

<b>2</b>	<b>GENERAL</b>	<b>4</b>
2.1.	Introduction	4
	<b>Purpose</b>	4
	<b>GLA's Powers</b>	5
	Conversions	6
	Scope and Format	7
	Intro – Updating	7
	General	7
2.2.	Programme management	7
	Framework Delivery Agreement	7
	General	7
	Process	8
	Contract Management	8
	Consortium Arrangements	9
	Breach of Contract	10
	Scheme Administration and Data Collection	10
	Offer Capture	10
	Scheme Processing	10
	Programme Change Notices (PCNs)	10
	Review Meetings	11
	Submission Requirements	11
	Scheme Cost Information	11
	Milestones	12
	General	12
	Practical Completion	14
	Milestone Forecasts	14
	Milestone Alerts	14
	Programme Change Notices	15
	General	15
	Reporting and Audit Requirements	15
	Compliance audit	15
	Reconciliation	15
2.3.	Procurement and Scheme Issues	17
	PSI - Overview	17
	Purpose	17
	PSI – Procurement	17
	General	17
	Mortgageability of housing constructed using a non-traditional technique	17
	PSI - Scheme Types and Requirements	18
	General	18
	New Build Requirements & Scheme Types	18
	Longevity Requirement	18
	New build scheme types	19
	Rehabilitation Requirements & Scheme Types	19
	Longevity Requirement	19
	Insurance Requirements	21
	Other risks	21
	Exclusions	22

Modern Methods of Construction (MMC) Categories for Schemes .....	22
Supported Housing and Housing for Older People .....	23
Scheme definitions .....	23
Supported Housing .....	26
Care homes .....	26
PSI – Acquisition .....	27
General .....	27
Public Sector Purchases .....	27
Property Title .....	28
PSI - Transfers to and between RPs .....	29
General .....	29
Completion and approval of form TOP 1 (R) .....	30
Transfers from Local Authorities and Other Public Sector Bodies .....	30
Types of work .....	32
Major Repairs .....	32
Improvements and remodelling .....	32
Demolition and rebuilding .....	32
New development of vacant sites .....	33
Transfers of tenanted stock from other public sector bodies .....	33
Transfers from organisations funded under Section 27A of the Housing Act 1996 or section 19 of the Housing and Regeneration Act 2008 and subject to a Grant Agreement .....	34
Transfers of property funded under s19(6) of the Housing and Regeneration Act 2008 .....	34
Reporting and Audit Requirements for RPs .....	35
PSI - Planning Permission and Building Regulations .....	36
General .....	36
Planning Conditions and Obligations .....	36
PSI – Site Signboards .....	38
<b>2.4. Management arrangements .....</b>	<b>39</b>
MA – Overview .....	39
Purpose .....	39
Context .....	39
MA – Requirements .....	39
General .....	39
Supported Housing Issues .....	40
<b>2.5. Finance .....</b>	<b>41</b>
Finance – Overview .....	41
Purpose .....	41
Context .....	41
Other Sources of Funding .....	41
Other Public Subsidy/Additional Affordable Housing Subsidy .....	42
Other Public Subsidy: Discounted Land .....	42
Acceptance of the Framework Delivery Agreement or contract .....	43
Breaches of the Framework Delivery Agreement or contract .....	44
Finance - Grant Claims and Payments .....	44
General .....	44
Bank Details .....	44
General Procedural Requirements .....	45
Service Diversions .....	46
Rehabilitation or conversion schemes .....	47

Start on Site – Grey Areas.....	47
Building Licence/Agreement to Lease or Buy .....	47
Golden Brick schemes.....	47
Final (Practical Completion) Claim.....	49
Social HomeBuy .....	50
Initial Sales .....	50
Staircasing Sales.....	51
Right to Acquire.....	51
Leasehold Repurchase.....	51
Payment.....	51
Finance – VAT .....	51
General .....	51
VAT on Major repairs.....	52
Finance - Money Laundering Regulations .....	52
General .....	52
<b>The Regulations</b> .....	52

## 2 General

### 2.1. Introduction

- 2.1.1. Welcome to the Affordable Housing Capital Funding Guide (AHCFCG). This Guide contains the rules and procedures for investment partners (IPs) providing housing under the Affordable Housing Programmes (AHPs) with funding from the Greater London Authority (GLA).
- 2.1.2. The Localism Act 2011 devolved the housing and regeneration functions of the Homes and Communities Agency (HCA) in Greater London to the GLA, including responsibility for housing investment programmes.
- 2.1.3. The GLA is empowered in the Greater London Authority Act 1999 *inter alia*, to make grants available for the development and provision of affordable housing.
- 2.1.4. The GLA enters into a Framework Delivery Agreement (FDA) with investment partners (IPs) for each housing investment programme, pursuant to which the GLA agrees to provide grant funding to the IP for the purpose of delivery by an agreed date of the number of affordable dwellings specified in the programme offer. Grant paid by the GLA to the IP pursuant to those FDAs constitutes social housing assistance as defined in the Housing and Regeneration Act 2008.
- 2.1.5. This guide supplements the FDAs, and provides the rules and procedures for managing a housing investment programme from the GLA. It superseded and replaced the Homes & Communities Agency's Capital Funding Guide for all live programmes with effect from 1 April 2015.
- 2.1.6. As well as grant funded schemes, this Guide will provide information on Nil Grant schemes.
- 2.1.7. Any queries users have on any of the requirements in this guide, or any related matter, should be directed to their assigned GLA Area Manager in the first instance.

#### Purpose

- 2.1.8. The Affordable Housing Capital Funding Guide (AHCFCG) sets out the policy and procedural requirements and guidance for organisations allocated grant funding under live AHPs with effect from 1 April 2015. This version of the AHCFCG supersedes all previous editions.
- 2.1.9. This guide also includes requirements for schemes funded under previous programmes. Where this is the case users may wish to refer to the full requirements for those earlier schemes in the HCA's Capital Funding Guide: available on the [HCA's website](#).
- 2.1.10. Many investment partners (IPs) were previously Registered Social Landlords; there will also be grant recipients who:

- Were not previously Registered Social Landlords, but who have become IPs since the Regulator's register was switched on in April 2010.
  - Are not currently IPs but intend, , or will be required, to register with the Regulator before becoming landlords of grant funded social housing.
  - Do not intend to become IPs but who will be required to transfer any grant funded property to an IP upon Practical Completion.
- 2.1.11. Please note that organisations that do not intend to become IPs will still need to pre-qualify as a partner in order to deliver schemes under the AHPs (the PQQ process).
- 2.1.12. All organisations delivering affordable housing under the AHPs including those who are not and do not intend to become IPs, will be subject to a Framework Delivery Agreement and will be required to be comply with the agreed contractual arrangements.
- 2.1.13. Unless otherwise stated, references to 'grant' will refer to grant funding available under the AHPs either as:
- **Social Housing Assistance (SHA)**
  - **Financial Assistance (FA)**
- 2.1.14. or its predecessor programmes:
- **Social Housing Grant (SHG)**
  - **Purchase Grant (PG) and**
  - **Housing Association Grant (HAG)**
- 2.1.15. This Guide should be read in conjunction with the relevant delivery agreement for each programme.

### **GLA's Powers**

- 2.1.16. The GLA's powers in relation to payment and recovery of grant are set out in legislation, and where legislation requires according to such terms and conditions as the GLA considers appropriate and/or principles determined by the GLA. The main types of funding are:
- Financial Assistance payable under section 19(3) of the Housing and Regeneration Act 2008.
  - Social Housing Assistance payable under section 19(6) of the Housing and Regeneration Act 2008; and
- 2.1.17. Historically grant has been payable as:
- Social Housing Grant payable under s18 of the Housing Act 1996;
  - Purchase Grant paid under s21 of the Housing Act 1996; and
  - Housing Association Grant paid under s 50 of the Housing Act 1988.
- 2.1.18. The GLA's terms and conditions for Financial Assistance (and Social Housing Assistance) provided under the AHPs are set out in:
- The GLA Affordable Housing Capital Funding Guide
  - The relevant GLA framework delivery agreement (FDA); and

- [The Mayor's Housing Covenant 2015-18 prospectus](#)
- 2.1.19. For remaining developments receiving financial assistance, the GLA's specifications are set out in a number of documents:
- [The 2011-15 Affordable Homes Programme - Framework](#)
  - [The National Affordable Housing Programme 2008-11 Prospectus](#);
  - [The HCA Affordable Housing Capital Funding Guide](#);
  - Programme Partnering Agreement;
  - Grant Agreements; and
  - [The Social Housing Grant \(Capital\) General Determination 2003](#)
- 2.1.20. Following amendments to section 18 of the Housing Act 1996, principles are only to be determined in respect of section 18(7), relating to the proportioning of grant for properties transferred between ex-Registered Social Landlords. These principles are contained within clauses 37 and 38 of the determination, and supplemented in **Procurement and Scheme Issues**. For sight of the determination, please see the archived [2010-11 AHCFG](#).
- 2.1.21. The GLA's Grant Recovery principles are contained in [The Recovery Of Capital Grants and Recycled Capital Grant Fund \(Greater London\) General Determination 2015](#). Although the GLA's Determinations refer to RSLs, they should be read as referring to IPs that were formerly RSLs prior to 1 April 2010. They do not apply to IPs that were not formerly RSLs. References to the Housing Corporation, or the Corporation, should be read as referring to the GLA.
- 2.1.22. Enquiries about regulatory matters such as the accounting determination, consents, the disposal proceeds fund, financial returns and the consumer and economic standards should be addressed to the Regulator. Contact points appear on the [web pages relating to the Regulator](#).

### Conversions

- 2.1.23. To encourage and enable the provision of more affordable homes the GLA allows providers that have included conversions in their programme offers to convert void social rent stock to:
- Affordable Rent;
  - Shared Ownership; or
  - Other forms of tenure.
- 2.1.24. Full details of conversion, which will be subject to GLA approval, are contained in the [- 2015-18 Mayor's Housing Covenant - Framework](#)
- 2.1.25. The impact of agreed conversions on recoverable grant is detailed in the [Grant Recovery chapter](#).

## Scope and Format

- 2.1.26. This guide does not duplicate GLA requirements relating to the offer bidding which are set out in the [2015-18 Mayor's Housing Covenant Framework](#) or [the HCA's Regulatory Framework](#).
- 2.1.27. At various points this guide asks grant recipients to contact the GLA for further guidance or approval on investment matters. Unless specified otherwise initial contact should be made direct to the assigned GLA Area Manager.
- 2.1.28. The GLA Area Manager should also be contacted regarding other queries relating to the content of this guide.
- 2.1.29. For general queries please contact the switchboard on 020 7983 4000. For IT or IMS queries, please contact the helpdesk on 020 7983 4333.

## Intro – Updating

### General

- 2.1.30. The AHCFG will be regularly updated to reflect new and amended legislation, policy, requirements and guidance. For this reason providers are strongly discouraged from printing hard copies. Updates will be made to the relevant text and a notification and brief explanation published in the New Announcements section on the Home Page of this guide. Previous versions of the AHCFG are on [the HCA's website](#).

## 2.2. Programme management

### Purpose

- 2.2.1. This chapter sets out the GLA's requirements in relation to management of an IP's affordable housing programmes funded by the GLA

### Investment Management System

- 2.2.2. All IPs who received an allocation for GLA funding or have an agreement to deliver nil grant units will be required to manage their programme of schemes via the GLA's Investment Management System (IMS).
- 2.2.3. For details on how to access and use IMS refer to the guidance on the GLA website or contact the TG Service Desk on 020 7983 4333.

### Framework Delivery Agreement

#### General

- 2.2.4. All grant recipients and providers wishing to deliver new Affordable Rent units are required to enter into a contract. Contract management is a key principle of the new 2015-18 delivery model. This section sets out the process that RPs must follow with regard to their Framework Delivery Agreement (FDA).

- 2.2.5. The FDA is a standard form of contract being used by the GLA for its AHPs but there are several different FDA types to reflect the differing nature of grant recipients – namely:
- Former-RSL RP;
  - New RP;
  - Former RSL RP-led consortium; and
  - Developer-led consortium.
- 2.2.6. There is also a ‘Short-Form Agreement’ for providers who are not in an FDA contract but who wish to deliver new Affordable Rent units without grant funding.

### **Process**

- 2.2.7. Following GLA approval of funding, the GLA will produce and send the lead provider a legally binding FDA to meet the agreed number of completions within the prescribed timeframe.
- 2.2.8. The FDA sets out the GLA’s and RPs’ obligations and rights. Each FDA will include:
- Conditions of grant;
  - Total amount of grant and conversion capacity;
  - Reporting obligations (more on this in paragraph 2.2.67 below);
  - The FDA also contains conditions which have to be met before payment of grant will be made.
  - The FDA will be valid for the duration of the offer, but will allow for variations to account for flexibilities in delivery subject to agreement of a Programme Change Notice with the GLA.
- 2.2.9. Only one FDA has to be executed by the relevant partners regardless of how many schemes a partner or consortium is intending to deliver. RPs belonging to more than one consortium will be required to enter an FDA for each consortium.
- 2.2.10. RPs must confirm within the GLA’s IMS system that they agree to the terms of the FDA agreement. This is then signed off by the GLA (subject to the FDA having been manually executed and dated).
- 2.2.11. MHC offers are based on a mixture of indicative delivery expectations and more detailed proposals (firm schemes).

### **Contract Management**

- 2.2.12. The Framework Delivery Agreement acknowledges that changes may be required to the agreed programme offer in order to ensure that:
- The allocated grant and conversion capacity is properly and effectively spent;

- The delivery of affordable housing under the programme offer is maximised; and
  - The provider remains capable of delivering the programme offer.
- 2.2.13. It is a strong principle of the contract review process that any variation to delivery of the programme offer should be rectified by the RP/consortium in the first instance.
- 2.2.14. Changes to a RP's programme will be recorded through IMS. Where a material change is recorded this will trigger a Programme Change Notice requiring the GLA's approval. The GLA or the RP may make a change that constitutes a Programme Change Notice at any time but usually these will be discussed at and/or arise from regular review meetings.
- 2.2.15. The GLA will review RPs' delivery progress of new supply, conversion and disposals against their anticipated provision, and any proposed changes to the contract parameters by means of review meetings, as detailed in the Framework Delivery Agreement. Each review meeting will principally consider two aspects, namely:
- Actual delivery achieved; and
  - Forecast delivery.
- 2.2.16. Where a programme change is agreed that change becomes part of the agreed Offer and is subject to review at future meetings.
- 2.2.17. For further information regarding these meetings please see the reporting section in the relevant FDA or contract.
- 2.2.18. Where delivery progress falls behind the FDA's requirements, a fundamental principle is that the RP will have an opportunity to put forward proposals to increase or accelerate delivery in the first instance. The GLA will take a view on the realism and likelihood of achievement of remedy, informed by the scale of variation and the stage reached in the programme (i.e. a risk assessment). The view taken will be informed by past performance of the RP in remedying delivery issues.

### **Consortium Arrangements**

- 2.2.19. Where RPs have formed a consortium to deliver an offer of affordable homes, one RP must undertake the role of consortium lead. The consortium lead is expected to work closely with other consortium members to deliver the anticipated supply throughout the FDA period. Consortium leads are the initial recipient for the GLA's grant and are responsible for collating and providing information to the GLA. They also have additional responsibilities and obligations on behalf of the other members as outlined in the consortium version of the FDA.

### Breach of Contract

- 2.2.20. The FDA specifies certain actions that may constitute a programme default and potentially give rise to the GLA terminating the agreement. In most circumstances the partner/consortium is able to rectify a breach - for instance by removing the party responsible from the consortium - during a period of remediation.
- 2.2.21. Whilst the GLA anticipates cases will be rare, a breach of the FDA may also be treated as a breach of the GLA's requirements. As per paragraph 18 of [The Recovery Of Capital Grants and Recycled Capital Grant Fund \(Greater London\) General Determination 2015](#), a breach of the GLA's requirements could result in the withdrawal of an RP's use of its Recycled Capital Grant Fund (RCGF) and repayment of all or part of recycled grant held in its RCGF. For more information on the Determination and grant recovery please refer to the [Grant recovery chapter](#).

### Scheme Administration and Data Collection

#### Offer Capture

- 2.2.22. This section applies to all offers being developed as permanent housing for rent and sale. The requirements relate to the current AHPs.

#### Scheme Processing

- 2.2.23. All Offers start with a number of Firm and Indicative Offer Lines. As the programme progresses the Firm Lines will become Schemes and the Indicative Lines will gradually be profiled out to Firm Lines, and then to Firm Schemes.
- 2.2.24. The Indicative Lines in each Offer are profiled by start years. These annual profiles must be scheduled out to Firm Lines by 31 December in the year preceding the expected Start on Site year.
- 2.2.25. Please see the [IMS help page](#) for guidance on the process.
- 2.2.26. For more information on Milestones please see 2.2.44 below.
- 2.2.27. Following a scheme reaching the Start on Site milestone, RPs are obliged by the FDA to submit details of the scheme to the GLA via IMS within 10 business days. However, owing to the practicalities of achieving this, especially where RPs have large numbers of schemes starting on site, the GLA has agreed that ***in exceptional circumstances*** details may be submitted within up to 30 business days of Start on Site being achieved.

#### Programme Change Notices (PCNs)

- 2.2.28. Where an RP wishes to submit a programme change notice PCN, it must do so via IMS in line with the terms of the FDA or contract
- 2.2.29. Detailed requirements for Programme Change Notices are covered at 2.2.61 below.

### Review Meetings

2.2.30. The AHPs will be managed using review meetings. Review meetings will be quarterly. The data requirements for these meetings are set out in the FDA or contract.

### Submission Requirements

2.2.31. IPs programmes must comply with the GLA's Funding Conditions and other requirements contained in their Framework Delivery Agreement.

2.2.32. RPs must submit the required information in the GLA's Investment Management System (IMS) prior to claiming grant.

2.2.33. Following confirmation of the allocations, RPs must submit the following data in relation to the milestones on the GLA's IMS. Please note that not all milestones will apply to every schemes (please see 2.2.44 for details):

- Planning Permission expected/granted;
- Acquisition of Land;
- Start on site date;
- Final Cost (Practical Completion);
- Exchange of Contracts; and
- Occupancy.

2.2.34. RPs must be able to confirm acceptance of the on-screen certifications.

### Scheme Cost Information

2.2.35. The GLA collects scheme costs information in respect of the following areas:

- Acquisition cost;
- Building works cost; and
- On costs.

2.2.36. Only certain types of expenditure are eligible for funding in each of these cost areas. The FDA or contract refers to Actual Development Costs, meaning the expenditure actually incurred in delivering the units, as opposed to the projected expenditure. The FDA also prohibits Total Public Sector Subsidy (i.e. grant plus all other public funding) exceeding the Actual Development Costs.

2.2.37. For acquisition costs, funding is available in respect of the purchase price of land/property and SDLT.

2.2.38. For building works costs, funding is available in respect of the following:

2.2.39. Main works contract costs;

- Major site development works (where applicable). These include piling, soil stabilisation, road/transport/sewer construction, major demolition;

- Statutory agreements, associated bonds and party wall agreements (including all fees and charges directly attributable to such works) where applicable;
  - Additional costs associated with complying with archaeological works and party wall agreement awards (including all fees, charges and claims attributable to such works) where applicable; and
  - Irrecoverable VAT on the above, where applicable.
- 2.2.40. For on costs, funding is available in respect of the following:
- Legal fees, disbursements and expenses;
  - Net gains/losses via interest charges on development period loans;
  - Building society or other valuation and administration fees;
  - Fees for building control and planning permission;
  - Fees and charges associated with compliance with European Union directives, and the GLA's requirements relating to energy rating of dwellings;
  - In-house or external consultants' fees, disbursements and expenses (where the development contract is a design and build contract);
  - Insurance premiums including building warranty and defects/liability insurance (except contract insurance included in works costs);
  - Contract performance bond premiums;
  - Borrowing administration charges (including associated legal and valuation fees);
  - An appropriate proportion of the RP's development and administration costs;
  - Marketing costs (sale schemes only);
  - Post completion interest - for sale schemes only; and
  - Irrecoverable VAT on the above, where applicable.
- 2.2.41. Where the development contract is design and build, the on costs are deemed to include the builder's design fee element of the contract sum. Therefore the amount included by the builder for design fees should be deducted from the works cost element submitted by the RP to the GLA.
- 2.2.42. Similarly, other non-works costs that may be included by the builder such as fees for building and planning permission, building warranty and defects liability insurance, contract performance bond and energy rating of dwellings should also be deducted from the works cost element submitted by the RP to the GLA.

## **Milestones**

### **General**

- 2.2.43. The progress of programmes/schemes will be monitored against a series of milestones as detailed below. Milestones consist of the milestone event

and the date that event is forecast to take place. Not all milestones are mandatory for all programmes/schemes, and the number of milestones will depend on the type of programme/scheme being developed.

- 2.2.44. A milestone is an event during the development of a programme/scheme for which the GLA requires RPs to forecast an achievement date. Milestones have two functions:
- To monitor performance (i.e. the RP's reliability in predicting programme/scheme progress); and
  - To trigger liability to pay grant, which may be discharged by either payment of grant during that financial year, or raising a year-end accrual.
- 2.2.45. There are therefore two sets of dates for each Milestone:
- The Forecast date (allows the GLA to compare with the Achieved date to assess the reliability of the RP's predictions; and
  - The Liability date (which, in conjunction with the Achieved date determines whether a liability to pay grant exists or not).
  - Some milestones trigger payments
  - Some non-payment milestones are not required for all schemes, depending on the programme under which they are funded
  - Forecast dates for milestones on a scheme are set at Confirmation of Agreement.
- 2.2.46. **SHB** - RPs should forecast milestones for Exchange of Contracts and Final Cost. Claim for grant can only be made once an applicant has exchanged contracts.
- 2.2.47. **Off The Shelf schemes and HOLD** - RPs should only forecast the Final Cost Milestone as these units should be ready for occupation.

## Definitions

- 2.2.48. **Acquisition of Land**  
The forecast date for the completion of acquisition contracts. This is currently a non-payment milestone.
- 2.2.49. **Planning Permission**  
There are two types of planning permission – outline and detailed. Outline planning permission gives an indication of permitted development but may be subject to detailed planning permission being obtained before building can commence. Detailed planning permission must be submitted within 3 years of receiving outline planning permission.
- 2.2.50. **Start on Site (SOS)** is triggered by the date when:
- The building contractor takes possession of the site or property;
  - The RP and building contractor have both signed and dated the building contract; and

- The Start on Site works have commenced (please see the Definitions section in the relevant FDA or 2.5.36 below for details of Start on Site Works).
- 2.2.51. SOS may also occur before an RP has completed purchase of or acquired a leasehold interest in the site. The RP will need to have a Building Agreement/Licence in order for it to claim grant. Please see 2.5.42 below for further information.

### **Practical Completion**

- 2.2.52. This is a payment milestone and occurs when a scheme has been completed in accordance with the terms of the relevant building contract and the FDA, as being fit for occupation as a residential development, in accordance with NHBC requirements. This excludes minor defects and/or minor omissions at the time of inspection which are capable of being made good or carried out without interfering with the beneficial use and enjoyment of the firm scheme.
- 2.2.53. Any planning conditions or reserved matters must also be signed off in order for Practical Completion to be achieved – see 2.3.103 below.
- 2.2.54. This will trigger either 100%, 75% or 50% of the grant, depending on whether or not a Start on Site payment was made.
- 2.2.55. For Social HomeBuy, HOLD, Leasehold Repurchase and Right to Acquire, Practical Completion will be the date when the purchase is completed.
- 2.2.56. For Off The Shelf products the units must be ready for immediate occupation. In the case of a new Off The Shelf development, a claim for grant should not be made prior to the completion date (as specified on the practical completion certificate issued by the duly authorised contractual party). However, there are circumstances when grant can be claimed on exchange of purchase contracts. See 2.3.13 for more details on Off the Shelf schemes.

### **Occupancy**

- 2.2.57. This milestone applies only to sale schemes and is achieved when all units in the scheme have been let or sold to the appropriate target group.

### **Milestone Forecasts**

#### **Milestone Alerts**

- 2.2.58. As schemes progress they will be monitored against the series of milestones. RPs will therefore be required to record within IMS when the various milestones have been achieved.
- 2.2.59. RPs are expected to update and reforecast milestones as soon as they are aware of any changes. Procedures for dealing with changes to milestone

dates are set out in the FDA and will, in most cases, generate a Programme Change Notice.

## Programme Change Notices

### General

- 2.2.60. The Framework Delivery Agreement allows for changes to the original delivery offer where there is a change in contract parameters. It will be for RPs and the GLA to discuss and consider any proposed changes at the review meetings.
- 2.2.61. Changes or variations to the programme will be handled via the GLA's IMS and, if material, will constitute a 'Programme Change Notice' (PCN). Where the provider becomes aware of circumstances which give rise to the need for a change to be implemented to the agreed Programme offer this must be submitted via IMS, specifying the reasons for the proposed change to the agreed programme offer.
- 2.2.62. The GLA may terminate and reclaim any grant paid plus interest on a scheme where it no longer meets the criteria on which the offer was originally approved.
- 2.2.63. Where the PCNs are acceptable and approved by the GLA, the GLA will pay grant on affected schemes upon receipt of a valid claim.
- 2.2.64. Where there are differences, not previously agreed via a PCN or discussed at review meetings, between data input following legal completion and data input at programme approval, RPs will be required to give reasons for the variations in order for the GLA to approve grant payment.
- 2.2.65. In some situations, a material change to the agreed offer may result in a reduction in overall funding, even if agreed through a Programme Change Notice.

## Reporting and Audit Requirements

### Compliance audit

- 2.2.66. The Compliance Audit (CA) framework applies to organisations receiving grant. The purpose is to ensure that the GLA's policies, funding conditions and procedures are followed. Further details are in the [Compliance Audit chapter](#).

### Reconciliation

- 2.2.67. As the 2011-15 AHP programme used an Agreed Payment Rate methodology, it was always recognised that towards the end of the programme a review would be undertaken to look at any discrepancies and anomalies across Partner's programmes. This reconciliation will happen after March 2015.

- 2.2.68. There will also be an assessment of GLA funding required against costs and contributions at the end of the MHC programme, with excess grant reclaimed at that stage if required.

## 2.3. Procurement and Scheme Issues

### PSI - Overview

#### Purpose

2.3.1. This chapter sets out procurement and scheme delivery requirements.

#### Context

2.3.2. The GLA is constantly striving for more efficient and effective ways of procuring affordable housing.

2.3.3. “Improving efficiency” is another way of saying “getting better value”. This can be achieved in a number of ways (more dwellings of the same quality for the same cost, the same number of dwellings at a higher quality for the same cost, and many other permutations involving numbers, cost, quality and time). In all this, the quality of the dwellings is important, and the GLA encourages provider to pursue design excellence through a number of routes, including.

- The use of Design Champions within their organisation.
- Appointing consultants who are able to provide high quality design services.
- Partnering with suppliers.
- Collating and making use of customer feedback and resident satisfaction.

2.3.4. One way in which the GLA can increase its efficiency is if housing providers increase their cost efficiency, and therefore reduce their need for Grant or Other Public Subsidy. The GLA therefore values cost-efficient providers as well as those who maintain quality.

2.3.5. Providers are expected to strive constantly to improve their efficiency and effectiveness in delivering affordable housing.

### PSI – Procurement

#### General

2.3.6. Effective procurement and project management are both crucial for the delivery of schemes on time, on budget and to the required quality.

#### Mortgageability of housing constructed using a non-traditional technique

2.3.7. When an innovative house building system is to be used, RPs must seek suitable reassurances that:

- The system is capable of achieving the necessary statutory approvals, including Building Regulations.
- The system has been assessed and confirmed as suitable for housing use by an appropriate independent technical approvals authority (the

assessment should take account of the suitability of claddings and other elements proposed for use in conjunction with the system).

- The system, with reasonable cyclical and planned maintenance provision, has been designed for a life expectancy of at least 60 years.

2.3.8. Appropriate organisations for the purposes of technical assessment are deemed to be:

- Building Research Establishment (BRE) <http://www.bre.co.uk/>
- British Board of Agreement (BBA) <http://www.bbacerts.co.uk/>
- Construction Audit Ltd
- WIMLAS, or any body authorised under Annex 4 of the Construction Products Directive.
- Other organisations such as:
- CERAM (<http://www.ceram.co.uk>)
- TRADA (<http://www.trada.co.uk/>)

The Steel Construction Institute (SCI) will be accepted for some systems or components if suitability is endorsed by either NHBC (<http://www.nhbc.co.uk>), Zurich Municipal (<https://web.zurich.co.uk/municipal/>) or BuildingLifePlans Ltd (<http://www.blpinsurance.com/>) for structural warranty purposes.

## PSI - Scheme Types and Requirements

### General

2.3.9. This section contains the scheme types for which funding is available, and their requirements. RPs should note that the scheme type classifications used by the GLA are driven by GLA funding considerations, and are NOT recognised property development or project management terms familiar to architects, surveyors, developers, builders or others. RPs should therefore avoid using this funding-specific jargon when communicating with others, and use more widely recognised terms, to avoid misunderstandings.

### New Build Requirements & Scheme Types

#### Longevity Requirement

2.3.10. These properties must have a life expectancy of at least 60 years. Property longevity is not the same thing as grant liability – therefore the fact that the property is expected to last 60 years does not mean that the grant liability only lasts for 60 years. Grant liability is in perpetuity.

2.3.11. In addition, the construction system used must:

- Be capable of achieving necessary Building Regulations and other statutory approvals;

- Have been assessed and confirmed as suitable for housing by an independent approvals authority such as NHBC, Zurich, Building Life Plans or a body of equivalent standing.

### New build scheme types

- 2.3.12. **Acquisition and works.** The construction of new dwellings on land purchased by the RP without the benefit of any public subsidy. In certain circumstances the RP may enter into a building licence agreement.
- 2.3.13. **Off the shelf.** A brand-new completed dwelling or dwellings, suitable for social housing letting, purchased from a contractor/developer or their agents, following an inspection by a suitably experienced or qualified person. Known in the industry as a Turnkey project, as it is ready for immediate use.
- 2.3.14. **Works only.** The construction of new dwellings on land already owned by the RP, and for which the RP has received public subsidy in the past to help acquire it. This excludes land in the ownership of the RP which it purchased without the benefit of any public subsidy (Acquisition & Works).
- 2.3.15. **Land inclusive package (also known as package deal).** A Package Deal/Land Inclusive Package is a variation of Acquisition & Works. The land/property is acquired from the developer or building contractor who will also construct the dwellings on the land. Normally there will be separate contracts for the purchase of the land/property and for the development works. Usually these contracts are signed simultaneously with the building contract dependent upon the completion of the land acquisition contract. Exceptionally, a land inclusive package may include the acquisition of some partially or wholly completed dwellings. Land Inclusive Packages, which consist solely of completed dwellings, must be classified as Off the Shelf/Turnkey.

### Rehabilitation Requirements & Scheme Types

- 2.3.16. Please note that 2011-15 AHP funding for rehabilitation schemes should not be confused with [Decent Homes Funding](#), which is a separate programme.

### Longevity Requirement

- 2.3.17. Rehabilitation properties must have a life expectancy of at least 30 years after the RP has completed the works, repair, or improvement. Property longevity is not the same thing as grant liability – therefore the fact that rehabilitation property works are expected to last 30 years does not mean that the grant liability only lasts for 30 years. Grant liability is in perpetuity.
- 2.3.18. The RP must ensure that an inspection of all properties requiring works is carried out by relevantly qualified, experienced and professionally indemnified technical consultants or relevantly qualified and experienced members of staff. Please also refer to the Shared Ownership section of the

[Housing for Sale chapter](#) regarding lease requirements in respect of Shared Ownership provided under the rehabilitation route.

## Rehabilitation scheme types

### Rehabilitation schemes involving purchase

- 2.3.19. **Acquisition and works.** The RP acquires a property, or properties, on the open market for refurbishment or conversion. The cost of the grant-eligible repair and improvement work per dwelling must exceed £10,000 exclusive of VAT. A building contract will normally be entered into, but sometimes work can be carried out under a building licence agreement. If the works cost less than £10,000 per dwelling, the property is classified as an Existing Satisfactory or Purchase and Repair scheme.
- 2.3.20. **Existing Satisfactory.** The RP acquires a second-hand existing dwelling, or dwellings, on the open market, which is/are already of a standard and condition suitable for social housing letting, after an inspection by a suitably experienced or qualified person. Works necessary for the scheme to comply with Design and Quality Standards must not exceed £1,500.
- 2.3.21. **Purchase and Repair.** The RP acquires a second-hand dwelling on the open market, which requires some repair to bring it to a standard and a condition suitable for social housing letting. The estimated cost of the grant-eligible works will exceed £1,500 but be less than £10,000 per dwelling, exclusive of VAT.

### Rehabilitation schemes not involving purchase

- 2.3.22. **Works Only.** The property must already be owned by the RP, which purchased it with help from public subsidy, BUT no public funds have been paid for any previous refurbishment or conversion works. The property is in need of rehabilitation, improvement or conversion.
- 2.3.23. **Reimprovements.** The property must already be owned by the RP, which purchased it with help from public subsidy AND some form of grant or subsidy, such as HAG, SHG or SHA, has already been paid for construction, improvement or conversion at some time in the past. Unlike Major Repairs, Reimprovements can result in an increase in rent. The work may be improvement or conversion, but not just repairs.
- 2.3.24. Re-improvement schemes will not normally be considered less than:
- 15 years after Practical Completion of the original rehabilitation scheme (or stock transfer in the case of Stock Transfer RPs (e.g. LSVTs)); or
  - 30 years after Practical Completion of the original new build scheme.
- 2.3.25. However, re-improvement schemes may be considered sooner where the property is difficult to let because it is no longer appropriate for the intended use, or there is a serious health risk to tenants.

- 2.3.26. The improvement or conversion works carried out in a re-improvement scheme must bring those parts or elements of the property which have been subject to re-improvement up to the current design and construction standards.

### **Conversions**

- 2.3.27. The property must already be owned by the RP. Where properties are currently tenanted and let on Social Rent terms, conversion work – to include loft conversions or extensions – may be undertaken specifically to provide additional bedrooms or living space to reduce the need for larger families to move in order that their housing needs can be met. RPs should make adequate provision for the existing tenants in the meanwhile, which may possibly include a temporary move while work is undertaken, in which case the RP should ensure that conversion work is undertaken without undue delay. Alternatively extensions and loft conversions may be undertaken in untenanted property to provide additional bedrooms or living space, and then re-let on Affordable Rent terms. Conversions undertaken to provide additional bedrooms/living space must bring those parts or elements of the property which have been subject to conversion up to the current design and construction standards.

### **Insurance Requirements**

- 2.3.28. It is a condition of grant for both Rent and Sale schemes that both during development and thereafter, RPs insure the accommodation with reputable insurers for its Full Replacement Value.
- 2.3.29. RPs may wish to search the Royal Institute of Chartered Surveyors (RICS) website ([www.ricsbooks.com](http://www.ricsbooks.com)) for guides on the subject of insurance.
- 2.3.30. RPs may also wish to safeguard their insurance position by commissioning an independent professional opinion on reinstatement values every five years or more frequently as appropriate.

### **Other risks**

- 2.3.31. In addition to the specified risks of loss or damage to the building caused by fire or aircraft, the GLA requires 'other risks' to be covered as follows:
- For Rehabilitation property - from the exchange of contracts to purchase until practical completion of the whole or relevant part of the works:
    - Explosion, lightening, earthquake;
    - Storm, tempest, flood (but not frost);
    - Bursting, leaking or overflowing of water tanks, water apparatus, water pipes, or sewage pipes.
  - For Rehabilitation and Newbuild property - from practical completion of the whole or relevant part of the works:
    - As for rehabilitation property above; plus

- Subsidence, ground heave, or landslip of the site on which the building stands.

### **Exclusions**

- 2.3.32. The cover outlined under 'other risks' above may be subject to the normal insuring exclusions e.g. war, invasion, act of foreign enemy, hostilities, civil war, rebellion, revolution, insurrection, usurped power, loss or damage caused by ionising radiations or contamination by radioactivity from any nuclear fuel, radioactive toxic, explosive nuclear assembly or nuclear components thereof, or pressure waves caused by aircraft or other aerial devices travelling at sonic or supersonic speeds.
- 2.3.33. The GLA requires prior notification of any other exclusions. Terrorism is a normal insuring exclusion and falls outside the GLA insurance requirements. Whether or not to insure for this risk is a matter for individual RPs to decide according to the perceived risk.

### **Modern Methods of Construction (MMC) Categories for Schemes**

- 2.3.34. In order to record the homes that are produced using MMC, associations will be required to assign a "build category" to schemes at key stages in the processing route. The following categories are available.
- Off site Manufacturing (OSM) – Volumetric
  - OSM – Panellised
  - OSM - Hybrid
  - OSM - Sub-Assemblies and Components
  - Non-OSM Modern Methods of Construction
  - Not Applicable
- 2.3.35. **OSM – Volumetric**  
Volumetric construction (also known as modular construction) involves the production of three-dimensional units in controlled factory conditions prior to transportation to site. Modules can be brought to site in a variety of forms ranging from a basic structure to one with all internal and external finishes and services installed, all ready for assembly. A family sized dwelling might typically be manufactured in four modules plus roof module(s).
- 2.3.36. **OSM – Panellised**  
Flat panel units are produced in a factory and assembled on-site to produce a three dimensional structure. The most common approach is to use open panels, or frames, which consist of a skeletal structure only with services, insulation, external cladding and internal finishing occurring on-site. More complex panels - typically referred to as closed panels - involve more factory-based fabrication and may include lining materials and insulation. These may also include services, windows, doors, internal wall finishes and external claddings.

**2.3.37. OSM - Hybrid**

A method - also referred to as semi-volumetric - which combines both panellised and volumetric approaches. Typically, volumetric units (sometimes referred to as 'Pods') are used for the highly serviced and more repeatable areas such as kitchens and bathrooms, with the remainder of the dwelling or building constructed using panels. The hybrid approach is sometimes used to provide added flexibility on complex sites and those requiring additional communal areas. As with both volumetric and panellised approaches the degree of factory-based fabrication is variable.

**2.3.38. OSM - Sub-Assemblies and Components**

This category is intended to cover approaches that fall short of being classified as systemic OSM but which utilise several factory-fabricated innovative sub-assemblies or components in an otherwise traditionally built structural fabric. Typically, schemes incorporating the use of floor or roof cassettes, precast concrete foundation assemblies, pre-formed wiring looms, mechanical engineering composites, etc. would fall into this category. Traditionally constructed schemes utilising manufactured units - such as windows, door-sets, roof trusses, etc., which might otherwise be part of the fabrication process in the other OSM categories - should not be included as sub-assemblies or components in this category.

**2.3.39. Non-OSM Modern Methods of Construction**

This category is intended to encompass schemes utilising innovative housing building techniques and structural systems that fall outside the OSM categories. The presence of innovation is an essential feature that might manifest itself through an innovative non-OSM building system, through a building technique familiar in other sectors but new to house-building, or through traditional components being combined in innovative ways. Typically, methods such as 'Tunnel Form' and H + H Celcon 'Thin joint blocks' would fall within this category.

**2.3.40. Not Applicable**

This category is intended to encompass all 'Traditional' site-based new build schemes and site-based rehabilitation, refurbishment and conversion.

**Supported Housing and Housing for Older People****Scheme definitions**

- 2.3.41. These definitions enable RPs to categorise stock correctly within the GLA's IMS, recording units for rent and low cost home ownership as either supported housing, housing for older people, or general needs housing.
- 2.3.42. Supported housing and housing for older people are subsets of affordable housing for the purposes of affordable housing grant programmes.

2.3.43. The GLA separates 'Housing for Older People' from 'Supported Housing' for other client groups. These definitions are categorised by building design features.

#### 2.3.44. **Housing for Older People**

There are three types of housing for older people:

##### **a) *Housing for older people (all special design features)***

Remodelled or purpose built grouped housing that has **all** the basic facilities and **all** special design features intended to enable people to live there for their lifetimes. **All** the following requirements have to be met:

Basic facilities:

- The scheme or main building must have basic facilities of a laundry for residents and/or washing machines in living units or provision for washing machines to be installed; and
- The scheme must also have a communal lounge.

Special design features:

- The whole scheme including entrances and the buildings that comprise it must be designed to wheelchair user standards;
- Living units must have walk in showers or bathrooms adapted for people with mobility problems or wheelchair users;
- Bathrooms in living units that are wheelchair standard must meet the criteria for adapted bathrooms;
- Living units must have kitchens that are designed to wheelchair standards;
- The scheme must have a bathroom with provision for assisted bathing; and
- If there is more than one storey there must be a lift.

**b) *Housing for older people (some special design features)***

Remodelled or purpose built grouped housing that has **all** the basic facilities and at least **one or more** of the special design features listed below. Residents must have access to support services to enable them to live there for their lifetimes. In addition, if there is more than one storey there must be a lift.

Basic Facilities:

- The scheme or main building must have basic facilities of a laundry for residents and/or washing machines in living units or provision for washing machines to be installed; and
- The scheme must have a communal lounge.

Special Design Features:

- Living units have walk in showers or bathrooms adapted for people with mobility problems or wheelchair users;
- Bathrooms in wheelchair standard living units meet the criteria for adapted bathrooms; and
- The living units, the entrance area into the building and communal areas are designed to wheelchair user standards

**c) *Designated supported housing for older people***

Buildings with **none** of the special design facilities and features listed above but which provide accommodation designated for older people requiring support, with support services provided by the landlord or another organisation.

Properties should be described as housing for older people if they are intended for older people (regardless of the actual characteristics of each tenant) and they fall into one of the above categories. The distinctive design features should be over and above lifetime homes adaptations to general needs properties. The age of tenants actually resident is not a defining feature.

Tenants in housing for older people (**all** special design features) or housing for older people (**some** special design features) should have access to support services as need arises to enable them to live in the property for the rest of their lifetimes.

Access to support means that, as a minimum, a process is in place to assist in accessing and/or signposting tenants to support services that they need. Except in the case of 'designated supported housing for older people', the delivery of or level of support is not a defining feature.

## Supported Housing

2.3.45. There are two types of supported housing:

### ***(a) Purpose designed supported housing***

Buildings that are purpose designed or remodelled to enable residents to adjust to independent living or to enable them to live independently and which require specific design features. There must be support services provided by the landlord or another organisation. As a minimum, a building or scheme must have the following:

#### *Facilities:*

The scheme or main building must have basic facilities of a laundry for residents or washing machines in living units provided by the landlord; and

The scheme must also have a communal lounge.

#### *Design features:*

The entrance area into the building, communal areas and some living units must be designed to wheelchair user standards.

### ***b) Designated supported housing***

Buildings with some or no special design facilities and features but that are designated for a specific client group with support services in place to enable them to adjust to independent living or to enable them to live independently.

The term 'supported housing' applies to purpose designed or designated supported housing. The delivery of a support service (for example funded by Supporting People) does not necessarily result in the categorisation of housing as supported if the property is not purpose designed or designated for a particular client group. In the absence of either of these two conditions, housing is categorised as general needs.

## ***Further interpretation and clarification of definitions***

### **Care homes**

2.3.46. The GLA makes the following distinctions for registered care homes:

- 'Care homes providing personal care' are presumed to fall within the definition of social housing for low cost rental accommodation in s69 of the Housing and Regeneration Act 2008 and are either purpose designed supported housing or housing for older people (all special design features).

- ‘Care homes providing nursing care’ are presumed not to be social housing unless the accommodation provided can be demonstrated to be low cost rental accommodation. These homes would therefore fall outside the definitions of supported housing and housing for older people.

### **Care or support provided by other agencies**

2.3.47. The provision of care or support services (such as domiciliary care) to a resident is not in itself grounds for classifying the stock as supported housing or housing for older people. One of the above definitions must be met.

### **Night shelters**

2.3.48. Night shelters which provide accommodation only overnight or as a very short term resting place and give no written occupancy agreement are considered not to be social housing and therefore not supported housing.

2.3.49. If the scheme provides a home and provides a written occupancy agreement, and the resident has right to day and night access to the accommodation, it may be a hostel rather than a night shelter and therefore will be considered as social housing and, provided one of the above definitions is met, should be categorised as supported housing.

### **Floating support and move-on accommodation**

2.3.50. The term ‘supported housing’ excludes floating or move-on support within general needs stock.

### **PSI – Acquisition**

#### **General**

2.3.51. This section sets out the GLA’s property purchase requirements.

2.3.52. Where RPs make speculative purchases they do so at their own risk and cannot pre-empt the GLA’s investment decisions. The GLA cannot guarantee future funding and RPs must accept the risks involved in making such purchases.

#### **Public Sector Purchases**

2.3.53. Purchases of land from local authorities and other public sector bodies must be considered carefully to avoid RPs having to provide a non-monetary consideration without an appropriate reduction in the price paid by RPs.

### Property Title

- 2.3.54. The GLA requires that when RPs acquire an interest in a property or where works are to be done, the property must offer "good title".
- RPs are said to have "good title" when they are able to prove their title to such a degree that no third party can defeat it. This definition is being used in its legal sense as understood by property lawyers.
- 2.3.55. Not having "good title" to its land/property does not mean that an RP does not own that land/property. Rather it means that the proof that is being offered in support of its claim to ownership does not preclude the risk that some other party might be able to demonstrate a better claim to ownership.
- 2.3.56. How RPs demonstrate "good title" will vary depending upon whether the land is registered or unregistered.
- 2.3.57. For registered land, "good title" means that land is classified as "absolute" or "good leasehold" by the Land Registry. Should proof of title be required, this is demonstrated by supplying a copy of the Land Registry extract.
- 2.3.58. Holding land described by the Land Registry as "qualified" or "possessory" does not demonstrate "good title".
- 2.3.59. Demonstrating "good title" to unregistered land is harder. RPs, may if they wish, have their deeds or other evidence of ownership considered by a solicitor familiar with property law and conveyancing and have that solicitor give an opinion as to whether the proof offered is sufficient to demonstrate "good title". However such an opinion is just that, and would not bind third parties.
- 2.3.60. Consequently, the only formal legal mechanism for demonstrating "good title" is to have the unregistered land registered with the Land Registry, and have the title classified as "absolute" or "good leasehold" as appropriate. The Land Registry may or may not agree to this, depending upon the circumstances.
- 2.3.61. The GLA understands that where RPs are unable to demonstrate "good title" they may have "possessory title" supported by an indemnity insurance which could 'pay off' a third party, who at a later date was able to provide documentary evidence of "good title" to that land. Where no other route is available to the RP the GLA will consider funding on the basis that:
- RPs agree to bear any risk if challenged, and
  - They accept that grant repayment would be required if the property was no longer available for the purposes for which it was funded
  - In the unlikely event that a third party demonstrated "good title" but was not willing to be 'paid off' by the insurer the RP would need to contact the GLA accordingly.

In all circumstances where the RP is relying on indemnity insurance to demonstrate good title (e.g. where the above conditions are met), explicit GLA approval is necessary before any grant claim is submitted.

## **PSI - Transfers to and between RPs**

### **General**

- 2.3.62. Where an RP wishes to transfer property or land to another RP, the Regulator's prior consent may be required. Please see [the HCA's website](#) for guidance on consents.
- 2.3.63. RPs must notify any local authority that has an interest in the property.
- 2.3.64. The Transfer of Properties (TOP) procedure does not apply when RPs enter into management agreements without a change of property ownership (please see the Management Arrangement section at 2.4 below).
- 2.3.65. The (TOP) procedure does not apply when RPs dispose of their entire stock to another RP. This is known as a Transfer Of Engagement (TOE). However, in some cases the transfer of land and property under a restructuring may require consent. RPs should therefore seek further advice from the Regulator.
- 2.3.66. The disposing RP must comply with the terms of any loan secured on the property.
- 2.3.67. For all transfers between or to RPs, where the property concerned has been allocated capital grant, receiving RPs must maintain adequate records of that capital grant for future reference in case that property should become subject to the GLA's grant recovery rules.

### **Reporting transfers of grant funded property between RPs (ex-Registered Social Landlords)**

- 2.3.68. Where property has received Housing Association Grant (HAG), Social Housing Grant (SHG), or Social Housing Assistance (SHA)(including Recycled Capital Grant Fund, Disposal Proceeds Fund or Rent Surplus Fund) RPs must advise the GLA immediately the ownership of that property, or properties, has changed and no more than 30 days after the date of completion.
- 2.3.69. It is not necessary to notify the GLA of the transfer of land and property that has received no grant.
- 2.3.70. Property transfers or disposals between RPs (ex-RSLs) are not deemed a Relevant Event for grant recovery purposes. Responsibility for grant will pass from the exporting RP (ex-RSL) to the importing RP (ex-RSL).

### **Procedural Requirements in respect of Transfer of Property (TOP) between RPs (ex Registered Social Landlord).**

2.3.71. Immediately following the transfer (or disposal) of a property the donor RP must inform the GLA in writing using the title "Request to Process and Notify a Transfer of Property." A copy of form TOP 1 (R) should be included in the submission. Follow the links to see the [form](#) and accompanying [guidance](#) on the HCA's website.

### **Completion and approval of form TOP 1 (R)**

2.3.72. Prior to completion of the form RPs (ex-RSLs) must ensure they meet the following conditions:

- The donor RP must confirm that all relevant legal processes to transfer the property to the recipient RP have been completed;
- Both donor and recipient RP must confirm that the TOP 1 (R) will be completed by an authorised signatory;
- Both donor and recipient RP must agree to accept that the GLA must protect public funds;
- Both donor and recipient RPs must agree to accept that the GLA may use the information provided in this form to prevent and detect fraud;
- Both donor and recipient RPs must agree to accept that the GLA may share the information with other organisations that handle public funds;
- Both donor and recipient RPs must agree to accept that the GLA may use the information provided for statistical surveys and related purposes;
- Both donor and recipient RP must agree to accept that the GLA may pass this information in confidence to the Department of Communities and Local Government and agencies working on its and the GLA's behalf;
- Recipient RPs must confirm that they are to be held accountable for the GLA's investment in property/properties received from the donor RPs as stated on TOP 1 (R );
- Recipient RPs must confirm that they will adhere to the GLA's conditions regarding grant recovery, as detailed in the [Grant Recovery chapter](#) of this guide for property/properties received from the donor RP.

2.3.73. Following completion by an authorised signatory RPs must submit the completed TOP 1 (R) to the GLA.

### **Transfers from Local Authorities and Other Public Sector Bodies**

2.3.74. Housing transfers (large scale stock transfers from public sector bodies) are designed to be fully funded over the period of the business plan without additional grant.

- 2.3.75. Grant shall not be paid towards the cost of acquiring or improving tenanted stock acquired from a public sector body. The DCLG Housing Transfer Guidance, says that the valuation and the RP's Business Plan should provide for all works required over a 30 year period as a minimum, taking account of demand, viability and stock restructuring. Where there are known plans for regeneration, the housing costs should also be included in the Business Plan.
- 2.3.76. In exceptional circumstances the GLA may consider whether new grant may be made available where providers can demonstrate that they are unable to fund delivery of local authority stock transfers, including those associated with regeneration proposals, without assistance. Eligibility for new grant for providers taking transfers of local authority stock will be subject to a full bid assessment against AHP parameters. In some cases eligibility will depend on the date of transfer – see paragraph 2.3.92 below.
- 2.3.77. When drawing up their Business Plans and considering future investment needs, RPs cannot assume that grant will be available at any point in the future. The GLA will not consider bids for grant unless the proposals fit with the priorities for investment in the Borough Investment Plans or similar agreed documentation and the resources are available. The GLA recognises that some costs cannot be foreseen and that some future programmes may not be reasonably quantifiable when the Business Plan is being drawn up. Additional costs arising from changes to the nature of works after transfer must be absorbed by adjustments to the Business Plan where possible, for example by re-phasing of works, by identifying capital or revenue savings elsewhere or by applying increases in income over and above those allowed for in the Business Plan. All proposals must also fit within the RP's asset management strategy and include an explanation of why such costs were not included in the original business plan.
- 2.3.78. Cases will be considered for funding only where the works are essential to provide good quality homes for the residents and the additional cost cannot be managed by adjustments to the Business Plan. When considering bids for funding, the GLA will require evidence that the costs were not reflected in the original valuation and Business Plan. Where there was some provision for works in the Business Plan, this must be deducted from the grant payable on the enhanced or replacement works to ensure there is no double subsidy.
- 2.3.79. Where RPs (ex-RSLs) are subsidising new grant development, either on the transfer site or elsewhere, or are subsidising non-grant eligible activities, they will have to put forward an additional case to support their application for funding.

2.3.80. As the Recycled Capital Grant Fund can only be used for works which would in principle qualify for new grant, the contents of this section also apply to the use of the Fund.

### **Types of work**

#### **Major Repairs**

2.3.81. Major repairs are works which arise in the longer term from the renewal of major dwelling components (such as window frames), even though satisfactory maintenance and repair have been carried out. In all cases provision should have been made in the Business Plan for both cyclical maintenance and major repairs and in no cases will these works be eligible for grant.

#### **Improvements and remodelling**

2.3.82. Improvements are works to stock intended to raise the standard of the homes. Remodelling would normally involve some structural alterations, for example conversion of shared to self-contained or of smaller to larger units. The Business Plan should have taken account of the potential need for these works and grant will only be available in the following circumstances, where the need has arisen after transfer and could not reasonably have been foreseen:

- Where stock poses a safety hazard;
- Where, because they are no longer appropriate for their intended use and/or demand has changed, the homes have become difficult to let;
- Where new requirements, for example energy efficiency measures, have been introduced since the date of transfer and the necessary works have not been included in the Business Plan; or
- Where works, for example improved security measures, are necessary to meet current expectations.

#### **Demolition and rebuilding**

2.3.83. For transfers after 1 April 1997, provision should have been made in the valuation for demolition and new build rather than renovation where this is cost effective and supported by the tenants. This applies whether the replacement housing results in more or fewer homes overall. Where the need for replacement rather than renovation becomes apparent after transfer the GLA may consider funding it in the following circumstances:

- Where the homes are no longer appropriate for their intended use and/or demand has substantially changed, the homes are difficult to let and replacement is more cost effective than renovation;
- Where non-housing buildings (for example, garages, community centres) included in the transfer are no longer used;

- Where new requirements have been introduced after transfer which make replacement the most cost effective solution;
- Where provision was made in the business plan for demolition only and a need has been identified after transfer for replacement housing i.e. demand has increased; or
- Where following consultation with tenants after transfer, replacement becomes the preferred long term option;
- Where demolition and rebuilding in the long term were anticipated, but specific proposals could not reasonably be included in the Business Plan, and additional funding is necessary.

### **New development of vacant sites**

2.3.84. Works only new build or rehabilitation schemes are eligible for grant where the site or property (other than naturally occurring voids) was vacant at the time of transfer and no provision was made in the business plan for replacement.

### **Transfers of tenanted stock from other public sector bodies**

2.3.85. Grant funding cannot be used to acquire tenanted stock from other public sector bodies. Vacant sites or properties are potentially eligible for funding. The only circumstances in which grant may be payable towards the cost of acquiring tenanted properties (other than those occupied by service tenants such as wardens or caretakers) from a public sector body are where:

- Less than 5% of the dwellings acquired are tenanted; or
- (In the case of a scheme involving acquiring dwellings from both the public sector bodies and private owners) the tenanted public sector dwellings are less than 5% of the total acquisition.

2.3.86. The GLA will make decisions about funding in the context of Borough Investment Plans or similar agreed documentation and local priorities. Requests for funding will be considered in the context of the overall programme and if it is not deemed to be of sufficient priority or resources are not available, it will not be funded, even if the circumstances set out above apply.

2.3.87. Where funding is made available, grant will only be paid on a 'works only' basis.

2.3.88. For stock transferred before 1 April 1997, grant may be available for redevelopment on an Acquisition and Works basis with the eligible acquisition cost being the lower of the outstanding attributable debt or the current valuation. This would only be on an exceptional basis where the project was accorded the highest priority by the local authority. RPs (ex-RSLs) must be able to demonstrate that at the time of transfer the valuation assumed a continuing rental stream from those units and that it was reasonable to do so i.e. there were no plans to demolish.

**Transfers from organisations funded under Section 27A of the Housing Act 1996 or section 19 of the Housing and Regeneration Act 2008 and subject to a Grant Agreement.**

- 2.3.89. Where an RP (ex-RSL) receives grant funded property from an organisation subject to a Grant Agreement and funded under Section 27A of the Housing Act 1996 as part of a transfer the following procedures should be followed.
- 2.3.90. Organisations which have received grant under Section 27A of the 2004 Housing Act, and any units developed by such organisations, will have been subject to the same conditions as if they were developed by RPs (ex-RSLs). This includes the rent regime for property developed for letting and the rent charged on unsold equity for shared ownership properties. These will have been set in accordance with the Scheme Details schedule in the Grant Agreement.
- 2.3.91. Once the property has been transferred from the original developing organisation to an RP (ex-RSL), the RP (ex-RSL) will assume responsibility for the grant contained within the property, as if it had received the grant itself. The RP (ex-RSL) is obliged to ensure that the GLA's published requirements in relation to issues such as rents and grant recovery are adhered to. Transferred property will be subject to compliance audit.
- 2.3.92. Where rental properties grant funded through the NAHP under Section 27A of the Housing Act 1996 are transferred from an organisation subject to a Grant Agreement on completion, the setting of rents on these properties is covered by the Regulator's (HCA's) standards.

**Property Developed for Sale by organisations previously funded under Section 27A (Housing Act 1996) and subject to a Grant Agreement**

- 2.3.93. Where properties developed for sale on shared ownership terms are transferred to an RP (ex-RSL) from an organisation previously funded under Section 27A of the Housing Act 1996 the rent must not exceed 3% of unsold equity. Please see the Shared Ownership section of the [Housing for Sale chapter](#) for more information.

**Transfers of property funded under s19(6) of the Housing and Regeneration Act 2008**

- 2.3.94. Where property funded under s19(6) of the above Act is developed by RPs who were previously Registered Social Landlords and transferred to other RPs who were previously Registered Social Landlords the provisions of paragraphs 2.3.75 to 2.3.77 above will apply.
- 2.3.95. Where property funded under s19(6) and developed by an RP that is not a former Registered Social Landlord is transferred to an RP that was a Registered Social Landlord the provisions of paragraphs 2.3.93 to 2.3.96

above will apply; unless the organisation was previously a Local Authority and the property was subject to a Large Scale Voluntary Transfer.

- 2.3.96. Where property subject to a Local Authority LSVT is involved the provisions of paragraph 2.3.78 to 2.3.84 will apply.

### **Reporting and Audit Requirements for RPs**

- 2.3.97. For grant funded property developed for Rent and Sale which has been transferred to other RPs; RPs must forward a letter to the transferring organisation requiring it to adhere to the GLA's and Social Housing Regulator's published requirements in respect of rents, service charges and ongoing management and marketing arrangements etc. A copy of this letter must also be sent to the GLA.
- 2.3.98. For shared ownership property transferred, RPs must enter initial sales data on IMS at the point of transfer.

## PSI - Planning Permission and Building Regulations

### General

2.3.99. RPs must:

- Obtain outline or detailed planning permission according to the requirements and timescales outlined at 2.2.49;
- Have obtained building regulation approval prior to the completion of the development; and
- Have had any planning conditions and/or reserved matters signed off by the planners prior to the completion of the development.

The GLA may give permission for a practical completion grant claim before all planning conditions have been signed off. Details of how to request permission are in paragraph 2.5.55 below. This would be relevant for phased schemes where sign-off will not be possible until completion of the final phase, or for other minor conditions which do not impact on occupation of, or safe access to, the completed homes.

2.3.100. This section provides information on:

- The GLA's requirements for grant funding;
- The treatment of developer contributions towards the costs of grant funded housing.

2.3.101. RPs should ensure that they are aware of the current guidance on planning produced by DCLG, the [National Planning Policy Framework](#).

### Planning Conditions and Obligations

2.3.102. In circumstances where the planning authority grants planning permission subject to conditions or makes the development subject to Planning Obligations (set out in a section 106 Agreement or Unilateral Undertaking) RPs must ensure that any such obligations do not make the development ineligible for grant funding by making sure of the following (please note this list is not exhaustive):

- The quality of the housing provided meets the requirements of the MHC;
- Suitable nomination rights to local authorities are preserved;
- Nominees (whether for housing for rent or affordable home ownership) are consistent with national policy;
- There are no consents that are made personal to the applicant RP and/or voluntary agency managing the scheme to the exclusion of other RPs;
- There are no consents that restrict the letting/sale of property in contradiction of any national policy of Government or the GLA; (For example a planning consent should not exclude housing for rent from the provisions of the Right to Acquire (which gives a statutory right

to purchase certain properties provided by RPs) or restrict the equity in a shared ownership scheme;

- There are no restrictions on use or sale of the properties which make them unmortgageable; and
- There are no restrictions on grant recovery that contradict GLA policy, e.g. by restricting the location of spend of recycled receipts, or of requiring recycling to the LA in a way which jeopardises the GLA's interest.

- 2.3.103. If RPs are uncertain as to whether a particular planning condition or obligation will make the development ineligible, it should contact the GLA.
- 2.3.104. Local planning authorities may attach s106 Obligations for offsite works and financial contributions to planning permissions obtained by RPs. This may include, for example, the provision of community centres not primarily for RPs' tenants, or financial contributions for non-housing purposes.
- 2.3.105. RPs must ensure that they are acting within their own rules in complying with such obligations by obtaining legal advice as to whether the proposed activity is within their rules. The GLA will not dispute that advice unless there are strong grounds for doing so. RPs will also need to seek legal advice about the extent of their potential future legal liabilities to the local authority or other third parties relating to off-site works and also about any limitation measures that it might be prudent for RPs to undertake.

### **Planning Subsidy**

- 2.3.106. Planners will often require the developer/landowner to provide affordable housing as a Planning Obligation. The purpose is to provide **additional** affordable housing, either directly or by reducing the grant requirement for those dwellings so the grant thereby saved can be used elsewhere for more affordable housing.
- 2.3.107. RPs must ensure that the Planning Subsidy that they receive through such Planning Obligations is clearly quantified (in agreement with the local planners), and apportioned to the properties in a manner that is consistent with the Requirements for apportionment of grant.
- 2.3.108. The expectation is that this type of scheme can be financed without any grant requirement. Grant may be available in exceptional circumstances, but only if there is an economic appraisal demonstrating the need for grant.

### PSI – Site Signboards

- 2.3.109. For all new SHA, SHG, RCGF & DPF funded schemes in London, RPs must comply with the GLA's signboard requirements, unless the GLA has provided a specific exemption.
- 2.3.110. The GLA signboard must use the official 'SUPPORTED BY MAYOR OF LONDON' logo. RPs should request this logo from the GLA via their Area Manager.
- 2.3.111. There are two sizes available. The larger version - 2440mm x 1220mm (8ft x 4ft) - is the preferred design. The smaller version - 2440 x 610mm (8ft x 2ft) - may be used where space is limited. Deviation from these sizes must have prior written permission from the GLA.
- 2.3.112. RPs producing a signboard with the official GLA artwork in isolation (i.e. with no other branding on the same signboard) should submit the first design-proof of the signboard to their GLA Area Manager for sign-off before committing to print. This can then be used consistently on subsequent schemes,
- 2.3.113. RPs producing a signboard with the official GLA artwork in conjunction with other branding (i.e. multi-logo signboard) should ensure that there is an exclusion zone equal to the cap-height of the 'N' in 'LONDON' around the entire 'SUPPORTED BY MAYOR OF LONDON' logo. It is important that this space is not encroached upon by any other elements. RPs should submit the individual design-proof for each multi-logo signboard for sign-off before committing to print. RPs should submit this proof to the GLA via their Area Manager.
- 2.3.114. In all cases the official master artwork needs to be reproduced carefully.
- 2.3.115. RPs producing these signboards by signwriting or other recognised techniques must ensure that the design is accurately followed. No artistic licence is permitted. There is further brand identity information (including typefaces and colours) at [on the GLA website](#).
- 2.3.116. Where the RP considers that the provision of a site signboard is inappropriate (e.g. where it would be inappropriate to publicise the client group) or where a different sized board is required, exemption or waiver should be sought in writing from the GLA.

## 2.4. Management arrangements

### MA – Overview

#### Purpose

- 2.4.1. The GLA wishes to ensure that properties that are developed with the benefit of grant are managed and maintained in accordance with the Social Housing Regulator (HCA).
- 2.4.2. This applies whether the properties are directly managed by the RP who developed them with grant, or by other organisations with whom the RP has contracted for management services.

#### Context

- 2.4.3. RPs are responsible for providing efficient and cost effective management in the best interests of tenants, and are accountable for the public funds invested in the scheme.
- 2.4.4. RPs can adopt a variety of management arrangements, including outsourcing the work (commissioning another organisation to provide services on the RP's behalf - such an organisation is often referred to as a "management agency").
- 2.4.5. Regardless of whether or not the provision of services has been outsourced, ultimate responsibility for effective management of any tenants' and/or leaseholders' interests and the stock will remain with the RP that owns the properties.
- 2.4.6. RPs may choose to outsource the provision of management and maintenance services to other organisations for a variety of reasons:
- To deliver the services more efficiently;
  - To deliver the services more effectively;
  - To deliver the services more sensitively (especially where specialist expertise is needed for the client group);
  - To assist specialist organisations in growing and becoming financially viable.

### MA – Requirements

#### General

- 2.4.7. Housing schemes (including Supported Housing) involving the delegation of any housing management responsibilities to a statutory body (e.g. local authority, health authority) are ineligible for grant.
- 2.4.8. However, where RPs are commissioning another (non-statutory) organisation to provide services, they must do so in writing. The services to

be provided must be clearly defined in the contract, as must the cost to the RP of receiving the services.

- 2.4.9. The contract for the provision of the services must be finalised and signed in time for the service provider to mobilise their resources to be able to deliver the services at an appropriate level of quality at the handover date.
- 2.4.10. The GLA does not provide a model management agreement.

### **Supported Housing Issues**

- 2.4.11. As noted, RPs cannot commission statutory bodies to provide housing management services to their residents. However, in Supported Housing schemes, RPs may decide to enter into a support agreement with a statutory body to ensure the non-housing needs of tenants are met.
- 2.4.12. Such support arrangements must be based on a written agreement that sets out the responsibilities of each party.
- 2.4.13. The agreement must address the issues of performance review, procedures to be followed in the event of breach of the agreement, and have provisions for termination by either party.
- 2.4.14. Where the arrangement involves a division of staff working in the scheme between two or more employers, RPs must ensure that the agreement clearly states the responsibilities for the employment and management of staff, and includes clear details of reporting lines.

## 2.5. Finance

### Finance – Overview

#### Purpose

- 2.5.1. This chapter sets out the conditions and procedural requirements which aim to ensure that public subsidy is:
- Used correctly in accordance with general fiscal legislation;
  - Accounted for accurately; and
  - Administered in line with the correct procedures.

#### Context

- 2.5.2. *Use of Social Housing Assistance (SHA)/Social Housing Grant (SHG)* is governed by the GLA's terms and conditions, and principles as described in section 2.1 above, and/or clauses in the Framework Delivery Agreement or contract.
- 2.5.3. Grant Recovery is governed by [The Recovery Of Capital Grants and Recycled Capital Grant Fund \(Greater London\) General Determination 2015](#) and/or clauses in the Framework Delivery Agreement.
- 2.5.4. The use of grants paid in respect of Right to Acquire and Social HomeBuy is governed by statute. Section 35 of the Housing and Regeneration Act 2008 requires the GLA to specify:
- The procedure to be followed in relation to applications for grant
  - The method for calculating, and any limitation on, the amount of grant
  - The manner in which, and time or times at which, grant is to be paid and
  - Any other terms and conditions on which such a grant is given
- 2.5.5. Financial Assistance paid in respect of RTA and SHB discounts will be subject to the rules of the Disposal Proceeds fund (DPF). Please see the [Regulator's DPF guidance](#) for details.

#### Other Sources of Funding

- 2.5.6. SHA/SHG can be combined with other sources of funding, including:
- Long-term loan from a bank/building society/other (a mortgage);
  - Recycled Capital Grant Fund - where permitted, see the [Grant recovery chapter](#)
  - Disposal Proceeds Fund - see the [Regulator's DPF guidance](#)
  - Other public subsidy e.g. gap-funding grant from a Local Authority
  - Discount on land from the public sector
  - Discount on land from the private sector (arising from the local authority planners imposing a Planning Obligation, enforced through a S106 Agreement)
  - RPs' own funds

- Charitable donations

### **Other Public Subsidy/Additional Affordable Housing Subsidy**

2.5.7. Previously the AHCFG has drawn a distinction between Deductible and Non-deductible Other Public Subsidy (OPS) with Deductible OPS reducing entitlement to grant. This concept is no longer relevant, with grant levels for schemes set through competitive bidding rather than a formula. Grant is not adjusted due to the receipt of OPS.

2.5.8. However, the competitive assessment of bids is conducted in terms of value-for-total-public-subsidy, and hence a value for relevant OPS needs to be given (note this applies to all AHP grant recipients). Relevant OPS is termed Additional Affordable Housing Subsidy. As funding streams are subject to frequent change the GLA does not provide a listing of those which should be considered Additional Affordable Housing Subsidy. Instead all subsidy should be treated as Additional Affordable Housing Subsidy where:

- It is from a public body
- It is paid directly to the developing organisation
- It is for housing works which are part of the same building contract as the grant funded works

**Except:** (i) where the subsidy is paid to reach higher standards than GLA minima in an area for which we set standards; (ii) where the subsidy derives from a commuted sum paid by a developer under a S106 obligation on another site.

2.5.9. For information on how the Office of the Gas and Electricity Markets' (OFGEM) Feed in Tariff impacts on the Mayor's Covenant Programme please refer to the [HCA's website](#).

### **Other Public Subsidy: Discounted Land**

2.5.10. Where land is sold to the developing organisation at a discount this is considered Additional Affordable Housing Subsidy for the purpose of offer/bid assessment. The Additional Affordable Housing Subsidy will be the difference between the total consideration paid by the RP and the Restricted Value of the property. The Restricted Value takes into account any reduction in value brought about by any fettering of the future use of the property by the seller. If no such restrictions are placed on the property, the Restricted Value will be the same as the Unrestricted Value.

### **Example**

2.5.11. If a local authority sells land subject to a nomination agreement which requires more than the baseline 50% nominations for grant-funded schemes, this will restrict the value of the property. Without this restriction a

site may be worth, say, £1.5m (the Unrestricted Value). However, with the requirement to enter into a long-term Nomination Agreement providing, say, 100% of initial lettings and 75% of true voids, the Restricted Value of the site will fall to (say) £1.3m. If the RP pays £1.3m, they will NOT be considered as having received £200,000 of Additional Affordable Housing Subsidy/Other Public Subsidy, as they will have paid full value for the site, given that it is fettered with the Nomination Agreement.

- 2.5.12. **Definition:** Consideration is the thing of value that one party gives to another under a contract. Often, it comes in the form of money, but it can also come in the form of goods or services. Thus, the total consideration paid by one party under a contract to the other party may be a mixture of monetary consideration and consideration-in-kind. An example might be an RP offering nomination rights to affordable housing to an employer, a Local Authority or other body. Having the right to nominate someone into affordable accommodation has a value. Thus, nomination rights can be consideration-in-kind.
- 2.5.13. Both the Restricted Value and the Unrestricted Value should reflect the uses for which a planning permission is likely to be obtained.
- 2.5.14. RPs must obtain professional valuation advice on the effect on value of any restrictions placed on land by the seller.
- 2.5.15. RPs must also note the difference between "total consideration" and "price". The GLA will count the organisation's scheme as being in receipt of Additional Affordable Housing Subsidy if the value of the monetary consideration paid (the price) **and** the consideration-in-kind provided is less than the Restricted Value of the property.

### **Right to buy receipts**

- 2.5.16. The government's rules for local authorities spending right to buy receipts on housing development prohibit combination of those receipts with GLA grant funding for affordable housing.

### **Acceptance of the Framework Delivery Agreement or contract**

- 2.5.17. RPs developing a programme of schemes under the GLA's 2015-18 MHC must formally accept the GLA's terms and conditions as contained within the Framework Delivery Agreement (FDA) or contract. This will require a Board decision and RPs must retain a minute of the Board's decision on file for compliance audit purposes.
- 2.5.18. Signing the FDA or contract will be deemed as acceptance of the GLA's terms and conditions
- 2.5.19. RPs will not be able to claim grant unless the FDA or contract has been agreed and signed.

### Breaches of the Framework Delivery Agreement or contract

- 2.5.20. The GLA may impose penalties including changes to the level of or suspension of funding if its terms and conditions as outlined in the FDA or contract are not met. Failure to meet forecast milestones can result in changes to funding levels or termination of schemes.
- 2.5.21. Where RPs fail to comply with terms and conditions as set out in the FDA or contract, or if there is any cause for serious concern about the RP's performance or financial viability, the GLA reserves the right to suspend funding. This may also trigger grant repayment (plus interest where applicable) as outlined in the FDA or contract.

### Finance - Grant Claims and Payments

#### General

- 2.5.22. RPs must not claim grant:
- If they do not have a secure legal interest in the property;
  - In advance of need i.e.
    - When the RP has not entered into the commitment for which the Grant payment is intended OR
    - Even though contractually committed, the RP does not yet have to make payments;
    - Before the relevant Payment Milestone has been achieved (please see 2.2.43 on milestones);
  - For Guidance on "**a secure legal interest in the property**" please see the contract.
- 2.5.23. Under the Framework Delivery Agreement grant can be paid via the Lead Partner to other RPs within the consortium/partnership. In such cases, the Lead Partner is deemed to be a conduit for payment and not a grant recipient. Lead Partners do not, therefore, need an interest in the site to enable this transaction.

#### Bank Details

- 2.5.24. When RPs are due to receive grant from the GLA for the first time, there are standard forms to complete to allow bank account and other relevant details to be uploaded to IMS and to our finance system (SAP). If your organisation needs to complete these forms, please contact your GLA Area Manager. The GLA pays grant directly into RPs' bank accounts and does not pay grant in any other way.
- 2.5.25. All providers' claims for payment of grant must be submitted via the Internet using the GLA's Investment Management System (IMS). IMS guidance documents are on the [HCA's web site](#).

## General Procedural Requirements

- 2.5.26. At the point of claiming grant RPs must confirm:
- That the application for grant payment is correct and conforms with the terms and conditions as set out in their Framework Delivery Agreement or contract or any further conditions issued by the GLA (if RPs are unable to confirm this, the application for grant payment will be rejected).
  - Acceptance of the certifications that appear on the IMS screen when the scheme has been submitted.
- 2.5.27. That they (i.e. the RP) have (or will have) good title to the property.
- 2.5.28. (For Off the Shelf, Mortgage Rescue, HomeBuy Equity Loan & HOLD schemes) that all necessary consents have been obtained prior to exchange of contract.
- 2.5.29. In the case of Off the Shelf & HOLD, the single tranche of grant can be claimed upon exchange of purchase contracts, provided that the property is fully developed and immediately available for occupation.
- 2.5.30. RPs will need to obtain approval from the GLA for any scheme variation, including changes to milestone dates.
- 2.5.31. For schemes that fail to reach completion, RPs must contact the GLA as grant may be recoverable (see the [the Grant Recovery chapter](#)).
- 2.5.32. The GLA will check that all comments made on IMS for any variations from the bid/offer stage are consistent with what has been previously agreed by the GLA for that scheme.
- 2.5.33. The GLA may terminate a programme/scheme and recover any grant paid on the scheme where:
- The programme/scheme no longer meets a strategic need and
  - The programme/scheme no longer offers value for money and
  - The RP has not previously told the GLA of the changes, even if the changes are not fundamental.
- 2.5.34. **For new build schemes being delivered under the 2011-15 AHP or 2015-18 MHC**, the above requirements apply, but there is an additional condition that SOS works must also have commenced (paragraph 2.5.39 below has guidance on schemes that are not new build). For details of SOS works, please see the Definitions section in the relevant FDA or contract. These definitions are repeated below.
- 2.5.35. Start on Site Works means:
- (a) Excavation for strip or trench foundations or for pad footings;
  - (b) Digging out and preparation of ground for raft foundations;
  - (c) Vibrofloatation, piling, boring for piles or pile driving; or
  - (d) Drainage work specific to the buildings forming part of the Firm Scheme;

- 2.5.36. Other defined terms used below have the meaning given in the FDA or contract.
- 2.5.37. It is not intended that the definition of Start on Site Works in the FDA or contract (and repeated above) excludes schemes where demolition works have begun or where infrastructure works (such as excavations to install drainage or highways infrastructure works including where such works are the subject of a s278 or s104 agreement) to support the scheme have commenced, subject to the conditions below. Starts on Site can therefore be recorded (and where relevant a grant claim submitted) in circumstances where:
- Either:
    - A Building Contract has been signed and dated with a single Building Contractor to undertake both demolition and construction works or infrastructure and construction works; and
    - Demolition or infrastructure works have commenced; and
    - Upon completion of demolition works and site clearance, or of infrastructure works, construction works which meet one of the definitions in the relevant FDA or contract and repeated above (a-d) will immediately follow on;
  - Or
    - A separate contract for demolition works or for infrastructure works has been signed and dated and a Building Contract with a Building Contractor has been signed and dated and:
    - Demolition works or infrastructure works have commenced;
    - Upon completion of demolition works and site clearance or upon completion of infrastructure works, the Building Contract with the Building Contractor will be unconditional; and
    - As soon as the Building Contract becomes unconditional, start on site works which meet one of the definitions in the relevant FDA or contract and repeated above (a-d) will proceed.

### **Service Diversions**

- 2.5.38. Where a Building Contract has been signed and dated with a single Building Contractor and the Building Contract requires service diversion works to be carried out before works which meet one of the definitions in the FDA or contract (and repeated (a – d) above), starts on site can be recorded (and where relevant, a claim submitted), provided always that the service diversion works will be undertaken within the agreed contract period, and works which meet the definition in the Framework Delivery Agreement (and repeated above (a – d) will immediately follow on from service diversions.

### Rehabilitation or conversion schemes

- 2.5.39. Paragraph 2.5.35 above lists works required to meet the new build SOS definition. Those works are not required for schemes that are not new build, i.e. for rehabilitation or conversion schemes. For such schemes the trigger for claiming grant at start on site is the date of the start on site of the main contract works. This is deemed to be the date when the contractor takes possession of the site/property AND both parties have signed the main building contract. The requirements of paragraph 2.5.22 above still apply for rehabilitation or conversion schemes, i.e. they are eligible for a start on site payment only where the grant recipient has been obliged to make a payment in respect of the scheme. Some but not all rehabilitation or conversion schemes benefit from start on site payments, depending on the programme and the rules prevailing at the time when the scheme is approved.
- 2.5.40. The amount of grant payable at Start on Site will be set out on the relevant payments screen of IMS.
- 2.5.41. Where the Start on Site grant tranche has been drawn down too soon the RP may be charged interest for the period between the date when the tranche was received by the RP and two weeks after the correct closing date for start on site. In such cases the provider must notify their GLA Area Manager.

### Start on Site – Grey Areas

#### Building Licence/Agreement to Lease or Buy

- 2.5.42. Where providers wish to start building works on land that they do not yet own, they must demonstrate that they have a secure legal interest in the property for grant to be payable. Specifically they must:
- Ensure there is a legally binding agreement that the legal interest in the property will be transferred to the provider immediately or within a reasonable timescale following completion of the development;
  - Seek legal advice to ensure they have sufficient security to proceed;
  - Be aware that if the scheme fails to complete, or the legal interest is not transferred to them, the GLA will recover any grant paid.
- 2.5.43. In addition to the requirements on obtaining a secure legal interest in the property, the RP must not claim grant in advance of need.

### Golden Brick schemes

- 2.5.44. "Golden Brick" is relevant where a landowner may incur professional fees if, for example, they obtain a planning permission on their land or undertake investigatory work. These fees are likely to attract VAT. The landowner may

- wish to reduce these expenses by electing to charge VAT on the land when they sell it. VAT on the sale of land is charged at the standard rate of 20%.
- 2.5.45. However, the VAT rate for the sale of land and buildings that are part-constructed is 0%. The definition of "part-constructed" is that "... a building is being constructed when work has progressed above foundation level. This is usually when walls begin to be constructed upon the foundations. These walls need not be above ground level. However, simply digging and concreting foundations is not sufficient." (paragraph 4.7.4, V1-8A, HM Revenue & Customs).
- 2.5.46. Therefore, the purchaser of properties constructed to at least this "golden brick" level pays VAT at 0% (i.e. no cost to them), while allowing the seller to reclaim the VAT which they paid on professional fees.
- 2.5.47. Providers can normally only claim grant when work has progressed from Golden Brick level onwards, so long as they also satisfy the conditions about secure legal interest and having signed the contract set out above. Where golden brick level has been reached, this would normally mean that the Start on Site works would have commenced.
- 2.5.48. Providers must confirm the date when they completed on the purchase of the land under the Golden Brick arrangement. Grant is not normally claimable prior to that date.
- 2.5.49. The following are potential scenarios for golden brick and grant claims. Under "Golden Brick" arrangements, the RP enters into a building contract for the completion of a development which is in the process of construction i.e. up to Golden Brick level.
- 2.5.50. Building work up to Golden Brick level has to be undertaken by the seller, not the RP. Therefore, by definition, the RP's builder cannot have started work under the contract that they have with the RP, prior to the buildings reaching Golden Brick level.
- 2.5.51. Grant is therefore claimable when the RP has signed the building contract for the completion project with their contractor, AND the contractor has taken possession on site in order to undertake the work of completing the dwellings from Golden Brick level onwards.
- 2.5.52. The Start on Site grant claim is not payable when the seller's contractor begins work on site, as for the grant to be claimed all three of the following Requirements must be achieved:
- RPs must have a secure legal interest in the property,
  - RPs must have entered into their contract with their builder, to undertake the building works from Golden Brick level onwards,
  - RPs' builders must have possession of the site and be undertaking the work from Golden Brick level onwards

- 2.5.53. As RPs' contractors cannot be simultaneously undertaking work on the properties that are "up to Golden Brick level" and "from Golden Brick level onwards", the RP can only claim Grant when work is "from Golden Brick level onwards"
- 2.5.54. There may however, be occasions where the organisation selling the land and undertaking works to Golden Brick level is the same as that which the RP will contract with to undertake works beyond Golden Brick level. Under such circumstances, Start on Site grant may be claimed provided the following conditions are satisfied:
- The RP can demonstrate that it will be entitled to a secure legal interest in the property at the point at which Golden Brick is reached, for example, by entering into a legally binding agreement (such as an Agreement for Sale) with the vendor to complete the land acquisition/purchase with the achievement of Golden Brick providing the trigger for purchase completion. The Agreement for Sale (or other legal agreement) should include a backstop date allowing for either completion of land acquisition or termination if Golden Brick has not been achieved by that backstop date.
  - Grant tranches should not be claimed in advance of need. Thus RPs should be paying money out for the works being undertaken to Golden Brick stage, as well as towards the land acquisition costs. RPs may choose to pay towards the latter in proportion to and with payments being made for works. RPs should have an obligation to make such payments before claiming grant. However, RPs may wish to safeguard such monies until Golden Brick has been achieved, and it has completed purchase of the land and has a works contract secured for works post Golden Brick. RPs may choose to do this by holding the money in an escrow account, held to the benefit of the developer or as stakeholder, subject to achievement of the Golden Brick stage within the agreed timescale.
  - Within current programmes, where an RP wishes to claim start on site under a Golden Brick arrangement, as well as meeting the Golden Brick requirements set out above, they must also ensure that the definition of start on site set out in the FDA or contract, and/or the requirements set out above have been achieved.

### **Final (Practical Completion) Claim**

- 2.5.55. For grant purposes, Practical Completion is when the last dwelling is handed over, the scheme having been completed in accordance with the terms of the relevant building contract, as being fit for occupation as a residential development, in accordance with NHBC requirements. For current programmes, this excludes minor defects and/or minor omissions at the time of inspection which are capable of being made good or carried out

without interfering with the beneficial use and enjoyment of the firm scheme. For instance, a scheme can be classed as completed even though external works such as landscaping may remain to be completed.

- 2.5.56. Any planning conditions or reserved matters must normally be signed off in order for Practical Completion to be achieved – please see 2.3.104 above. Exceptions are possible only with GLA permission, which would be given for minor conditions such as landscaping. To request such permission, please enter a scheme comment in IMS prior to submitting final cost entry submission, giving details of each condition outstanding and the date of the sign-off application. The GLA will then review the scheme comment when approving the final cost submission. If agreed, the provider should submit further post-completion IMS scheme comments confirming date of discharge for each planning condition.
- 2.5.57. In the case of a new Off The Shelf development, a claim for grant should not normally be made prior to the completion date (as specified on the practical completion certificate issued by the duly authorised contractual party). However, the claim can be submitted against the issue of a certificate of Partial Completion provided all of the dwellings in the scheme, or phase, have been handed over.
- 2.5.58. RPs must input the following data in to the GLA's Investment Management System (IMS), based upon their forecast final costs .
- Rents and service charges, setting out any details that have changed since Grant Confirmation stage (not required for Re-improvements, Rehabilitation Works Only, RSI3 and City Challenge schemes).
  - **Costs at Practical Completion.**
  - **Final Cost calculation of grant.**
  - **Actual on-costs (fees, interest, minor works, insurance/bonds etc.).**
- 2.5.59. At the point of claiming grant, Providers must confirm that their application for grant payment is correct and complies with the FDA or contract..
- 2.5.60. For Affordable Rent schemes, rents will be calculated according to market rents at the time of letting.
- 2.5.61. For any Social Rent schemes agreed, providers should refer to the [the Housing for Rent chapter](#).

## Social HomeBuy

### Initial Sales

- 2.5.62. Following legal completion of the initial sale providers must notify the GLA, and can then claim grant based on the discount available to the purchaser. The amount of grant claimed should be calculated in accordance with the Social Homebuy section of the [Housing for Sale chapter](#).

- 2.5.63. Providers must claim grant within 10 working days of the date of legal completion. Providers can apply for grant only after the legal completion of the sale, and not before.

### **Staircasing Sales**

- 2.5.64. The same principles that apply to initial sales will apply to the first and subsequent staircasing sales.

### **Right to Acquire**

- 2.5.65. Following legal completion providers must notify the GLA, and can then claim grant based on the discount available to the purchaser (see the Right to Acquire section of [the Housing for Sale chapter](#)).
- 2.5.66. RPs must claim grant within 6 months of the date of legal completion. RPs can apply for grant only after the legal completion of the sale and not before.

### **Leasehold Repurchase**

- 2.5.67. Shared Ownership - General:  
Total grant payable will be up to 70% of the value of the shares being repurchased. Payment will be in a single tranche, payable on Practical Completion.

### **Payment**

- 2.5.68. The GLA will pay grant within 10 working days of the claim being approved for payment.
- 2.5.69. The GLA will compensate the RP for any late Grant payment that is the sole responsibility of the GLA. The compensation will be for any interest charges suffered or for any potential loss of interest that would have been earned by the RP. It is payable upon receipt of a claim from the provider supported by evidence that such loss has been incurred. The claim can be in the form of a letter addressed to the GLA containing an explanation of the amount of the loss, how it has been incurred together with relevant calculations.
- 2.5.70. The interest rate payable will be at the maximum of the Bank of England base rate plus 4%.

### **Finance – VAT**

#### **General**

- 2.5.71. VAT (input tax) is payable on works to existing stock and some works in new build contracts (e.g. landscaping, equipment, furnishings). The majority of most provider' outputs under 2011-15 AHP are Affordable Rent, which is an exempt supply. Therefore only partial recovery of input VAT paid is possible.

2.5.72. The GLA strongly recommends that providers refer to the wide range of free public notices on various aspects of VAT and the network of local VAT Business Advice Centres that are available to traders and public. Further guidance on VAT is available from local VAT offices at the [HMRC website](#).

### **VAT on Major repairs**

2.5.73. If the provider reclaims VAT on Major Repairs schemes which have already received 100% grant funding, the grant paid in relation to VAT will be reclaimed as unexpended grant.

2.5.74. The provider may retain reasonable costs incurred in recovering the VAT where these can be justified. Each case will be considered on its merits.

### **Finance - Money Laundering Regulations**

#### **General**

2.5.75. Providers must ensure that they are aware of these regulations, and adhere to them. RPs' activities may mean that they come within the ambit of the Money Laundering Regulations 2007. For example, some RPs may be treated as undertaking Estate Agency activities. RPs will need to obtain legal advice on the extent to which their activities are covered by these Regulations, and ensure that they comply with them.

2.5.76. Regulations 25-30 of the Money Laundering Regulations relate to persons who act as high value dealers. It is unlikely that providers would be considered high value dealers when undertaking Affordable Home Ownership activity, but they must ensure that they satisfy any requirements of the above regulations.

2.5.77. RPs must seek their own advice as necessary in order to ensure compliance.

#### **The Regulations**

2.5.78. For details of the Money Laundering Regulations please see the [the Money Laundering regulations 2007 website](#).