cent of the full development cost of replacement homes. Any surplus Right to Buy receipts are returned, with interest, to the GLA (via central Government) to grant fund additional affordable rented housing in London.

The retention agreements preclude expenditure for the provision of housing funded, wholly or in part, by grant paid by the GLA. The GLA understands this to mean individual homes cannot receive both affordable housing grant and Right to Buy receipts retained by the council (and the GLA is taking the view that individual homes cannot receive both affordable housing grant and Right to Buy receipts transferred to the GLA – via central Government – and reallocated to councils as grant). It also means individual projects can utilise both affordable housing grant and funding derived from Right to Buy receipts as long as individual homes do not receive subsidy from both funding sources.

For the avoidance of doubt this note is for information only; grant recipients will still need to seek their own legal advice.

Appendix 3: GLA funding of dedicated delivery bodies

Guidance note

As part of *Building Council Homes for Londoners*, the GLA will consider proposals to fund councils and/or their dedicated delivery bodies. However, to comply with its legislative requirements, where the GLA is proposing to give financial assistance on condition the recipient provides low-cost rental accommodation, it must impose a further condition ensuring a registered provider of social housing is the landlord of the accommodation when it is made available for rent. This does not necessarily mean that the grant recipient itself must be a registered provider of social housing.

Low-cost rental accommodation includes social rent, Affordable Rent, and any intermediate rented product. This includes, but is not limited to, London Affordable Rent and London Living Rent.

This requirement does not apply for low-cost home ownership homes.

The retention agreements councils agree with MHCLG, to retain part of the receipt from the Right to Buy sale for the provision of social housing, provides that councils may not grant such receipts to a body in which they have a “controlling interest”. A council could enter into an agreement with such a body (for example, an Arm’s Length Management Organisation or a Special Purpose Vehicle) to deliver the homes but the homes must be in the ownership of the council and sit within its Housing Revenue Account.

The GLA is taking the view it can make grant funding – including Right to Buy receipts reallocated as grant as part of the Right to Buy Ring-Fence Offer – available to bodies in which a council has a controlling interest.

Other formats and languages

For a large print, Braille, disc, sign language video or audio-tape version of this document, please contact us at the address below:

Greater London Authority
City Hall
The Queen's Walk
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London SE1 2AA

Telephone **020 7983 4000**
www.london.gov.uk

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