

# MAYOR OF LONDON

23 September 2022

Dear Investment Partners,

## **Investment Partner status in the Affordable Homes Programme 2021-26 – regulatory standards**

As you will undoubtedly be aware, the social housing sector has been under increased scrutiny from the government and the media. The Mayor and I have welcomed the introduction of the Social Housing Regulation Bill and continue to lobby government to ensure that the Bill puts tenants at the heart of decision-making in the sector. We are committed to working with our Investment Partners to raise standards in social housing so that all Londoners can be assured of the quality of their homes and services provided by their landlord.

We are writing to clarify how our decision-making processes for Investment Partners in the Affordable Homes Programme 2021-26 (AHP 2021-26) relate to the regulatory regime. We hope that this will better codify our approach to regulatory non-compliance and achieve greater consistency in decision-making. This does not represent a change to our contracts; existing clauses make reference to the maintenance of 'Investment Partner Status'. This correspondence updates you on Investment Partner qualification procedures in response to regulatory judgements which find non-compliant grades, and regulatory notices of breaches of regulatory standards.

### **Continuing Partner Qualification (CPQ)**

The GLA re-confirms Investment Partner Status (IP Status) through an annual process of Continuing Partner Qualification (CPQ), which tends to take place over the summer months. The wording in the CPQ Statement of Good Standing relating to regulatory compliance has been clarified to explicitly mean that, at the time of signing, providers confirm that they are compliant with all regulatory standards set by the Regulator of Social Housing (including compliant grades for governance and viability) and do not have an active Regulatory Notice.

Recognising that regulatory notices and regulatory judgements can and are made by the Regulator of Social Housing at any time, the GLA will be monitoring regulatory compliance across the year between the annual CPQ period. If, at any time, providers are not compliant with a regulatory standard (including non-compliant grades for governance and viability) or have an active Regulatory Notice, where it considers it to be appropriate and proportionate to do so, the GLA reserves the right to withdraw IP status, or restrict IP Status by withdrawing IP Status save in relation to a specific set of projects. Any changes to IP status would be reflective of the nature and seriousness of the regulatory issue and would always include discussions with providers to understand remedial actions being taken. A decision to withdraw or restrict IP Status would be taken by the Directorate Management Team of Housing and Land, under the oversight of the Executive Director.

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## Potential restrictions on payment of grant under GLA funding agreements

The GLA intends to enact restrictions on IP status in proportionate consideration to the nature and seriousness of the regulatory breach. Such actions are available to the GLA under Condition 17 on criteria for withholding grant, under the AHP 2021-26 Funding Agreements. Specifically, clause 17.1.6 – Grant Recipient’s status as an RP or Investment Partner is removed or withdrawn. For transparency, the GLA intends to consider the use of the following five specific forms of restrictions on IP status (enacted by withdrawing IP status save in relation to a specific set of projects). As previously stated, any decision would take into account discussions with providers to understand remedial actions being taken relating to the regulatory breach. These five forms of IP status withdrawal are intended to be operationalised cumulatively: that means, for instance, that if restriction 3 is enacted, this will include enacting restrictions 1 and 2 as well.

1. The GLA will withdraw IP status save in relation to the AHP 2021-26 and any other programmes for which the provider is already in contract. The provider will not be able to enter into a new contract with the GLA under other programmes until IP status is reinstated following the regulatory breach being resolved (by having compliant grades and/or having Regulatory Notice lifted).
2. The GLA will withdraw IP status under AHP 2021-26 save in relation to named and indicative allocations. The provider will not be able to access grant for additional projects under existing AHP 2021-26 contracts until IP status is reinstated following the regulatory breach being resolved (by having compliant grades and/or having Regulatory Notice lifted). This provision is also supported by Condition 9 under the AHP 2021-26 contracts, which specifies criteria for the GLA agreeing at its absolute discretion ‘additional projects’ to those in the ‘original approved bid’. Clause 9.3.5 gives the GLA discretion to consider ‘such other matters as the GLA may from time to time determine’, which, in this case, would cover regulatory performance.
3. The GLA will withdraw IP status save in relation to projects that have been profiled out into named projects under AHP 2021-26 at the date in which Investment Partner status is withdrawn. The provider would be able to profile out indicative proposals under the AHP 2021-26, but grant cannot be claimed on such projects until IP status relating to such projects has been reinstated (following the achievement of compliant grades and/or having Regulatory Notice lifted).
4. The GLA will withdraw IP status under AHP 2021-26 save in relation to named projects for which a grant payment claim has been accepted. Providers will not be able to claim grant for projects yet to achieve first payment milestone until IP status relating to these has been reinstated (following the achievement of compliant grades and/or having Regulatory Notice lifted).
5. For the most serious circumstances, IP status for AHP 2021-26 would be removed/withdrawn which at the GLA’s discretion could also include IP status for completed projects. IP status could still, at the GLA’s discretion, remain in place for other programmes.

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For any of the measures described above, in order to have full IP status again, providers will need to re-apply through Investment Partner Qualification (IPQ). As part of IPQ, prospective IPs will have already needed to provide details about their organisation as well as provide evidence of development and risk management experience. We have now also added questions covering housing management experience. Furthermore, for providers going through IPQ to re-qualify following a regulatory breach that led to their IP status being removed or withdrawn save in relation to specific projects, there will also be questions on changes made to internal processes since the breach occurred.

For the avoidance of doubt, for all GLA funding programmes that require IP status to be maintained, there may be other triggers for a review of IP status

The GLA understands the pressures that IPs are under to deliver housing in what are currently extremely challenging circumstances. It is crucial, however, to ensure that housing is of the quality Londoners deserve and expect and we know that providers share our commitment to raise standards in social housing. The Mayor and I would also like to assure you that decision-making relating to the processes described in this letter will be guided by robust and consistent principles and based on clear and transparent communication.

If partners wish to discuss any of the above in further detail or address specific concerns, they should contact their Area Manager.

Yours sincerely,

**Tom Copley**

Deputy Mayor for Housing and Residential Development