

MAYOR OF LONDON



Homebuilding Capacity Fund

October 2018

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**Greater London Authority
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CONTENTS

Foreword	2
Part one: Introduction	4
Homebuilding Capacity Fund – overview	5
Part two: Funding priorities	6
Priority one: Delivering a new generation of council homes	6
Priority two: Increasing housing supply by supporting more development on small sites	7
Priority three: Proactive planning in areas with significant growth potential	7
Priority four: Ensuring optimal density of new residential developments	8
Proposals that are out of scope of the programme	9
Part three: Operation of the programme	11
Eligibility	11
Preparing bids	11
Assessment	13
Contracts and programme management	13
State Aid	14
Evaluation	14
Timetable	14
Questions	14

Foreword

London's housing crisis has been decades in the making. It will take time and support from national Government to truly fix the crisis, but in London we know we need to do all we can now to build as many council, social rented, and other genuinely affordable homes for Londoners as possible.

When the Mayor came to office, the level of new affordable housing coming forward had reached a shameful low. In the last year of the previous Mayor's programme, not a single home for social rent got underway. We are already beginning to turn that legacy round, with almost 3,000 homes for social rent started in London last year, more than double the number started in the rest of England combined.

But we have much further to go, and the Mayor knows London's councils have a central role to play. As local planning authorities, they are crucial to achieving the Mayor's vision of Good Growth, while as homebuilders themselves they play an increasingly vital role in delivering new council homes. The Mayor's *Building Council Homes for Londoners* programme – the first-ever City Hall initiative dedicated to new council homes – will help many councils build many more of the homes their residents need.

We know that councils are ambitious about building new homes. But we also recognise that central Government has a big role to play in enabling them to achieve their full potential. Year-on-year cuts over the last eight years have left many local authority housing and planning departments without the capacity and resources they need. Although it cannot reverse all those cuts, the Mayor's new Homebuilding Capacity Fund has been specifically designed in collaboration with councils with this in mind, to help them do much more.

The Fund makes £10 million of revenue funding available to councils to help them adopt new approaches to increasing housing supply. It will support councils, who can bid for up to £750,000 each, to deliver more council homes, increase development on small sites, develop strategic masterplans for areas with significant residential growth potential, and ensure that new developments achieve optimal density – with building more social rented and other genuinely affordable homes center stage.

We hope this new Fund will offer councils the opportunity to build their skills and expertise, unlock their capacity, and join the Mayor in doing all we can to build the homes Londoners need.

A handwritten signature in black ink that reads "Jules Pipe". The signature is written in a cursive style with a horizontal line underneath the name.

Jules Pipe
Deputy Mayor for Planning,
Regeneration and Skills

A handwritten signature in black ink that reads "James Murray". The signature is written in a cursive style with a horizontal line underneath the name.

James Murray
Deputy Mayor for Housing and
Residential Development

Part one: Introduction

1. A failure over recent decades to build the number and type of homes London needs has resulted in a housing crisis characterised by increasing affordability pressures and rising housing need. In order to address this, the [draft London Plan](#) sets a target to build 66,000 new homes per year over the next 10 years, with a strategic target for 50 per cent of these to be genuinely affordable. In the shorter term, the Mayor has committed to start 116,000 genuinely affordable homes by March 2022.
2. Achieving these targets will require a radically different approach to delivering homes in the capital. In particular, it will require a significant increase in council homebuilding, and new approaches to planning that deliver good growth by maximising the proportion of genuinely affordable homes in new developments, optimising density, and encouraging development of small sites, as set out in the draft London Plan.
3. In this context, the [London Housing Strategy](#) sets out the central role that councils will play in achieving the step-change in housing supply that London requires, both in their role as homebuilders and as local planning authorities. However, with council budgets for planning and development falling by 50 per cent since 2010, many lack the resources and capacity to adopt the new skills and approaches required to deliver on their ambitions¹.
4. The Mayor recognises the challenges faced by councils and has put a range of support in place to help them deliver more homes. Through his [Building Council Homes for Londoners](#) programme, which aims to support councils to start 10,000 new council homes by 2022, the Mayor is providing significant grant funding, encouraging additional borrowing, and introducing new flexibilities to help councils spend their Right to Buy receipts. He is also already helping to address skills and knowledge gaps in councils, for example through:
 - officers from his Homes for Londoners team being embedded within councils to help mobilise their council homebuilding programmes;
 - a new pan-London [Council-led Housing Forum](#) coordinated by Future of London to support councils to develop skills in homebuilding;
 - providing support to develop small sites through his [Small Sites, Small Builders](#) programme;

¹ Centre for London, [The London Intelligence – Issue 4, May 2018](#)

- the development of new Supplementary Planning Guidance covering housing design, small sites, and optimising density; and
 - the establishment of [Public Practice](#), a brokerage scheme which enables councils to access skills and expertise to support planning and housing delivery.
5. In the 2017 Autumn Budget the Mayor, alongside London Councils, secured a commitment from central Government to establish a 100 per cent Business Rates Retention Pilot in London for 2018/19. The Mayor is now making up to £10 million from this pilot available in the form of revenue funding to support councils to deliver the housing supply policies set out in the *London Housing Strategy* and draft London Plan. This funding forms Round 1 of the *Homebuilding Capacity Fund*. Funding may be available for further rounds of bidding under the programme in future.

Homebuilding Capacity Fund – overview

6. The *Homebuilding Capacity Fund* offers councils the opportunity to bid for revenue funding for 2019/20 and 2020/21 to build skills and capacity across their housing and planning teams. The objectives of the programme are to:
- develop a sustainable increase in the capacity and skills of both housing and planning departments within councils;
 - promote the Mayor’s good growth principles in housing delivery across London;
 - maximise the level of social rented and other genuinely affordable homes being built;
 - diversify the range of homebuilders, housing development models and housing sites in London; and
 - support the delivery of housing targets set out in the draft London Plan, the *London Housing Strategy* and the Mayor’s council housing programme, *Building Council Homes for Londoners*.
7. The *Homebuilding Capacity Fund* complements existing capital funding programmes including the [Affordable Homes Programme 2016-21](#) and *Building Council Homes for Londoners*, by offering councils the chance to bid for funding to access expertise, obtain skills and/or undertake work to support an increase in housing supply. It is intended to support proposals that councils are unable to resource through alternative means. It is also designed to enable councils to start gearing up to implementing the draft London Plan in advance of its adoption.
8. The programme focuses on four priorities to support increased levels of housing delivery:
- delivering a new generation of council homes;
 - increasing housing supply by supporting the development of small sites;
 - proactive planning in areas with significant growth potential; and
 - ensuring optimal density of new residential developments.

Part two: Funding priorities

Priority one: Delivering a new generation of council homes

9. Delivering the increase in social rented and other genuinely affordable homes necessary to tackle London's housing crisis will require a significant upturn in levels of council homebuilding. In recognition of this, the Mayor's council housing programme, *Building Council Homes for Londoners*, offers councils the chance to bid for support to scale up their homebuilding through capital grants and an offer to ringfence Right-to-Buy receipts, and borrow more within their Housing Revenue Account (HRA). Through these measures, the Mayor is aiming to support councils to start at least 10,000 new council homes by 2022.
10. *Building Council Homes for Londoners* recognises that delivering new council homes requires teams with relevant experience and expertise, as well as additional capacity dedicated to programme delivery. It therefore offers a range of Greater London Authority support to local authorities to help develop the skills and capacity they require to increase council homebuilding. This includes support from the GLA for secondments and placements, technical guidance and a new Council-led Housing Forum to support information sharing. Delivered by Future of London, the forum will run free, monthly events that aim to build the capacity of local authority housing and development teams through expert and peer-led seminars. Content will cover critical topics from development management to resident engagement.
11. To build on these commitments, the Mayor is now making available revenue funding through the *Homebuilding Capacity Fund* to support housing teams in councils to access expertise, obtain skills and/or undertake work, in order to support delivery of new council homes.
12. While the focus of this funding priority is on supporting the delivery of the *Building Council Homes for Londoners* programme, councils are welcome to submit proposals for other activities which will help to increase the delivery of genuinely affordable homes.
13. Proposals that the GLA may fund include (but are not limited to):
 - recruitment of staff or consultants to support council home delivery, such as:
 - project managers, and
 - specialists in procurement and land assembly (including compulsory purchase);

- training for staff;
- development of internal guidelines and resources; and/or
- proposals that assist in assessing and planning to meet specialist and/or supported housing need (for example, the needs of the Gypsy and Traveller community).

Priority two: Increasing housing supply by supporting more development on small sites

14. The *Strategic Housing Land Availability Assessment (SHLAA) 2017* identified capacity in London for 245,730 homes on small sites over the 10-year period of the draft London Plan, accounting for 38 per cent of the homes required to meet the housing targets contained in the draft London Plan.
15. The draft London Plan sets out the policy framework for the development of small sites (sites up to 0.25 ha). This includes a requirement to identify and allocate appropriate small sites for residential development, as well as a presumption in favour of small housing development (developments of up to 25 homes) unless the development causes an unacceptable level of harm that outweighs the benefits of additional housing provision or where it conflicts with local Housing Design Codes. The GLA is developing guidance to support councils to implement the policies in the draft London Plan.
16. The GLA recognises that this new policy approach will require new ways of working for many councils and may in some cases require upfront expenditure to maximise the opportunities offered by small site development.
17. Councils are invited to submit bids for work that will enable them to shape residential development on small sites, including small housing developments, within their borough. This could include (but is not limited to):
- preparing or commissioning Housing Design Codes in line with policy H2 of the draft London Plan and the upcoming Supplementary Planning Guidance on housing design;
 - undertaking or commissioning studies to identify and/or allocate small sites suitable for residential development within the borough;
 - developing delivery strategies to unlock development of small sites; and
 - developing proposals to enable councils to support individuals, groups of individuals and communities who want to build their own homes. This could include identifying suitable plots for self-build, custom-build and community-led housing to meet local demand.

Priority three: Proactive planning in areas with significant growth potential

18. London's population is growing and is projected to be 10.8 million by 2041. Ensuring that London has enough homes, particularly social rented and other genuinely affordable

homes, to accommodate this growth will mean ensuring available land is used efficiently, while ensuring that the environment is protected and enhanced.

19. While large-scale development opportunities continue to be of crucial importance, delivering a step-change in housing supply may also require councils to think differently about housing capacity in and around small or medium town centres² and around transport nodes.
20. In addition, the draft London Plan policy E7 encourages councils to take a plan-led approach to exploring opportunities to intensify industrial uses within Strategic Industrial Sites (SIL) and Locally Significant Industrial Sites (LSIS) to make them function more effectively as industrial locations. Such a plan-led approach can look at opportunities to co-locate or mix industrial uses with residential development in appropriate locations where industrial capacity is protected. This will require councils to think strategically about opportunities to intensify industrial land for a range of industrial functions and whether a new approach could free up some land for residential development. Councils will also need to prepare an up-to-date and robust evidence base to support the plan-led approach to industrial intensification.
21. The *Homebuilding Capacity Fund* invites bids that enable councils to develop a strategic approach to the development of small and medium town centres, and/or industrial land, which will lead to the best use of land. This includes ensuring a high proportion of genuinely affordable homes in line with the Mayor's strategic target of 50 per cent of all new homes being affordable. Proposals could include (but are not limited to):
- the development of masterplans or supplementary planning documents for areas that have been identified as having growth potential; and/or
 - the development of masterplans for small to medium industrial sites and town centres where there is opportunity to intensify industrial capacity in order to free up land to deliver housing.

Priority four: Ensuring optimal density of new residential developments

22. The draft London Plan also places new responsibilities on councils to use a design-led approach to determine the optimum density of sites that they are allocating in development plans or for assessing individual development proposals. This is instead of relying on a density matrix, as under the current London Plan.

² Small and medium town centres in this context include neighborhood, district, or major town centres that are identified as having high or medium residential growth potential in the draft London Plan.

23. Under the draft London Plan, councils will be expected to determine the optimum capacity of a site having evaluated the site's context, character, transport links and local infrastructure capacity.
24. The new approach will require front-loading resources to the plan-making stage. In some local planning authorities, this may need to be supported through acquiring new urban design capabilities. The *Homebuilding Capacity Fund* offers councils the opportunity to bid for funding to undertake work to support this approach. This could include (but is not limited to):
- Borough-wide characterisation studies (applying a typological approach) that cover all the elements set out in Part A of Policy D2 Delivering good design, to identify the sensitivity to change of different areas (e.g. identifying areas for transformation, enhancement and conservation), which will inform Local Plan growth options and capacity studies;
 - capacity studies for site allocations that will enable a consistent approach to assessing housing density across different sites;
 - recruitment of staff with the necessary urban design skills to undertake site development capacity assessment for site allocations and site briefs;
 - training for staff in the necessary urban design skills to undertake site development capacity assessments; and/or
 - training for staff in the use of open source software that can be used for capacity studies e.g., [sketch-up](#).
25. The Mayor is developing guidance to assist councils to assess site capacity and optimise density through a design-led approach. The GLA will share emerging work on this guidance with successful bidders where it will support delivery of their bids.

Proposals that are out of scope of the programme

26. While the fund is designed to be flexible to enable councils to access the support most useful to them, there are some costs which the GLA will not support. These are outlined below:

Costs that can be capitalised

27. The aim of the *Homebuilding Capacity Fund* is to support councils that have limited revenue funding available to help deliver new housing. As such, the GLA will not fund proposals where costs can be capitalised to the project to which they relate. Councils will be expected to demonstrate why the costs for the proposals they submit cannot be capitalised. This is particularly relevant for proposals seeking support to deliver new council homes.

Expenditure that can be funded through other means

28. The *Homebuilding Capacity Fund* is designed to offer additional support to councils that they would not be able to fund through other means. This is to ensure that the programme has maximum impact in helping councils to deliver a step change in housing delivery which would not otherwise have been possible. The GLA will not support proposals which could be funded through other GLA programmes or where council resources have already been earmarked.

“Business-as-usual” expenditure

29. As outlined above, the aim of the programme is to enable councils to deliver outputs and outcomes that they would not have been able to deliver without GLA revenue funding. The GLA will not support proposals where councils seek funding to cover routine revenue expenditure. Any proposals to fund fixed-term staff or consultants must clearly demonstrate that the work they will be undertaking will be in addition to the council’s current activity.

Expenditure to deliver strategic planning for areas outside of the scope of paragraphs 19-20 of this prospectus

30. Strategic planning work for areas that are either outside the definition of small and medium town centres and industrial land provided in this prospectus (for instance Opportunity Area Planning Frameworks and/or Area Action Plans), or areas that are already receiving significant GLA support, will not be funded.

Part three: Operation of the programme

Eligibility

31. All London councils are eligible to bid for funding from the Homebuilding Capacity Fund.
32. The aim of the fund is to build capacity within council housing and planning departments. As such, council delivery bodies are not eligible to bid and bids that propose spending the funding through a dedicated delivery body will not be supported.

Preparing bids

33. The Homebuilding Capacity Fund will make up to £10 million available for councils to spend across 2019/20 and 2020/21. Funding for further rounds of bidding under the programme may be available for future years.
34. Councils are invited to bid for funding of up to £750,000 each.
35. Councils may submit one bid only. However, each bid may contain up to five separate proposals, each of which supports one or more of the funding priorities outlined in part 2 of this prospectus. Following assessment of bids, the GLA may decide to fund only one or more of each council's proposals, rather than all the proposals that form part of a bid. Therefore, proposals should not be dependent on one another.
36. Within each proposal, councils must include itemised costings for individual activities.
37. Proposals may contribute to more than one of the four funding priorities outlined in part 2 of this prospectus. The GLA expects to support a balance of proposals, to ensure its funding contributes to delivering all four priorities.
38. During the assessment process, additional weighting will be attached to proposals that will deliver against significant milestones during 2019/20.
39. Where councils are submitting bids for staff and/or consultants, they should consider whether the proposal could benefit from the use of Public Practice. More details on Public Practice are outlined in the box on page 12:

Public Practice

Public Practice is a not-for-profit social enterprise established by the Mayor of London that brokers year-long placements for built environment professionals in local authorities. The bespoke placement programme offers an alternative, cost-effective route for authorities to access high quality planning and development expertise at less than half the cost of recruitment through private agencies. The programme has been designed to attract talented, motivated and experienced candidates, with expertise in a range of disciplines including planning, placemaking, surveying, housing delivery, architecture, community engagement and regeneration.

Each authority employs their Associate directly on a 12-month fixed-term contract or secondment and pays their salary of between £30,000-£60,000 depending on the role and their experience. For more information, visit www.publicpractice.org.uk, email info@publicpractice.org.uk, or call 020 3858 7447.

40. Bidding will open in early November and bids must be submitted on the GLA Open Project System (OPS). As a minimum, each proposal within a bid must:

- clearly explain the proposition and identify which funding priority (or priorities) the proposal is designed to support;
- set out key milestones for the proposal, itemised costings, spend profile, and any match funding;
- provide assurance that cost estimates are robust;
- provide assurance that costs within the proposal cannot be capitalised, cannot be funded through other means, and do not form part of 'business-as-usual' expenditure;
- identify outputs and outcomes that are expected to be delivered, explain how these will be measured and set out timescales for delivery. Milestones and outputs will be incorporated into the funding contract; and
- identify any risks to delivery and explain how they will be mitigated.

41. Councils may wish to submit joint proposals with one or more other councils. Where this is the case there should be one single lead accountable council for the joint proposal. Joint proposals will not count towards the £750,000 funding cap for each bid or towards one of the five individual proposals. For example, a council could submit five proposals for funding totalling £750,000 and a sixth joint proposal with other councils. Councils are advised to speak to the relevant GLA Housing and Land area team(s) prior to submitting joint proposals.

42. If a number of councils independently submit similar proposals, the GLA may ask councils to consider procuring services jointly.

43. Bids must be submitted by 25 January 2019.

Assessment

44. Proposals will be assessed by the GLA against the criteria and weightings outlined below:

<p><i>Strategic fit</i></p> <p>Proposals scoring highly will:</p> <ul style="list-style-type: none"> • demonstrate how they will accelerate housing delivery; • demonstrate that they support one or more of the funding priorities outlined in part 2; and • demonstrate that the proposals support the objectives of the draft London Plan and the London Housing Strategy. 	40%
<p><i>Value for money</i></p> <p>Proposals scoring highly will:</p> <ul style="list-style-type: none"> • set out key milestones and include itemised costings, spend profile and any match funding; • provide adequate assurance that cost estimates are robust; • demonstrate that costs within the proposal cannot be capitalised, or funded through other means, and that they do not form part of 'business-as-usual' expenditure; • explain how proposals will make optimal use of use of resources and deliver high-quality, sustainable outputs/outcomes; and • deliver good value for money, when compared against similar activities proposed by other bidders. 	30%
<p><i>Deliverability</i></p> <p>Proposals scoring highly will:</p> <ul style="list-style-type: none"> • clearly set out outputs and outcomes that are expected to be delivered and explain how these will be measured and timescales for delivery; • deliver against significant milestones within first year of funding (2019/20); and • clearly identify risks to delivery and how these will be mitigated. 	30%

Contracts and programme management

45. Funding will be available for 2019-20 and 2020-21. Proposed milestones and outputs provided by councils as part of their bids may be incorporated into funding contracts.

46. Councils will be required to enter into a standard form of grant agreement with the GLA for the delivery of projects funded by the Homebuilding Capacity Fund. Agreements may vary to take account of specific delivery arrangements.
47. Funding will be released in arrears and councils may need to submit supporting evidence. In some instances, this may require sign off by their Section 151 Officer.
48. Decisions to grant funding are subject to a formal decision-making process and councils are advised not to rely on the support of the GLA until formally notified in writing, and until authorised signatories have executed and returned a funding agreement.
49. Accordingly, any expenditure that councils incur and/or to which they commit prior to formal notification and execution and return of the funding agreement (including that which they have incurred or committed to in relation to the preparation of the proposal for funding) is incurred and/or committed entirely at their own risk.

State Aid

50. 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.

Evaluation

51. In addition to monitoring processes, proposals that receive funding will be subject to an evaluation at the end of the project to determine whether they have delivered proposed outputs and outcomes. Councils in receipt of funding will be expected to cooperate with any GLA evaluations relating to the Homebuilding Capacity Fund.

Timetable

Bidding opens on OPS	Early November 2018
Deadline for bids	25 January 2019
Announcement of funding allocations	Spring 2019
Projects close	March 2021

Questions

52. Any questions relating to this prospectus should be submitted to homebuildingcapacityfund@london.gov.uk

Other formats and languages

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