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1 SCOPE AND FORMAT OF THE GUIDE

1.1 This version of the Capital Funding Guide must be used for all schemes receiving confirmation of Social Housing Grant on or after 1st July 2006. Schemes that received confirmation of grant before 1st July 2006 or Grant Confirmation prior to April 2006 should be processed according to previous versions of the guide relevant to that date. Previous versions can be accessed via a direct link from the Capital Funding Guide's homepage on the Corporation's website – www.housingcorp.gov.

1.2 Following publication of the National Affordable Housing Programme prospectus, together with a new approach to programme management and the revised Low Cost Home Ownership products the April 2006 Capital Funding Guide was substantially revised. The revision is ongoing and paragraph 2 below contains details of changes for July 2006. Further updates will be published as soon as they become available. This guide now covers the following general topics in the following chapters:

- GENERAL - General points applicable to Social Housing Grant (SHG) funding through the Housing Corporation;
- REC - Capital Grant Recycling and Recovery;
- DPF - Disposal Proceeds Fund;
- MILESTONES – This chapter is not yet available but will cover details of target milestones and scheme variation guidance. It is currently under construction and will be available in due course.
- PAYMENTS – This chapter is currently under construction, RSLs wishing to submit a claim for grant should telephone 0207.393.2234 for further information.

1.3 Guidance on each of the main scheme type and the Right To Acquire is set out in separate chapters. Each chapter contains guidance within broad section headings. The scheme type sections are:

- RENT - permanent rented housing which is new build, rehabilitation, and re-improvement;
- REPAIR - Major repairs and Miscellaneous Works, including adaptations;
- TSH - Temporary Social Housing;
- SALE - shared ownership, shared ownership for the elderly, rural repurchase, and rehabilitation for outright sale;

- HOMEBUY;
- SHB- Social Homebuy;
- VPG - Voluntary Purchase Grant – after sales issues;
- RTA - Right To Acquire;
- KWL- Keyworker Programme.

1.4 This Guide should be read in conjunction with Scheme Development Standards and the Regulatory Code.

1.5 Please note that where this guide refers to the Corporation's Publications Department, contact should be made by email to publications@housingcorp.gsx.gov.uk.

1.6 In many instances throughout this guide it requires RSLs to contact their local Corporation office for further guidance or approval on investment matters. Unless specified otherwise RSLs should initially contact their local Investment Officer.

1.7 For all other queries please contact the Corporation's Enquiry Team on 0845.23.7000 or email enquires@housingcorp.gov.uk

2 SUMMARY OF CHANGES FOR July 2006

Following the Office of the Deputy Prime Minister's (ODPM) change of name to the Department for Communities and Local Government (DCLG) references in this guide have been updated where appropriate.

GENERAL

General-1, para 10 etc in respect of 'Authorised Signatories' has been amended, RSLs are encouraged to read this revised entry to ensure they meet the necessary requirements.

General-2, para 1.3 now explains that there is a direct link to a copy of the Partnering Programme Agreement on the Capital Funding Guide homepage on the Corporation's website.

A copy of the "Standardised Terms of Engagement" referred to in the Partnering Programme Agreement is now available at General-2 Appendix 1.

The Glossary definition in respect of Supported Housing has been revised

REC

In order to access the suite of RCGF forms from the Corporation's website, users should now type F2 – 28/97 in the search facility to locate the relevant circular. REC-2, para 2.1 has been amended.

SOCIAL HOMEBUY

The new chapter providing guidance on eligibility and application processing is now available, together with an index list. Sample SHB leases can be located via a direct link from the Capital Funding Guide's homepage on the Corporation's website, www.housingcorp.gov.uk

SALE:

Proposed revisions to this chapter are still subject to discussion and an update will be provided in due course. RSLs should refer to the current chapter and contact their Regional Investment Officer where any doubt exists. The Sample leases are now available direct from our website via the link on the Capital Funding Guide webpage and are no longer contained within this chapter.

HOMEBUY

Proposed revisions to this chapter to take into account the new Open Market Homebuy product are still subject to discussion and an update will be provided in due course. Homebuy Agents should refer to the current chapter and contact their Regional Investment Officer where any doubt exists.

VPG

Following the replacement of Voluntary Purchase Grant with Social Homebuy, this chapter has been substantially reduced. It now contains details relating to post VPG sales issues; for example:- repayment of discount; right of first refusal; further lending; annual monitoring.

RTA

Two new Approved Lenders, Cheval Property Finance plc and Church House Trust plc, have been added to the list at RTA-4. Paragraph 16.1 also explains that the most up-to-date list is available on the Department for Communities and Local Government website and gives the relevant web address.

KWL

Fully qualified social workers (also know as Guardians) and children's social workers, employed by The Children and Family Court Advisory and Support Service (CAFCASS) and have attained the recognised professional social

worker degree/diploma are now eligible to be treated as keyworkers and details have been added to Annex B under CAF/CASS.

Connexions Personal Advisors employed by either a local authority or Connexions Partnership are now eligible to be treated as key workers – Annex B has been updated accordingly.

Intermediate Rent – Assured Shorthold Tenancies – no right of succession. Following legal advice that the final sentence at KWL-4 para 4.8 is incorrect this has now been removed.

3 FUNDING CONDITIONS

- 3.1 Funding Conditions apply to programmes for which an RSL has an allocation from the Corporation.
- 3.2 Every RSL with an allocation in 2006/2008 is required to ask for the Funding Conditions for 2006/2008 to be accepted by the RSL's Committee and must retain a minute of the Committee decision on file for compliance audit purposes. Funding Conditions can be signed off in IMS by the organisations Security Administrator or any other user with the 'Funding Conditions Sign Off' authority assigned to their security profile
- 3.3 The RSL will not be able to make a submission of any kind into IMS until this confirmation has been made.
- 3.4 The following conditions apply to all programme types.

FUNDING CONDITIONS

These Funding conditions set out the requirements that must be met by a Registered Social Landlord (RSL) when using Social Housing Grant (SHG), Purchase Grant VPG/RTA/SHB provided by the Housing Corporation (HC).

Grant conditions applied to all programmes

1. All funding is subject to the provisions of the Housing Act 1996 (or any amendment or re-enactment thereof) and any determinations made under that Act by the HC.
2. All grant confirmation and other scheme submissions relating to the achievement of forecast milestones must be made, and all grants provided must be used, in accordance with the HC's published criteria, procedures and audit arrangements. Non compliance with the HC's procedural requirements could result in the withdrawal of allocations and recovery of grant.
3. Grant funding is conditional upon the RSL meeting the HC's Regulatory

Code; this will be monitored through regulatory engagements and will be assessed through the Housing Corporation Assessment system (HCA). The code includes standards for the housing and related services that RSLs should provide to their residents and communities.

4. Where the RSL is undertaking the role of Employer/Client on developments for which grant is requested, funding is conditional upon the RSL obtaining and maintaining either Client's Charter Status or Mini-Charter status. Client's Charter status is required by any RSLs with an annual construction activity (works plus fees, but excluding VAT) of more than £1.5m. Where values are less than £1.5m RSLs may obtain the Mini-Charter in order to qualify for funding. The HC will exercise discretion in relation to RSLs undertaking small or occasional projects with insignificant construction activity.
5. All grant paid must be applied to the provision of housing and must be used as prescribed in our guidance. RSLs should ensure appropriate financial appraisal of schemes to confirm their viability both during the development period and in the long term. Where RSLs have specified that schemes are to be developed to higher standards and/or incorporate Modern Methods of Construction (MMC) the schemes must be developed to incorporate these features unless specific prior approval to waive certain aspects is granted by the HC. The dwellings produced should meet the HC's Scheme Development Standards (SDS) current at the time of the confirmation of grant and all other requirements contained within the National Affordable housing Programme 2006-08 Development Brief (Revision 4 201005). Housing Quality Indicators (HQI) assessments should be carried out at Feasibility, Scheme Design and Practical Completion stages and recorded within the HQI section of IMS.
6. Funding is conditional on the RSL either possessing a legal interest in the property already, or having entered into or an intention to enter into a binding legal agreement to acquire such an interest as part of a scheme, prior to drawing down grant. Where the RSL is acquiring an interest in the property or where works are to be done, the property must offer good title. Property already in the RSL's ownership must comply with this condition. Where a leasehold interest is to be acquired, the outstanding term should be at least thirty years for rehabilitation schemes and sixty years for new build schemes at the date of purchase completion.
7. No member, employee, agent or consultant of the RSL should have any interest in the proposed vendor, contractor or the land or property to be acquired, including properties purchased by individuals under Homebuy or other such schemes. This includes any firm, partnership or organisation in which they or their families are involved.
8. There should be consistency between the rents, including Housing Benefits (HB) eligible service charges specified by RSLs at the time of grant allocation, with those agreed at confirmation of grant stage and those charged from first letting or point of sale onwards. The RSL will therefore charge rents, including HB eligible service charges, on first letting or point of sale which are no higher

than those agreed at confirmation of grant; and thereafter it will only change its rents in compliance with rent restructuring guidelines specified by the HC. The HC guideline limits also apply to HB eligible service charges. In the case of intermediate rent projects rents charges will be between market rents and social rents. Any rent increases will be restricted to a maximum of RPI + 0.5%.

9. Where a scheme is to be developed by a different RSL from that which will ultimately own or manage the scheme, there must be a written agreement between the RSLs on the Terms of Transfer and the rents including HB eligible service charges to be charged for the scheme.
10. All funding is subject to RSLs complying with the EU Procurement Rules in relation to Works (Works Directive 93/37/EEC) and Services (Services Directive 92/50/EEC), where applicable.
11. RSLs undertaking delegated development activities in partnership with a 'Lead' RSL under the PPA route shall fully co-operate with the RSL (Lead) in order to enable the RSL (Lead) to discharge its functions on behalf of its partner RSLs.
12. A sole RSL or single Group RSL following the PPA route is required to commission an appropriately qualified independent consultant or auditor to undertake a programme of self-assessment procedural compliance audit.
13. Funding of properties which have already received TSH grant and whose previous lease length was of 6 years or less and are eligible for further Temporary Social Housing (TSH) SHG when the lease or licence expires will be at the discretion of the Corporation. The RSL is required to demonstrate that it has taken into account the additional on-cost paid on the original 'shared unimproved' scheme and therefore the cost of re-living such schemes must demonstrate value for money.
14. Where the RSL is acting as the 'Lead' for a group of other RSLs that are participating in the delivery and/or management of homes included **within** a PPA, then the RSL will be deemed responsible to the HC for the following additional responsibilities and obligations on behalf of any of the participating RSLs:
 - maintaining acceptable business performance as 'Lead' to be evidenced by the Housing Corporation Assessment;
 - maintaining 'Client's Charter' status (not Mini-Charter);
 - appraising risk and financial status of individual projects and the overall programme;
 - securing HC funding for a programme of agreed projects;
 - determining the individual RSLs that will carry out development functions for specific projects and undertake SHG draw-down;

- determining the individual RSLs that will carry out development functions for specific projects;
- usage of suitable legal and procedural documentation for all partnership members including an appropriate and binding agreement between the Lead RSL and the other participating RSLs that sets out the roles and responsibilities of all parties and details arrangements for resolving disputes within the partnership;
- actively and effectively undertaking the role of Design Champion and promoting good design within the partnership;
- ensuring that a consistently good quality standard is applied to all schemes within the partnering programme;
- where necessary, providing staff training and/or skills assistance to other partner RSLs participating in development activities;
- monitoring programme delivery by all RSL members of the partnership and taking appropriate action to avoid slippage;
- where a development is carried out on behalf of another RSL within the partnership, ensuring that the build contract is assignable to the other RSL on completion, together with warranties from all design consultants and sub-contractors and where relevant, obtaining section 9 consent for the transfer;
- arranging regular progress review meetings involving all members of the partnership;
- agreeing and facilitating a programme of Quarterly Review meetings with the HC's lead investor and financial appraisal and lead regulation representatives as appropriate;
- commissioning appropriately qualified independent accountants to undertake a programme of self-assessment procedural compliance performance tests across the partnership in accordance with the HC's published standardised terms of engagement

Additional requirements for:

15. RENT

All properties developed for letting at social rents with SHG funding will be subject to the "Right to Acquire" provisions of the Housing Act 1996 unless exempted by Part V of the Housing Act 1985 as amended by the Housing (Right to Acquire) Regulations 1997 or under one of the Housing (Right to Acquire or Enfranchise)(Designated Rural Areas) Orders 1997. In this context "developed for rent" includes newbuild, rehabilitation, off the shelf, existing satisfactory purchase, purchase and repair and re-improvement schemes.

Properties developed for letting at intermediate rents for key workers should be let on an assured shorthold tenancy basis and will therefore not be subject to the right to acquire. Rent levels should be set at sub-market levels.

16. SHARED OWNERSHIP

The lease used by the RSL must include the fundamental clauses detailed in the Capital Funding Guide.

17. HOMEBUY

The RSL must hold a valid Consumer Credit Licence and have received a Direction under section 60(3) of the Consumer Credit Act 1974 [as amended] as required by the HC's Homebuy procedures.

18 KEY WORKER LIVING (KWL)

The following general funding conditions apply to all KWL schemes but additional conditions may be imposed on individual schemes or groups of schemes:

- KWL grant is provided to facilitate the provision of homes for rent at sub-market levels or assist the purchase of an eligible property by an eligible applicant and cannot be used for any other purpose;
- A KWL allocation is separate from and additional to the home ownership programmes funded through the mainstream ADP and through transitional LASHG arrangements. RSLs may not combine ADP/LASHG allocations with funds from the KWL in the same scheme to provide a higher level of subsidy per unit. Units provided through mainstream ADP/LASHG may be provided on the same site as long as they are funded separately;
- Assistance through the KWL cannot be combined with any other publicly funded home ownership schemes.
- Where applications are received for a joint purchase of a property, at least one applicant must be a key worker. Two or more key workers may not combine separate applications for assistance through KWL where they are intending to purchase jointly. In these cases a single, joint application should be submitted and the joint household income taken into account in determining the appropriate level of assistance;
- KWL grant cannot be used to assist eligible applicants to purchase stock already owned by an RSL. The only exception to this is where the stock has been provided without public subsidy or through stock transfer and has never used as social housing. RSLs may develop for sale through the KWL new housing using their own resources on sites they already own;
- Where development or rehabilitation is involved, RSLs must ensure that all necessary planning consents are obtained, building control requirements are observed and that adequate insurance is in place during development and after purchase if the RSL retains an interest in the property;
- Schemes must be within the objects of the RSL. Where this is in doubt RSLs should take their own legal advice;
- No member, employee, agent or consultant of the RSL, or any partner organisation (unless the allocation is for a specific development) should have

any interest in the proposed vendor, contractor, land or property to be acquired under KWL, including individual street properties. This includes any firm, partnership or organisation in which they or their families are involved. The Housing Corporation's regulatory guidance GPN3 – Maintaining Standards of Probity identify circumstances and procedures to be observed where relatives of officers or staff who are eligible can be offered properties to rent or purchase.

19. **PROGRAMME MANAGMENT / SYSTEM MANAGEMENT**

The RSL must join and fully participate in the “Continuous Recording of Lettings System” (CORE); if it has a current development programme and if the RSL owns or manages:

- more than 250 self contained homes;
- more than 250 hostel/shared housing bedspaces;
- or if the RSL undertakes any leasehold or shared ownership sales.

20. The RSL must follow the processes for re-forecasting milestones and for proposing any grant variation as set out in Capital Funding Guide. Decisions on accepting proposed variation will be made in the light of the organisations' Resource Expenditure Limits.
22. The HC may impose penalties including amendment of allocations if forecast milestones are not met.
22. In the event of the RSL failing to comply with these Funding Conditions or if there is any cause for serious concern about the RSL's performance or financial viability, the Corporation reserves the right to suspend funding.
23. If an RSL should fail to comply with these conditions specified under sections 18 (3), 20 (4) and 21 (4) of the Housing Act 1996, the HC may recover all or part of the grant in accordance with its determinations and guidance.
24. RSLs must review their security arrangements in accordance with the Security Administrator and Good Practice Guide available at www.housingcorp-online.org.

In particular, RSLs must:

- ensure that the Corporation is notified immediately if a Security Administrator leaves or changes posts and responsibilities;
- ensure that the list of IMS users and their authorities is regularly reviewed to ensure they are correct and appropriate;
- ensure that users are removed from IMS immediately they leave the organisation or are no longer required to work on IMS; and
- ensure that IMS passwords are not shared and that RSL users are prevented from entering IMS under a UserID other than their own.

25. Failure to comply with the above and with the conditions set out in Annex 2 of the Security Administrator and Good Practice Guide may result in the withdrawal of the RSL's IMS access.
26. The HC reserves the right to issue additional conditions in year as deemed appropriate and necessary.
27. A copy of the relevant Committee minutes of the decision to agree to comply with the Funding Conditions must be retained by the RSL for Compliance Audit/Regulatory purposes.

3.5 RSLs following only the Specialist route need not adhere to clauses 11-14

4 TYPES OF DEVELOPMENT - NEW BUILD

Acquisition and Works

- 4.1 The construction of new dwellings on land purchased by the RSL. In certain circumstances the RSL may enter into a building licence agreement. *See paragraph 6*
- 4.2 In order to provide reassurance to tenants/owner occupiers, funders and valuers on structural soundness and durability the following requirements must be demonstrated to the Corporation:
 - the properties have a life expectancy of at least 60 years;
 - the system is capable of achieving necessary Building Regulations and other statutory approvals;
 - the system has been assessed and confirmed as suitable for housing by an independent approvals authority.

Off The Shelf

- 4.3 A brand-new completed dwelling, suitable for social housing letting, purchased from a contractor/developer or their agents, following an inspection by a suitably experienced or qualified person. The on-costs include an element for any minor works necessary for the scheme to comply with SDS, and must not exceed £1,500.
- 4.4 Grant is paid in a single tranche at Acquisition stage.

Works Only

- 4.5 The construction of new dwellings on land already owned by the RSL, therefore there are no acquisition costs. If the land is not part of a public sector funded scheme, the RSL can consider following the 'historic

acquisition' route. *See GENERAL-3.* The work may be the demolition and redevelopment of existing buildings on the site, or new construction. These units are subject to Right to Acquire.

- 4.6 Where there is a Deemed Loan Debt on the land this will be an eligible cost provided it does not exceed the current valuation in which case the lower amount will qualify. Grant will be paid at the rate applicable to the new scheme as a whole. For LSVT stock the outstanding mortgage will be the eligible cost. *See Glossary in General-10 for definition and calculation of deemed loan debt.*

Land Inclusive Package

- 4.7 A 'land inclusive package' is where the land/property is acquired from the developer or building contractor who will also produce 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.
- 4.8 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 follow the Off the Shelf or Existing Satisfactory route.
- 4.9 Land Inclusive Package projects are Acquisition and Works schemes with the simultaneous payment of the Acquisition and Start on Site tranches at Start on Site stage, following the exchange of contracts for acquisition.
- 4.10 Where the contract sum includes items which are classed as 'on-cost' items, such as design fees, planning fees etc., the contract sum must be split between the 'works' element and 'other'. On the submission to the Corporation, only the 'works element' must be shown as 'works' otherwise the other costs will be double counted in the works figure and the 'on-costs' figure.

5 TYPES OF DEVELOPMENT - REHABILITATION

- 5.1 An inspection of all properties requiring works must be carried out by relevantly qualified, experienced and professionally indemnified technical consultants or relevantly qualified and experienced members of staff.

Acquisition and Works

- 5.2 The RSL acquires a property, or properties, on the open market for refurbishment or conversion. The cost of the SHG-eligible work per dwelling must exceed £10,000 exclusive of VAT. If the works cost less than £10,000 per dwelling, the Existing Satisfactory or Purchase and Repair route must be

followed. A building contract will normally be entered into, but sometimes work can be carried out under a building licence agreement. *See paragraph 6.*

Existing Satisfactory

- 5.3 The RSL acquires a second-hand existing dwelling, or dwellings, on the open market, which are already of a standard and condition suitable for social housing letting, after an inspection by a suitably experienced or qualified person. The on-costs include an element for any minor works necessary for the scheme to comply with SDS, and must not exceed £1,500. SHG is paid in a single tranche at Acquisition stage.

Purchase and Repair

- 5.4 The RSL 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 SHG-eligible works will exceed £1,500 but be less than £10,000 per dwelling, exclusive of VAT.

Works Only

- 5.5 The property must already be owned by the RSL and no public funds have been paid for any previous refurbishment or conversion. The property is in need of rehabilitation, improvement or conversion. If the RSL wishes to obtain SHG for the original acquisition, the scheme must follow the 'historic acquisition' route. *See GENERAL -3.*

Re-Improvements

- 5.6 The property must already be owned by the RSL and some form of grant or subsidy, such as HAG or SHG, has already been paid for construction, improvement or conversion at some time in the past. Unlike Major Repairs which are remedial, Re-improvements can result in an increase of rent. The work may be improvement or conversion, but not just repairs. The contract may include maintenance work but that is a 'housing non-qualifying cost', which is ineligible for SHG. *See the REPAIR section for eligibility and procedures for repairs only.*
- 5.7 Re-improvement schemes will not normally be considered less than:
- 15 years after Practical Completion of the original rehabilitation scheme, the stock transfer in the case of Stock Transfer RSLs (e.g. LSVTs); or
 - 30 years after Practical Completion of the original new build scheme.

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.

- 5.8 The outstanding mortgage of the original works is an eligible cost, on which grant will be paid at the rate applicable to the new scheme as a whole.
- 5.9 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 as set out in SDS.

Regeneration

- 5.10 Regeneration of an area can require a wide range of activities. The Corporation published 'Adding Value to what we have: the Housing Corporation's Regeneration and Market Renewal Policy' and a Strategy for consultation in June 2004 to set out our overall approach to regeneration. These documents will be revised in the light of the responses to the consultation. The processing of schemes can include various options:

Rehabilitation

- 5.11 The RSL already owns some property in the regeneration area and will acquire other property in the area, with all buildings retained. The properties already owned by the RSL will be processed as a new Works Only or Re-improvement scheme or schemes.
- 5.12 The properties being acquired will form a separate scheme approval, or approvals, processed as Acquisition and Works, or Existing Satisfactory or Purchase and Repair schemes as appropriate.

A mixture of acquisition, rehabilitation of RSL owned property, demolition and new build.

- 5.13 Some properties are already owned by the RSL, funded with HAG/SHG. Other are to be acquired. The regeneration will involve wholesale demolition, redevelopment not necessarily on the same street plan, possibly with some buildings retained. The rehab. work may be re-improvement, works only, conversion (two into one) etc. The area regeneration will be split into three or four different types of scheme:
- Rehab. Works Only or Re-improvement scheme(s) for stock already owned by the RSL;
 - Rehab. Acquisition and Works, Purchase and Repair, and/or Existing Satisfactory for the acquisition of property not owned by the RSL;
 - New Build Acquisition and Works for new construction following demolition of property already owned by the RSL and property being acquired. The eligible acquisition cost is the purchase price of the properties acquired for demolition plus the **Deemed Loan Debt** for the

properties being demolished (*see GENERAL-10 Glossary for DLD definition*).

If the Corporation considers that the grant is over-generous, taking into account affordability etc., the Corporation's local office may negotiate a discount on grant with the RSL.

Supported housing schemes

- 5.14 These schemes provide accommodation, which may be either shared or self-contained, designed to meet the needs of particular user groups for intensive management.

Combined supported housing and general needs schemes

- 5.15 Within the same development there can be a mixture of supported housing and general needs housing. The TCI calculation for each type of unit is dependent upon the individual unit characteristics. *See the latest TCI guidance.*

Tenanted acquisitions

- 5.16 Where the RSL intends to acquire tenanted property, there are a number of issues to be considered. These are covered in chapter *GENERAL-3*.

6 CONTRACT TYPES AND PARTNERING

- 6.1 There are various types of building contract available to the RSL when considering how to carry out a development. Primary and other reference documents, guidance and sources of advice are listed in the Corporation's *Scheme Development Standards*. The types of contract used by an RSL may be:

Competitive Tendering

- 6.2 This involves a common set of documents priced by three or more tenderers in accordance with either:

- code of practice for single stage selective tendering;
- code of practice for two stage selective tendering; or
- code of practice for selective tendering for design & build.

Negotiated Tendering

- 6.3 This involves negotiating with the building contractor/developer, without direct competition from other contractors. Negotiated tendering is more usually associated with land inclusive packages, but also features in continuation contracts resulting from serial tendering.

Traditional

- 6.4 This involves the RSL employing professional consultants to design the development with the work carried out by a building contractor based upon a building contract with the RSL. The contractor may be selected by single stage competitive tendering or by direct negotiation.

Design And Build

- 6.5 This is where the main building contractor may be responsible for both the design and the works, and for obtaining all necessary permissions such as planning permission and building regulation approval. The contractor may be selected by competitive tendering or by direct negotiation.
- 6.6 The contract is usually on a fixed and inclusive price on the basis of a common set of requirements or brief provided by the RSL. The extent to which the RSL may wish to influence the design will be reflected in the requirements or brief provided by the RSL.
- 6.7 The most basic variant of design and build relies wholly upon the contractor providing the design for all aspects of the scheme. A more collaborative variant of design and build may involve the RSL, or consultants on its behalf, providing design input up to and including that equivalent to RIBA Stage D (Scheme Design) and the contractor, or consultants on its behalf, then completing the design process and taking contractual responsibility for the collaborative design.
- 6.8 Design and Build contracts may be in conjunction with either:
- Land Inclusive Package - where the package offered to the RSL by a contractor or developer includes land/property acquisition in addition to building works; **or**
 - Non-Land Inclusive Package - where the offer to the RSL by the contractor or developer comprises building works only and excludes the land/property acquisition element.

Management Contracting

- 6.9 A management contract is one whereby the building work is wholly executed upon a sub-contract basis, organised by a fee paid management contractor who operates with, and as part of, the professional team of consultants commissioned by the RSL. The standard Grant tranche criteria will apply. Start on site for tranche purposes will be determined by the date for possession fixed and set in the signed and dated Management Contract agreement.

Partnering

- 6.10 The Construction Task Force report 'Rethinking Construction' seeks to define partnering as follows:

“Partnering is a management approach involving two or more parties working together to improve performance through agreeing mutual objectives, devising a way for resolving any disputes and committing themselves to continuous improvement, measuring progress and sharing the gains”.

This is further expanded in guidance published by The European Construction Institute (ECI) entitled “Partnering in the Social Housing Sector”. In addition, the Association of Consultant Architect's (ACA) in conjunction with David Mosey of Trowers & Hamlins have produced a new standard form of contract entitled the 'Project Partnering Contract 2000' (PPC2000) for use in project partnering situations.

Partnering: treatment of shared savings within the grant rate

- 6.11 The forecast of final works costs, or the final account of works contracts concluded at the time of the Final Cost submission should show both works and incentive payments made (or due to be made) to the contractor.

The members of the supply chain receive their full share of the savings identified, to be further shared in accordance with their agreement. The client-side share of the savings is shared between the RSL and the Corporation in accordance with the grant rate for the scheme.

Example: a £450,000 contract benefited from a value management exercise reducing costs by £2,000 and the RSL's incentive arrangement is to share savings 50:50 with the supply chain. The forecast final account should show the costs as £449,000 i.e. the £448,000 for the works plus £1,000 incentive payment. Grant is recalculated accordingly.

7 BUILDING AGREEMENTS (also referred to as building licences)

- 7.1 This occurs when an RSL takes possession of a site in order to carry out building works before it has completed purchase of or acquired a leasehold interest in the site. The land or property remains in the owner's possession until the legal interest is transferred to the RSL. The Building Agreement, which must be signed prior to Start on Site, must include a legally binding agreement that the freehold or leasehold in the property will transfer to the RSL at the latest on practical completion.
- 7.2 In all cases it is the responsibility of RSLs to:
- ensure there is a legally binding agreement that the legal interest in the property will be transferred to the RSL;
 - 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 Corporation will recover any grant paid.
- 7.3 Building Agreements can be used to avoid payment of VAT when a local authority transfers land at nil cost to an RSL. However, RSLs must seek their own legal and specialist tax advice regarding the content of any agreement, and to contact their local VAT office regarding any criteria which needs to be met.
- 7.4 In some circumstances a building agreement is obtained for the full purchase price at exchange of contracts with completion of the purchase at practical completion of the dwellings. In most cases the full purchase price will not be required until completion of the purchase at practical completion of the building works.

Timing of claims for SHG

- 7.5 As SHG cannot be paid in advance of need, possession of the site alone will not be sufficient to enable an application for the acquisition tranche to be made. If details of the proposed agreement are provided to the Corporation, the Corporation may agree to pay the Acquisition tranche of SHG if it is satisfied that SHG will not be paid in advance of need. The RSL must confirm that the full purchase price has been paid in return for the building agreement.
- 7.6 The RSL can claim the Start on Site tranche when the contractor takes possession of the site/property in accordance with the signed main building contract. Where no payment is made for the acquisition the Start on Site tranche may be paid and the Acquisition tranche paid afterwards on completion i.e. reverse tranches.
- 7.7 Building agreements can be complex. To ensure a coherent policy of dealing with them, the RSL must give details to the Corporation's local office.

Agreements to lease

- 7.8 Where the RSL will eventually acquire the leasehold of a site (for example in mixed use developments with a commercial freehold) it may enter into an agreement to lease so that works can be carried out before the leasehold interest is acquired. In these cases the general guidelines regarding building agreements apply.

In all cases it is the responsibility of RSLs to:

- ensure there is a legally binding agreement that the legal interest in the property will be transferred to the RSL;
- 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 Corporation will recover any grant paid.

Golden Brick schemes

- 7.9 The golden brick has been used by RSLs for the full recovery of VAT on costs associated with the construction of dwellings. This arrangement involves interposing a separate development company between land vendor and the RSL – the development company will start construction and then make a zero-rated sale of the partly completed building to the RSL.
- 7.10 As SHG cannot be paid in advance of need, possession of the site alone will not be sufficient to enable an application for the Acquisition tranche to be made. Where the Corporation is given details of the proposed agreement, it may agree to pay Acquisition tranche of SHG if satisfied that SHG will not be paid in advance of need. The RSL must confirm that the full purchase price or a significant proportion of it has been paid.
- 7.11 The RSL can claim Start on Site tranche when the contractor takes possession of the site/property in accordance with the signed main building contract. When no payment is made for the acquisition the Start on Site tranche may be paid and the Acquisition tranche paid afterwards on completion. This may result in the Start on Site stage being paid before the Acquisition tranche.
- 7.12 In all cases it is the responsibility of the RSL to:
- ensure there is a legally binding agreement that the legal interest in the property will be transferred to the RSL;
 - 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 Corporation will recover any grant paid;
 - liaise with the local office of the Corporation if their scheme does not fit with the above.

Development and Purchase Options agreement for BME and other RSLs

- 7.13 Following previous advice in the *Guide to the Allocation process for 2004/5 – 2005/6* relating to the Brent Protocol principles, a standard modular development agreement has now been produced by a steering group, which included a number of RSLs, for use when one RSL is undertaking development work on behalf of another RSL. Primarily for use where development work is being undertaken on behalf on a BME partner the agreement can be used in all partnering arrangements. The Corporation strongly encourages widespread use of this agreement, which has been designed to minimise the work required in compiling new agreements for each partnering arrangement. A copy of the agreement “*Development and Sales Agreement relating to Social Housing Grant agency schemes for BME RSLs with options to purchase*” is now available in the Corporation’s website library, which can be found at www.housingcorp.gov.uk.

8 INSURANCE REQUIREMENTS

- 8.1 It is a condition of SHG for Rent and Sale schemes that the insurance requirements are met as set out below. The cost of taking out such insurance rests entirely with the RSL.

General requirements as a condition of SHG - covenant

- 8.2 It is a condition of SHG payment that the RSL, both during development and thereafter, insures and keeps insured for its full replacement value the accommodation provided.

Reputable Insurers

- 8.3 The Corporation requires RSLs to deal with reputable insurance companies. Supporting correspondence relating to the credentials of the insurance company should be retained so that the RSL is able to demonstrate, at compliance audit, that only reputable insurers are being used.

Insurable value

- 8.4 The 'full insurable value' or 'full replacement value' shall be deemed to be the full cost of reinstatement at the time of reinstatement whenever that may be.
- 8.5 Due allowance should be made in the reinstatement values for demolition, removal of debris, shoring up or propping, making good, professional fees, and the cost of complying with local authority and other statutory requirements.
- 8.6 The RSL may find the annually updated 'Guide to House Rebuilding Costs' useful for the ongoing determination of full re-instatement values. This is prepared on behalf of the Association of British Insurers by the Building Cost Information Service of the Royal Institution of Chartered Surveyors (RICS) at 12 Great George Street London SW1P 3AD (Tel: 0870.333.1600 and website:www.ricsbooks.com).
- 8.7 The RSL may also wish to safeguard its insurance position by commissioning an independent professional opinion on reinstatement values every five years or more frequently as appropriate.

Other risks

- 8.8 In addition to the specified risks of loss or damage to the building caused by fire or aircraft, the Corporation 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 (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

- 8.9 The cover outlined under 'other risks' above may be subject to the normal insuring exclusions i.e. 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.
- 8.10 Terrorism is a normal insuring exclusion and falls outside the Corporation's insurance requirements. Whether or not to insure for this risk is a matter for individual RSLs to decide according to the perceived risk.
- 8.11 The Corporation requires prior notification of any other exclusions involving potentially significant costs.

Excess

- 8.12 Excess is an insurance deductible that relates to the uninsured first part of any claim which the policyholder has to bear. Any such shortfall due to either voluntary or compulsory excess provisions must be borne by the RSL.

Property condition

- 8.13 Insurance policies require that any defect arising in the property that is likely, either directly or indirectly, to increase the risk of occurrence of any of the insured perils must be notified to the insurer. Failure to notify could prejudice reimbursement from the insurer of a subsequent related claim.

Restrictive covenants

- 8.14 Some site or properties on offer for sale may be subject to restrictive covenants that put the development proposals at risk. In such cases the lender may make the completion of the loan agreement and legal charge conditional on the issue of a restrictive covenant indemnity policy. It is the responsibility of the RSL to take out such insurance where appropriate.

9 THE USE OF LOCAL AUTHORITY STAFF BY THE RSL

9.1 RSLs may wish to use local authority professional and technical staff in respect of any SHG-funded scheme. 9.2 Local Authority Direct Labour Organisations are empowered to carry out works of maintenance but not construction for RSLs under Section 1 (i)(d) of the Local Authorities (Goods and Services) Act 1970. However a few local authorities may have secured specific powers under a Local Act to enter into contracts with RSLs for substantial construction work.

Action by the RSL

9.3 The RSL must be satisfied that the local authority can provide a consultancy service which:

- is equivalent to that available from the private sector;
- represents value for money;
- allows the RSL to properly exercise its client function;
- avoids any duality of interest;
- complies with the requirements contained in the Corporation's Scheme Development Standards on Probity of Procurement.

9.4 The RSL may receive requests from local authority Direct Labour Organisations to be given the opportunity to tender for works of construction for rehabilitation or new build. It is the responsibility of the RSL to enquire direct to the local authority concerned as to whether the authority has power under a Local Act to carry out such works for RSLs.

Action by the local authority

9.5 The local authority must be satisfied that:

- the consultancy service offered by the authority meets the criteria specified in the Corporation's Scheme Development Standards;
- the authority is able to carry out a realistic and adequate value for money assessment of the scheme.

10 AUTHORISED SIGNATORIES

10.1 To use the Corporation's Investment Management System (IMS) the RSL must nominate at least one RSL Security Administrator. RSLs must inform the Housing Corporation of any change of RSL Security Administrator by submitting a SIGRSLv3 form (available in the Help page of www.housingcorp-online.org) to the Housing Corporation. SIGRSL forms must be signed by one of the senior officers of the RSL as recorded on the

Housing Corporation's On-line Register. RSLs can have up to four RSL Security Administrators.

- 10.2 RSLs who have not previously accessed IMS but would like to gain access should email THCHelpdesk@housingcorp.gsx.gov.uk in order to obtain the necessary information and application pack.
- 10.3 The RSL Security Administrator(s) have delegated authority in IMS to confirm the Authorised Signatories in IMS for their organisations by setting up each Authorised Signatory with the relevant security authority in IMS.
- 10.4 RSL Security Administrators can also add the 'Maintain Register' Authority to a user in IMS which will allow that user to update the Housing Corporation's On-line Register if there are any changes to the RSL details in-year e.g. if there are changes to senior officers.

11 BANK ACCOUNT DETAILS

- 11.1 The Corporation pays SHG directly into the RSL's bank account. Therefore the Corporation requires details of the RSL's bank account, otherwise grant cannot be paid to the RSL. When the RSL receives an allocation of SHG from the Corporation for the first time, the RSL must provide details of the bank account to be credited, and notify any subsequent change of bank or account details.
- 11.2 The RSL must provide in writing the following information on headed notepaper, signed by the Secretary and two members of the Committee Members and sent, with a copy of the bank mandate, to the Finance Division of the Corporation:
 - Bank name;
 - Bank branch/address;
 - Bank sort code;
 - Bank account number;
 - Bank account name.

12 MONEY LAUNDERING REGULATIONS 2003

- 12.1 Regulation 10 of these Regulations came into effect on 1st April 2004, and relates to persons who act as high value dealers. It is unlikely that RSLs would be considered high value dealers when undertaking Low Cost Home Ownership activity, but they should ensure that they satisfy any requirements of the above Regulations by seeking their own advice as necessary.

13 ASSIGNING A "BUILD CATEGORY" TO SCHEMES

- 13.1 In order to record the homes that are produced using modern methods of construction, associations will be required to assign a “build category” to schemes at key stages in the processing route. The following guidance sets out the categories and their definitions.

DEFINITIONS OF ‘BUILDING CATEGORY’

13.2 **Modern Methods of Construction (MMC)**

MMC is a broad category that embraces a variety of build approaches including Off-Site Manufacturing (OSM). Whereas all OSM may be regarded as falling within a generic MMC heading, not all MMC may be regarded as OSM. To address this we have set out a range of categories together with accompanying guidance.

A. 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).

B. 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.

C. 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.

D. 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. Traditional 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.

E. 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, 'Tunnel Form' or H + H Celcon 'Thin joint blocks' would fall within this category.

F. Not Applicable

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

1 PARTNERING PROGRAMME AGREEMENT

1 INTRODUCTION

- 1.1 This chapter sets out the process that RSLs must follow with regard to the Programme Partnership Agreement. The following will not be relevant to RSLs who will have been allocated funding under the Specialist Route, and they should refer to the January 2006 version of this guide for further guidance or contact their Corporation's Regional Investment Officer.
- 1.2 Once funding has been approved, a legally binding contract, referred to as the Programme Partnership Agreement (PPA), is required to be signed specifying both the Corporation's and RSLs' obligations and rights. Each PPA will include an Annex providing full details of the programme of schemes to be developed including the allocation of grant and forecast dates. The programme of schemes, as detailed in the Annex will be defined in the Corporation's Investment System (IMS). There may be other conditions stipulated in the agreement which have to be met before payment of grant can occur. An example might be that a Black and Ethnic Minority RSL must join the partnership. The PPA will last for the duration of the schemes within it.
- 1.3 A link to the 06/08 copy of the PPA can be found on the Capital Funding Guide homepage on the Corporation's website www.housingcorp.gov.uk.
- 1.4 RSLs will be sent the PPA for signature. This must be signed by the RSLs' authorised signatory and returned to the Corporation. RSLs should retain a copy for their own purposes. Only one PPA should be signed by the relevant partners regardless of how many schemes that partnership will deliver.
- 1.5 RSLs will confirm within the **IMS** system that they agree to the terms of the PPA; the developing RSL(s) will sign off on-line first, then the Lead RSL will sign, and then the HC Lead Investor will approve/accept the submission on-line.
- 1.5 It is not anticipated there will be changes to the programme contained within the PPA, however the Corporation understands the need for flexibility regarding the client groups to be housed. Progress against agreed milestones and targets will be reviewed at Quarterly Liaison Meetings as detailed in the PPA. No adjustments to the programme will be permitted without the agreement of the Corporation, and it is expected that any over or under spends associated with individual schemes within that programme will be aggregated throughout the lifetime of the programme.
- 1.6 Where a number of associations form a consortium to develop schemes under the Partnering Programme route, one association will undertake the role of Lead as nominated at pre-qualification. RSL. The Lead RSL will be deemed responsible to the Corporation for a number of additional responsibilities and

obligations on behalf of the other associations within that partnership. These responsibilities are outlined in the PPA.

2 COMPLIANCE MONITORING

Introduction

- 2.1 RSLs developing schemes under the PPA arrangements are required to carry out self-assessment procedural compliance tests. In addition to procedural checks a member of the Corporation's Innovation and Development team will visit schemes to monitor the standards and quality of those schemes or projects forming part of the PPA.

Self-assessment of Procedural Compliance

- 2.2 Procedural compliance is undertaken on a self-assessment basis using an independent accountant operating under the guidance contained in 'Technical Release – Audit 03/03, *Public Sector Special Reporting Engagements – Grant Claims*' (September 2003) published by the Institute of Chartered Accountants of England and Wales (ICAEW). The HC will undertake to become a party to the commission via the 'standardised terms of engagement' route utilising agreed upon procedures as set out in Appendix 3 of the ICAEW publication. The HC's standardised terms of engagement and performance tests are as set out in Appendices 1 and 2 respectively of this section. RSLs may commission any suitably experienced and qualified accountant to undertake this audit function, including either their External Auditors or external accountants undertaking the RSL's Internal Audit function. However, qualified accountants directly employed by the RSL or any other of its RSL partners are excluded as they are not considered to be appropriately independent. Arrangements where qualified surveyors and/or development consultants are employed by a qualified accountant to act in its name, are acceptable to the Corporation provided the arrangement maintains the duty of care required by the Corporation and the commissioning agreement is between the RSL and the accountant. Exceptionally, any RSL (Lead) wishing to use independent consultants that are not Chartered Accountants will need prior approval from the HC's Procurement section, Investment Division, Maple House. However, the HC may elect not to exercise its discretion to approve the use of non-accountants.
- 2.3 The RSL (Lead) will commission the independent accountant to prepare and undertake a programme of self-assessment procedural compliance tests. The Corporation will, if requested, discuss the scope of the audit and agree a provisional programme at the commencement of the Agreement to assist RSLs in planning the arrangements and budgeting to meet these requirements, but the actual schemes to be audited should be finally agreed with the relevant regional office of the HC just prior to any planned audit visit: the nearer the visit, the better, as this will enable the sample to be updated to reflect any changes to the programme. The sample will be at least a 25% by grant and/or units produced and reflect a cross-section of schemes included in the completed programme by reference to:
- tenure (rent/ intermediate rent/ low cost home ownership);

- development type (new build/ rehab/ street properties comprising ‘existing satisfactory purchases’ and ‘purchase and repair’)
- traditional/ modern methods of construction);
- geographical spread; and
- other RSL partners undertaking a development role under the agreement

As a result the audit sample could significantly exceed 25%. Pipeline and other schemes that fall outside the scope of the PPA do not form part of the PPA sample for self-assessment procedural compliance.

- 2.4 The RSL (Lead) should discuss the principles and planned arrangements for self-assessment with the HC prior to commissioning independent accountants. The schemes to be selected for self-assessment performance tests by the independent accountants will be determined by the HC’s Innovation and Development Manager and notified to the commissioned independent accountant prior to the start of the self-assessment process.
- 2.5 The population of projects eligible for independent audit within this PPA over the two financial years 2006-2008 will be compiled using the following criteria:
- the projects must have reached start on site (SOS) stage;
 - if projects are completed, the date of Practical Completion (PC) must not be more than 18 months beforehand; and
 - the projects should not have been performance tested already in a previous financial year selection
 - the project must be part of the schedule of schemes annexed to the PPA, updated to reflect agreed changes to the programme.
- 2.6 The sample will endeavour to include those schemes that present a greater degree of risk to public funds either through development difficulties, high costs, high grant take, innovative processes and techniques, or completion proximity. Preference will be given to schemes at or nearing completion.
- 2.7 The timing of when the procedural audit process is undertaken is a matter for the RSL (Lead) and the selected independent accountant to decide. However, the RSL (Lead) should provide timely notification of the audit timetable to the relevant Lead Investor at the HC. Arrangements should provide the opportunity for the HC’s Innovation and Development Manager to accompany the independent accountant on at least one of the planned visits in order to monitor the process. Accompanied visits will be determined by the HC and notified to the RSL (Lead) at least one week in advance of the planned visit.
- 2.8 It is generally envisaged that there will be an annual audit carried out on a sample of completed schemes. As the agreement covers a two year period this will generally result in minimum of at least 3 audits, 06/07, 07/08, 08/09 (to cover the run off of schemes from year 2). Where schemes in year 07/08 do not finish in 08/09 further audits may be required until the programme is complete. If in the first year insufficient schemes reach completion to warrant an audit, the Corporation may agree to this audit being deferred to the first part of 07/08.

- 2.9 The Corporation will look sympathetically at workload issues for RSLs, Auditors and it's own Innovation & Development staff so as to avoid all audits being carried out at the end of financial years. Where possible the Corporation will seek to allow the workload to be spread evenly across years for the benefit of all PPA RSLs.
- 2.10 Copies of the subsequently completed report, signed by both the RSL (Lead) and the accountant, and completed checklists signed by the accountant for each annual batch of procedural compliance checks must be provided to the HC's Lead Investor within two months of the notified / agreed dates for each audit visit, for each financial year and beyond until completion of the projects contained within the programme. Where the accountant's report highlights deficiencies in procedural compliance the RSL (Lead) should submit to the HC an initial response to these findings within 14 days of receipt of the reports setting out the reasons for the deficiencies and the corrective measures being undertaken. Upon receipt of the accountant's report and checklists the HC will consider the results of the accountant's factual assessment and form an opinion on the extent that the HC may be assured that procedures and funding conditions have been complied with, and that public funds have been used for the intended purposes.

Appendix 1

The following 'Standardised Terms of Agreement' should be read in conjunction with the Technical Release – Audit 03/03, *Public Sector Special Reporting Engagements – Grant Claims*' (September 2003) published by the Institute of Chartered Accountants of England and Wales (ICAEW). By publishing standardised terms of engagement the Housing Corporation makes an offer to engage on these terms without the need to sign a commissioning document. If the offer is accepted by an RSL (Lead) and the accountants, then an agreement is formed.

Standardised Terms of Engagement

The following are the terms of engagement on which the Housing Corporation (HC) agrees to engage [insert name of accountants] (the "accountant") to perform agreed upon procedures and report in connection with procedural compliance in relation to the receipt of Social Housing Grant (SHG).

An agreement between [insert name of the Lead RSL/Lead Grant recipient] (the "Lead Grant recipient") its reporting accountant and the HC on these terms is formed if the Lead Grant recipient and the accountant enter into a commissioning arrangement incorporating the following terms of engagement. The duties owed to the HC by the accountant under the agreement cease when the specified report, signed by both the Lead Grant recipient and the accountant, and completed checklists are received by the HC all as set out below.

1 Introduction

The Lead Grant recipient is required to submit to the HC reports as set out in Clause 3 below that are also signed by an accountant to provide independent assurance. These terms of engagement set out the basis on which the accountant will sign the report.

2 The Lead Grant recipient's Responsibilities

- 2.1 The Lead Grant recipient is responsible for using grant for the purposes provided, maintaining proper records complying with the terms of any legislation or regulatory requirements and the HC's terms and conditions of grant and providing relevant information to the HC on a basis in accordance with the requirements of the grant conditions. The Lead Grant recipient is responsible for ensuring that the non-financial records can be reconciled to the financial records.
- 2.2 The management of the Lead Grant recipient will make available to the accountant all records, correspondence, information and explanations that the accountant considers necessary to enable the accountant to perform the accountant's work.
- 2.3 The Lead Grant recipient and the HC accept that the ability of the accountant to perform the work effectively depends upon the Lead Grant recipient providing

full and free access to the financial and other records and the Lead Grant recipient shall procure that any such records held by a third party are made available to the accountant.

- 2.4 The accountant accepts that, whether or not the Lead Grant recipient meets its obligations, the accountant remains under an obligation to the HC to perform the work with reasonable care. The failure by the Lead Grant recipient to meet its obligations may cause the accountant to qualify the report or be unable to provide a report.

3 Scope of the accountant's work

- 3.1 The Lead Grant recipient will provide the accountant with such information, explanations and documentation that the accountant considers necessary to carry out the due responsibilities. The accountant will seek written representations from management in relation to matters for which independent corroboration is not available. The accountant will also seek confirmation that any significant matters of which the accountant should be aware have been brought to the accountant's attention.

- 3.2 The accountant will perform the following work in relation to reports required by the HC:

3.2.1 Grant return: The accountant will perform agreed performance tests as set out in the terms and conditions of the grant and will produce a report in the form set out in Appendix 4 of ICAEW guidance Audit 3/03 on Public Sector Special Reporting Engagements – Grant Claims. (September 2003). As a minimum this report should confirm the list of schemes checked and the accountant's summary of observations that arise from the completion of the Procedural Checklists and checks made for each scheme. Completed Procedural Checklist must be submitted with the report.

3.2.2 The performance tests, in the form of procedural compliance checklists, are set out below (Also in the HC's Capital Funding Guide – Partnering Programme –4, Compliance Monitoring, Appendix 4).

- 3.3 The accountant will not subject the information provided by the Lead Grant recipient to checking or verification except to the extent expressly stated. While, the accountant will perform the accountant's work with reasonable skill and care, the accountant's work should not be relied upon to disclose all misstatements, fraud or errors that might exist.

4 Form of the accountant's report

- 4.1 The accountant's reports are prepared on the following basis:

- 4.1.1 The accountant's reports are prepared solely for the confidential use of the Lead Grant recipient and the HC and solely for the purpose of submission to the HC in connection with the HC's requirements in connection with SHG. They may not be relied upon by the Lead Grant recipient or the HC for any other purpose except as provided in 4.1.2 below.
- 4.1.2 The HC may only disclose the reports to others who may have statutory rights of access to the report ("Others").
- 4.1.3 Neither the Lead Grant recipient, nor the HC may rely on any oral or draft reports the accountant provides. The accountant accepts responsibility to the Lead Grant recipient and the HC for the accountant's final signed report only.
- 4.1.4 The accountant's reports must not be recited or referred to in whole or in part in any other document (including, without limitation, any publication issued by the HC) without the prior written approval of the accountant.
- 4.1.5 Except to the extent required by court order, law or regulation or to assist in the resolution of any court proceedings the accountant's reports must not be made available, copied or recited to any other person (including, without limitation, any person who may use or refer to any of the HC's publications).
- 4.1.6 To the fullest extent permitted by law, the firm of accountants, its partners and staff neither owe nor accept any duty to any person other than the Lead Grant recipient and the HC (including, without limitation, any person who may use or refer to any of the HC's publications including the Others) and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any other party's (including the Others) reliance on representations in the accountant's reports.
- 4.1.7 Any disclosure of the product of the accountant's report beyond what is permitted under clause 4.1.1, 4.1.2, 4.1.4 and 4.1.5 and any disclosure of this agreement beyond the HC, the Lead Grant recipient and the accountants, may damage the accountant's commercial interests. If the HC or the Lead Grant recipient receives a request for disclosure of the accountant's report or this agreement under the Freedom of Information Act 2000, the HC or the Lead Grant recipient (as the case may be) will advise the accountant and will not make a disclosure in response to any such request without first consulting the accountant.

5 LIABILITY PROVISIONS

- 5.1 The accountant will perform the engagement with reasonable skill and care and acknowledges that it will be liable to the Lead Grant recipient and the HC for losses, damages costs or expenses ("losses") caused by its breach of contract, negligence or wilful default, subject to the following provisions.

- 5.1.1 The accountant will not be so liable if such losses are due to the provision of false, misleading or incomplete information or documentation or due to the acts or omissions of any person other than the accountant, except where, on the basis of the enquiries normally undertaken by accountants within the scope set out in these terms of engagement, it would have been reasonable for the accountant to discover such defects;
- 5.1.2 The accountant accepts liability without limit for the consequences of its own fraud and for any other liability that is not permitted by law to limit or exclude;
- 5.1.3 Subject to the previous paragraph (5.1.2), the total aggregate liability of the accountant whether in contract, tort (including negligence) or other wise, to the HC and the Office of the Deputy Prime Minister (ODPM) arising from or in connection with the work which is the subject of these terms (including any addition or variation to the work), shall not exceed the amount of £1 million;
- 5.2 The Lead Grant recipient and the HC agree that they will not bring any claims or proceedings against any individual partners, members, directors or employees of the accountant. This clause is intended to benefit such partners, members, directors and employees who may enforce this clause pursuant to the Contracts (Rights of Third Parties) Act 1999 (“the Act”). Notwithstanding any benefits or rights conferred by this agreement on any third party by virtue of the Act, the parties to this agreement may agree to vary or rescind this agreement without any third party’s consent. Other than as expressly provided in these terms, the provisions of the Act are excluded;
- 5.3 Any claims whether in contract, negligence or other wise, must be formally commenced within three years after the party bringing the claim becomes aware (or ought reasonably to have become aware) of the facts which give rise to the action in any event no later than six years after any alleged breach of contract, negligence or other cause of action. This expressly overrides any statutory provision that would otherwise apply.
- 5.4 This engagement is separate from, and unrelated to, the accountant’s audit work on the financial statements of the Lead Grant recipient for the purposes of the Companies Act 1985 (or its successor) or other legislation and nothing herein creates obligations or liabilities regarding the accountant’s statutory audit work, which would not otherwise exist.

6 FEES

The accountant’s fees, together with VAT and out of pocket expenses, will be billed to the Lead Grant recipient. **The Lead Grant recipient shall be solely responsible for the payment of such amounts in full.** HC is not liable **in any circumstances** to pay the accountant’s fees or expenses.

7 QUALITY OF SERVICE

The accountant will investigate all complaints. The HC or the Lead Grant recipient has the right to take any complaint to the Institute of Chartered Accountants in England and Wales (“the ICAEW”). The HC or the Lead Grant recipient may obtain an explanation of the mechanisms that operate in respect of a complaint to the ICAEW at www.icaew.co.uk/complaints or by writing to ICAEW. To contact the ICAEW write to the Professional Standards Office, Silbury Court, 412-416 Silbury Boulevard, Central Milton Keynes, MK9 2AF.

8 PROVIDING SERVICES TO OTHER PARTIES

The accountant will not be prevented or restricted by virtue of the accountant’s relationship with the Lead Grant recipient and the HC including anything in these terms of engagement, from providing services to other clients. The accountant’s standard internal procedures are designed to ensure that confidential information communicated to the accountant during the course of an assignment will be maintained confidentially.

9 APPLICABLE LAW AND JURISDICTION

9.1 This agreement shall be governed by, and interpreted and constructed in accordance with English law.

9.2 The Lead Grant recipient and the HC and the accountant irrevocably agree that the courts of England shall have exclusive jurisdiction to settle any dispute (including claims for set-off and counter claims) which may arise in connection with the validity, effect, interpretation or performance or, of the legal relationship established by this agreement or other wise arising in connection with this agreement.

9.3 Each clause or term of this agreement constitutes a separate and independent provision. If any of the provisions other than clause 6.1 of the agreement are judged by any court or authority of competent jurisdiction to be void or unenforceable, the remaining provisions shall continue in full force and effect.

10 ALTERATION TO TERMS

All additions, amendments and variations to these terms of engagement shall be binding only if in writing and signed by the duly authorised representatives of the parties. These terms supersede any previous agreements and representations between the parties in respect of the scope of the accountant’s work and the accountant’s report or the obligations of any of the parties relating thereto (whether oral or written) and represents the entire understanding between the parties.

Appendix2**Self-Assessment Procedural Compliance Checklist**

The purpose of these procedural performance tests is to verify that all procedural requirements and relevant Funding Conditions as set out in the Capital Funding Guide, Scheme Development Standards and Partnering Programme Agreement have been met.

There are four checklists covering:

- Right To Acquire
- Voluntary Purchase Grant
- Homebuy
- Rent, Sale, Major Repairs, & Miscellaneous Works

The checklists can be downloaded from the Capital Funding Guide home page on the Corporation's website:

<http://www.housingcorp.gov.uk/server/show/ConWebDoc.7341>

1 INTRODUCTION

1.1 This chapter sets out the policies in respect of:

- open market purchases;
- valuations;
- historic purchases, acquired prior to the programme year, from the private sector;
- historic purchases from a local authority;
- stock transfers from public sector bodies;
- smaller scale disposals of vacant sites and stock from public sector bodies;
- acquisition of private sector tenanted property (including mortgage rescue);
- donated land/property;
- purchase from another RSL.

1.2 There is no time limit between the date of the original acquisition and the date of the confirmation of grant. Where the RSL makes a speculative purchase it does so at risk and cannot pre-empt the Corporation's investment decisions. The Corporation cannot guarantee future funding and the RSL must accept the risks involved in making such purchases.

1.3 Occasionally, the RSL may wish to transfer schemes which have already had confirmation of grant to a different scheme type, e.g. from rent to sale. In such cases the eligible acquisition costs will continue to be the same as for the original scheme.

2 OPEN MARKET PURCHASES

2.1 The general principle in SHG funding is that the land or property will be bought on the open market after confirmation of grant. The RSL is expected to purchase a site/property within the open market valuation established by an independent qualified valuer. Exceptionally, the Corporation can approve over-valuation costs for SHG where the RSL is able to justify this course of action. Details of the valuation and the purchase price must be kept on file by the RSL for compliance audit purposes.

3 VALUATIONS

- 3.1 Where this Guide requires the RSL to commission the services of a valuer, the RSL may employ either the District Valuer or an independent qualified valuer (as defined in the Glossary *GENERAL-10*) which can be the lender's panel/staff valuer acting for the lender providing the development finance. The RSL will be expected to employ a reasonable diversity (subject to availability) of independent valuers selected on the grounds of competence, performance, local knowledge and value for money.
- 3.2 On schemes wholly sponsored by the local authority, the RSL will not be charged for the District Valuer's services.
- 3.3 Except where stated otherwise in these procedures, an 'open market valuation' is required as defined in the Royal Institution of Chartered Surveyors (RICS) 'Red Book'.
- 3.4 The valuation must be valid at exchange of contracts for the purchase of the land or property. A valuation is assumed to be valid for six months, unless a lesser period is stated in the valuation.
- 3.5 Whichever valuer is used it is important to ensure that any relevant information concerning the land/property is made known to the valuer prior to valuation. The completion of a detailed site/property questionnaire will normally be necessary e.g. where the land/property is located in a mining area the valuer may require a Mineral Valuer's report on the area, properties of a relevant age in Cornwall may need a test for Mundic block (further information available from RICS as below).
- 3.6 Guidance on the valuation on transfer of local authority housing stock has been issued by RICS, General Practice Division, 12 Great George Street, Parliament Square, London SW1P 3AD, telephone 0870.333.1600 and may be of assistance to an RSL involved in such transfers. *See paragraph 6 on public sector transfers of stock and DCLG transfer guidelines.*
- 3.7 The RSL must refer to the individual scheme type sections in this Guide for specific requirements on the use of valuers.

4 HISTORIC PURCHASE FROM THE PRIVATE SECTOR

- 4.1 For land/property purchased from the private sector prior to the year in which confirmation of grant is issued, the maximum eligible acquisition cost is the lower of:

- the current open market value of the land/property, confirmed by an independent qualified valuer and valid at the date of Grant Confirmation; OR
 - the actual acquisition cost.
- 4.2 Normally there can be no exceptions to this rule (e.g. if it would be more advantageous to the RSL to use the actual acquisition cost because values have decreased). The only exception is where a site has been acquired for the purpose of land banking at least one year prior to bidding and the purchase has been funded from the RSL's reserves or by borrowing. In this case the eligible acquisition cost will be the lower of the current open market value or the actual cost plus a maximum of three years interest using Barclays Bank base rate.
- 4.3 The RSL must always obtain an up to date open market valuation for any such historic acquisition. This must be kept on file by the RSL for Compliance Audit purposes, along with a copy of the open market valuation valid at date of exchange of purchase contracts.

5 HISTORIC PURCHASES FROM A LOCAL AUTHORITY (excluding LSVT transfers)

- 5.1 The rules regarding deduction of 'other public subsidy' from the maximum amount of SHG payable apply equally in the case of historic acquisitions. Where, for example, the RSL has acquired land or property at a discounted value from a local authority, the amount of that 'other public subsidy', as at the date of acquisition will be deducted from the total amount of SHG payable. *See also GENERAL-6 Other Public Subsidy.*
- 5.2 For land/property purchased from a local authority, the valuation provided by a qualified independent valuer is normally obtained by the local authority.
- 5.3 When the valuation is commissioned by the RSL the local authority will have to confirm in writing to the RSL that it endorses the valuation. This letter must be kept on file by the RSL for Compliance Audit purposes. This is to avoid the need for a further valuation by the local authority, but some local authorities feel unable to provide this written endorsement without a full valuation procedure. To avoid this duplication of effort, the Corporation will accept submissions without this endorsement, provided the RSL confirms that the local authority has obtained the necessary consent to dispose under the Local Government Act 1988.
- 5.4 This is required in order to establish whether the purchase price of the land or property is below the market value and if so whether this constitutes a Gratuitous Benefit under the terms of the Local Government Act 1988 and the value of any such benefit. The gratuitous benefit is the difference between the

valuation of the land/property and the actual value at which the RSL acquires the land/property.

- 5.5 Where for any reason the local authority is concerned that this will not properly reflect the benefit in a particular case it should provide a separate calculation which the RSL must include in its submission.
- 5.6 Where the land/property was purchased from a local authority for nil or a discounted price, the full value at the date of acquisition will be the figure on which SHG is calculated. The difference between the actual value of land/property and the cost of acquiring the land/property will be treated as 'other public subsidy - acquisition' which is deducted from the total amount of SHG payable.
- 5.7 Where the land/property was purchased from a local authority at full value the maximum eligible acquisition cost is the lower of:
- the current open market value of the land/property, confirmed by an independent qualified valuer and valid at the date of Grant Confirmation; OR
 - the actual acquisition cost.

Land banking

- 5.8 Where a site has been acquired for the purpose of land banking the eligible acquisition cost will be the lower of the current open market value or the actual cost plus a maximum of three years interest using Barclays Bank base rate. *See paragraph 4.2.*

Documents to be retained by RSL

- 5.9 The RSL must always obtain an up to date open market valuation for any such historic acquisition. For Grant Confirmation the RSL must obtain a valid copy of the current open market valuation and a copy of the open market valuation valid at the date of exchange of purchase contracts. These must be kept on file by the RSL for compliance audit.

6 SOCIAL HOUSING GRANT AND HOUSING TRANSFERRED FROM LOCAL AUTHORITIES AND OTHER PUBLIC SECTOR BODIES

- 6.1 This section provides guidance on eligibility for social housing grant (SHG) for stock transferred from public sector bodies to registered social landlords (RSLs). The over-riding principle is that housing transfers are designed to be fully funded over the period of the business plan without additional SHG. It

sets out the exceptional circumstances in which SHG may be available for repair, improvement, demolition and replacement or new development. In some cases this will depend on the date of transfer.

- 6.2 The SHG Determinations, which are periodically updated, state that 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, which is also regularly updated, says that the valuation and the RSL 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.

Funding

- 6.3 When drawing up their Business Plans and considering future investment needs, RSLs cannot assume that SHG will be available at any point in the future. We will not consider bids for SHG unless the proposals fit with the priorities for investment in the Regional Housing Strategies, the Corporation's strategic priorities and the resources are available. Local authorities may decide to fund through other sources.
- 6.4 We recognise that some costs cannot be reasonably 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 RSL's asset management strategy.
- 6.5 Cases will only be considered for funding 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 Corporation 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 SHG payable on the enhanced or replacement works to ensure there is no double subsidy.
- 6.6 Where the RSL is subsidising new SHG development, either on the transfer site or elsewhere, or is subsidising non-SHG eligible activities, they will have to put forward an additional case to support their application for funding.
- 6.7 As the Recycled Capital Grant Fund can only be used for works which would in principle qualify for SHG, the contents of this section also apply to the use of the Fund. RSLs should always consult the Corporation's field office Investment Officer.

Major Repairs

- 6.8 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 SHG.

Adaptations

- 6.9 Stock transferred (or new homes on land included as part of a transfer) after 31 March 1996 is not eligible for SHG adaptations funding. As part of the contractual negotiations for the transfer, the RSL and the local authority should agree how the management of the needs of disabled tenants will be addressed, and reflect this in public and management guidance. Stock transferred up to 31 March 1996 remains eligible in principle for SHG adaptations funding, provided applications meet other requirements and no other locally agreed restrictions apply.

Improvements and remodelling

- 6.10 Improvements are work to stock intended to raise the standard of the homes, for example energy efficiency measures, new kitchens. 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 SHG 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 the decent homes standards, energy efficiency measures, have been introduced since the date of transfer, the necessary works have not been included in the Business Plan and are beyond what would normally be expected when giving properties a 30 year life (kitchen and bathroom replacement would, for example, be expected within a 30 year period);
- where works, for example improved security measures, are necessary to meet current expectations.

Demolition and rebuilding

6.11 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 we 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 makes 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 e.g. demand has increased;
- 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.

However, investment regions will make decisions about funding in the context of Regional Housing Strategy 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.

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

6.13 For stock transferred before 1 April 1997, SHG 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. The RSL 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.

New development of vacant sites

- 6.14 Works only new build or rehabilitation schemes are eligible for SHG 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

- 6.15 SHG 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 SHG 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.

7 SMALLER SCALE DISPOSALS OF VACANT SITES AND STOCK FOR REFURBISHMENT AND/OR REDEVELOPMENT

- 7.1 Vacant public sector sites and vacant stock that are not part of a transfer are eligible for acquisition and works funding provided that, in the case of properties, the valuation reflects the condition. In order to avoid or minimise the need for SHG, local authorities will have been expected to consider the option of putting such stock into a transfer package with other stock of positive value.

8 ACQUISITION OF PRIVATE SECTOR TENANTED PROPERTY

- 8.1 SHG is payable on the acquisition cost of tenanted dwellings for direct acquisition from private owners or for those compulsorily acquired from a private sector owner by a public sector body for the purposes of disposal, within a reasonable time, to an RSL.
- 8.2 In normal circumstances the RSL will wish to improve properties acquired with sitting tenants as soon as it is practicable to do so. Occasionally, however, a tenant is unwilling to move out of the property, making it impossible to undertake the improvement works. The RSL may be aware of the problem at the outset before buying the property, but in some cases the situation will not become apparent until a later stage.
- 8.3 In either case the RSL incurs initial costs upon which interest continues to accrue for an indefinite period. To resolve this problem the following alternative procedures have been devised:

- where the RSL is aware at the outset that the tenant will not move and that improvement works cannot be effected within 18 months of completion of property purchase, the RSL may apply for Grant Confirmation and Grant payment as if the property were an existing satisfactory purchase;
- where a full acquisition and improvement scheme has had Grant Confirmation, but the RSL has been unable to improve the property within 18 months of completion of property purchase, the Corporation will review the case and will ask the RSL to confirm the proposed Start on Site date. If the RSL is unable to confirm a date for Start on Site, the scheme will be cancelled. When the property is eventually available for improvement the RSL should submit a new bid for funding as an Acquisition & Works scheme, using the historic acquisition cost to calculate grant. (*See GENERAL-3, paragraph 4*). The RSL will include in the submission a discount on grant equal to grant already paid.

Mortgage rescue

- 8.4 Mortgage rescue cannot be funded by SHG whether paid through the Corporation's National Affordable Housing Programme (NAHP), the RCGF, or the Disposal Proceeds Fund.

9 DONATED LAND

Private Donations

- 9.1 The criteria for Historic purchases will not apply in cases where the land/property has been donated to the RSL rather than acquired with the RSL's own resources.
- 9.2 Developer contributions are considered private donations. *See GENERAL-5*.
- 9.3 SHG cannot be used to realise for the RSL the full value of the land/property donated in this way. A donated land scheme is processed using the Acquisition & Works procedures with a purchase price of £1.

Public Body Donations

- 9.4 In cases where the land/property is donated to the RSL by a public body, such as a local authority, any gratuitous benefit must be assessed. Evidence of the actual value paid and a copy of the open market valuation valid at exchange of contracts must be kept on file by the RSL for compliance audit purposes. *See GENERAL-6 Other Public Subsidy*.

- 9.5 A donated land scheme is processed using the Acquisition & Works procedures with a purchase price of £1. The open market value will be the figure on which SHG is calculated, and any gratuitous benefit will be deducted from the total amount of SHG payable.
- 9.6 In this context, land or property is not ‘donated’ by a public body if the acquisition is subject to conditions such as nominations. Such cases are classed as being in receipt of ‘other public subsidy’. The rules regarding deduction of ‘other public subsidy’ from the maximum amount of SHG payable apply equally in the case of historic acquisitions. Where, for example, the RSL has acquired land or property at a discounted value from a local authority, the amount of that ‘other public subsidy’, as at the date of acquisition will be deducted from the total amount of SHG payable. *See GENERAL-6 Other Public Subsidy.*

10 PURCHASE FROM ANOTHER RSL

- 10.1 The Housing Act 1988 encouraged RSLs to develop and implement effective asset management strategies. Where one RSL disposes of property to another RSL, as opposed to selling out of the sector, the disposal must be neutral in terms of cost to public funds. However, because of the growing complexity both in terms of eligibility for public funds and the potential sources of those funds, details of this principle need to be set out on eligibility for current and future funding through SHG. Corporation circular F2 - 21/98 sets out the principles regarding the eligibility for SHG, from either the Corporation or a local authority, to fund acquisitions and works where one RSL acquires land or property from another RSL.
- 10.2 Circular 21/98, and other sections in this guide set out the eligibility of these properties for using money in the Recycled Capital Grant Fund (RCGF) and the Disposal Proceeds Fund (DPF).

Transfer of property

- 10.3 With effect from October 2004 the following procedures replace those contained in Circular F2 24/98, which has now been archived.
- 10.4 Where an RSL wishes to transfer property or land to another RSL, the Corporation’s prior consent to the disposal is required under Section 9 of the Housing Act 1996. Related information on disposals and consents is contained in the Corporations’ circulars 03/03 (and its associated booklet *Disposing of Land*) and 08/03.
- 10.5 Additionally, following section 9 consent and where property has received Housing Association Grant (HAG), or Social Housing Grant (SHG), (including Recycled Capital Grant Fund, Disposal Proceeds Fund or Rent Surplus Fund) RSLs must advise the Corporation immediately the ownership of that property,

or properties, has changed and no more than 30 days after the date of completion. RSLs should use form TOP1(R) for this purpose.

- 10.6 Where no HAG/SHG is involved and section 9 consent has been granted there is no need to notify the Corporation when the legal ownership has changed.
- 10.7 RSLs must notify any local authority that has an interest in the property.
- 10.8 The transfer of properties procedure does not apply when RSLs enter into management agreements without a change of property ownership (*see GENERAL-8*).
- 10.9 Neither does the transfer of properties procedure apply when RSLs dispose of their entire stock to another RSL, known as transfer of engagement. On these occasions RSLs should seek further advice from the Corporation's Registry section.
- 10.10 The disposing RSL must comply with the terms of any loan secured on the property.

Procedures

- 10.11 Immediately following the transfer or disposal of a property the donor RSL must inform the Corporation's Regional Office Investment Team (where the property is located) in writing titled "***Request to Process and Notify a Transfer of Property***" and ask to be sent form TOP 1 (R).
- 10.12 On receipt of a request as above Regional Office investment staff will, within 10 working days, acknowledge receipt of the request and send the donor RSL a copy of the procedures and guidance for completion of TOP 1 (R) together with a copy of the form. (*Full details are available on Corpynet, Investment Performance Team Page*)

Completion and approval of form TOP 1 (R)

- 10.13 Prior to completion of the form RSLs will need to ensure they meet the following conditions:
 - The donor RSL must confirm that all relevant legal processes to transfer the property to the recipient RSL have been completed;
 - Both donor and recipient RSLs to confirm that the TOP 1 (R) will be completed by an authorised signatory;
 - Both donor and recipient RSLs must agree to accept that the Corporation must protect public funds;

- Both donor and recipient RSLs must agree to accept that the Corporation may use the information provided in this form to prevent and detect fraud;
 - Both donor and recipient RSLs must agree to accept that the Corporation may share the information with other organisations that handle public funds;
 - Both donor and recipient RSLs must agree to accept that the Corporation may use the information provided for statistical surveys and related purposes;
 - Both donor and recipient RSLs must agree to accept that the Corporation may pass this information in confidence to the Office of the Deputy Prime Minister and agencies working on its and the Corporation's behalf;
 - Recipient RSLs must confirm that they are to be held accountable for the Corporation's investment in property/properties received from the donor RSL as stated on TOP 1 (R);
 - Recipient RSLs must confirm that they will adhere to the Corporation's conditions regarding recovery of Capital Grants as detailed in the Corporation's Capital Funding Guide for property/properties received from the donor RSL;
- 10.14 Following completion by an authorised signatory (*see GENERAL-1 para 10*) RSLs should return the completed TOP 1 (R) to the regional office.
- 10.15 Regional investment staff should examine the form, in line with internal procedures, to ensure it has been fully and correctly completed before approving it and forwarding it to the Investment Performance Team at Maple House.
- 10.16 Within 20 days of receipt of a regional office approval Maple House will notify the regional office, the donor and the recipient RSLs of the effective change together with an IMS TOP reference number in writing titled "***IMS TOP Request Approval and Notification***".
- 10.17 For all regional enquiries relating to a Transfer of Property, the regional reference number must be quoted and for all Maple House enquiries, the IMS TOP reference number must be quoted.

1 INTRODUCTION

- 1.1 This list of qualifying and non-qualifying costs cannot be considered exhaustive and the Corporation will advise on items where there is any doubt.
- 1.2 For major repairs schemes, the REPAIR section of this guide gives guidance on what may, or may not, qualify for SHG.

2 QUALIFYING COSTS

- 2.1 For Rent, Sale, and TSH schemes, TCI guidance for 2004/2006 sets out the costs that can be considered for SHG. It also contains a list of items to be funded by the 'on-costs'.

3 NON-QUALIFYING COSTS

- 3.1 Non-qualifying costs are any capital costs of a scheme which do not qualify for SHG and are inadmissible for subsidy. Examples of these are as follows:

- land (forming part of total site acquired) which will not be used exclusively for housing provision purposes directly related to the scheme. The RSL will be asked to confirm the valuer's assessment of the non-qualifying element of the land/property purchase price;
- estate offices, factories, letting offices;
- stores (other than external storage provision required by the Corporation's SDS);
- doctor's surgeries, clinics;
- police stations, public libraries, bus shelters;
- shops, restaurants, public houses, offices;
- transformer and other related buildings;
- maintenance depots, tools, plant and vehicles;
- garages and greenhouses (except for Off The Shelf schemes and acquisition of existing property where the scheme offers value for money);
- separate laundry blocks and related equipment.

- 3.2 Some items will not qualify for SHG unless the RSL can clearly demonstrate that their costs are properly chargeable to the housing development, i.e. for the sole use of the residents or to comply with any statutory obligations that may have been imposed. Examples of these are as follows:

- works to any roads which do not exclusively serve the housing development;
- landscaping to areas of land which lie outside the boundaries of the site;
- district heating systems;

- trunk sewers and sewage disposal works;
- special refuse treatment buildings;
- public conveniences;
- community halls, club rooms, recreation rooms.

3.3 Some of the above features can be linked to a housing scheme as part of an overall project conferring Housing Plus status on the housing element. However the RSL should ascertain that matching funding is available for the non-housing elements of the project as SHG will not be available to fund such costs in any circumstances. In order to be properly chargeable the items must be shown to be:

- for the sole use of the residents or comply with statutory/planning obligations which may have been imposed; and
- fully costed and taken into account in the site purchase value assessed by the independent qualified valuer.

4 PROCEDURES FOR NON-QUALIFYING COSTS

4.1 When submitting its submission for confirmation of grant the RSL should identify and quantify any non-qualifying items included in the total scheme costs figure. The RSL should deduct the amount of the non-qualifying costs from the total scheme costs to arrive at the qualifying costs upon which SHG is sought.

4.2 SHG eligible costs cannot be classed as non-qualifying costs in order to bring costs within acceptable levels, unless reduced by non-deductible public subsidy (*see GENERAL-6*) or developer contributions (*see GENERAL-5*).

Costs being met by non-deductible subsidy funding

4.3 When applying for confirmation of grant the RSL must identify all non-qualifying costs as either Housing or Non-Housing Non-Qualifying Costs.

4.4 When the RSL is in receipt of any form of public subsidy that is providing funding for non-housing costs these should be recorded as Non-Housing Non-Qualifying Costs and will not be deductible from the total SHG payable. Where non-qualifying costs are housing costs that would be SHG eligible they should be recorded as Housing Non-Qualifying Costs.

4.5 For **Rent schemes** only the approved qualifying costs at confirmation of grant will be the basis for setting the limit to the Corporation's contribution to any cost increases at Practical Completion.. Therefore: if a certain percentage of total costs is deemed non-qualifying at the outset, then a similar percentage of any cost increases will also be non-qualifying.

- 4.6 The eligibility of items such as shops, community centres, and off-site highways (which would otherwise be regarded as non-qualifying costs) stem from the concept of reciprocal value. The items are eligible only to the extent that the cost of provision is no greater than the fettered value of the land as determined by an independent qualified valuer.

5 FURNITURE

- 5.1 The Corporation has included an element in the standard on-cost for each scheme type for the provision of furniture. For the purposes of the standard on-cost the Corporation has used the following guidelines, which are recommended to the RSL.

Self contained accommodation

Communal Living Rooms

- 5.2 The RSL should aim to provide basic furniture, rather than luxury items, for communal living rooms in older persons' schemes, housing for single people and for the disabled. Rooms may include all sitting areas, guest rooms, TV and quiet rooms. Office equipment and furniture does not qualify for SHG.
- 5.3 If furniture provision is included in the main contract it will attract on-costs such as professional fees. It will normally be more cost-effective for the RSL to order it separately.

Communal Kitchen and Laundry Equipment

- 5.4 The RSL should include kitchen fittings and other built-in furniture, together with kitchen and laundry equipment (e.g. cookers, fridges, freezers washing machine, tumble dryers etc.) where these are intended to be used communally in sheltered accommodation, housing for single people or housing for the disabled.

Personal Furniture

- 5.5 The RSL would not normally be expected to provide furniture for use in an individual unit in self-contained schemes. However in certain schemes the particular needs of the client group may make provision of furniture and equipment a necessary feature. In such cases, kitchen fittings and other built-in furniture, together with floor coverings for sound or thermal insulation, should be provided and will qualify for SHG.

Supported housing

- 5.6 Supported housing projects (hostels, clusters or group homes) provided under the 1988 Act and subsequent SHG arrangements are covered by the above guidance and no additional SHG is available.

Replacement of furniture

- 5.7 The funding arrangements for the replacement of furniture will depend on whether the furniture was provided originally from: the capital costs of the scheme or the RSL's own resources.
- 5.8 If the costs of furniture have been included in the capital costs of a scheme, the RSL should use the service charge income to make provision for replacement over the relevant period. Provision should be made in the accounts for the replacement of furniture and drawn on as required.
- 5.9 If the furniture was funded from the RSL's own resources it will need to fund replacement costs by raising fresh finance.

6 SIGNBOARDS

- 6.1 RSLs must comply with the Corporation's signboard requirements **for all SHG funded schemes** unless the Corporation has given a specific exemption (see paragraph 6.8 below).
- 6.2 In addition, it has been agreed with the Department for Communities and Local Government that **major capital projects** receiving significant Government funding must display signage acknowledging that contribution by displaying the wording: 'HM Government: Building for the Future'. [For this purpose, a major capital project is a grant aided development, or phase of a development, of 30 dwellings or more. This includes New Build, Rehabilitation and Re-improvement schemes, and excludes Major Repair or Miscellaneous Works schemes. It applies to any new development funded by SHG through the Corporation or funded with money from the RSL's Recycled Capital Grant Fund or Disposal Proceeds Fund, or any combination of these.] *See paras 6.11 to 6.14 below.*

Guidance re signboards for all SHG funded schemes

- 6.3 The design of the Corporation's site signboard must be followed using official artwork. There are two sizes: the 2.438m by 1.219m (8 ft x 4 ft) is the preferred design; the smaller the 2.438m by 0.610m (8 ft x 2 ft) version may be used where space is limited. Deviation from these sizes must have prior written permission from the relevant field office of the Corporation. In the first instance RSLs should contact their Investment Officer.
- 6.4 The Corporation's corporate signature needs to be reproduced carefully. The wording on the signboard must read 'with funding from the Department for Communities and Local Government'.
- 6.5 Artwork can be obtained in electronic format from the Corporation website: www.housingcorp.gov.uk/resources/artwork.htm and from the

Communications Department, The Housing Corporation, Maple House, 149 Tottenham Court Road, London W1T 7BN telephone 020 7393 2096.

- 6.6 RSLs producing signboards by signwriting techniques must ensure that the design grids are accurately followed. There must be no artistic licence. Copies of the grids are available from the Corporation's website.

Signboard display

- 6.7 A signboard should be displayed in a prominent position on each new build development and/or rehabilitation development comprising of four or more properties using Corporation funding. The display may also include a brief description of the scheme, for example '30 sheltered flats for older persons'.
- 6.8 Where the RSL 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 appropriate field office of the Corporation, see 6.3 above.
- 6.9 For schemes started prior to August 2002, an old style signboard can be used (wording "with funding from the department for Transport, Local Government and the Regions") and a new board is not required. However, for scheme developments commenced after August 2002 the new style board must be used.
- 6.10 The reasonable cost of providing a site signboard are eligible for SHG.

Guidance re additional requirements for signboards on schemes defined as major capital projects

- 6.11 The DCLG branding signage is recommended for applicable schemes receiving Grant Confirmation after 1 January 2000. It is a requirement for applicable schemes receiving Grant Confirmation, or the equivalent for RCGF and DPF, after 1 April 2000.
- 6.12 Where the RSL considers that the provision of the additional branding signboard is inappropriate (for example, where SHG input is less than £1 million or where consents are refused) exemption should be sought in writing from the appropriate field office of the Corporation, which will not withhold consent unreasonably.
- 6.13 RSLs producing these signboards by signwriting or other recognised copying techniques must ensure that the design is accurately followed. No artistic licence is permitted.
- 6.14 Details of the type and cost of signs and an order form are available from the Central Office for Information's nominated supplier:

Tara Signs Ltd, St Peters Place, Western Road, Lancing, West Sussex

Telephone number: 01903 750710 Fax number: 01903 754008

- 6.15 The DCLG branding signage must be placed in a prominent position and be of a size appropriate to the physical size of the project.
- 6.16 The costs of providing these site signboards are eligible for SHG and are included within TCI.

Additional requirements - all signboards

- 6.17 RSLs are responsible for obtaining any necessary statutory approvals or consents i.e. Town and Country Planning (Control of Advertisement) Regulations, 1992.
- 6.18 Compliance with the Corporation's signboard requirements will be checked as part of the Corporation's compliance audit.

1 INTRODUCTION

- 1.1 The RSL is responsible for obtaining appropriate planning permission for its development proposals. It is a condition of SHG payment that all schemes meet the Corporation's Scheme Development Standards (SDS) which require the RSL to have obtained building regulation approval and planning consent prior to the completion of the development.
- 1.2 In circumstances where the planning authority grants planning permission subject to conditions or makes the development subject to a section 106 Agreement (s106 of the Town and Country Planning Act 1990) the RSL must ensure that any restrictions do not make the development ineligible for SHG funding.
- 1.3 This section provides guidance on:
- the Corporation's requirements for SHG funding;
 - the treatment of works costs arising from s106 agreements;
 - the treatment of developer contributions towards the costs of SHG funded housing.
- 1.4 RSLs should ensure that they are aware of the current guidance on planning produced by the Department for Communities and Local Government..

2 PLANNING CONDITIONS NOT ELIGIBLE FOR SHG

- 2.1 The RSL must discuss with the planning authority any likely restrictions that could affect the eligibility of the development for SHG funding. To qualify for SHG funding, planning permissions must not be unduly restrictive. Examples of planning consents that would be considered unduly restrictive and would render the development ineligible for SHG, are set out below:
- consents that are made personal to the applicant RSL and/or voluntary agency managing the scheme to the exclusion of other RSLs;
 - consents that over restrict the letting/sale of property. For example a planning consent could not exclude housing for rent from the provisions of the Right to Acquire (which gives a statutory right to purchase certain properties provided by RSLs) or restrict the equity in a shared ownership scheme (other than for rural restricted equity schemes).
- 2.2 In some cases, a local planning authority may require the developer/RSL to enter into a binding agreement under Section 106 of the Town and Country Planning Act 1990, for instance, where the local authority wants an affordable

housing planning contribution. In other circumstances, s106 agreements seek to ensure permanent social housing for local people, especially in rural areas. RSLs will need to ensure that s106 provisions do not affect the viability of the development and in the case of housing for sale, initiatives do not affect the mortgageability of the properties. For shared ownership developments, most mortgage lenders will not lend if the lease refers to the leaseholder having to satisfy the provisions contained in any other document, such as a s106 agreement.

- 2.3 If the RSL is uncertain as to whether a particular planning condition will make the development ineligible, it should contact the Corporation's local Investment Officer for guidance.

3 SECTION 106 AGREEMENTS

- 3.1 Planning authorities may make a planning consent conditional upon entering into an agreement under s106 of the Town and Country Planning Act 1990. The agreement details the planning contributions to be provided by the developer. Planning contributions may for example consist of highway improvements, provision of community facilities and commuted sums. Items resulting from s106 planning contributions are eligible for SHG to the extent to which they offset the s106 fettered land value as determined by an independent qualified valuer acting in full knowledge of the detail and costs of compliance with the s106 agreement.
- 3.2 Local planning authorities may attach s106 requirements for off site works and financial contributions to planning consents for social housing developments. RSLs should ensure that they are acting within their own rules in complying with some requirements such as the provision of community centres not primarily for their own tenants or financial contributions for non-housing purposes. The SHG (Capital) General Determination 2003, paragraph 7, lists the housing activities that are eligible for grant. The Corporation would be exceeding its grant giving powers in funding items that do not fall within the definition of eligible housing activities. RSLs should avoid s106 requirements that are unduly onerous and only proceed where the proposed development will not otherwise obtain the required planning consent.
- 3.3 RSLs should go through a reasonable process to ascertain that they may undertake or sponsor s106 requirements. This may include obtaining legal advice as to whether the proposed activity is within their rules. The Corporation will not dispute that advice unless there are strong grounds for doing so. RSLs 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 RSLs to undertake.
- 3.4 The Corporation may use a s106 viability model to assess the economies of any particular site

Procedural requirements

3.4 Note:

- an independent open market valuation of the land as unfettered by the s106 requirements should be obtained (residual valuations are not acceptable);
- full details of the off-site works required by the vendor or any obligations imposed by the local authority should be obtained;
- an independent consultant should provide a detailed estimate of the additional costs associated with s106 works, preferably based on an all inclusive firm price tender;
- the costs of works should be deducted from the open market value of the land to determine the eligible acquisition cost, unless the sale price is less in which case the lower figure should apply;
- a breakdown of s106 funding obligations (monetary contributions as distinct from building works) should be included within eligible acquisition costs;
- the additional cost of s106 works costs which are eligible for grant should be added to the works costs. Cost overruns arising from any s106 component will only be considered for SHG in exceptional circumstances, where they are contained within the existing limits;
- SHG tranches will be treated as normal that is acquisition at exchange of contracts and Start on Site upon possession of the site by the main contractor. S106 works executed in advance of the main contract works cannot act as trigger for the Start on Site tranche payment;
- S106 requirements ineligible for SHG should be treated as 'non-housing non-qualifying costs'.

All documentation must be kept on file by the RSL for compliance audit.

4 DEVELOPER CONTRIBUTIONS

- #### 4.1
- Local planning authorities have a responsibility to allocate sufficient land for housing in their development plans. Planning Policy Guidance Note 3 (PPG3) provides guidance as to how the planning system can contribute to the overall supply of affordable housing. This is supplemented by DCLG Circular 06/98. Local planning authorities may require, as a condition of granting planning permission, that affordable housing is provided as part of a proposed housing

development. In exceptional circumstances contributions for local planning, authorities and applicants may agree to arrangement for delivering an agreed element of social housing on a different site.

- 4.2 Where alternative arrangements are agreed, contributions to affordable housing, whether in cash or in kind, are from the private sector and should not be treated as 'other public subsidy' when combined with SHG. The basic objective of developer contributions, whether or not the scheme also receives SHG funding, is to provide **additional** affordable housing, either directly or by reducing the SHG requirement. In some cases where a developer provides affordable housing directly on site for sale to an RSL, the price will be set at a level where no SHG is required. Similarly, where a cash payment is made in lieu of affordable housing, either directly or via the local authority, the subsidy may be sufficient to avoid the need for SHG.
- 4.3 In cases where the private sector contribution is in the form of free land/property, the scheme will be treated as an Acquisition and Works with a purchase price of £1.
- 4.4 Where SHG is combined with an on-site contribution in the form of discounted land and/or a contribution to the construction costs, SHG should be calculated in relation to the actual costs incurred by the RSL. The value of the contribution should be recorded as a housing non-qualifying cost and identified separately in IMS using a scheme log.
- 4.5 Where the developer makes a cash contribution, this should be shown as reducing the qualifying costs which are eligible for SHG, that is. a housing non-qualifying cost. SHG will then be calculated in relation to the remaining qualifying costs.
- 4.6 In all cases, the Corporation will check that the scheme represents value for money in SHG terms, allowing for the discount or cash contribution provided by the developer. In most cases this will depend on whether the developer contribution has provided additional units. In areas where there are problems delivering viable schemes a contribution may be used as a means of reducing qualifying costs to a level that allows the scheme to proceed. In this case it will need to be clear that the scheme could not have proceeded without the developer contribution and that, for 'off-site' contributions, the payment is not being used to subsidise a high cost scheme when there are opportunities to develop lower cost schemes elsewhere in the same locality.

1 INTRODUCTION

- 1.1 Where a public sector subsidy is provided in support of development costs, the value of the subsidy will be deducted from the capital SHG payable. The exceptions, i.e. non-deductible other public subsidies, are referred to in paragraph 4. Where there is uncertainty as to whether the public subsidy should be deducted, the local office of the Corporation must be contacted for a decision.
- 1.2 Where the subsidy is a contribution to the future running costs of the project, the net present value of the subsidy must be calculated and deducted in the calculation of SHG.

To calculate the **net present value**, the formula is:

$$PV = AS \times \frac{(1 - (1 + \text{int})^{-Y})}{(1 - (1 + \text{int})^{-1})}$$

AS = Annual Subsidy, int = Discount Rate of 6%, PV = Present Value and Y = Years of subsidy.

Spreadsheet - example 1 - a unit will have a weekly subsidy of £60 a week (£3,120 a year) over 6 years, making an Annual Subsidy of £3,120. The Present Value, in an Excel spreadsheet, is calculated using this formula in cell B5: =PV(B2, B3,-B1,0,1)

	A	B
1	annual subsidy	3120
2	int	0.06
3	years	6
4		
5	PV	£16,263

Manual -example 2 - a unit has a weekly subsidy of £60 for two years, and £70 for a further four years. For the purposes of the formula the average Annual Subsidy must be calculated thus:

payments in years 1-2 of £60 a week = £3,120 a year
payments in years 4-6 of £70 a week = £3,640 a year
total subsidy over the 6 years = (2 x £3,120) + (4 x £3,640) = £20,800
average annual subsidy = £20,800 / 6 = £3,467 a year (round to nearest whole pound, with 50p rounded up).

- 1.3 Where the subsidy takes the form of land or buildings made available to the RSL at less than full market value, the value of the subsidy must be determined by an independent qualified valuer.

2 PURCHASE OF LAND FROM LOCAL AUTHORITIES

- 2.1 Special arrangements apply when vacant local authority land or property is sold to the RSL at full market value, at a discount or donated. *For the purchase of tenanted local authority properties see GENERAL -3.*
- 2.2 The RSL is expected to obtain from the local authority a valid open market valuation by either the District Valuer or an independent qualified valuer. The valuation must be kept on file by the RSL for compliance audit. *See GENERAL -3.*
- 2.3 Where a local authority wishes to dispose of housing land or property to an RSL, it must first obtain the consent of the Secretary of State under section 32 of the Housing Act 1985. Where the land in question is not held for housing purposes, then the authority will need to refer to the requirements of section 123 of the Local Government Act 1972. In both cases there are general consents available (*see also paragraph 2.8 below*) which, if the circumstances of a particular case meet all the specified criteria, dispense with the need to write to the Department for Communities and Local Government to seek special consent. As a rule of thumb, the general consents under section 32 of the 1985 Act do not cover the disposal of housing land and property at less than open market value.
- 2.4 Where the sale of land or property to the RSL is to be discounted (including at nil value), the local authority will need to consider whether consent should be obtained under section 25 of the Local Government Act 1988. This allows local housing authorities, with the Secretary of State's consent, to provide any person with financial assistance or gratuitous benefit in connection with the acquisition, construction, conversion, rehabilitation, improvement, maintenance or management of any property that is, or intended to be, privately let as housing accommodation. This will apply to the majority of local authority disposals at discount to RSLs, as the disposed property or new properties built on the disposed land will usually be made available for rent. Again, there are general consents available (*see also paragraph 2.8 below*) which should cover the more straightforward disposals.
- 2.5 The onus is on the local authority to determine whether the terms of the sale to the RSL constitute a benefit. The Local Authority must determine whether the terms of sale to the RSL constitute a benefit within the meaning of the Local Government Act 1988, and the local authority should obtain its own advice on the interpretation of these sections. The Corporation believes that there is a benefit when the value of a site or property is reduced as a result of:
- the grant of a right to nominate persons to be occupiers, or a promise to grant such rights (Section 25 (6)(a) Local Government Act 1988);
 - obligations which restrict or have the effect of restricting occupation of the properties as housing accommodation by persons of a particular description (Section 25(6)(b) Local Government Act 1988).

Where the consent to the provision of financial assistance or gratuitous benefit is given under section 25 of the 1988 Act, either by means of a general or a special consent, then by virtue of section 26(5) of the Act there is no need for the local authority also to seek disposal consent under section 32 of the Housing Act 1985 or section 123 of the Local Government Act 1972.

- 2.6 In all cases the RSL must be satisfied that the local authority has obtained the necessary consent. For purchases from a local authority where the valuation has been commissioned by the RSL, the local authority must confirm in writing that it endorses the valuation. This confirmation must be kept on file by the RSL. The purpose is to avoid the need for a further valuation by the local authority.
- 2.7 Where the local authority considers it is unable to provide this written endorsement without a full valuation by its own valuer, the Corporation will accept submissions without this endorsement provided the RSL can confirm that the local authority has obtained the necessary consent as outlined above. The Corporation will count as gratuitous benefit any difference between the valuation and the actual value at which the RSL acquires the land or property. If the local authority does not consider that this reflects the benefit in a particular case, it must provide a separate calculation that the RSL must include in its submission.
- 2.8 Copies of general consents under section 32 of the 1985 Act and section 25 of the 1988 Act were sent to all local authorities in March 2005. Further copies may be obtained from the Department's website www.communities.gov.uk or by telephoning Andrea Gibbs on 020 7944 3642. Copies of the general consents issued under section 123 of the 1972 Act are obtainable from Cyril Kearney on 020 7944 3915.

3 GRATUITOUS BENEFIT

- 3.1 Gratuitous benefit arises when a local authority, or other public body, makes land available to the RSL on favourable terms. The value of this benefit must be deducted in the calculation of SHG payable on a scheme.
- 3.2 The value of the gratuitous benefit is generally equal to the difference between the actual price paid by the RSL for the land and the price the land would have realised if sold on the open market for the most valuable use for which planning permission could reasonably be expected to be forthcoming. Where the terms of the disposal include some unusual form of benefit, the Corporation's local office must be made aware of the nature of the subsidy so that a decision can be made as to how much to deduct in the calculation of SHG.
- 3.3 If the land would not have been granted planning permission for any development other than affordable social housing, the gratuitous benefit will

equal the difference between the actual price paid by the RSL and the market value of the land taking into account that restriction.

- 3.4 In all cases the valuation of the land/property must be carried out by the District Valuer or other Independent Qualified Valuer and must be forwarded to the Corporation together with the relevant submission form.

4 NON DEDUCTIBLE ‘OTHER PUBLIC SUBSIDY’

- 4.1 As a general principle, certain types of public subsidy are not deducted in the SHG calculation because they relate to non-housing works. Works funded wholly or partially by such public subsidy, which are part of the same building contract as the SHG funded works, must be shown as ‘non-housing non-qualifying costs’ on the Grant Confirmation or Final Cost submissions.

- 4.2 The exception is where the work funded by the public subsidy are those that would otherwise be eligible for SHG, in which case they must be shown as ‘housing non-qualifying costs’. There are numerous types of public subsidy and it is not possible to provide an up to date comprehensive list. Therefore the following list of non-deductible public subsidy is not exhaustive, but they are mainly:

- **Historic Buildings and Monuments Commission;**
- **National Heritage Memorial Fund;**
- **English Heritage Grants**, paid under section 77 of the Planning (Listed Buildings and Conservation Areas) Act 1990;
- **Townscheme Grants**, paid under section 79 of the Planning (Listed Buildings and Conservation Areas) Act 1990;
- **Architect Heritage fund loans;**
- **Neighbourhood Renewal Fund**
- **Regional Development Agencies and Single Regeneration Budget**
Operating through the Regional Development Agencies (RDAs) which were created in 1999 (London Development Agency in 2000), the Government has a twin track approach to new regeneration projects:
 - ⇒ **Single Regeneration Budget (SRB)** which encourages local communities to propose comprehensive packages to improve the quality of life in their area;
 - ⇒ **Regional Development Agencies** (formerly **English Partnerships** before the reorganisation in 1999) which helps to provide the infrastructure for development.

- **Single Regeneration Budget (SRB)**
The SRB will support initiatives that build on good practice, represent value for money and meet one or more of the following overall objectives to:
 - ⇒ improve the employment prospects, education and skills of local people;
 - ⇒ address social exclusion and improving opportunities for the disadvantaged;
 - ⇒ promote sustainable regeneration, improve and protect the environment and infrastructure, include housing;
 - ⇒ reduce crime and drug abuse and improve community safety.

- **European Regional Development Fund**
ERDF funds are focused on economic development, e.g. post school education etc. Consequently, ERDF may not be used for schemes that solely involve the provision or renovation of housing. Local offices of the Corporation and RSLs are advised to seek advice direct from the relevant ODPM regional office as to the possibility of specific schemes attracting ERDF.

- **National Lottery Funds**
Under current Treasury rules, funding from the National Lottery is classified as public expenditure. Lottery funding is intended to be additional to rather than a substitute for existing public expenditure. Lottery grants cannot be used as matching funds for grants that require a contribution from non-public sources. It can, however, be used to provide additional units provided these are clearly separate from the SHG funded scheme. Lottery funding cannot be used in conjunction with SHG funding on an individual scheme unless it is meeting capital costs which do not qualify for SHG, i.e. non-housing costs.

- **Local Authority Renovation Grant & Mandatory Improvement Grant:** These forms of public subsidy, and similar local authority grants, are not deductible from SHG when paid directly to the lessor and not the RSL.

4.3 In supporting the Eco-homes/green agenda, the Corporation wishes to encourage RSLs to consider new and innovative measures relating to energy efficiency and sustainability. However there is a realisation that a conflict could occur should sources of other public funding be treated as 'deductible' from SHG, and that this acts as a disincentive for RSLs keen to follow the Eco-homes/green agenda. For this reason the following is to be treated as non-deductible public subsidy:

- **Clear Skies Grant:** - funded by the Department of Trade & Industry and managed by the Building Research Establishment, this aims to give householders and communities a chance to realise the benefits

of renewable energy by providing grants and access to sources of advice. For further information see www.clear-skies.org.uk.

A review of other public subsidies is currently being undertaken by the Department for Communities and Local Government to ascertain whether they should also be treated as non-deductible. Once the outcome of this review is known further details will be made available.

5 DEDUCTIBLE 'OTHER PUBLIC SUBSIDY'

5.1 Certain forms of public subsidy must be listed in the 'monitoring of public subsidy sources' for submissions on IMS, and deducted in the calculation of SHG either as 'Acquisition' related or 'Non-Acquisition' related. The following list is not exhaustive, but they are mainly:

- **Local Authority Renovation Grant, Mandatory Improvement Grant, Empty Homes Grant, Energy Efficiency Grant:**
These forms of subsidy, and similar local authority grants are deductible from SHG only if paid directly to the RSL. Local authority details should be stated.
- **Any Other Public Sector Subsidies from Health Trusts, County Councils, and Social Services:**
- **New Deal for Communities**

Launched in September 1998 the New Deal for Communities is a key programme in the Government's strategy to help some of the most deprived neighbourhoods in the country.

The programme aims to bridge the gap between some of the poorest members of our society and the rest of Britain. By focusing resources on small deprived areas, and working with the grain of other initiatives operating in the area, it seeks to achieve maximum impact.

Although problems vary from area to area, there are four themes - common to most deprived neighbourhoods, which the programme will seek to address:

- tackling worklessness;
- improving health;
- tackling crime; and
- raising educational achievement

The programme will be delivered through partnerships formed between local people, community and voluntary organisations, public agencies, local authorities and business. These must be robust and inclusive, each prepared to take responsibility for tackling the problems of social exclusion in order to

make a lasting improvement to their neighbourhood. It also means harnessing the active involvement of the local community, not only during the lifespan of the programme, but afterwards as well.

Where NDC supports housing association projects the grant paid by the Corporation will be NDC Social Housing Grant (NDC SHG). The NDC Partnership maintains overall control of the scheme and takes decisions on project priority etc. However, the Corporation must appraise and approve the project before grant can be provided.

- **Learning Disability Development Fund**

The capital element of the Fund is targeted on the Valuing People White Paper priorities to enable local providers to develop specialist services for people with challenging behaviour; developing integrated health and social service facilities for young people with severe disabilities; and developing supported living approaches for people with learning disabilities living with carers. Funding must be deployed as part of pooled funds under the Health Act 1999 flexibilities. Circular HSC 2001/016 LAC(2001)23 covers this Fund and can be found on the Department of Health website www.doh.gov.uk

- 5.2 The above list is not exhaustive, and since other subsidies may be made available in the future, RSLs should contact their local Corporation Office's Investment Officer for advice on funding sources not listed above.

1 VAT

- 1.1 We strongly recommend that users 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 Customs and Excise website at www.hmce.gov.uk
- 1.2 Where, because of circumstances beyond its control, the RSL is unable to fully mitigate the financial effects of VAT, e.g. due to the prior execution of civil engineering work by the vendor, then the cost of VAT charged may be eligible for Grant on the conditions that the RSL:
- has ensured that any VAT applied has been charged only on that portion of the land containing civil engineering works;
 - has ensured that the land apportionment is fair and reasonable; and is developing the scheme for Rent.
- 1.3 The RSL should ensure that adequate documentation is available on individual scheme files to enable the Corporation to monitor compliance with the above when carrying out Compliance Audit.

2 VAT ON MAJOR REPAIRS

- 2.1 If the RSL reclaims VAT on Major Repairs schemes which have already received 100% SHG funding, the Grant paid in relation to VAT will be reclaimed as unexpended Grant.
- 2.2 The RSL may retain reasonable costs incurred in recovering the VAT where these can be justified. Each case will be considered on its merits.

3 VAT ON DISABILITY AIDS AND ADAPTATIONS

- 3.1 Claims for SHG to cover VAT on standard rated supplies can be made, subject to the supplies being eligible for SHG, by any non-charitable RSL. Claims can also be made by charitable RSLs but only if the item concerned does not qualify for zero-rating.
- 3.2 Items that are eligible for zero rating will not be eligible for SHG. The Corporation will reject SHG claims to cover VAT payments to suppliers by RSLs if the RSL is entitled to zero-rating relief, even if the RSL has not claimed the relief (but as noted above non-charitable RSLs will not be entitled to zero-rating relief).

- 3.3 For any claim of SHG to cover VAT, a charitable RSL should keep on file for Compliance Audit purposes a letter from Customs & Excise or the RSL's professional adviser confirming that the supply cannot be zero-rated.
- 3.4 In addition, the National Housing Federation (NHF) has published a briefing note to members covering VAT relief for Disability Aids and Adaptations.

INTRODUCTION

- 1 RSLs 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. Subject to those requirements, they can adopt a variety of management arrangements, including partnerships with other agencies, involving delegation of part or all of their management responsibilities. This is conditional on ultimate responsibility for effective management remaining with the developing RSL. The Corporation is publishing guidance on this subject in July 2004: *Housing Associations and Managing Agents: Performance Assessment Framework for Housing Associations Working with Managing Agents*, which can be found in our bank of good practice website at www.bankofgoodpractice.org.
- 2 For RSLs that decide to enter into agency management arrangements, it is essential to have those arrangements in place, with suitable agreements signed and valid well before the handover date.
- 3 **Housing management delegated to a statutory body**
 - 3.1 Supported Housing schemes involving the delegation of any housing management responsibilities to a statutory body (e.g. local authority, health authority) are ineligible for SHG. For this purpose, housing management responsibilities are those activities which the Corporation's management and maintenance allowances seek to cover, including selection of tenants, collection of rents, granting of tenancies, carrying out repairs etc. Representation from statutory authorities within agencies is acceptable and should be encouraged where appropriate.
- 4 **Support Agreements**
 - 4.1 The RSL may decide to enter into a support agreement to ensure needs of tenants are met. It is acceptable for a support agreement for a statutory body to provide the support, but this must not involve delegation of any management responsibilities to it. Such support arrangements should be based on a written agreement that sets out the responsibilities of each party. Where the arrangement involves division of staff working in the scheme between two or more employers, the RSL should ensure that the agreement clearly states the responsibilities for the employment and management of staff, who should have clear reporting lines.
5. **Revenue funding for supported housing**
 - 5.1 The Housing Corporation requires assurances to support any bids for capital funding of supported housing schemes in order to demonstrate the need for the scheme and a sensible approach to managing the risks around revenue funding, as set out in the Housing Corporation's National Affordable Housing Programme 2006-08 Invitation to Bid, found at http://www.housingcorp.gov.uk/upload/pdf/Invitation_to_Bid_20060216171250.pdf

- 5.2 Developing RSLs are advised to have regularly updated risk assessments for loss of revenue funding, which should include contingency plans and exit strategies. Where there is threatened or actual loss of revenue funding for schemes already on site (or even in management), RSLs may have to consider disposal or remodelling of their schemes. In those situations, they need to be aware of our rules on recovery or recycling of capital grants (*see the REC chapter within this guide*) and our disposal consent requirements. The Housing Corporation booklet *Disposing of land*, which forms part of Circular 03/03, has detailed guidance on consent for disposal, and can be found on our website at <http://www.housingcorp.gov.uk/server/show/conWebDoc.2669>

1 INTRODUCTION

- 1.1 Compliance audit is the process by which the Corporation will check the quality of schemes developed by the RSL and procedural compliance. The Corporation's requirements are set out in the Capital Funding Guide and Scheme Development Standards (SDS).
- 1.2 The purpose of the audit will be to verify that all requirements and the Funding Conditions have been met, and that the RSL has properly exercised its responsibilities as set out elsewhere in this procedure guide, and with SDS.
- 1.3 Compliance audit does not reduce the responsibility of the RSL and the Corporation to ensure that the costs in any claim for SHG are appropriate and have been properly incurred.
- 1.4 If a local authority has concerns about a particular scheme they should contact the local office of the Corporation to request that this be included in the next sample of schemes for audit.
- 1.5 Challenge Fund schemes and schemes funded via the Partner Programme Approach (PPA) route are subject to Corporation scrutiny in regards to their Quality compliance only. These schemes must still comply with Corporation's Procedural requirements but RSLs will self-regulate. A certification is required to be completed by an independent suitably qualified, experienced and professionally indemnified consultant or auditor on Challenge Fund and PPA schemes.

2 METHOD OF AUDIT

- 2.1 SDS are the basis of the standards in development within the general Social Housing Standard expected by the Corporation. Where the RSL has stated that the scheme includes SDS, Egan compliance, other quality criteria etc., these additional standards will be checked as part of the compliance audit.
- 2.2 RSLs with a SHG a specialist funded programme, can expect a Compliance Audit visit every two years, or more frequently at the discretion of the Corporation. The visit may be combined with a regulatory visit by the Corporation, embracing both investment and regulatory issues relating to SHG funded schemes.

3 AUDIT DOCUMENTS

- 3.1 The RSL is expected to maintain a comprehensive scheme file that contains all relevant documents. Phased schemes must be identified separately on documentation. The following list is indicative, but not comprehensive, of the types of documents which will be examined:
 - valuation report for the site/property acquired. The report should:

- ⇒ take account of all the relevant factors affecting the site/property and its development;
 - ⇒ carry the Valuer's original signature;
 - ⇒ clearly identify the site/property which is the subject of the valuation on an accompanying plan endorsed by the valuer;
 - ⇒ be valid at the date of exchange of purchase contracts;
 - ⇒ for historic acquisitions the original valuation and a valuation of the property at Grant Confirmation;
 - ⇒ be unfettered of any s106 requirements.
- where vendor is a local authority - letter from authority endorsing valuation;
 - confirmation from the RSL's solicitor of the dates of exchange of purchase contracts and of completion, the purchase price paid and a comprehensive report on title;
 - documentary evidence to indicate that the procurement arrangements used agree with arrangements and procedures approved by the RSL's Governing Body;
 - where the RSL is to meet the cost of any non-qualifying costs, documentary evidence that the Governing Body resolved to commit the necessary resources;
 - where the scheme involves a non-housing element the RSL must maintain on file a funding profile showing that SHG is not being used to finance non-qualifying items;
 - where the RSL is receiving any other subsidy the RSL must maintain on file a funding profile showing that SHG is not being received in respect of costs subsidised by any other body;
 - where capital contributions to the scheme from other sources, including other public sources, are involved, confirmation of the amounts on offer and the sources of funding should be retained, including any correspondence with the third party (parties);
 - s106 - full details of off-site works required by vendor or obligations imposed by the local authority;
 - s106 - detailed estimated costs associated with s106 works;
 - surveys, drawings, specifications, specialist and other consultants' reports;
 - terms of appointment of consultants;

- evidence of the basis of selection of consultants and building contractor;
- copies of the building contract document and final account documentation;
- TSH schemes - copy of lease/licence agreement;
- TSH schemes where a lease from a local authority was not signed before the start on site - a letter from the local authority confirming their agreement to lease, written confirmation from the RSL's solicitor that the local authority's letter is legally binding and copies of the relevant pages of the draft lease;
- TSH schemes - local authority agreement to rents above prospective rents;
- planning permissions, building regulations approval and any other statutory consents;
- details of the insurance of the property during construction and following completion;
- sale valuations (Sale schemes only);
- details of prospective rents must be documented on the RSL's development files;
- copy of leases (Shared Ownership only);
- certificate of Practical Completion;
- copy of the latest certificate relevant to SHG claimed at Final Cost stage;
- for major site development works and VAT - final certificate/account in respect of the pre works and VAT certificates equating to the actual works costs above;
- Consultant's estimate of final works costs and, where appropriate (Design and Build and Package Deals, etc) a separate estimate of the non-works elements, eg on costs;
- SPPA claimed - copy of any Management Agreement between RSL and agency;

- detailed description of Major Repairs and Miscellaneous Works including estimated prices and recent maintenance history, where these documents had not been previously submitted to the Corporation;
- written confirmation from the appropriate Social Services authority, general practitioner or other suitably qualified professional that works are necessary and appropriate to the need of the individual concerned (Aids and Adaptation schemes only);
- for charitable RSL's that have claimed SHG to cover VAT - a letter from Customs & Excise or the RSL's professional adviser confirming that the supply cannot be zero rated;
- Rural Repurchase - record of surpluses made on staircasing transactions.

ADDITIONAL DOCUMENTS REQUIRED FOR THE **HOME**BUY PROGRAMME

The RSL must keep on file all relevant documentation, in particular:

- a copy of the tenant's application form;
- evidence of the purchase price;
- evidence that the applicant has been nominated by the local authority (where the applicant was on the waiting list of either the RSL or local authority);
- evidence of exchange of contracts;
- a copy of the buyer's legal representatives undertaking to secure the RSL loan;
- a copy of the charge certificate as evidence the loan has been secured;
- evidence that a household in priority housing need has been directly or indirectly housed;
- where a RSL or local authority property has been vacated and the relet is not to a local authority nominee, written confirmation from the local authority that it could not provide a suitable nomination;

ADDITIONAL DOCUMENTS REQUIRED FOR KEY WORKERS PROGRAMME

Intermediate Rent Schemes

- copies of all promotional literature and information booklets;
- copies of all correspondence with employers and sponsoring local authorities;
- copies of desk instructions for RSL staff responsible for prioritising applicants;
- details of applicants who have benefited from the scheme in terms of occupation, household income etc;

- similar details for rejected applicants;
- ethnic origin of applicants and those who are successful;
- the RSL's assessment of accepted and rejected applications;
- details of tenants who cease to be entitled and the treatment of this by the RSL.

Home Ownership Schemes

- copies of all promotional literature and information booklets;
- copies of all leases, covenant and legal charges;
- copies of all correspondence with employers and sponsoring local authorities;
- Solicitor's correspondence confirming dates of purchase completions and purchase prices;
- copies of desk instructions for RSL staff responsible for prioritising applicants;
- details of purchasers who have benefited from the scheme in terms of occupation, household income etc;
- similar details for rejected applicants;
- ethnic origin of applicants and purchasers;
- the RSL's assessment of accepted and rejected applications;
- details of grant repaid by purchasers on disposal or other event and the treatment of this by the RSL;
- details of any surpluses arising from KWHO and the treatment of this by the RSL.

4 RESULT OF AUDIT

4.1 Subject to any delay caused by missing documents the Corporation will write to the Chair of the RSL, copied to the Chief Executive, within 20 days of the last day of the visit giving:

- a brief summary of the main points raised in the attached detailed report, referring to any shortfalls found, and noting where the RSL significantly exceeds standards;
- a request for a suitable response to any recommended remedial action, with a time limit for any recommended action;
- a time limit for the response to this letter, usually being two months from the date of the letter; and
- a request that the report be brought to the attention of the Board of Management of the RSL.

- 4.2 Further action by the Corporation following an audit will depend upon the nature and extent of any weaknesses revealed. Where significant deficiencies are identified, this may result in a reduction or cancellation of the Corporation's financial support to the RSL or the instigation of the Corporation's statutory powers to supervise and control RSLs.

GOOD TITLE

- 1.1 The Corporation requires that when RSLs acquire an interest in a property or where works are to be done, the property must offer “good title”. *See Funding Conditions in GENERAL-1*. This section of the guide defines and provides further guidance on what “good title” means.
- 1.2 “Good title” is described as when an RSL is able to prove its title to such a degree that no third party can defeat its title. This definition is being used in its legal sense as understood by property lawyers. That an RSL does not have “good title” to its land/property does not mean that it does not own that land/property. Rather it means that the proof that is being offered in support of its claim to ownership is such that it does not preclude the risk that some other party might be able to demonstrate a better claim to ownership.

How is “good title” demonstrated?

- 1.3 The means by which RSLs can claim to own land/property and demonstrate “good title” will vary depending upon whether the land is registered or unregistered.

Registered land

- 1.4 In respect of registered land, RSLs will usually be said to have “good title” if its title to that land is classified as “absolute” or “good leasehold” by the Land Registry. Should someone require proof of title this could be demonstrated by supplying a copy of the Land Registry extract.
- 1.5 Where the Land Registry document describes the title as “qualified” or “possessory” this will not be considered as demonstrating “good title”.

Unregistered land

- 1.6 Demonstrating “good title” to unregistered land is more complicated. If RSLs wish to demonstrate “good title” the only formal legal mechanism by which to do this is to have the unregistered land registered with the Land Registry, and have the title classified as “absolute” or “good leasehold” as appropriate.
- 1.7 Short of the above there is no formal mechanism by which an RSL can definitely prove that it has “good title”. RSLs, 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.
- 1.8 Where RSLs purchase unregistered land this may also prove complicated. Provisions of the Land Registration Act 2002 require RSLs to register the purchase of any unregistered land. However if the Land Registry was not convinced that the land offered “good title” it may classify the RSL’s title as only “qualified” or “possessory”. The RSL would then have difficulty post- registration demonstrating “good title”.

Good Title not demonstrated

- 1.9 If RSLs have title, which is “qualified” or “possessory”, they may wish to ascertain whether the Land Registry is willing to upgrade the title to “absolute” or “good leasehold”.
- 1.10 If the land is unregistered, RSLs can seek to have their title voluntarily registered. Should the Land Registry’s decision be that the title is “absolute” or “good leasehold” this will have the effect of providing a guarantee of that title.
- 1.11 Where RSLs are unable to demonstrate “good title” some may seek to insure against the risk of their title being found lacking. However this would still preclude those RSLs from meeting the Corporation’s Funding Conditions and receipt of grant.

INTRODUCTION

This Guide contains various technical terms that are explained below. If further clarification is necessary, please contact the local office of the Corporation. The Housing Act 1996 contains various definitions in sections 56 to 64.

TERM MEANING

Acquisition	The exchange of contracts to purchase land or property with grant being paid at purchase completion date.
Affordable Housing	Both low-cost market and subsidised housing (irrespective of tenure, ownership – whether exclusive or shared – or financial arrangements) that will be available to people who cannot afford to rent or buy houses generally available on the open market .
ALMOSs (Arms Length Management Organisations)	Set up by some local authorities to take over the day-to-day running of their properties and bring social housing up to a decent standard, separating the landlord role from their wider strategic function in order to improve the quality and management of their housing.
Audit Commission	A non-departmental public body sponsored by DCLG with the Department for Health and the National Assembly for Wales. The Commission appoints auditors to audit accounts, produces value for money reports on public service providers, inspects local services, collects and publishes performance information on councils, police and fire services and monitors and compares service performance.
BES(Business Expansion Scheme)	An obsolete tax efficient form of funding housing and other types of business.
Brent Protocol	Development agreement between Black and Minority Ethnic and large RSLs for all BME schemes in the London Borough of Brent, setting out issues that need to be agreed at the outset of development .
Brownfield	A piece of land which has been previously developed for a use other than agriculture or

forestry and which has one or more permanent structures on it. These sites can be in urban and rural areas and examples include industrial sites, defence buildings and land used for mineral extraction and waste disposal.

CABE (Commission for Architecture and the Built Environment)	Organisation which aims to improve peoples' lives through better buildings, spaces and places. CABE promotes high standards in the design o buildings and spaces between them, helping and advising those who create, manage and use the built environment.
Challenge Fund 1	Ring-fenced funding allocated in 03-04 and focussing on increasing supply, providing for key workers and the homeless and increasing the use of innovative methods of construction such as Off Site Manufacturing systems.
Clients' Charter	The Client is the RSL who is believed to be well placed to take on the challenge of changing the ways the building industry operates. To obtain Client Charter (CC) status the RSLs measures their progress against benchmarks using the construction industry key performance indicators (KPSs). The RSL then submits this data to Achilles, the CC data management organisation. All developing RSLs must either have CC status or be working towards it in order to receive grant. Mini Charter status is an option for RSLs that spend less than £1.5, pa. on construction expenditure. <i>For further information please see GENERAL-13</i>
Committed programme	Schemes approved in previous years.
Communities Plan	Working name for the action plan to take forward Government policies to tackle deprivation and shortage of affordable housing and deliver sustainable communities for all. The comprehensive programme of action was set out in " <i>Sustainable Communities: Building for the Future</i> " in February 2003, and updated through <i>Sustainable Communities: Homes for All</i> in January 2005.
Compliance Audit	The procedure by which the Corporation's technical officers check the quality and

	procedural compliance of schemes developed by RSLs. Every RSL with a grant-funded programme is audited at least every two years.
CPA (Co-operative Promotion Allowance)	A development allowance forming part of the calculation of SHG. <i>See TCI guidance</i>
CPO	Compulsory Purchase Order.
CPT (Cash Planning Target)	The annual limit set for the RSL by the Corporation, of SHG to be paid in that year. An approval of a scheme in one year is a commitment by the sponsor (Corporation or local authority) to pay SHG over the development period of the scheme. Some SHG may be paid in the current year, with the rest being the Committed Programme for future year(s).
Corporation	The Housing Corporation or its duly appointed agent.
DCLG (Department for Communities and Local Government) previously ODPM	The central government department responsible for housing policy and Corporation's sponsor
Decent Homes Standard	To be defined as 'decent' a home must meet current statutory minimum for housing (the Fitness Standard) to be in)
Disabled Facilities Grant	Government funding to local housing authorities to provide and improve adaptation services to disabled people enabling them to continue to stay in their own homes.
DLD (Deemed Loan Debt)	Deemed Loan Debt (DLD) means for a rental project the shortfall between the Approved Total Cost of the original project and the total public capital subsidy (Capital Grant plus any Other Public Subsidy) paid on the project. If the project includes more than one property, the Deemed Loan Debt must be apportioned between them using the same formula as that used to apportion the Capital Grant. <u>This formula must not be altered</u> by adding, for example, any penalty charged by a lender for premature redemption of a loan, or substituting the actual loan debt should it be greater. The DLD can be used as an acquisition cost on New

Build Acquisition and Works schemes constructed following the demolition of properties owned by the RSL. *GENERAL-1*

Example - Rent project

Approved Total Cost	£124,724
Grant at 76%	£94,790
Grant on outstanding £5,445 mortgage (re-improvement project)	£4,138
Deemed Loan Debt (£124,724+£5,445)- (£94,790 + £4,138)=	£31,241

DPF (Disposal Proceeds Fund) An internal fund within the accounts of an RSL used to recycle the proceeds of sales under VPG, RTA and SHB procedures.

Dwelling This is defined in section 63 of the Housing Act 1996 as a building, or part of a building occupied or intended to be occupied as a separate dwelling, together with any yard, garden, outhouses and appurtenances belonging to it or usually enjoyed with it.

Eco Homes Building Research Establishment (BRE) rating for environmental sustainability. Within the NAHP 06-08 funded schemes need (in general) to meet the Eco Homes “very good “ rating.

Egan In 1998 a Construction Task Force was set up by the Deputy Prime Minister to advise on opportunities to improve the efficiency and quality of the output of the construction industry. The Task Force was led by Sir John Egan and in July 1998 published a report *Rethinking Construction*. The report proposed a number of demonstrable projects to test the suggested approaches and to help the industry devise its own means of improving performance. For RSLs Egan Compliance is demonstrated through Clients’ charter status.

EP (English Partnerships) Government regeneration agency, supporting high quality sustainable growth. Focus on :sustainable regeneration through initiatives such as Urban Regeneration Companies and National Coalfields programme; housing (working with the Corporation to relieve market pressure), increase affordability and tackle housing abandonment; strategic brownfield redevelopment (developing and

maintaining a national brownfield strategy as well as acquiring and redeveloping brownfield land); best practice (creating forums for sharing expertise in regeneration and development). The new EOP was created in May 199 with the merger of the Commission for New and Towns and the Urban regeneration agency.

**ERCF
(Estate Renewal Challenge Fund)**

Form of capital subsidy paid to an RSL which has taken on stock transferred from a local authority under the ERCF programme.

**ERDF (European Regional
Development Fund)**

A form of public subsidy. *See GENERAL-6*

**ESP (Existing Satisfactory
Purchase)**

A form of acquisition for rent using SHG where little or no work is required to provide suitable housing. Any work required is funded through on-cost. *See GENERAL-1*

FINAL COST (FC)

The Final Cost stage claim of SHG, triggered by the issue of a Certificate of Practical Completion, or partial certificate, when all the properties are handed over by the contractor to the RSL. A Partial Certificate may be issued when all units are handed over to the RSL but some work, like landscaping, remains to be completed.

Gap Funding

To fill the 'gap' between development cost and end-value on brownfield housing developments, or to reduce the sale price in areas where low earner are excluded from home ownership. EP are working with the DCLG and Regional Development Agencies to create a new gap-funding regime.

Grant Index

A tool used for assessing the quality-weighted value for money provided by bids to the NAHP 06-08.

HAMA PLUS

Accommodation managed by an RSL as an agent for the owner and improved with capital grant under the HAMA PLUS initiative

HB (Housing Benefit)

A government benefit which pays all or part of the rent and service charge for a property

HIP (Housing Investment

Resources allocated to local authorities to

Programme)	spend on housing. From 2003/04 HIP was replaced by the Single Regional Housing Investment Pot.
HNI (Housing Needs Index)	A basket of indices that attempts to provide an objective measurement of the relative housing needs which can be provided for the ADP, of different geographical areas. It is used in the assessment of the Corporation's investment plans between different areas.
Homebuy	Homebuy is the generic name for a suite of low cost home ownership products (New Build Homebuy, Social Homebuy and Open Market Homebuy) designed to help social tenants and others in priority need purchase a suitable home. These products were launched within the NAHP for 06-08.
HomeBuy Agents	RSLs appointed to administer and market low cost home ownership products in a defined sub-region, and to administer all Open Market Homebuy in that region.. Previously referred to as Zone Agents.
Housing Inspectorate	The HI is part of the Audit Commission. It currently inspects local authorities housing services and included RSLs from April 2003.
Housing Market Renewal Fund	Government funding to tackle low demand in areas where the housing market is thought to be failing.
Hostel	This is defined in section 63 of the Housing Act 1996 as a building in which is provided for persons generally or for a class or classes or persons: <ul style="list-style-type: none"> • residential accommodation otherwise than in separate and self-contained premises; and • either board or facilities for the preparation of food adequate for the needs of those persons, or both.
Housing for sale	A general term covering mixed funded shared ownership and rehabilitation for outright sale schemes. <i>See SALE section</i>
HQI (Housing Quality Indicators)	A comprehensive set of measures used to evaluate existing and planned housing

developments on the basis of quality as opposed to simply cost. The indicators cover the location, the design and the performance of the housing project – these 3 categories produce 110 ‘Quality Indicators’ that make up the HQI system. The Corporation requires that HQIs are used for all SHG funded *new* developments – developing organisations submit HQI data to a national database managed, on the Corporation’s behalf, by the Building Research Establishment.

Impact Assessments

Assessment carried out by the Corporation to help assess the effectiveness of investment decisions and to see if scheme objectives envisaged at bid stage are later achieved.

IMS (Investment Management System)

The Corporation’s computer system for the processing of schemes and payments of SHG . All RSL applications for Grant Confirmation and payment claims for SHG must be submitted onto IMS via the Internet. The IMS web address is **www.housingcorp-online.org**

Intermediate Rent

A sub-market rental scheme for keyworkers.

Independent Qualified Valuer

The District or Borough Valuer or a professional associate or fellow of the Royal Institute of Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers or any successor body or bodies thereof, who is not employed by, or acting on behalf of, or a member of the family of, the person or organisation selling or transferring or purchasing the property or land being valued. ‘Member of the family’ is defined in section 62 of the Housing Act 1996 as spouse of that person, or living together as husband and wife, or that person’s parent, grandparent, child, grandchild, brother, sister, uncle, aunt, nephew, or niece. A relationship by marriage is the same as by blood, half-blood as whole-blood, and stepchild as child.

ISVA

Incorporated Society of Valuers and Auctioneers

Key worker

Particular groups of public sector workers

whose services are essential for the community, such as the police, teachers or nurses as defined by the DCLG.

Keyworker Living Programme

A programme operating in the South East, East and London regions to provide rental, and owned homes to defined key workers. *See KWL chapter*

LCHO (Low Cost Home Ownership)

A general term used to describe the various types of funding home ownership with subsidy, such as Homebuy and RTA.

Lead Investor

A nominated officer within the Corporation's Regional Investment Team who will provide a single point of contact for RSLs under the Partnering Programme route.

Lead RSL

Where a number of RSLs have formed a partnership to develop schemes under the Partnering Programme route, one RSL is required to undertake the role of Lead RSL. The Lead RSL will be deemed responsible to the Corporation for a number of additional responsibilities and obligations on behalf of the other RSLs within that partnership. These responsibilities are referred to in the Partnering Programme Agreement..

Letting

This includes a sub-lease, sub-tenancy, or licence and an agreement for a lease, tenancy, licence, sub-lease, or sub-tenancy.

Local authority

This is defined in section 106 of the Housing Associations Act 1985 as a county, district, or London borough council, the Common Council of the City of London or the Council of the Isles of Scilly and in S84(5) and 85(4) (of the HAA 1985) includes a joint authority established by Part VI of the Local Government Act 1985.

London Challenge Key Teacher Homebuy

A Market Purchase and New Build programme targeted at teachers in London who have been identified as making a vital contribution to the improvement of certain schools.

LSE

Leasehold schemes for the elderly.

LSVT	An RSL that has received a wholesale transfer of (Large Scale Voluntary Transfer) housing stock from a local authority. This is a process of transferring large scale of housing stock to an RSL.
Major Repairs	Works, excluding improvements, to a dwelling owned by an RSL that are necessary to ensure the continued habitability of the Dwelling, and are not maintenance items. <i>See REPAIRS section</i>
MRI (Major Repair Initiative)	An ADP Programme providing SHG to fund major repairs for RSL supported housing stock.
Miscellaneous works	A funding category of work funding various minor repairs to RSL property. It includes Adaptation for people with disabilities, Insulation/Energy conservation and other works <i>See REPAIR-2</i>
MMC (Modern Methods of Construction)	A broad category that embraces a variety of build approaches including OSM, ‘TunnelForm’ and H&H Celon ‘Thin joint blocks’ building methods. The Corporation’s target is for 25% of funded new build provision to be achieved via MCC.
MRMW	Major Repairs and Miscellaneous Works funded by SHG. <i>See REPAIR-1</i>
NAHP (National Affordable Housing Programme)	The name given to the Housing Corporation’s main investment programme from April 2006
NHBC	National Housing Building council
NQC (Non Qualifying Cost)	Any capital costs of a scheme that does not qualify for SHG. <i>See GENERAL-4 & REPAIR-2</i>
ODPM (Office of the Deputy Prime Minister)	See entry for DCLG
OPS (Other Public Subsidy)	That part of the capital cost of property met by funds from a public body other than by SHG e.g. Local Authority, Health Authority, etc. It may be free or discounted land or a cash contribution. SHG <i>See GENERAL-6</i>
OSM (Off Site Manufacturing)	The term used to cover all forms of

construction where a significant part of the process takes place in a factory rather than the building site. This can range from wall sections to entire pre-finished room modules. The advantages of this technique are: improvement of supply chain relationships; reduction of construction times; increased predictability; enhanced build quality. Also referred to as a MCC.

Pathfinder projects

Projects to cover areas most acutely affected by low demand and abandonment in order to return these areas to sustainable communities. The pathfinder will restructure the areas' housing markets to ensure there is a more sustainable balance between housing supply and demand and address any other social and economic regeneration issues. The Corporation is represented nationally on the Pathfinder steering group and regionally at Pathfinder board meetings. The Pathfinders cover: Birmingham and Sandwell; East Lancashire; Humberside; Manchester and Salford; Merseyside; Newcastle and Gateshead; North Staffordshire; Oldham and Rochdale and South Yorkshire.

PPG3 (Planning Policy Guidance Notes)

These set out the Governments' policy on a range of issues relating to planning in the provision of housing.

P&R (Purchase and Repair)

The RSL acquires a second-hand property for rent, or sale as shared ownership, and the cost of essential repairs is less than £10,000 but more than £1,500. *See GENERAL-1*

PIA (Priority Investment Area)

Applicable for shared ownership schemes, a PIA is defined by local offices of the Corporation. It is either an urban or rural area of housing stress which rank for priority investment of public funds, particularly for rehabilitation projects.

PPA, Partner Programme Agreement

Funding arrangements through which approximately 80% of the Corporation's Investment is channelled through organisations (which may be consortia) which have met specific criteria (including the ability to deliver a programme of at least £20m)

Practical Completion	Practical Completion of the building works for the dwellings being produced. A Certificate of Partial Completion may be issued when all the dwellings are handed over to the RSL but some external works are incomplete, such as landscaping or boundary walls. It is the trigger for claiming the Final Cost payment of SHG.
Programme Delivery Assessment PDA	An annual assessment by the Corporation's local offices on how well the RSL performed in carrying out its development programme
Prospective rents	The rent which an RSL, on the basis of its rent policies and business plans, would expect to charge at first letting for the house types in the schemes for which it had bid.
Public Sector Body	A local authority, health authority, new town corporation, the Commission for New Towns, a nationalised industry, a Government Agency, an urban development corporation, the Crown, a housing action trust and a residuary body.
RCGF (Recycled Capital Grant Fund)	An internal fund within the accounts of an RSL used to recycle HAG/SHG in accordance with Corporation policies and procedures. <i>See RCGF chapter.</i>
RCL (Regional Cash Limit)	The annual cash available to the each local office to finance its programme.
Regulatory Code	Sets out the Corporation's expectations of RSLs and their obligations within the new regulatory system. Also reflects the Corporation's general powers as a regulator.
Re-improvements	Work to property in the RSL's ownership which was originally produced with public sector funding. The re-improvement work can be improvements or conversion, and be sufficient to justify an increase in rent. If no rent increase is justifiable, the work is classed as MRMW.
Rent Influencing Regime	The process by which the Corporation seeks to bear down on rent increases through the issue

	of a guideline limit for rent increases, and influence rent levels through the rent restructuring framework.
Rent programme	A general term covering housing for rent (MF Rent). It includes Works to the RSL's Stock and TSH.
Rent Mixed Funding	Schemes that provide permanent housing for rent from RSLs, funded partly from SHG or other public subsidy and partly from private loans.
Rent Restructuring Framework	The framework to meet the Government's objectives for social rent setting based upon relative property values, local earnings and property size.
Restructured rents	From April 2002 rents are calculated according to a formula based on relative property values, local earnings and property size. Restructured rents are calculated using the formula and data set out in the DCLG's Guide to Social Rent Reforms. Circular R2-27/01 Rent Influencing Regime - Implementing the Rent Restructuring Framework also sets out the calculation for target rents.
Rethinking Construction	The report of the Construction Task Force, see Egan.
RHB (Regional Housing Board)	Set up in each region to ensure the delivery of the Communities Plan programme. Each board is chaired by the Government's Regional Director and has representatives from the Government Office, Corporation, Regional Chamber, Regional Development Agency and English Partnerships. RHBs are responsible for the production of Regional Housing Strategies.
RHS (Regional Housing Strategy)	Prepared by the RHBs as the basis for advice to Ministers on strategic housing investment priorities within regions. These are a key driver in Corporation investment decision. The division of resources (the single regional housing pot) between the Corporation and local authorities is made through the RHS process.
RSL (Registered Social Landlord)	A Housing Association or a not-for-profit

	company that is registered with the Corporation to provide social housing.
RTA (Right to Acquire)	Under the Housing Act 1996, tenants of specified RSL rented stock have the legal right to buy their home. <i>See RTA chapter</i>
Rural housing	Part of the NAHP funding social housing in villages with a population below 3,000.
Sale mixed funding	Housing for sale is a home-ownership scheme designed to help people who are unable to buy a home of their own outright. It allows people to buy a share of an RSL developed property and pay a rent on the remainder. <i>See SALE section</i>
SDS (Scheme Development Standards)	A set of standards published by the Corporation setting out the essential and desirable standards for SHG-funded property acquired or developed by the RSL.
Section 106 Agreement	An agreement under section 106 of the Town and Country Planning Act 1990 regarding the use or development of land. Such planning obligations are often used as a legally binding agreement between a local authority and developer to deliver a percentage of affordable social housing within a development. Such agreements can enable social housing to be delivered at nil costs to the Corporation.
Self Build	A housing development undertaken by a self-build housing association or group. The group will either become owners or tenants of the accommodation.
Shared-ownership	Housing sold on a part rent/part sale basis. The shared owner buys a percentage of the property, funded by a mortgage and/or savings. The remaining percentage is still owned by the developing organisation who charges rent on it.
SHB (Social HomeBuy)	Scheme introduced in April 2006 to allow RSLs and LAs to dispose of their rented housing at a discount to secure tenants on shared-ownership terms.
SHG (Social Housing Grant)	Capital grant provided by the Corporation to

fully or partially fund RSLs when developing social housing. SHG is paid under S18 of the Housing Act 1996. It replaced Housing Association Grant (HAG), a similar capital grant paid under previous legislation.

Single Regional Housing Investment Pot	System for allocating funds for housing at regional level. Each region will have a single pot for housing investment as recommended by the RHB, replaces the Regional Investment Programme.
SOS (Start on Site)	The Start on Site claim of SHG is triggered by the date when the building contractor takes possession of the site or property. From April 2006 this will generally represent 50% of the allocated grant.
Specialist Route	The process for obtaining 06-08 NAHP funding for organisations not achieving Partner Status
SRB (Single Budget) Regeneration	This combines 20 separate programmes previously operated by five different Government departments into one pot to provide a more flexible fund for local regeneration. <i>See GENERAL-6</i>
Supported housing	Supported Housing is accommodation provided for a specific client group 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 Housing Corporation's mandatory definition to enable housing providers to categorise their stock within the Corporation's regulatory, data collection and investment systems is set out in its Regulatory Circular 03/04.
Sustainable Development	Development which meets the needs of the present generation, balancing environmental, social and economic needs, without compromising the ability of future generations to meet their own needs.
Sustainability Toolkit	Corporation produced toolkit for RSLs to assess whether the schemes they are bidding for are sustainable.

Target rent	The rent which is derived by applying the formula set out in the Housing Corporation Consultation Paper 'Rent Influencing Regime'
Total Scheme Costs	Estimated total cost of producing new homes including acquisition, works and on-costs.
TSH (Temporary Social Housing)	A programme to help RSLs bring into use at sub market rents, accommodation acquired on a temporary basis with a life of more than 2 but less than 30 years. <i>See TSH section</i>
Works Only New Build	A new build development on land in an RSL's ownership which has not previously had the support of public sector funding/grant. It can also be the demolition and redevelopment of property owned by the RSL whether or not the property was originally public-funded. The prior permission of the Corporation is needed if grant funded property is to be demolished.
Works Only Rehabilitation	Works to property in an RSL's ownership that has not previously had the support of public sector funding/grant.
WTRSLs	Works To RSL existing Stock. An ADP term covering Major Repairs, Miscellaneous Works, Works Only Rehabilitation and Re-improvement.
Zone Agents – see HomeBuy Agents	

THE SOCIAL HOUSING GRANT (CAPITAL) GENERAL DETERMINATION 2003

1. The Housing Corporation (“the Corporation”), in exercise of the powers conferred on it by section 18 of the Housing Act 1996 and all other powers enabling it in that behalf, with the approval of the Secretary of State and the National Assembly for Wales (in respect of section 18(8)) and after consultation with such bodies appearing to the Corporation to be representative of Registered Social Landlords as it considered appropriate, hereby makes the following General Determination of the principles upon which the Corporation shall specify:
 - a) the Housing Activities eligible for grant;
 - b) the circumstances in which grant is or is not to be payable;
 - c) the procedures for applying for grant;
 - d) the method for calculating, and any limitations on, the amount of grant;
 - e) the manner in which, and time or times at which, grant is to be paid;
 - f) the proportion of grant payable to the transferee or transferees when Dwellings are transferred between Registered Social Landlords.
2. This General Determination is made without prejudice to the Corporation's power to make specific Determinations under the provisions of the Housing Act 1996.

CITATION AND COMMENCEMENT

3. This Determination may be cited as the Social Housing Grant (Capital) General Determination 2003.
4. This Determination has effect from 4 April 2003.

REVOCATION

5. The Social Housing Grant (Capital) General Determination 2001 shall not apply with effect from 4 April 2003, except for projects approved before that date for which grant remains to be paid.

INTERPRETATION

6. Words and expressions used in this Determination shall, unless the context requires otherwise, have the following meanings:

“*Agreed Costs*” means the costs of housing activities incurred by a Registered Social Landlord as part of an Estates Renewal Challenge Fund Programme or New Deal for

Communities Programme agreed by the Department or as subsequently amended with the Corporation's agreement;

"Corporation" means the Housing Corporation or its duly appointed agent;

"Department" means the Office of the Deputy Prime Minister;

"Dwelling" means accommodation provided for Letting to and occupation by a tenant or the holder of a Shared Ownership Lease or accommodation provided for sale or a Hostel and includes facilities ancillary to that accommodation;

"Equity Percentage Loan" means a loan which is equal to a percentage agreed between a Registered Social Landlord and an Equity Mortgagor multiplied by the value of the House to be acquired by the Equity Mortgagor as determined by the Registered Social Landlord when it makes the loan;

"Equity Mortgage" means a mortgage under which, in consideration for an Equity Percentage Loan, the mortgagor agrees that on the loan becoming repayable he or she shall pay to the Registered Social Landlord an amount which is equal to the agreed percentage multiplied by the value of the House, as determined in accordance with the terms of the mortgage, at the date on which the loan becomes repayable;

"Estates Renewal Challenge Fund Programme" means a process by which the Department entertains and approves bids for financial assistance under section 126 of the Housing Grants, Construction and Regeneration Act 1996 and makes recommendations to the Corporation in relation to financial assistance under section 18 of the Housing Act 1996;

"Funding Profile" means the timetable for claiming and payment of grants contained in the Delivery Plan of a project approved under the terms of the Estates Renewal Challenge Fund Programme or any New Deal for Communities Programme;

"Hostel" has the meaning given by section 63 of the Housing Act 1996;

"House" has the meaning given by section 63 of the Housing Act 1996;

"Housing Activities" has the meaning given by section 63 of the Housing Act 1996;

"Independent Qualified Valuer" means the District Valuer or a Professional Associate or Fellow of the relevant chapter of the Royal Institution of Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers or any successor body or bodies thereof, who is not employed by, acting on behalf of or a Member of the Family of the person or organisation selling or transferring or purchasing the property or land being valued;

"Interest Free Loan" means a loan from a Registered Social Landlord to a Key Worker which goes towards the purchase of a House, under which the Registered Social Landlord charges no interest but recovers the principal on terms agreed;

"Letting" or *"Let"* includes a sub-lease, sub-tenancy or licence and an agreement for a lease, tenancy, licence, sub-lease or sub-tenancy;

"Key Workers" means particular groups of workers whose services are essential to the community which the Department agrees, on a scheme by scheme basis, may be assisted by the Starter Home Initiative;

"Local Authority" has the meaning given by section 106(1) of the Housing Associations Act 1985;

"Major Repairs" means works, excluding improvements and re-improvements, to a Dwelling owned by a Registered Social Landlord which are necessary to ensure the continued habitability of the Dwelling and which fall into the following categories:

- a) major works which have become necessary since the original development or rehabilitation work was completed, including those works required by subsequent legislation;
- b) replacement of, or major work on, those components of a Dwelling which have come to the end of their useful lives;

"Member of the Family" has the meaning given in section 62 of the Housing Act 1996;

"Milestones" means stages in the process of regeneration which are identified in the Delivery Plan of a project approved under the terms of the Estates Renewal Challenge Fund Programme or New Deal for Communities Programme;

"Miscellaneous Works" means remedial work to heating systems in existing Dwellings, energy conservation works, works for the removal of lead in drinking water, for reducing the risk of exposure to asbestos, to upgrade or install fire precautionary measures recommended by a fire authority (within the meaning of section 38 of the Fire Services Act 1947), remedial works to Dwellings contaminated by radon and structural adaptations for tenants with physical disabilities;

"New Deal for Communities Programme" means a process by which the Department entertains and approves bids for financial assistance under section 126 of the Housing Grants, Construction and Regeneration Act 1996 and makes recommendations on housing projects implemented by Registered Social Landlords to the Corporation in relation to financial assistance under section 18 of the Housing Act 1996;

"Public Sector Body" means a Local Authority, a health authority, a new town corporation, English Partnerships, a nationalised industry, the Crown, a Government agency, an urban development corporation, a housing action trust or a residuary body;

"Rent Surplus Fund" means a fund calculated in accordance with section 55 of the Housing Act 1988;

"Registered Social Landlord" means a body registered with the Housing Corporation under sections 1(2) or 3 of the Housing Act 1996;

"Shared Ownership" means the occupation of a Dwelling under a Shared Ownership Lease;

"Shared Ownership Lease" means a lease granted on shared ownership terms as referred to in section 2 (6) of the Housing Act 1996;

"Starter Home Initiative" means a programme of financial assistance initiated by the Department to enable Key Workers to purchase housing near their work, where that financial assistance is provided by Social Housing Grant through Registered Social Landlords;

"Supported Housing" means accommodation owned by a Registered Social Landlord and allocated to people who need intensive and supportive housing management. It excludes accommodation the primary purpose of which is to provide care rather than housing, accommodation which aims to fulfil a statutory duty other than under housing legislation and accommodation which is not provided with the aim of providing residents with a permanent home or the life skills and confidence to move into permanent accommodation. It also excludes categories I and II sheltered housing for the elderly, as defined in the Ministry of Housing and Local Government Circular 82/69; and

"Temporary Social Housing" means Dwellings intended to be kept available by a Registered Social Landlord for Letting for periods longer than two years but shorter than thirty years.

CIRCUMSTANCES IN WHICH GRANT IS OR IS NOT TO BE PAYABLE

7. The Corporation may pay grant to a Registered Social Landlord when it carries out the Housing Activities which are listed below and referred to hereafter as Eligible Housing Activities:
- a) acquiring, providing, constructing, repairing, improving, adapting or creating by the conversion of buildings, Dwellings to be kept available for Letting;
 - b) providing land, amenities or services, or providing, constructing, repairing, converting or improving buildings, for the benefit of a Registered Social Landlord's residents, either exclusively or together with other persons;
 - c) acquiring, repairing and improving, or creating by the conversion of buildings, Dwellings to be disposed of by sale, by lease, or on a Shared Ownership Lease;
 - d) acquiring, providing, constructing, repairing, improving or managing Dwellings for occupation by members of the Registered Social Landlord where the rules of a Registered Social Landlord restrict membership to persons

- entitled or prospectively entitled (as tenants or otherwise) to occupy a Dwelling provided or managed by the Registered Social Landlord;
- e) constructing Dwellings to be disposed of on Shared Ownership Leases or with Equity Percentage Loans as described in f) immediately below;
 - f) making Equity Percentage Loans to tenants or other qualifying persons specified from time to time by the Corporation to assist them in buying a House for their own occupation, such loans being secured by Equity Mortgages;
 - g) making Interest Free Loans to Key Workers towards the purchase of a House.
8. Grant may also be payable in respect of costs incidental to those Eligible Housing Activities listed in paragraph 7 above.

Circumstances relating to the acquisition, provision, construction, conversion, adaptation, improvement and repair of, and Miscellaneous Work to, Dwellings for Letting or Shared Ownership.

9. The Corporation may pay grant to a Registered Social Landlord in respect of Eligible Housing Activities, having regard to:
- a) the housing needs to be met, their priority within the housing strategy of the Local Authority, and their priority within the resources available to the Corporation; and
 - b) the value for money and effectiveness of the expenditure taking account of the location, type and standards of Dwellings, amenities and services to be provided; and
 - c) the length of the interest in the Dwellings held by the Registered Social Landlord; and
 - d) the economy, efficiency and effectiveness of the Registered Social Landlord concerned; and
 - e) the rents which the Registered Social Landlord may charge when the Dwellings are let; and
 - f) the extent to which the Key Worker being assisted with the purchase of a House, in respect of acquisitions under the Starter Home Initiative.

General circumstances relating to standards of building work and expected life

10. The Corporation may pay grant only if it is satisfied that the Dwellings to be acquired, constructed, converted, improved, or repaired under a scheme or programme of schemes will, on completion, meet standards of construction and suitability for use,

such that they will be capable of providing satisfactory accommodation for periods and on terms that the Corporation considers to be appropriate.

General circumstances relating to the expected uses of the Dwellings

11. The Corporation may pay grant only if it is satisfied that the Dwellings to be provided for Letting will be available for occupation in accordance with the objects of the Registered Social Landlord and will be kept within the ownership of that (or another) Registered Social Landlord.

Additional circumstances relating to projects sponsored by Local Authorities

12. The Corporation may pay grant on Eligible Housing Activities to a Registered Social Landlord in respect of individual schemes promoted by a Local Authority, or a programme of schemes promoted by a Local Authority acting as the Corporation's appointed agent under section 18(4) of the Housing Act 1996.

Special circumstances relating to Dwellings subject to Lettings acquired from the public sector

13. Except in the case of Dwellings compulsorily purchased from a private sector owner by a Public Sector Body for the purposes of disposal, within a reasonable period, to a Registered Social Landlord, grant will not be paid towards the cost of acquiring Dwellings from a Public Sector Body where, at the time of acquisition, those Dwellings are Let (excluding service Lettings such as wardens or caretakers) and:
 - a) more than 5% of the Dwellings acquired are so Let; or
 - b) in a scheme involving the acquisition of Dwellings from both Public Sector Bodies and private owners, the number of Public Sector Dwellings so Let is greater than 5% of the total number of Dwellings acquired.
14. Grant shall not be payable towards the costs of improvement of Dwellings which were Let when acquired from a Public Sector Body after 31 March 1989 unless, in the opinion of the Corporation, the Registered Social Landlord cannot reasonably meet the costs from its own resources, or from the proceeds of receipts or claims against third parties and the need for improvement could not reasonably have been taken into account at the time of acquisition. This paragraph does not apply to Dwellings listed in Schedule 1 to the Housing Association Grant (Additional Eligible Properties) Determination 1991.

Special circumstances relating to the cost of Eligible Housing Activities undertaken on property transferred under the terms of the Estates Renewal Challenge Fund Programme or the New Deal for Communities Programme.

15. The Corporation may pay grant to a Registered Social Landlord in respect of the Agreed Costs of Eligible Housing Activities, having regard to a document or collection of documents (a "Delivery Plan"), approved by the Corporation, comprising a schedule of properties to be transferred, a timetable for works, claims and payments

of grant, and undertakings as to the rents to be charged. Paragraphs 13 and 14 above shall not apply to payments of grant in respect of these Agreed Costs.

Circumstances relating to Major repairs and Miscellaneous Works, additional to or modifying those in paragraph 9 above.

16. Grant may be payable to meet the costs of Major Repairs or Miscellaneous Works undertaken on a Registered Social Landlord's Dwellings but shall not be paid when:
- a) the Registered Social Landlord is not legally responsible for carrying out such Major Repairs and Miscellaneous Works;
 - b) the grant originally paid was calculated on the basis that the Registered Social Landlord would be responsible for meeting the cost of future Major Repairs and Miscellaneous Works from its own resources;
 - c) the Registered Social Landlord can meet the costs from the proceeds of receipts or claims against third parties;
 - d) the cost of future Major Repairs and Miscellaneous Works was reflected in the acquisition costs of the properties concerned;
 - e) the Dwellings are Temporary Social Housing.

Additional circumstances relating to Major repairs, Miscellaneous Works, and the improvement or conversion of Dwellings originally provided with public finance.

17. The Corporation shall have regard to the financial resources available to a Registered Social Landlord, including its accumulated and anticipated Rent Surplus Fund.

Additional circumstance relating to the provision of Supported Housing

18. The Corporation shall have regard to the amount of revenue grant sought by the Registered Social Landlord from the Corporation or guaranteed by other funders.

Additional circumstances relating to loans outstanding from previous projects

19. The Corporation may pay grant towards the cost of redeeming any outstanding loan debt on Dwellings owned by a Registered Social Landlord which are to be improved or redeveloped.

Special circumstance of the acquisition of reversions

20. The Corporation may pay grant towards the costs incurred on the acquisition of a freehold or superior landlord interest where a Registered Social Landlord is a leaseholder or underlessee.

Special circumstances relating to lease finance

21. The Corporation may pay grant on projects in which:
- a) a Registered Social Landlord raises money through a financing lease, provided that it retains a beneficial interest in the project for a length of time specified by the Corporation; or
 - b) a Registered Social Landlord disposes of Dwellings on a short building lease to a builder or other organisation for the purpose of re-improvement of the Dwellings;

provided in both cases that the Registered Social Landlord obtains the Corporation's prior approval to the lease.

General circumstances relating to interest incurred through delay in paying grant

22. The Corporation may pay grant in respect of costs incurred by a Registered Social Landlord due to delay on the part of the Corporation in making grant payments in accordance with such timetables as the Corporation may specify from time to time.

PROCEDURES TO BE FOLLOWED IN RELATION TO APPLICATIONS FOR GRANT

23. Applications for grant should be made to the appropriate Corporation or Local Authority office in accordance with procedures specified from time to time by the Corporation.

METHOD OF CALCULATING AND ANY LIMITATIONS ON THE AMOUNT OF GRANT

Individual projects for Letting

24. In respect of individual schemes for the acquisition, construction, conversion or improvement of Dwellings for Letting, the Corporation shall specify from time to time the proportion of costs to be met by grant.

Individual Shared Ownership schemes

25. For individual schemes for the acquisition, construction, conversion or improvement of Dwellings for disposal on Shared Ownership Leases, the Corporation shall specify from time to time the proportion of costs to be met by grant. The calculation may be by reference to those specified grant proportions, the forecast capital costs, and the value of the Dwellings at the time of disposal.

Supported Housing Accommodation

26. The Corporation may pay grant in full or in part on the net costs of the project, which are reasonable and appropriate, after taking account of any requirement for revenue grants.

Major repairs and miscellaneous works

27. The Corporation may pay grant on the net costs of Major Repairs and Miscellaneous Works which are reasonable and appropriate. It may reduce grant after taking account of a Registered Social Landlord's ability to contribute towards these costs out of its own financial resources.

Equity Percentage Loans to tenants secured by Equity Mortgages

28. On projects in which a Registered Social Landlord makes Equity Percentage Loans to tenants or other qualifying persons, secured by Equity Mortgages, the Corporation may pay grant on the costs which are reasonable and appropriate having regard to all the circumstances. The Corporation may specify limits on the size of Equity Percentage Loans which shall qualify for grant. The Corporation may specify limits on the value of Houses which a tenant or other qualifying purchaser may acquire.

Limitation in respect of other public subsidies

29. Except in the case of grant paid under the Starter Home Initiative, the amount of grant payable under the paragraphs above shall represent the limit of subsidy allowable from all public sector sources in respect of any scheme. When a public sector subsidy in the form of a grant or gratuitous benefit, other than a grant under the provisions of this Determination, is paid to a Registered Social Landlord in support of the costs of acquiring, constructing, improving, converting, repairing or undertaking Miscellaneous Works to Dwellings, the value of that subsidy shall be deducted from the grant otherwise payable under the provisions of this Determination. However, the Corporation will not deduct the value of such a public sector subsidy when that subsidy is intended to contribute towards costs which do not qualify for grant under this Determination.
30. When a deductible public sector subsidy is a contribution to the future running costs of a scheme, the amount to be deducted will be its net present value.

Estates Renewal Challenge Fund Programme and New Deal for Communities Programme

31. In an Estates Renewal Challenge Fund Programme or New Deal for Communities Programme agreed by the Department, the grant shall be a contribution towards the costs incurred by a Registered Social Landlord. The amount of grant shall be based on the negative value of property acquired by a Registered Social Landlord and on any other Agreed Costs in the Delivery Plan.

Starter Home Initiative

32. Under this initiative, the amount of grant payable shall be determined in accordance with the following:
- a) the value or purchase price of the House to be acquired by the Key Worker;

- b) the amount required by the Key Worker in order to be able to afford to purchase the House;
- c) the costs of the Registered Social Landlord in respect of the administration of the grants

The Corporation will notify the Registered Social Landlord in advance of the grant payable and will set out the instalments payable for each financial year of the scheme approved under the Starter Home Initiative. This will be the limit of grant payable under the scheme. The Corporation may agree to vary the instalments within the overall limit.

PAYMENT OF GRANT

- 33. Claims for the payment of grant should be made to the appropriate Corporation or Local Authority office. Applications for payment of grant shall be made in such form and at such times as the Corporation shall specify.
- 34. When the Corporation gives approval to a scheme in accordance with its procedures, so that grant becomes payable to a Registered Social Landlord, the Corporation may pay grant on account in accordance with timetables which it specifies from time to time.

Estates Renewal Challenge Fund Programme and New Deal for Communities Programme

- 35. The Corporation will pay grant according to the Funding Profile in the Delivery Plan agreed between the Corporation and the Registered Social Landlord, subject to the Registered Social Landlord having reached Milestones identified in the Delivery Plan.

Starter Home Initiative

- 36. In addition to the principles in paragraphs 33 and 34 above, the Corporation will specify timetables that link payment of grant to the date of the Key Worker's purchase of a House.

PROPORTION OF GRANT PAYABLE WHEN DWELLINGS ARE TRANSFERRED BETWEEN REGISTERED SOCIAL LANDLORDS

- 37. Where grant is payable to a Registered Social Landlord in respect of property in a scheme and that Registered Social Landlord transfers any of those Dwellings to another Registered Social Landlord, the grant payable to the transferee will be calculated as the difference between the total grant payable and any part already paid to the transferor or any predecessor, or a proportion appropriate to the number of Dwellings transferred.

38. The arrangements in the paragraph immediately above will also apply when one of the Registered Social Landlords is registered with the Housing Corporation and another is registered with the National Assembly for Wales.

BY ORDER OF THE CORPORATION this 4th day of April 2003.

Norman Perry
Chief Executive

EXPLANATORY NOTE

(This note is not part of the Determination)

This Determination sets out the principles by which the Corporation will pay Social Housing Grants (SHG), from 4 April 2003, on capital projects. Circulars and guides will explain how we will apply these principles in detail. These will usually appear on web sites belonging to the Corporation.

This revision enables the Corporation to pay grant on new construction for sale on “Homebuy” terms, i.e. with the assistance of an equity mortgage.

The preamble, citation and commencement (paras 1 to 4)

These sections set out the powers we are using, what we shall determine and when the Determination will start.

The revocation of the previous determinations (para 5)

This repeals the previous determination except for projects approved but not yet finished.

Interpretation (para 6)

This paragraph explains what we mean when using words which might otherwise be open to different interpretations. In this determination, interpreted words start with capital letters.

Circumstances in which the Corporation may pay grant (paras 7 to 22)

There are both general circumstances and circumstances relating to a particular type, or types, of project.

The Corporation will normally pay grant only on certain housing activities within the range permitted by legislation. Paragraphs 7 and 8 describe the housing activities on which the Corporation may pay grant. Activity (d) refers to housing co-operatives, activity (e) is amended to enable new build on Homebuy terms, (f) refers to the Homebuy scheme itself and activity (g) to the Starter Home Initiative.

Paragraph 12 contains the principle that the Corporation will pay grant on projects sponsored by local authorities. Details previously included in this paragraph are now specified in guidance.

Paragraphs 13, 14 and 16(d) exclude from the grant regime property transferred to registered social landlords from local authorities and other public sector bodies.

Paragraph 15 applies special circumstances for schemes in the Estates Renewal Challenge Fund Programme and any New Deal for Communities Programme, which would otherwise be ruled out for grant because they were transferred from other public sector bodies.

Paragraph 17 states the types of scheme on which registered social landlords will face a means test before any grant may be allocated.

Paragraph 18, for supported housing, enables the Corporation to consider bids that combine both revenue and capital finance in varying proportions.

Paragraph 19 enables the Corporation to fund in whole or in Part the redemption of outstanding development loans on projects that are to be re-improved or demolished and rebuilt.

Paragraph 20 clarifies that projects of acquisition can include the acquisition of superior landlords' interests.

Paragraph 21 indicates that the Corporation will consider on their merits proposals for improvement of existing grant aided stock that involve temporary or technical disposals of the property, without recovery of the original grant.

Method of calculating and limitations on the amount of grant (paras 24 to 32)

Paragraphs 24 and 25 refer to Corporation circulars on grant rates and TCIs.

Paragraph 28 refers to the Homebuy scheme.

Paragraphs 29 and 30 limit the total of public sector assistance when grants, subsidies and gratuitous benefits from various public sources are combined with social housing grant. The Starter Home Initiative is not limited in this way. Public subsidies for items that would not qualify for social housing grant are excluded from this limit.

Paragraph 31 refers to dowry payments on schemes in the Estates Renewal Challenge Fund Programme and any New Deal for Communities Programme.

Paragraph 32 covers the Starter Home Initiative.

Principles for payment (paras 33 to 36)

Paragraph 33 reflects advances in electronic business by the Corporation. Most grants are now bid for, claimed and paid through the Corporation's electronic business systems rather than by correspondence.

Paragraph 36 covers the Starter Home Initiative.

Paragraphs 37 and 38 enable the Corporation to continue paying grant on a project if it should transfer from one registered social landlord to another.

THE EGAN 'RETHINKING CONSTRUCTION' AGENDA

It is government policy for all sponsoring Departments and associated Non Departmental Public Bodies (NDPBs), including the Housing Corporation, to fully implement the principles set out in the Egan Report 'Rethinking Construction' and the follow-up report 'Accelerating Change' by 2003/2004. Therefore from 2003/2004, the Corporation only funds Egan Compliant bids; as defined below

The Rethinking Construction principles hinge upon organisation wide commitment to continuously improved construction processes. The aim is an improvement in the way the industry operates. Change through Innovation is a key theme and a series of 'Demonstration Projects' have shown what can be achieved. The Housing Forum as part of 'Constructing Excellence' is continuing the theme with a series of 'Demonstration Organisations' which will endeavour to show how individual organisations have addressed organisational wide commitment to improved processes aligned to their business plans and objectives. For details on Rethinking Construction, the work currently being undertaken by the Housing Forum and links to other key organisations please see [http:// http://www.constructingexcellence.org.uk/](http://www.constructingexcellence.org.uk/)

For further Housing Corporation guidance on a range of issues, initiatives, publications and links relevant to the 'Egan' Rethinking Construction agenda see **Annex 1 below**. RSLs may wish to consider these in detail when preparing their individual improvement plans.

Compliance for Housing Associations (RSLs)

We believe that RSLs continue to be well placed to take on the challenge of changing the ways in which the building industry operates. This belief has been proved over the past five years by the measures already taken towards change. Many RSLs are already at the forefront of innovation and commitment and have well developed plans for further incremental improvement over the next five years. Improvements encompass better relationships with the whole building team, suppliers and customers. This is particularly important since the initial actions of the HA as 'Client' will undoubtedly determine the operating environment within which teamwork, co-operation and trust will either flourish or wither.

In 2003/2004 Bidding Guidance heralded the start of a 'gateway' to compliance that focuses entirely upon the gaining of **Clients' Charter** status (see <http://www.clientsuccess.org.uk>).

The Data Management Organisation, **Achilles** in liaison with the Corporation and the National Housing Federation has produced two versions of the **Clients' Charter** specifically designed for RSLs. **The Clients' Charter for mainstream RSLs with regular development programmes was launched in April 2002.** This will continue to be main vehicle for RSLs to demonstrate compliance. **A modified Mini-Charter version for RSLs with small or occasional programmes was launched in April 2003.** The Charter version to be adopted should be consistently identified in bids and will be subject to subsequent audit. Clearly, improvements in processes will take some time to feed through into tangible measurables and benefits. Clients' Charter requires that progress is measured by undertaking benchmarking using the relevant construction industry headline KPIs (a minimum of six from the published industry ten) and submitting the data to Achilles. **The National Housing Federation publication 'Implementing the Client's Charter - A step-by step guide' offers valuable**

guidance to RSLs on the Clients Charter process. It should be regarded as essential reading for newly participating RSLs.

(<http://www.housing.org.uk/services/publications>).

Housing Associations whose annual construction activity (works plus fees, but excluding VAT) is more than £1.5m will need Clients' Charter status to be eligible for SHG on projects. Where the annual construction activity is less than £1.5m, the HA will need Mini-Charter (or Charter) status. The threshold of £1.5m is not exact, but subject to the discretion of Achilles (see page 15 of the NHF's 'Implementing the Clients' Charter'). We now acknowledge that there should be a minimum threshold at which the need to consider Mini-Charter status should apply. **For RSLs undertaking small or occasional projects there are two other options.**

Firstly, for an occasional project which has an **insignificant** construction cost element the HA will not need Mini-Charter or Charter status, and will be able to bid for, and receive SHG for such a project. The illustrative figure set as a benchmark is £10,000 per project. However relevant Innovation and Development Advisers (IDAs) have the discretion to accept higher figures based upon the particular circumstances on a case-by-case basis. In deciding whether a project is large enough for the HA to need Mini-Charter status, IDAs will make a "best value" assessment.

The Client Charter (or Mini-Charter) is geared to helping clients get better value for themselves. This is achieved by improving our skills as clients. However, there are set-up costs of doing this, so it is sensible to consider the cost / benefit balance. If the benefits to the RSLs programme of construction activity (i.e. the proposed project and other activities such as the maintenance programme) are greater than the set-up costs, it is sensible for the HA to take the (Mini-) Charter route. If the likely benefits are less than the set-up costs, IDAs may consider the project below the threshold. The threshold is therefore likely to vary considerably between different types of project.

Secondly, for projects deemed to be above the threshold, the HA will either need to have Charter or Mini-Charter status, or use another HA Development Agent that has Clients' Charter or Mini-Charter status. Independent consultants may act on the behalf of RSLs with small or occasional projects as conduits and advisers, but will not be acceptable as an alternative to using a HA Development Agent that has already obtained Clients' Charter or Mini-Charter status.

RSLs that consider that their project(s) should be considered as below the threshold should discuss them with their local STO at the earliest opportunity. The Housing Corporation will monitor the use of this discretion to ensure that it is applied appropriately.

For 2006/2008, there continues to be two routes to Rethinking construction compliance:-

A. Clients' Charter status, or

B. 'Mini-Charter' status

A. Clients' Charter status

This is the route which mainstream RSLs with a regular development programme will be expected to take. RSLs wishing to use this route will need to register their commitment and submit to Achilles an action plan for continuous improvement to be achieved over the next three to five years. Upon acceptance of the plan by Achilles, Clients' Charter status will be

awarded. Charter status RSLs will be expected to submit annual monitoring and review data to Achilles and participate in subsequent surveys.

The Corporation, in consultation with the National Housing Federation, has agreed with Achilles a series of 37 core cultural indicators to underpin Clients' Charter status for RSLs. **See Table A below.** These will be used by Achilles to assess the extent to which a HA is moving towards achieving the broad objectives set out in the 'Rethinking Construction' report. Each participating HA will be required to assess themselves on a 0 - 5 measurement scale in order to establish their current position against each of the cultural indicators. The HA then will prepare an action plan for moving to full compliance on all cultural indicators. RSLs' plans will reflect their own priorities. RSLs will not be expected to improve at the same rate, nor reflect the same priorities.

RSLs will be responsible for the ongoing self-monitoring of progress. An annual monitoring and review process by Achilles will establish progress that individual RSLs are making against their action plans. The names of RSLs that register for Clients' Charter will be displayed on the Clients' Charter website (www.clientsuccess.org.uk). Those that have achieved and are maintaining Clients Charter status are indicated as such. The Corporation will frequently monitor status via this website.

Clients' Charter -

RSLs that fulfil their Charter obligations and maintain full Clients' Charter status will be regarded as 'fully compliant' by the Corporation.

Table A

Core Criteria for HA grouping within the mainstream Client's Charter framework

I - LEADERSHIP & CLIENT FOCUS		
Client leadership	1a	Commitment to Charter by CEO
	1b	Culture of personal responsibility
	1d	Arrangements for empowerment of staff
	1g	Project vision developed with stakeholders
Defining targets and objectives	2a	Objectives, scope and brief for each project
	2b	Non-quantifiable objectives assessed
	2c	Use of realistic targets
	2d	Communication of objectives to full project team
	2f	Consultation with end users/stakeholders
Treating suppliers fairly	3b	Policy of payment on time
Promoting non-adversarial teams	4c	Clear, flexible communication processes agreed
	4f	Cross-organisational team working adopted
Adopting partnering (where appropriate)	5a	Strategic partnering considered
	5c	Partners range from users through to suppliers
Risk management	6a	Systematic project risk management adopted
Learning from performance in use	7a	Performance in use assessed and fed back
	7b	User satisfaction assessed and fed back
	7d	Processes in place to feedback to new projects
II - PRODUCT TEAM INTEGRATION		
Promoting sustainability	10c	Reduction of waste over construction phase
	10e	Minimisation of natural resources in design and construction
	10f	Policy on minimising natural resources in use
	10k	Measurement against sustainability targets
Performance of all participants	12a	Performance of all development partners assessed
	12c	Regular feedback of performance provided
Standardisation /off-site assembly	13c	Opportunities for standardisation are optimised
	13d	Early consideration routinely given to proprietary products within design strategy
III - QUALITY		

Optimising functionality	14b	Value management adopted
	14d	Tender assessment of design and innovation
Minimising defects	15a	Defects analysed
	15b	Data on defects informs future design decisions
	15e	Zero defects policy implemented
IV - PEOPLE		
Respect for People	16b	Health & safety policies/plans/targets developed
	16c	Diversity policies/plans/targets developed
	16e	Monitoring systems for <i>Respect for People</i> issues
	16g	Policy of specifying site conditions
	16h	Considerate Constructors policy adopted
Staff training	17a	Commitment to training and skills programmes

B. 'Mini-Charter' status.

This is the route that RSLs with a small or occasional development/repair programme will be expected to take. The threshold of eligibility for the Mini-Charter is based upon the annual estimated construction expenditure of the HA. As previously stated, those that spend less than £1.5m each year will be able to opt for the Mini-Charter.

The calculation of value should exclude VAT but include all construction cost aspects of development, day-to-day repairs, planned and cyclical maintenance and any housing stock improvement activities.

Eligible RSLs may opt for the mainstream route in preference to the Mini-Charter in order to maximise their future accessibility to public subsidy. The main Charter might also be attractive if there is potential to gain business benefits from broader adoption. This could be the case where:

- the business plan points to growth over the next few years;
- construction activities over the coming years will be dominated by repeat construction processes such as major repairs programmes;
- there are plans to join a group structure and align policies with other group members;
- development agency arrangements are operated and the main Charter framework can be used to deliver improved accountability and outcomes.

The Corporation, in consultation with the National Housing Federation, has agreed with Achilles a series of 15 core cultural indicators to underpin Mini-Charter status for RSLs. **See Table B below.** In all other aspects the processes and requirements are as set out above for Clients' Charter status. The NHF *'Implementing the Clients' Charter'* publication gives further details.

Mini-Charter -

RSLs which fulfil their Charter obligations and maintain Mini-Charter status will be regarded as 'fully compliant' by the Corporation.

Table B

Core Criteria for HA grouping within the Mini-Charter framework		
I - LEADERSHIP & CLIENT FOCUS		
Client leadership	1a	Commitment to Charter by CEO
	1b	Culture of personal responsibility
Defining targets and objectives	2b	Non-quantifiable objectives assessed
	2c	Use of realistic targets
	2d	Communication of objectives to full project team

	2f	Consultation with end users/stakeholders
Treating suppliers fairly	3b	Policy of payment on time
Promoting non-adversarial teams	4c	Clear, flexible communication processes agreed
Risk management	6a	Systematic project risk management adopted
II - PRODUCT TEAM INTEGRATION		
Promoting sustainability	10c	Reduction of waste over construction phase
Performance of all participants	12a	Performance of all development partners assessed
Standardisation /off-site assembly	13c	Opportunities for standardisation are optimised
III - QUALITY		
Minimising defects	15a	Defects analysed
IV - PEOPLE		
Respect for People	16b	Health & safety policies/plans/targets developed
	16c	Diversity policies/plans/targets developed

Annex 1

General guidance on issues, initiatives, publications and links relevant to the 'Egan' Rethinking Construction agenda

RSLs may wish to take the following into account when considering how to demonstrate and measure improvement within their action plan to be submitted to Achilles for Clients' Charter purposes.

Benchmarking club membership.

Benchmarking using Performance Indicators is essential to improved performance for RSLs as well as constructors, consultants and others in the supply chain. Whilst RSLs can achieve this on an individual basis, greater benefits are derived from the formation of benchmarking clubs. Within such clubs RSLs can devise additional Performance Indicators which are specific to their own particular needs and aspirations and then use these to benchmark their own performance against other club members. Sustainability issues and Whole-life costing are areas of increasing interest.

Other than the six headline KPIs required for Clients' Charter purposes the Corporation does not specify which performance indicators RSLs should use; this is a matter for individual RSLs to decide. Clearly it is important that RSLs identify performance indicators which will be helpful in measuring and improving performance. Membership of a benchmarking club is not a mandatory requirement of either the Corporation or of the Clients' Charter framework. It is however recommended practice. The Corporation does not specify which benchmarking club to join. Once again this is a matter of individual choice.

The following websites may be useful in respect of Benchmarking Clubs:-

- <http://www.housebench.com>.
- <http://www.econtrack.net/buildsoft/>
- <http://www.bre.co.uk>

Quality issues

i) Housing Quality Indicators (HQIs)

The HQI system is a measurement and assessment tool designed to allow potential or existing housing schemes to be evaluated on the basis of quality rather than simply cost.

The HQI allows an assessment of the quality of key features of a housing project in categories of location, design and performance. These three categories produce the ten 'Quality Indicators' that make up the HQI system. From June 2005, the HQI system was integrated

into the Housing Corporation's Investment Management System (IMS), <https://www.housingcorp-online.org/hc/default.htm>. The current version of HQI Business and System User guide are downloadable from HELP section.

All Historical HQI assessments previously submitted to www.hqiuk.com has been migrated into IMS. A brief review of the historical database is obtainable from the following: <http://www.housingcorp.gov.uk/server/show/ConWebDoc.7132>

ii) Design.

'Affordable Housing: Better by Good Design' is a new joint Housing Corporation/Commission for Architecture and the Built Environment (CABE) publication on the importance of design quality for RSLs. This document was published in June 2003 and is freely available via the <http://www.housingcorp.gov.uk> website.

The Commission for the Built Environment (CABE) website also provides access to a range of services and publications which would be useful for RSLs committed to assisting in improving the quality of the built environment. There is an extensive 'Links' facility. See <http://www.cabe.org.uk>

The Construction Industry Council (CIC) is currently piloting Design Quality Indicators (DQI) that comprise an assessment system to evaluate the design quality of buildings. The central aim of the DQI is to help raise the quality of buildings in the built environment. The system is expected to be available via the web from May 2003. See <http://www.dqi.org.uk>

iii) Sustainable Housing

Sustainable housing offers real benefits including lower energy and water bills for residents and lower management and maintenance costs for RSLs. The Corporation's Sustainable Development Strategy is set out at <http://www.housingcorp.gov.uk/server.php?show=nav.385> The Corporation has sponsored the development of a number of tools to help RSLs develop sustainable housing. All of the tools have been developed with the advice and support of practitioners working within RSLs:

Toolkit of Indicators for Sustainable Communities, 3rd Edition

Often referred to as the 'Sustainability Toolkit', this gives guidance on how to assess the sustainability of communities where social housing exists or might be developed. **It is a requirement that RSLs certify that the Toolkit has been used for all bids for new schemes.** There are no simple litmus tests for sustainability, because the sheer variety of factors that influence the demand for housing make that impossible. This is why a toolkit approach has been adopted. Only staff with a good knowledge of a community can decide which tools (indicators) are appropriate. Accordingly, the Toolkit is structured to help users choose and use its indicators appropriately. Total number of indicators and their definitions remain unchanged from the 'Toolkit of Sustainability Indicators'.

<http://www.housingcorp.gov.uk/server/show/conWebDoc.2056>

<http://www.sustainablehomes.org> - Sustainable Homes runs courses and seminars to help RSLs to develop sustainability and environmental policies and action plans. The project has produced guidance on energy efficiency, affordable water, embodied energy and timber frame buildings. The website contains a database of more than 150 case studies of sustainable buildings and links to other relevant organisations and websites. A regular newsletter keeps subscribers informed of current issues and developments in sustainable housing.

<http://www.sustainabilityworks.org.uk> - is a powerful online application that combines a comprehensive information resource with practical support for the planning, implementation and monitoring of sustainable housing projects. The website is organised around the development process and covers sixty-five topics grouped into eight themes: Buildings, Landscape, Land Use, Society, Energy, Water, Waste and Travel. The site contains case studies, details of costs and benefits, links to essential information and references to further research.

The site incorporates a secure area where RSLs can create bespoke policies and project reports, predict an EcoHomes rating of a project and satisfy the requirements of the HC sustainability toolkit. The site can also help RSLs complete the sustainability section of HQIs. At each stage of the corporate policy and project development process, recommended policies and measurable targets are provided with the ability to customise to specific circumstances and requirements.

<http://www.ecoconstruction.org> - This site contains guidance on how to incorporate reclaimed materials, and products made from recycled materials, into house construction. The guidance covers planning, choosing and specifying materials and a number of case studies are included. The site also includes a searchable database of available products with details of the manufacturing processes, composition and suppliers.

The Environmental Matrix for Housing (EMH). This is a CD-ROM based environmental management system designed specifically for RSLs. EMH is constructed around a series of modules focussing on areas identified as relevant for RSLs. The areas covered are Energy, Water, Waste and Recycling, Land Use and Landscape, Health, Materials and Transport. The modular structure means that RSLs do not have to address all areas at the same time or devise action plans that run at the same speed.

EMH is a complete environmental resource for RSLs providing help and assistance at each stage of the implementation process and suggesting targets to achieve and indicators of success. Support in the implementation and management of EMH is available from Practical Environment (part of the Places for People Group).

EcoLaw – A Guide to Environmental Regulations for Housing Associations. This guide is designed to give RSLs an easy reference to relevant environmental legislation. It combines an overview of key Acts of Parliament and Statutory Instruments with an analysis of the risk for housing and provides relevant links to the Corporation's own regulatory code.

Additionally, the website <http://www.ha-ecolaw.org.uk> contains the information above but with links designed for the use of a wide range of housing personnel, enabling them to take the quickest route to priority matters in their own sphere of influence. Updates to the guide will be published on the above website on a quarterly basis.

EcoHomes

All newbuild schemes funded by the Corporation need to be EcoHomes certified. From 6th April 2006 the minimum Ecohomes requirement is increased to 'Very Good'.

However, projects which have achieved full plan approval prior to 6 April 2006 will be accepted for registration under EcoHomes 2005 for 12 months after the launch of

EcoHomes 2006. To demonstrate eligibility for registration under EcoHomes 2005 after 5 April 2006 applicants will need to provide a letter setting out full building plans and approval from the relevant statutory authority. For the avoidance of any doubt any development that does not have full planning approval dated before 6 April 2006 will need to be registered under EcoHomes 2006.

An EcoHomes certification can only be given by an assessor trained and authorised by the BRE. An employee of a HA can become an assessor and provide the required certification for the RSLs new schemes. However, some conditions may apply on the extent of the role of that individual in the development of the schemes that they certify.

Health, Safety and Diversity initiatives

RSLs are able to play a key role in enabling and requiring their constructors and suppliers to improve site welfare, safety and skills. For RSLs and members of the public, a well managed construction site with high standards and good facilities will help make the presence of a building project less intrusive. A construction project is a highly visible part of any RSLs operation; one that can reflect either well or badly on public perception. By following a clear set of guidelines for interacting with the public (such as the Code of Considerate Practice) RSLs can help to ensure that construction work brings only good publicity and builds public trust and better respect which will improve the image of the industry.

i) Respect for People - Change the face of construction

In response to the challenge to find a practical and effective ways for the construction industry to improve its performance on people issues, Respect for People Working Group has published a report entitled - A Commitment to People "Our Biggest Asset".

The working group identified the following themes or action areas:-

- Diversity in the workplace
- Site facilities and the working environment at site level
- Health
- Safety
- Career development and lifetime learning
- The working environment off-site
- Behavioural issues.

A series of revised practical toolkits, comprising checklists, scorecards and guidance are provided to assist RSLs and their construction partners to improve their performance. Respect for People KPIs are now available.

Change the face of construction advice sheets have been developed to help put diversity and equal opportunities policy into practice. More information and guidance on diversity and equal opportunities can be found on their website.

The Respect for People agenda continues to progress. Soon to be available will be:-

- a cross-mapping document showing how the toolkits and KPIs support the Clients' Charter and Mini-Charter.
- a dedicated Client's Guide to Respect for People issues.
- an online one-stop information source on diversity and equality issues in conjunction with Change the face of construction.
- a one-day training module as part of CBPP/CITB's 'Learning by Doing' series.

See <http://www.change-construction.org> and <http://www.rethinkingconstruction.org.uk>

ii) Competent Workforce

RSLs are also able to play a key role in enabling and requiring their construction partners to demonstrate that they actively maintain a relevantly skilled and competent workforce on the sites that they control as client.

To optimise the quality of the housing product and the safety of the construction process, RSLs should consider specifying a fully qualified workforce. The **Construction Skills Certification Scheme (CSCS)** card scheme enables RSLs and their partners to identify the trained and qualified members of the workforce. The scheme is administered by the Construction Industry Training Board (CITB).

The CITB are currently also piloting training modules for existing site supervisors and site operatives to achieve NVQ qualifications in off-site manufactured (OSM) housing systems erection.

The Corporation is supportive of the CSCS scheme and the CITB's training initiatives and is considering ways of progressing towards early achievement of a fully qualified workforce within the social housing sector.

See <http://www.cscs.uk.com> and <http://www.citb.org.uk>

Partnering

We fully support Partnering as one of a range of procurement options. It is acknowledged that partnering is not an appropriate procurement strategy for all construction projects or programmes.

Partnering should not be confused with other good practice project management practice, or with long-standing relationships, negotiated contracts or preferred supplier arrangements, all of which lack the structure and objective measures that support a partnering relationship.

i) Project Specific Partnering -

Full Partnering on a structured management approach to facilitate team-working across contractual boundaries. Its fundamental components are formalised mutual objectives, agreed problem resolution methods, and an active search for continuous measurable improvements. The approach is utilised on a project-by-project basis with partners being selected to suit the particular characteristics of each project.

The principles outlined in '*Partnering in the Social Housing Sector*' published by the European Construction Institute (ECI), Sir Arnold Hall Building, Loughborough, Leicestershire LE11 3TU. (Tel: 01509 223526) should be adhered to on all projects utilising public funds. Guidance is also given on a procurement procedure that would satisfy the EU Procurement Directive when used in conjunction with advertising in the EU Official Journal (OJEC). RSLs should seek independent legal advice on the applicability of the Directive. Other essential reading on Partnering and Supply Chain Management is **freely** available in the form of fact sheets, case studies, and on-line reports and guidance from:

- Construction Best Practice Programme (<http://www.bre.co.uk/>)
- Office of Government Commerce

>Communities > Procurement >CUP > Gov Construction Procurement Guide > PG 1-10

- Housing Forum (www.thehousingforum.org.uk) On-line report entitled '*How to survive Partnering - It won't bite !*'.
- Housing Forum (www.thehousingforum.org.uk) On-line report entitled '*Procurement through Partnering- 20 frequent questions answered*'.

Other charged publications on Partnering are available from:

- National Housing Federation (www.housing.org.uk) '*First steps in Partnering*' (priced £15).
- CIRIA (www.ciria.org.uk) '*The Handbook of Supply Chain Management : the Essentials*'

ii) Strategic Partnering -

Full partnering as above, but applied across a range of projects or programmes using the same partners. *This level of partnering should be attempted only by those who have successfully undertaken and completed project specific partnering schemes or are otherwise experienced in strategic alliance.*

Standardisation (processes and/or components), Pre-assembly and modularisation (components)

i) Standardisation

Some standardisation of process is already undertaken by RSLs, constructors, suppliers and consultants. However, there is much scope for expanding standardisation and co-ordinating processes within working relationships and partnerships.

Some standardisation and pre-assembly of components already takes place in house-building e.g. roof trusses, staircases, windows, kitchen fittings, etc. The benefits include speed of construction, lower cost and higher build quality control. Increasingly, standardisation, preassembly and modularisation is being applied more widely in housing design in order to maximise these benefits and expand them in the pursuit of zero defects and high user satisfaction feedback.

The Construction Industry Research and Information Association (CIRIA), together with the Construction Round Table (CRT), is leading the initiative to make the benefits and methods of standardisation more widely understood and acknowledged. The CIRIA leaflet entitled '*Snapshot : Standardisation and Pre-assembly*' provides a useful starting point for RSLs and their advisors.

The various options for standardisation need to be investigated during the feasibility / concept design stage, with detail decisions on the standardisation and pre-assembly being made during scheme design. Once detailed design starts it is unlikely that any standardisation decisions made subsequently will be productive. It is important for RSLs and their advisors to have a 'toolkit' of techniques and procedures in order to be able to initiate a standardisation strategy from a project's inception. With this in mind CIRIA has developed a '*Client's Guide and Toolkit for optimised use of standardisation and pre-assembly in construction*'. CIRIA, 6 Storey's Gate, Westminster, London SW1P 3AU (Tel: 0207 2228891) <http://www.ciria.org.uk>.

Details of projects upon which innovative techniques and/or processes have been applied are available on the Housing Innovations web-site at <http://www.rethinkinghousebuilding.org>.

ii) Pre-assembly and Modularisation.

The twin pressures of a reducing skill-base and increasing demand, plus government pressure to innovate, have combined to drive the UK housebuilding industry in search of new methods of delivery. Off-site manufacturing offers a solution to some of the new demands. Several recently published reports are helpful in providing guidance in this field:-

- ‘Homing in on Excellence’ - A commentary on the use of off-site fabrication methods for the UK housebuilding industry. Published by the Housing Forum (0207-691-0220). Also downloadable free via <http://www.thehousingforum.org.uk>.
- ‘Prefabricated ‘green’ housing’ - Evolution of a system for on-site assembly. Published by Riverside Housing (0151-708-1000).
- ‘Off Site Produced Housing’ - A briefing guide for RSLs. Available from BRE (Keith Ross - 01923-664-508).

Postscript

Through both its regulatory and investment functions, the Corporation has a stake in the long-term sustainability of the housing procured by RSLs. The housing stock must not only meet the reasonable needs of tenants in terms of quality, comfort and affordability, it must also represent a reasonable investment to RSLs in terms of maintaining equity and value as a basis for sound future business planning.

To achieve these aims it is essential for the mortgage and valuation market to have confidence in the ability of any non-traditional house construction technique to produce housing which will last and maintain values equivalent to those for traditionally constructed dwellings. Whereas the mortgage and valuation market has experience based upon hundreds of years of traditional construction, this is not the case for many of the non-traditional techniques now making the transition from the commercial or foreign sectors into the housing sector. Such techniques are generally still regarded as innovative in the UK housing market.

Within the Corporation’s Scheme Development Standards (April 2003) RSLs are required to specifically consider and suitably address mortgage and durability issues where traditional components are combined in innovative ways or when innovative house building systems are to be used. RSLs should 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); and
- the system, with reasonable cyclical and planned maintenance provision, has been designed for a life expectancy of at least 60 years.

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

- (i) Building Research Establishment (BRE) <http://www.bre.co.uk>.
- (ii) British Board of Agreement (BBA) <http://www.bbacerts.co.uk>.
- (iii) Construction Audit Ltd
- (iv) WIMLAS, or any body authorised under Annex 4 of the Construction Products Directive.
- (v) Other organisations such as CERAM <http://www.ceram.co.uk>, TRADA <http://www.trada.co.uk> and 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 <http://www.zurichmunicipal.com> or BuildingLifePlans Ltd <http://www.buildinglifeplans.com> for structural warranty purposes.