

## **Affordable Homes Programme 2021-26: Responding to market pressures**

### **Introduction**

1. Many of the GLA's investment partners have reported that a number of their projects cannot deliver 35 per cent affordable housing without grant, which is the threshold in the London Plan for the Fast Track Route. As a result, partners may delay delivery or seek to reduce the proportion of affordable housing through the Viability Tested Route.
2. Under the Affordable Homes Programme 2021-26 (AHP21-26), partners are required to undergo Additionality Viability Assessments (over and above the standard GLA assessments) should their projects not be able to deliver 35 per cent affordable housing (by unit) without grant. Grant rates are negotiated and, following a positive funding decision, approved on the GLA's investment management system (OPS). Unless 100 per cent of homes in a project are affordable, the GLA expects that a minimum of 20 per cent of homes are provided without grant.

### **Accelerated Funding Route**

3. In response to some of the challenges the housing sector is currently facing, the GLA is introducing the Accelerated Funding Route (AFR). The AFR seeks to provide a more simple and predictable methodology to help the GLA's investment partners and developers calculate how much grant could be applied to projects that reach defined parameters, while reducing the need for negotiation.
4. GLA planning policy remains that partners should seek to provide 35 per cent affordable housing (by habitable room) without grant in the first instance.<sup>1</sup> However, the GLA's Affordable Housing Capital Funding Guide<sup>2</sup> and draft planning guidance<sup>3</sup> acknowledge that, if a project delivers 40 per cent or more affordable housing (by habitable room), grant can be allocated to all homes above the 20 per cent (which should be delivered as affordable without grant) while still allowing developers to follow the Fast Track Route provided an Additionality Viability Assessment is undertaken.
5. From **22 February 2024**, under the Accelerated Funding Route the GLA will allow partners to apply grant to all affordable homes above the first 20 per cent (by unit) **without** the need for an Additionality Viability Assessment on projects that will deliver at least 40 per cent affordable housing (by habitable room) overall. These two conditions will be referred to as the 'AFR parameters'.
6. The GLA is also introducing more certainty regarding grant for projects that meet the AFR parameters. Existing partners with indicative allocations will be able to apply their tenure-specific Average Grant Rates for their land-led projects via the AFR.<sup>4</sup> For all developer-led projects, as well as land-led projects being delivered by partners without an indicative allocation, the GLA will offer the following benchmark grant rates under the AFR<sup>5</sup>:
  - £170,000 per home for Social Rent (SR)
  - £80,000 per home for London Living Rent (LLR)
  - £55,000 per home for Shared Ownership (SO)
7. Typically, the GLA expects grant-funded and nil-grant homes to be split proportionately between different tenures.

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<sup>1</sup> See [London Plan](#) Policy H5 for full details of the threshold approach to applications.

<sup>2</sup> See [Section 2](#) of the GLA's Affordable Housing Capital Funding Guide.

<sup>3</sup> See [draft Affordable Housing LPC](#).

<sup>4</sup> Land-led projects are generally where the Investment Partner enters directly into a build contract with the main build contractor.

<sup>5</sup> Developer-led projects are generally where the Investment Partner works with a developer, and the developer enters into a build contract with the main build contractor.

8. The GLA does not expect to support projects via the AFR that have already started on site.
9. Partners with projects that meet the AFR parameters are encouraged to discuss them with their Area Team contact.

Example:

Royal Docks HA is acquiring affordable homes from a developer delivering a project of 100 homes. 65 homes are private and 35 homes are affordable (with a split of 70 per cent Social Rent and 30 per cent Shared Ownership). On a habitable room basis, the project is 40 per cent affordable.

20 affordable homes are delivered without grant (14 Social Rent and 6 Shared Ownership). Royal Docks HA may apply grant to the 15 remaining affordable homes without undertaking an Additionality Viability Assessment. Eligible grant is calculated as follows:

- 11 Social Rent homes at £170,000 per home = £1,870,000
- 4 Shared Ownership homes at £55,000 per home = £220,000
- Total grant = £2,090,000

10. If key strategic projects cannot meet the AFR parameters, the GLA may consider further flexibilities to those outlined above. Any such proposals will be subject to detailed scrutiny of scheme viability and inputs may be verified using external advisors at the partner's expense.<sup>6</sup> Where flexibilities are sought beyond those outlined above, the GLA will prioritise those projects starting before March 2025 and delivering 150 or more homes on site (including market homes).

### **Estate Regeneration**

11. As outlined in the GLA's Affordable Housing Capital Funding Guide, under AHP21-26, the GLA may fund 100 per cent of affordable homes in estate regeneration projects (including replacement homes) where there is an overall uplift in affordable housing. Grant will be available for estate regeneration projects at negotiated rates.

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<sup>6</sup> Further details of the GLA's approach to Additionality Viability Assessments are detailed in [Section 2](#) of the GLA's Affordable Housing Capital Funding Guide.

## **Notes**

- a) All grant allocations must be compliant with subsidy control regulations.
- b) All bids for grant must be submitted via the GLA's Open Project System and are subject to contractual conditions, including a review to ensure grant funding does not exceed the cost gap for individual projects.
- c) Partners should explore the availability of grant prior to seeking planning permission. The level of affordable housing in the relevant planning permission should be the same (or higher) than the level of affordable housing included in the grant application and applicants are strongly encouraged to follow the Fast Track Route by committing to the relevant threshold level wherever possible.<sup>7</sup>
- d) Where the Fast Track Route is not followed, planning applications will be assessed through the Viability Tested Route and grant allocations will be taken into account as part of this process. Grant allocations and assumptions about the overall percentage of affordable housing on a project do not prejudice the assessment of applications through the Viability Tested Route.
- e) When judging whether multi-phased projects meet the AFR parameters – including those with phases to be delivered beyond AHP21-26's programme deadlines – the GLA will take into consideration how affordable housing is spread across those phases.
- f) The GLA may amend or withdraw the proposals outlined in this document if market conditions change.

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<sup>7</sup> This is a minimum of 40 per cent affordable housing by habitable room and 50 per cent on public and industrial land (where industrial floorspace capacity is not re-provided).