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1 INTRODUCTION

- 1.1 The RENT section of the guide applies to all schemes that receive confirmation of grant on or after 1 April 2006 and sets down the characteristics applicable to the development of permanent housing for rent by an RSL using SHG.
- 1.2 Schemes given Grant Confirmation before 1 April 2006 must follow the previous procedures, which will remain relevant throughout the development of the scheme. *Previous versions of the Capital Funding Guide can be accessed from the Capital Funding Guide Homepage at www.housingcorp.gov.uk*

Changes to a scheme

- 1.3 The RSL must notify the Corporation of any change to the scheme from the original bid and provide reasons for the change. The Corporation will decide whether to accept the changes on the basis of whether the strategic need for which the allocation of SHG was given is still being met and whether the scheme still offers value for money, particularly in light of other bids for similar schemes.
- 1.4 The Corporation may reject the scheme and reclaim any grant paid where changes are not acceptable, regardless of how far the scheme has progressed. For this reason it is in the RSL's interest that it seeks the Corporation's acceptance of the change as soon as possible.
- 1.5 The scheme submission must comply with the Funding Conditions as accepted by the RSL's Committee and confirmed on line by the RSL's Security Administrator at the beginning of the financial year. *See GENERAL-1*
- 1.6 All RSL applications for confirmation of grant and claims for payment of SHG must be submitted via the Internet using the Corporation's Investment Management System (IMS). IMS guidance documents are on the Corporation's IMS web site - **www.housingcorp-online.org**
- 1.7 On receipt of a submission for confirmation of grant by an RSL, the local office of the Corporation will assess the proposal to confirm that the scheme is the one for which the allocation was given.

Right to Acquire

- 1.8 The Right to Acquire provisions of the Housing Act 1996 apply to all dwellings built or acquired for Rent using SHG, unless exempted. It is a condition of SHG that RSLs comply with this legislation. *See paragraph 11.6 and the Right to Acquire chapter.*

Good Title

- 1.9 The property to be acquired must offer good title. A leasehold interest should be at least 30 years for a Rehabilitation scheme and 60 years for a New Build scheme.

Classifications of Rent schemes

- 1.10 The following scheme types are included under the Rent heading (See GENERAL-1 for definitions of scheme types):
- New Build including Acquisition & Works, Off the Shelf and Works Only schemes;
 - Rehabilitation including Acquisition & Works, Existing Satisfactory, Purchase and Repair and Works Only schemes;
 - Re-improvement of RSL owned stock but not Major Repairs. Note that Major Repairs are covered by the REPAIR chapter of this Guide.

Specialist Route: Savings at Grant Confirmation - Programme Contract

- 1.11 Where a scheme produces the same amount of units and persons at Grant Confirmation as at allocation but requires less SHG, this saving will be required to be returned to the Corporation. However, the RSL will need to ask the Corporation to change the allocation figure to the new total in order to make their submission in IMS.
- 1.12 Where a scheme produces fewer units or persons at Grant Confirmation than was shown at allocation and requires less SHG; this is not a genuine saving. The RSL will need to seek the Corporation's approval to the changed scheme.
- 1.13 The RSL will need the Corporation to change the allocation before a submission can be made on IMS. Any savings made in the requirement of SHG will be returned to the Corporation's ADP.

2 TIMING OF APPLICATION

- 2.1 The RSL is expected to submit an application for confirmation of grant no more than 6 weeks before exchange of contracts for acquisition schemes or Start on Site for a Works Only scheme.
- 2.2 Confirmation of grant can be withdrawn if an application for the first tranche of SHG for the scheme has not been claimed 3 calendar months after the forecast confirmation of grant, or a satisfactory explanation received of why the scheme has not proceeded.
- 2.3 The RSL must keep the Corporation informed where a scheme is not proceeding according to the latest development timetable, and funding may be withdrawn if it fails to do so.

3 COST GUIDELINES

- 3.1 Spare
- 3.2 Spare
- 3.3 spare

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On-Costs

- 3.4 On-costs cover costs other than the acquisition and main works costs, e.g. legal fees and stamp duty.

Discounting on-costs

- 3.5 The RSL may discount a percentage of the on-costs where it thinks it would not be applicable to that scheme. The level of discount from on-costs declared at confirmation of grant must be equal to or less than the standard on-costs percentage.
- 3.6 Spare
- 3.7 Once the discounted on-costs have been deducted a new standard on-costs percentage is generated and will be fixed and applicable for the life of the scheme.
- 3.8 The RSL must consider how it will finance any discount and persistent discounting may reflect adversely in the National Development and Investment System (NDIS) of the RSL by the Corporation.

Non-qualifying costs

- 3.9 SHG eligible costs cannot be classed as non-qualifying costs in order to bring costs within acceptable levels, except where these have been classified as housing non-qualifying costs. *See GENERAL-4 for details of non-qualifying costs.*

4 OTHER SOURCES OF FUNDING

Recycled Capital Grant Fund and Disposal Proceeds Fund

- 4.1 Please read the *REC* and *DPF* Chapters of this Guide for the permitted uses of these funds.

Other public subsidy for housing and non-housing costs

- 4.2 To ensure that public funds from different sources are not paying for the same costs twice the RSL must identify any other proposed source of public subsidy on their application for Grant Confirmation. *See GENERAL-6 for details of which subsidies are deductible or non-deductible from SHG.*

RSL's own funds and private sector contributions

- 4.3 Contributions from the private sector or from the RSL's reserves can be used to reduce the total SHG confirmed on a scheme as a discount on grant.

Contributions of land from private sector

- 4.4 Where the private sector contribution is in the form of land/property the scheme is processed as Acquisition and Works with a purchase price of £1. *See GENERAL-3.*

Contributions of land from public sector

- 4.5 Where the land/property is donated by a public sector body, e.g. a local authority, copies of the open market valuation valid at exchange of contracts and a current valuation valid at Grant Confirmation stage must be kept on file by the RSL. *See GENERAL-6.*

5 PURCHASE VALUATIONS

- 5.1 The RSL is expected to purchase a site/property for development within the open market valuation by an independent qualified valuer. *See GENERAL-3.*
- 5.2 Exceptionally, over-valuation purchases will be approved for SHG by the Corporation's local office where the RSL is able to justify this course of action. *See GENERAL-3.*
- 5.3 Where there are changes to the purchase price from the original bid the RSL must notify the Corporation, who may require a revised bid submission for the scheme. *See RENT-2 paragraph 2.*

6 RENTS

- 6.1 Details of rents, including HB eligible service charges, must be kept on file by the RSL for Compliance Audit purposes.

Restructured Rents

- 6.2 From April 2002 rents are calculated according to a formula based on relative property values and relative local earnings. Restructured rents are calculated using the formula and data set out in the DCLG 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.

The weekly rent is equal to:

70% of the average rent for the housing association sector
multiplied by relative country earnings
multiplied by bedroom weight
plus 30% of the average rent for the housing association sector
multiplied by relative property value.

- 6.3 Where there are changes to the rents from the original bid the RSL must notify the Corporation, who may require a revised bid submission for the scheme as the rents charged now affect the amount of SHG payable on a scheme.

7 SPARE

8 SUBMISSION REQUIREMENTS

For all schemes

- 8.1 The RSL must submit the following data on to the Corporation's Investment Management System (IMS) for a scheme to receive Grant Confirmation (*IMS guidance can be found at www.housingcorp-online.org*):
- development and property details;
 - cost and grant calculations;
 - rent and service charge details (except for Reimprovement, Rehabilitation Works Only, RSI3 and City Challenge schemes).
- 8.2 The RSL will not be able to submit a scheme where the data input differs from the information provided by the RSL at Bid stage; only the Corporation can make the changes to the allocation in order for the RSL to Allocation Match and submit the scheme in IMS. The Corporation may require a revised bid submission from the RSL before confirmation of grant will be given.
- 8.3 The RSL must be able to confirm acceptance of the on-screen certifications.
- 8.4 Where a charge is to be given to secure private finance form HACON 6 Application for Section 9 Consent may be required and should be sent to the local Regulation office of the Corporation. *See current Corporation Consents guidance.*
- 8.5 Detailed guidance on how to input this data on to IMS is given as on-line help on www.housingcorp-online.org

Design and Build schemes - additional requirements

- 8.6 The RSL must ensure that the works costs do not include any:
- design fees;
 - planning and building regulation charges;
 - structural warranty/NHBC fees;
 - minor pre-tender works.

The RSL must retain supporting documents on file for compliance audit.

Phased schemes - additional requirements

- 8.7 The RSL must have the agreement of the local office of the Corporation for all phases of the scheme before the RSL makes a submission for confirmation of grant.

Schemes where vendor is a local authority - additional requirements

- 8.8 To establish whether the purchase price of the land or property is below the market value and whether this constitutes a Gratuitous Benefit under the terms of the Local Government Act 1988 both of the following must be kept on file by the RSL for Compliance Audit purposes:
- A copy of the open market valuation provided by a qualified independent valuer, either obtained by the local authority or commissioned by the RSL; and
 - A letter from the local authority stating that it endorses the valuation.

See GENERAL-6 where the LA is unable to endorse the valuation and General 9 for Compliance Audit details.

Waivers from Scheme Development Standards (SDS)

- 8.9 Where compliance with the relevant SDS criteria cannot be met the RSL must make a case to the local office of the Corporation requesting a waiver. See Scheme Development Standards for waivers on carport provision for wheelchairs.

9 SPARE

10 SPARE

11 RIGHT TO ACQUIRE

- 11.6 The Corporation will confirm that schemes developed for Rent will be subject to the Right to Acquire. The RSL will have 21 days in which to accept this or to withdraw their application for confirmation of grant. Making an application

for SHG will imply acceptance that the Right to Acquire is attached to properties included in the scheme.

12 FINANCIAL VIABILITY

- 12.1 It is expected that the proposed rental income has been considered and in the long-term operational costs including the repayment of loan principal and interest can be met. Any initial revenue deficits should be within the general capacity of the RSL. The Regulation teams of the Corporation will monitor the effect of development and the general financial status of the RSL.

13 SPARE

1 INTRODUCTION

1.1 SHG must not be claimed in advance of need or before relevant milestones.

2 SPARE**3 SPARE****4 SPARE****5 SPARE****6 INTEREST ON DELAYED PAYMENT OF CLAIMS**

6.1 The Corporation will compensate the RSL with an interest payment on the delayed payment of a SHG claim only for that part of the delay due solely to the Corporation.

6.2 Interest to cover delays in payment will only be paid in exceptional circumstances and where the RSL can demonstrate it has suffered a direct financial loss as a result of that delay.

6.3 Any claim for such interest must be made after the payment of SHG to which it relates. The RSL should submit a claim substantiated with appropriate documentation, e.g. the breakdown of the calculation and evidence of the interest rate.

6.4 There is no timetable for the payment for claims for interest; however the Corporation will endeavour to make payments as quickly as possible.

1 INTRODUCTION

- 1.1 The key event for Start on Site is the date of the start on site of the main contract works. This is deemed to be the date when the contractor takes possession of the site/property in accordance with the signed main building contract .
- 1.2 The amount of SHG payable at Start on Site will be set out on the relevant payments screen of IMS.
- 1.3 Spare

2 SPARE**3 SPARE****4 ACTION BY THE CORPORATION**

- 4.1 The Corporation will pay SHG, upon receipt of a correct and accurate claim, within 8 working days provided the claim is:
- within the RSL's agreed Cash/Completion Target;
 - submitted 8 working days before the month end; and
 - within the Corporation's Cash/Completion limits.

5 INTEREST ON DELAYED PAYMENT OF CLAIMS

- 5.1 The Corporation will compensate the RSL with an interest payment on the delayed payment of an SHG claim only for that part of the delay due solely to the Corporation..

6 SPARE

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1 GENERAL

- 1.1 For SHG purposes, Practical Completion is when the last dwelling is handed over even though external works such as landscaping may remain to be completed.

2 *Under Revision*

- 2.1 *The purchase completion date shown on the solicitors' statement must be compared with the date when the acquisition SHG tranche was received by the solicitor or RSL.*
- 2.2 Where completion did not take place within two weeks of the receipt of SHG, the SHG monies should have been returned to the Corporation with interest from the date of receipt to the repayment date.
- 2.3 Spare
- 2.4 *Where the Start on Site SHG tranche has been drawn down too soon the RSL will be charged interest for the period between the date when the tranche was received by the RSL and two weeks after the correct closing date for start on site. In such cases the RSL must notify the Corporation's local office Investment Officer.*

Rents and HB eligible service charges

- 2.5 Rents to be charged are referred to in the Funding Conditions. Rents at Practical Completion need to be equal to or less than those agreed between the RSLs and Corporation at confirmation of agreement stage.
- 2.6 Spare

Final Cost submission

- 2.7 The RSL must input the following data in to the Corporation's Investment Management System (IMS), based upon the RSL's forecast final costs (*see IMS guidance*):
- rents and service charges, setting out any details that have changed since Grant Confirmation stage (not required for Reimprovements, Rehabilitation Works Only, RSI3 and City Challenge schemes);
 - costs at Practical Completion;
 - Final Cost calculation of SHG;
 - actual on-costs (fees, interest, minor works, insurance/bonds etc).

- 2.8 At the point of claiming SHG the RSL must confirm that the application for grant payment is correct and conforms with the Funding Conditions as accepted by the RSL at the beginning of the financial year.

3 SUPPORTING DOCUMENTS

- 3.1 The RSL must retain on file for Compliance Audit purposes (*see GENERAL-9*):

- certificate of Practical Completion or equivalent. A certificate of Partial Completion is acceptable provided that all the units have been handed over leaving external works to be completed;
- solicitors' letter confirming that the purchase has been completed and setting out the sum paid and date of completion (except Works Only projects);
- latest interim certificate showing actual costs to date;
- where major site development works and VAT are included in the works cost, the final certificate/account in respect of the pre works and VAT certificates should be provided. NB: these figures should together equate to the actual works cost 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, e.g. on costs.

4 SAPRE

5 SPARE

6 ACTION BY THE CORPORATION

- 6.1 The Corporation will pay SHG, upon receipt of a correct and accurate claim, within 8 working days provided the claim is:

- within the RSL's agreed Cash/Completion Target;
- submitted 8 working days before the month end; and
- within the Corporation's Cash/Completion limits.

7 SPARE

8 INTEREST ON DELAYED PAYMENT OF CLAIMS

8.1 The Corporation will compensate the RSL with an interest payment on the delayed payment of a SHG claim only for that part of the delay due solely to the Corporation.