

NAHP 2008/2011

Partnering Programme Agreement

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Preamble

This document sets out the terms and conditions of the award of Social Housing Grant for Projects (known as Allocations) made under the Partnering Programme Agreement (PPA) for 2008/11 and the respective roles, responsibilities and obligations of the Corporation and those Registered Social Landlords (RSLs) listed in Annex B as undertaking a development function. The allocations are decisions to pay Social Housing Grant (SHG) in principle and subject to the RSLs involved complying with the relevant conditions and the Corporation having funds available. This document should be read in conjunction with the Funding Conditions.

The Lead RSL (as designated at bid stage in IMS) will have the additional responsibilities set out in this PPA and the Funding Conditions. The Lead RSL will also use all reasonable endeavours to ensure the other RSLs achieve the objectives of this PPA and to resolve any failures by itself or the others to do so.

Projects

The projects that the Corporation is prepared to fund, and projects identified as reserves, under this PPA are set out in the schedule at Annex A. This schedule provides details of partners and their roles, scheme addresses, the number of units (including those produced by MMC), number of persons, total Social Housing Grant (SHG) allocated, specified quality commitments, rent levels and payment milestone dates. It includes full details of the delivery commitments in respect of starts on site and completions. Adjustments to these details will be permitted with the agreement of both parties.

Project Delivery Timetable

Annex A details the milestones and target dates on which relevant events, including those leading to the draw-down of SHG, will occur for each project. The Lead RSL must keep the Corporation informed of the progress of all projects in a timely and accurate fashion (including the updating of Initial Sales Data for Newbuild Homebuy schemes). The Lead RSL will ensure that the Corporation is notified (through prompt and regular updating of forecasts via the online system) of any output slippage and must (in addition) provide a full update in advance of the Quarterly Review meetings.

If the RSL fails to deliver in accordance with the agreed schedule and conditions, taking into consideration events which resulted in the failure but which were beyond the RSL's control, the Corporation may withhold, cease or reduce SHG payments.

The Corporation will monitor performance against the agreed forecasts and milestones (including, but not limited to, payment milestones) and will use this information to inform future funding decisions.

Failure to deliver projects in a timely fashion, in accordance with the milestones set out in Annex A may also lead to a change in the lead, or developing, RSLs traffic light for Investment and may ultimately lead to partnering status being suspended or withdrawn.

Quarterly Review and liaison arrangements

The Corporation and the Lead RSL will hold a programme of Quarterly Review Meetings (QRM) throughout the period covered by this PPA.

At each QRM the Corporation and the Lead RSL will:

- Review progress against the agreed targets;
- Discuss impact assessments, the value for grant comparator, compliance audit outcomes and number and type of waiver requests, as well as such other issues as either party may think relevant; and
- Monitor compliance with any method statements or supplementary information submitted and any other obligations assumed as part of the bidding process.

Representation on both sides should be at a senior level in order that decisions and actions can be agreed and implemented immediately if necessary. Representation will include the Corporation's Lead Investor and may also include financial appraisal, lead regulation and innovation & development representatives.

Schedules indicating the status of each project including output delivery should be provided to the Corporation's nominated Lead Investor one week prior to each QRM. 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 via this PPA, then the Lead RSL is responsible for the arrangement of regular delivery review meetings involving all members of the partnership. These meetings should be planned so that up-to-date information may be reported to the Corporation at planned QRMs .

The Lead RSL will provide timely notification to the Corporation's Lead Investor of any unresolved problems that:

- are encountered with complying with the Funding Conditions or meeting the specified targets;

- are identified or reported as part of procedural compliance self-assessments and/or quality visits and which threaten the outcomes set out;
- indicate shortfall in financial capacity and which affects the ability of the Lead RSL, or any other participating RSLs, to deliver their obligations.

Additional liaison meetings may be called by either the Corporation or Lead RSL to address any important issues that may arise between QRMs.

Annual Assessment of Delivery Performance

A review of delivery performance against targets by all partners will be undertaken by the Housing Corporation on an annual basis (as a minimum) and the outcome of that review may lead to suspension or withdrawal of partnering status or impact the continued pre-qualification of RSLs within the Partnership for future bids rounds, including the ability to bid via regular market engagement.

In addition to an assessment of delivery against targets, both timeliness and accuracy of updating forecasts will be taken into account by the Corporation in its assessment of delivery performance.

The Corporation will also take into account compliance audit performance (including procedural compliance); the volume of waiver requests; value for grant comparator scores.

Payment of SHG

SHG claims must be submitted to the Corporation in a timely fashion. The Corporation will make SHG payments upon receipt of valid claims, in line with agreed liability dates.

Where a scheme achieves start on site (SOS) or Practical Completion (PC) in advance of its forecast milestone date (which has been accepted as the liability date as set out in IMS), the Corporation is not obliged to make SHG payments until that date. The Corporation is not obliged to recognise a liability to make payment until the contracted start on site or completion date is reached.

The Corporation's allocations for the Partnering programme will be given in the name of the Lead RSL. It is recognised that partnership arrangements between participating RSLs will vary according to the development skills of individual members. The Corporation will pay all the SHG in relation to the programme to the Lead RSL as agent for the other RSLs participating in the programme. Such other RSLs participating in the programme hereby acknowledge and agree that receipt by the Lead RSL of the SHG in relation to the programme constitutes good receipt for and on behalf of all RSLs participating in the programme. The RSLs will need to ensure that the partnering arrangements between themselves deal with the apportionment of SHG and the Corporation reserves the right to view these partnering arrangements upon request.

Additional Schemes and Substitute Schemes

Where any scheme in a programme suffers slippage or any other unresolved problem the Corporation may notify the Lead RSL (or the Lead RSL may propose) that it wishes to fund a

substitute scheme, or an additional scheme. Alternatively, if funding is available (for example via regular market engagement), the Corporation may notify the Lead RSL (or the Lead RSL may propose) that it wishes to fund an additional scheme as well as the approved programme of schemes. When the Lead RSL receives either form of notification it may propose a substitute or additional scheme for funding (which may be a reserve scheme) and confirm that:

The Corporation may agree to fund this substitute scheme instead of the scheduled scheme, or an additional scheme, provided both that the remainder of the programme of schemes is being delivered on schedule and that:

- the proposed substitute scheme (in the case of scheme slippage) is in the same Region as the affected scheme;
- the proposed substitute / additional scheme meets the requirements of relevant local housing strategies and the priorities of the Regional Assembly / Mayor for London;
- the proposed substitute / additional scheme offers value for money;
- the proposed substitute / additional scheme meets or exceeds the Housing Corporation's Design and Quality standards;
- the start-on-site date of the proposed substitute / additional scheme will be within the year of allocation and in any event not later than 31 March 2011;
- the proposed substitute / additional scheme can be fully delivered by 31 March 2014;
- the RSLs are in compliance with the Regulatory Code;
- the RSLs have the necessary financial capacity to complete the proposed substitute / additional scheme.

Notwithstanding the above, the Corporation may at its discretion:

approve the proposed substitute / additional scheme (in which case that scheme will be funded in the same way as a scheme on the scheduled programme and delivery targets will be adjusted accordingly and the online system will be updated by the RSL which the Lead RSL will identify to the Corporation),

refuse the proposed substitute / additional scheme and/or request that the Lead RSL proposes another substitute / additional scheme.

Procedural Compliance

Procedural compliance is to be undertaken on a self-assessment basis using an independent auditor. For the purposes of these self-assessments of procedural compliance the Corporation will accept appointments utilising individuals, partnerships or practices to undertake this audit function as outlined in Annex C which sets out the Corporation's detailed requirements in relation to procedural compliance.

The Corporation's standardised terms of engagement and performance tests are as set out in the Capital Funding Guide (CFG), within the General Book, section 7.3 (Audit Requirements - PPA).

The Corporation will discuss the scope of the audit and agree a provisional programme at the commencement of this PPA to assist RSLs in planning the arrangements and budgeting to meet these requirements. Arrangements should provide the opportunity for the Corporation's relevant Innovation and Development Manager to accompany the independent auditor on at least one of the planned visits in order to monitor the process. Accompanied visits will be determined by the Corporation and notified to the Lead RSL and independent auditor at least one week in advance of the planned visit.

The full self-assessment audit process will be repeated annually for the duration of the PPA.

Standards and Quality Monitoring

In addition to the self-assessment procedural compliance arrangements, 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 this PPA.

The Lead RSL will be notified at least one week in advance of any standards and quality visit in order that access authority may be obtained. The Corporation's representatives visiting sites will be health and safety proficient and will have the required safety attire for site access.

During the course of the PPA the Corporation's Innovation and Development Managers (IDMs) and/or Advisers (IDAs) will liaise with the Lead RSL on technical performance issues and to maintain working relationships with the nominated Design Champion.

Agreement Term

This agreement will terminate when all of the following events have occurred:

- Full delivery of the Projects set out in Annex A as amended from time to time by the inclusion of agreed substitute or additional schemes;
- Completion of the procedural compliance arrangements; and
- Confirmation from the Corporation to the Lead RSL that any outstanding issues under the PPA have been satisfactorily resolved.

If Partnering status is lost, for whatever reason, during the period covered by this PPA, the Corporation will consider options for the delivery of any schemes covered by the PPA. These options include withdrawal or suspension of funding for all or some schemes included within the PPA - regardless of the milestone stage reached. Any schemes, which the Corporation agrees will continue to receive funding through to completion will be subject to the requirements of this PPA and of the Funding Conditions.

Information and Records

The Lead RSL and other RSLs participating in the programme must ensure that all records relating to the programme are maintained for at least 10 years from the date upon which the final payment of SHG is received by the RSL. They also need to maintain separate accounts for all costs and expenditure relating to grant funded and non-grant funded affordable housing (as opposed, for example, to any market sale housing) in the programme and for individual projects. Where costs and expenditure relate to both social housing and non-social housing or other work, such costs and expenditure must be apportioned fairly and reasonably between affordable and market housing.

When requested by the Corporation the Lead RSL will provide all information relating to all costs and receipts attributable to the grant funded affordable housing within the programme which have been incurred or received by the Lead RSL and the other RSLs undertaking a development or management role.

The Lead RSL will also provide all requested information to the Corporation relating to the contractual relationships between the RSLs including copies of these contracts.

Where requested by the Homebuy Agent having responsibility for that location, the Lead RSL will provide all information relating to the social housing, the tenant, keyworker tenants and leaseholders (whether through Homebuy or otherwise) as required to be maintained pursuant to the Capital Funding Guide from time to time. In particular, the Lead RSL and all developing RSLs within the Partnership will be expected to complete the Initial Sales Data screens within the Corporation's online system promptly and accurately, and, if required by the Corporation, to supply relevant data required for these schemes to the Homebuy Agent. Timely updating of Initial Sales data will be taken into account as an indicator of Delivery Performance in the Corporation's annual assessment of partners, in the same way as outlined for forecasting above.

State Aid and the repayment of SHG

When required by the EU Commission under the rules and exemptions relating to State Aid, the Corporation may require either the repayment of SHG (in whole or in part) to the extent that the RSLs have been overcompensated for the provision of social housing in the programme or, at its sole discretion, payment of such amount into the RCGF of the relevant RSL.

Communications and Publicity

The Lead RSL and any other participating RSLs agree:

- To observe, implement and comply with the Corporation's requirements as published from time to time in relation to site signage in respect of each scheme and the programme, as detailed on the Housing Corporation's website under "Corporate artwork and guidelines"
- To keep the Corporation's Press Office and Communications Team advised of publicity plans, events or communications programmes relating to homes funded by SHG in advance

- to include the following wording within letters and literature welcoming new tenants and residents to homes funded by SHG:

[Text to be agreed]

- to ensure that pro-active press releases celebrating developments and schemes funded by SHG acknowledge in the body of their text the fact and the amount of the Corporation's SHG contribution to the development or scheme and also include the following wording in the "Notes to Editors" section:

[Text to be agreed]

Evaluation

The Lead RSL, and where applicable other RSLs participating in the delivery of the programme, agree to co-operate fully in any subsequent evaluation of this PPA process, procedures and outcomes, including impact assessments, commissioned by the Corporation.

Funding Conditions

Acceptance of this PPA via IMS is deemed to include acceptance of the Funding Conditions which can be found in IMS. Funding conditions may include additional conditions relevant to individual partnerships or projects.

Funding Conditions set out that continued funding via this PPA will be conditional upon the Lead RSL, and any other participating RSLs, demonstrating ongoing compliance with the Regulatory Code, primarily expressed through the Housing Corporation Assessment system (HCA).

If any RSL within the partnership loses any green light through the HCA system, the Corporation will issue a warning notice requiring such RSL to re-gain the green light within a reasonable period. If such RSL fails to re-gain the green light during the required period or if any RSL with a development role within the partnership loses its green light for investment during the currency of the PPA, the Corporation will consider options for completion of the relevant element of the PPA either with existing members of the partnership or in other ways. Depending upon the nature of the performance failure the Corporation may withdraw or suspend funding or status within the partnership until remedial action has been agreed by the Corporation and implemented.

Formal Acceptance (Electronic sign-off via IMS)

The electronic sign-off of the PPA will be done via the Corporation's online IMS system; the lead RSL will sign and submit the agreement for approval and the Corporation regional office will approve/accept the submission on-line. The programme content of the PPA is determined by the list of Projects at the point when the Corporation regional office signs-off the agreement on-line and details will be provided to the RSL prior to the requirement to sign off.

Schedule of Projects, Details and Delivery Obligations

Annex A

This schedule comprises data held on IMS within Allocations, Partnership Agreement Document, Sub-Product list at the time when the Corporation Regional Office signs off the agreement on-line. The information can be printed off in hard copy from Allocation IMS. Details available are as follows: -

- Project ID
- Product ID
- LA code
- Partners name (Lead)
- Product heading (Rent, sale, misc)
- No. of units
- No. of persons
- Grant amount
- Client groups
- Additional codes (where applicable)
- Quality description/code (including CSH)
- HQI profile
- OSM/MMC category
- Planning position
- Section 106
- Milestone forecast dates
- Status (approved or reserve)

RSLs Partnership Members and Roles

Annex B

This schedule comprises data held on IMS within Allocations, Partnership Agreement Document, Sign-off section at the time when the Corporation Regional Office signs off the agreement on-line. The information can be printed off in hard copy from Allocations IMS. Details available are as follows:

- Lead RSL Name & Code
- Developing RSLs Name & Code
- Managing RSLs Name & Code

For the purposes of these self-assessments of procedural compliance the Corporation will accept appointments utilising individuals, partnerships or practices to undertake this audit function as follows:

- Accountants -
Any suitably experienced and qualified accountant, including either the investment partner's External Auditors or external accountants undertaking the investment partner's Internal Audit function. However, qualified accountants directly employed by the investment partner or any other of its development or managing 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 Lead RSL and the accountant.
- RICS Surveyors -
Any suitably experienced and qualified RICS surveyor. However, qualified surveyors directly employed by the investment partner or any other of its development or managing partners are excluded as they are not considered to be appropriately independent

NOTE:

Exceptionally, any Lead RSL wishing to use independent consultants that are not either Chartered Accountants or Chartered Surveyors will need prior approval from the Director of Investment, Programme, Policy and Procurement Directorate, The Housing Corporation, Maple House, 149 Tottenham Court Road, London, W1T 7BN. However, the Corporation may continue to elect not to exercise its discretion to approve others.

Where the accountant option is selected, the accountant should be commissioned to operate in accordance with 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 Corporation 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.

Where the RICS Surveyor option is selected, the RICS Surveyor should be commissioned to operate in accordance with the practice guidance contained the Guidance Note published by the Royal Institution of Chartered Surveyors (RICS). The Corporation will undertake to become a party to the commission via the specified "standardised terms of engagement" utilising the agreed upon procedures as set out the RICS publication.

The Corporation's standardised terms of engagement and performance tests are as set out in the Capital Funding Guide (CFG), within the General Book, section 7.3 (Audit Requirements - PPA).

The Lead RSL will commission the independent auditor to prepare and undertake a programme of self-assessment procedural compliance tests based upon a checklist published for this purpose by the Corporation. The Lead RSL may wish to discuss the principles and planned arrangements

for self-assessment with the Corporation prior to commissioning independent accountants. The Lead RSL will be advised in June / July by the relevant regional office of the Corporation of the timeframe within which the independent auditor should complete the procedural compliance checklists for their PPA audits.

The Corporation will discuss the scope of the audit and agree a provisional programme at the commencement of this PPA to assist RSLs in planning the arrangements and budgeting to meet these requirements. Arrangements should provide the opportunity for the Corporation's relevant Innovation and Development Manager to accompany the independent auditor on at least one of the planned visits in order to monitor the process. Accompanied visits will be determined by the Corporation and notified to the Lead RSL and independent auditor at least one week in advance of the planned visit.

The Lead RSL will be advised by the Corporation of the number of audits to be carried out, the geographical region and the tenure of schemes to be audited but scheme addresses will not be confirmed until **2 weeks** before the audit is booked to take place. Only exceptionally will the timeframe for completion of the checklists and subsequent submission to the Corporation exceed a period of **3 / 4 months**.

Within **2 weeks** of being advised of the audit timeframe, profile and numbers, the Lead RSL will confirm to the Corporation, the name and profession of the commissioned independent auditor and the dates that the independent auditor has booked for undertaking the audits. Any problems with the timescale set by the Corporation should be discussed with the Corporation prior to confirmation.

Copies of the subsequently completed Independent Auditor Report signed by both the Lead RSL and the independent auditor must be provided to the Corporation regional office **within 2 months** of the audit visit, for each financial year and beyond until completion of the schemes contained within the programme. E-mail transmission is acceptable for the receipt of the report. The audit represents a snap shot of the documentation available at the time of the audit. Where information is not available at time of audit this should be recorded as such in the independent auditor report.

NB: From audit year 2007 supporting and completed procedural checklists need no longer be submitted to the Corporation with the independent auditor report. However the Corporation reserves the right to request copies of the completed checklists as and when considered necessary.

Where required, it is recommended that the completed procedural checklists are returned to the Corporation's Lead Auditor via email. This is to facilitate electronic storage of the checklists.

Any iterations between the auditor and the Lead RSL relating to the report must be shared with the Corporation. Failure to do so will be regarded as a breach of the duty of care owed to the Corporation by the auditor.

The Lead RSL will be allowed a further period of **2 weeks** in which to respond to the Corporation regarding any adverse findings arising in the audit report. The outcome of these audits now form part of the Corporation's annual performance assessment for each Partnership. Failure to achieve deadlines may find reflection in the performance assessment.

Where the independent auditors report highlights deficiencies or shortfalls in procedural compliance the Lead RSL should submit to the Corporation an initial response to these findings **within 2 weeks** of receipt of the independent auditor report setting out the reasons for the deficiencies and the corrective measures being undertaken. Upon receipt of the independent auditor report and the RSL's response the Corporation will consider the results of the auditor's factual assessment and form an opinion on the extent that the Corporation may be assured that procedures and funding conditions have been complied with, and that public funds have been used for the intended purposes.

NB: If the RSL fails to respond within the 2 weeks, the Corporation will form an opinion based solely upon the independent auditor report without any mitigating considerations.

The Corporation may contact the commissioned independent auditors to monitor progress against the specified audit deadlines but it will be the responsibility of the Lead RSL to ensure that auditors are aware of the implications of the specified deadlines.

The full self-assessment audit process will be repeated annually for the duration of the PPA.