

Our ref: AHP 21-26

Date: 2 February 2023

Dear Investment Partners,

Re-forecasting Affordable Homes Programme 2021-26

I am writing regarding your funding allocation under the Affordable Homes Programme 2021-26 (AHP 21-26).

Since the Mayor announced funding allocations for AHP 21-26 in August 2021, changing macroeconomic conditions have had a significant impact on the housing sector. In light of these challenges, and in agreement with the government, we would like to invite your organisation to make limited changes to your AHP 21-26 programme.

We have been advocating strongly to central government on what the sector needs to deliver for Londoners. Whilst the government is clear the overall funding envelope for the AHP 21-26 cannot be extended at this stage. There is agreement that we need to re-forecast the programme given current circumstances. The government agrees with the Mayor that the need for social rent in London has never been higher and we would like our programme to reflect that need. Securing delivery as early as possible in the new programme, particularly during 2023-24, remains vital for our shared priority to deliver much-needed new affordable homes, especially as the cost of living crisis bites Londoners. Additionally, strong performance during this critical period will help us build the case for the right level of investment for London in the future.

With this in mind, those with existing AHP 21-26 allocations should swiftly please reach out to your Head of Area to have an initial discussions regarding the following changes:

1. Update milestone forecasts for Named Projects and Indicative Proposals in light of your current pipeline, while keeping starts and completions as early as possible in the programme (the GLA will not approve large amounts of slippage into the final years of delivery for starts and completions).
2. Take the opportunity to increase the proportion of social rented homes that Londoners need where possible.

3. Update the cost information and the grant requested. We have not been offered additional funding from government, so any requests to increase grant rates should be the minimum needed to allow the project/programme to progress or to ensure allocations better reflect the increased target for social rent. This will need to be clearly justified and argued, and will be subject to testing and of course the wider headroom limitations of the programme. We will consider grant increases on social rented homes. We do not expect to increase grant rates for intermediate homes.

4. Relinquish allocations for Named Project and Indicative Proposals that are no longer deliverable. Where justifiable, allocations for Named Projects that are no longer deliverable can be moved into your Indicative Proposals, subject to substitute schemes being identifiable within a deliverable pipeline. Any requests for increased grant rates should likewise be balanced with reductions in the number of homes in Indicative Proposals.

Unless there are exceptional circumstances, we are not at this time accepting new bids for Named Projects, nor permitting partners to profile out their Indicative Proposals into Named Projects. A broader description of the changes we will consider are set out in appendix 1 and some frequently asked questions are included in Appendix 2.

We are not assuming that all partners will need to make changes to their allocations, and if you are able to continue on the basis of your existing allocation, there is nothing for you to do.

This will be a time-limited opportunity to make changes ahead of confirming a programme-wide position in the spring; your proposed changes must be submitted on GLA OPS by no later than 6pm, 6 March 2023. All change requests will be considered at a programme as well as partner level, and this is likely to involve additional negotiation in early April before any final changes is agreed. The GLA will consider the timing of any continuous market engagement (CME) upon completion of this review exercise.

A very limited pot of funding remains available for new projects deliverable through the Affordable Homes Programme 2016-23. Partners should speak to their Area Managers if they have a Named Project that can start on site by 31 March 2023.

A reminder of some of the critical compliance conditions for AHP 21-26, all of which remain fundamental and I know that as a sector we are all working hard to progress the following thematic areas to improve the quality of our delivery for Londoners:

- [Building Safety Standards](#)
- [Equality Diversity and Inclusion Action Plans](#)
- [Design and Sustainability Standards](#)
- [Net zero by 2030](#)
- [Service Charges Charter](#)
- [Delivering Quality Homes Action Plan](#) [pilot complete, notification to follow]
- [Post-Occupancy Evaluation](#) [pilot complete, notification to follow]

Following successful completion of pilots for Delivering Quality Homes Action Plan (DQHAP) and Post-Occupancy Evaluation (POE), the GLA looks forward to expanding these initiatives across the wider 21-26 programme.

I am incredibly proud of our sector for coming together to continue delivering genuinely affordable homes for Londoners, despite the challenges we face.

Yours sincerely,



Natalie Daniels
Assistant Director, GLA Housing and Land

Grant rates	<p>Requests for increased grant will be considered.</p> <p>This may lead to a reduction to overall number of homes in Indicative Proposals. Partners are reminded that we will not fund projects with fewer than 20 per cent affordable homes. Please refer to the Additionality and Viability paragraphs (2.3.5 – 2.3.28) in Section 2 of the Capital Funding Guide.</p> <p>We will compare the proposed grant rates as a percentage of Total Scheme Costs to the original bid. When adjusting grant rates for the same tenure, we do not expect to see grant as a percentage of Total Scheme Costs increase.</p> <p>We do not expect the Average Grant Rates to increase on Intermediate homes.</p>
Milestones	<p>Changes to delivery milestones will be considered, including changes between years. However, the GLA will not approve large amounts of slippage into the final years of delivery for starts and completions.</p>
Delivery Acceleration	<p>Partners may propose an increase to the value of start on site tranche payments in line with the prospectus.</p>
Tenure changes	<p>This exercise is an opportunity to review the balance between social rent and intermediate tenure products, with a view to increasing the proportion of social rent</p>

	homes. Tenure changes will therefore be considered, and we accept that grant rates may change as a result. Wholesale or significant change from Social Rent to intermediate tenures will not be approved.
Land Acquisition Payment	This option remains available as per the AHP 21-26 prospectus.

Appendix 1: Parameters for consideration

Appendix 2: Frequently Asked Questions

1. When will partners submit revised bids by?

Those with existing AHP 21 – 26 allocations should swiftly reach out to their Head of Area for preliminary discussions, and the deadline for submission of final revised investment proposals via GLA OPS is at 6pm, 6 March 2023.

2. How will decisions be made?

Review and moderation of revised proposals will take place in mid-March and may lead to clarifications into early April. We expect to discuss pipelines for Indicative Proposals during this time.

3. When will we finalise the new programme details?

We aim to confirm any changes to partners' allocations by early May, whereupon we will open CME and give partners the opportunity to profile out their Indicative Proposals into Named Projects.

4. How do I revise my organisation's Indicative Proposals on GLA OPS?

- a. Indicative Proposals are known as 'Programme Allocations' on GLA OPS.
- b. Revised Indicative Proposals should be considered within the rules of the programme.
- c. If reducing the number of indicative homes, there should be a proportionate reduction to the proposed expenditure.
- d. As a guide, partners should not make changes that result in exceeding their existing Indicative Proposal allocation.

5. Can we combine additional Recycled Capital Grant fund (RCGF) with AHP 21-26 grant?

- a. Partners will not be permitted to contribute additional RCGF to Indicative Proposal allocations.

6. Will Partners be permitted to make changes to Named Projects?

- a. Partners must abandon existing Named Projects via GLA OPS if they are no longer deliverable.
- b. Named Projects milestones should be revised if they are no longer achievable.
- c. Partners should bid for new Named Projects at this stage. New Named projects will be considered in Q1 2023/24.
- d. Grant rates on Named Projects may be revised but we expect the grant as a percentage of Total Scheme Costs for a given tenure will be the same or lower than the existing bid.

7. Long stop for completions

- a. Partners are encouraged to review their completion milestones for accuracy. Where changes may necessitate a completion moving to 2029 from 2028, this will need to be considered by the GLA; as per the original prospectus, approval for this is by no means assumed.

8. Useful Links

21-26 Programme Page and Prospectus	https://www.london.gov.uk/programmes-strategies/housing-and-land/homes-londoners-affordable-homes-programmes/homes-londoners-affordable-homes-programme-2021-2026
The Mayor’s Building Safety Programme	https://www.london.gov.uk/programmes-strategies/housing-and-land/building-safety-london
Guidance for meeting the Equality Diversity and Inclusion funding conditions	https://www.london.gov.uk/programmes-strategies/housing-and-land/homes-londoners-affordable-homes-programmes/homes-londoners-affordable-homes-programme-2021-2026/guidance-meeting-edi-funding-conditions
Design and Sustainability Further Guidance	https://www.london.gov.uk/programmes-strategies/housing-and-land/homes-londoners-affordable-homes-programmes/homes-londoners-affordable-homes-programme-2021-2026/design-and-sustainability-further-guidance
Service Charges Charter	https://www.london.gov.uk/programmes-strategies/housing-and-land/service-charges-charter

Delivering Quality Homes Action Plan	CFG paragraph reference: 2.2.45 https://www.london.gov.uk/sites/default/files/2023-01/14%20Section%202.%20General_05-01-2023-for%20website_0.pdf
Post-Occupancy Evaluation	CFG paragraph reference: 2.2.73 https://www.london.gov.uk/sites/default/files/2023-01/14%20Section%202.%20General_05-01-2023-for%20website_0.pdf
Net zero by 2030	https://www.london.gov.uk/programmes-and-strategies/environment-and-climate-change/climate-change/zero-carbon-london/pathways-net-zero-carbon-2030
Capital Funding Guide	www.London.gov.uk/cfg