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General

Introduction

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 It superseded and replaced the Homes & Communities Agency's Capital Funding Guide for all live programmes with effect from 1 April 2015.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

Purpose

- 2.1.8 The CFG sets out the policy and procedural requirements and guidance for organisations allocated grant funding under live AHPs with effect from 12 November 2021. This version of the CFG supersedes all previous editions.
- 2.1.9 This guide also includes requirements for projects funded under previous programmes. Where this is the case users may wish to refer to the full requirements for those earlier projects in the Homes England Capital Funding Guide: available on the [gov.uk website](https://www.gov.uk). Many IPs (providers who have gone through the investment partner qualification process with GLA and are

confirmed annually via the continuing partner qualification process) will also be Registered Providers (RPs).

- 2.1.10 There are also grant recipients who:
- 2.1.11 Are not currently IPs but intend, or will be required, to register with the Regulator before becoming landlords of grant funded social housing.
- 2.1.12 Do not intend to become IPs but who will be required to transfer any grant funded property to an IP upon Practical Completion.
- 2.1.13 Please note that organisations that do not intend to become Registered Providers will still need to qualify as Investment Partners to deliver projects under the AHPs.
- 2.1.14 All organisations delivering affordable housing under the AHPs including those who are not and do not intend to become Registered Providers, will be subject to a Grant Agreement and will be required to comply with the agreed contractual arrangements.
- 2.1.15 This Guide should be read in conjunction with the relevant Grant agreement for each programme.

GLA's Powers

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

- 2.1.18 The GLA's terms and conditions for Financial Assistance (and Social Housing Assistance) provided under the AHPs are set out in:
- The GLA Affordable Housing Capital Funding Guide
 - The relevant GLA Funding Agreement or Contract;
 - The [Homes for Londoners: Affordable Homes Programme 2021-2026 Funding Guidance](#)
 - [Homes for Londoners: Affordable Homes Programme 2016-2021 funding guidance](#) and [Addendum Programme](#)
 - [Housing Zones Programme](#)
- 2.1.19 For remaining developments receiving financial assistance, the GLA's specifications are set out in several documents:
- [The Mayor's Housing Covenant 2015-18 prospectus](#)
 - [2015-18 Mayor's Housing Covenant - Framework](#)
 - [The 2011-15 Affordable Homes Programme - Framework](#)
 - [The National Affordable Housing Programme 2008-11 Prospectus](#)
 - [The HCA Affordable Housing Capital Funding Guide](#)
 - Programme Partnering Agreement
 - Grant Agreements
- 2.1.20 Following amendments to section 18 of the Housing Act 1996, principles are only to be determined in respect of section 18(7), relating to the proportioning of grant for properties transferred between ex-Registered Social Landlords. These principles are contained within clauses 37 and 38 of the determination and supplemented in **Procurement and Project Issues**. For sight of the determination, please see the archived [2010-11 AHCFG](#).
- 2.1.21 The GLA's Grant Recovery principles are contained in [The Recovery Of Capital Grants and Recycled Capital Grant Fund \(Greater London\) General Determination 2017](#). Although the GLA's Determinations refer to RSLs, they should be read as referring to IPs that were formerly RSLs prior to 1 April 2010. They do not apply to IPs that were not formerly RSLs. References to the Housing Corporation, or the Corporation, should be read as referring to the GLA.

- 2.1.22 Enquiries about regulatory matters such as the accounting determination, consents, the disposal proceeds fund, financial returns and the consumer and economic standards should be addressed to the Regulator. Contact points appear on the [web pages relating to the Regulator](#).

Scope and Format

- 2.1.23 This guide does not duplicate GLA requirements relating to bidding which are set out in the [Affordable Homes Programme 2021-2026 Funding Guide](#) or [the Regulator for Social Housing's Regulatory Framework](#).
- 2.1.24 At various points this guide asks grant recipients to contact the GLA for further guidance or approval on investment matters. Unless specified otherwise initial contact should be made direct to the assigned GLA Area Manager.
- 2.1.25 For general queries please contact Homes for Londoners: Affordable Homes Programme AffordableHomes@london.gov.uk.
- 2.1.26 For IT or GLA OPS queries, please contact the helpdesk at ops@london.gov.uk.
- 2.1.27 The CFG will be regularly updated to reflect new and amended legislation, policy, requirements and guidance. For this reason, providers are strongly discouraged from printing hard copies. Updates will be made to the relevant text and a notification and brief explanation published in the New Announcements section on the Home Page of this guide. Previous versions of the CFG are on [the Homes England website](#).

2.2 Programme Implementation

Project Processing

- 2.2.1 This section applies to all projects being developed as permanent housing for rent and sale. The requirements relate to the current AHPs.
- 2.2.2 All projects must be input onto OPS. For guidance on how to access and use OPS refer to the guidance on the GLA website or contact the OPS Team at ops@london.gov.uk.

New Project Submission

- 2.2.3 IPs projects must comply with the GLA's Funding Conditions and other requirements contained in their Funding Agreement or Contract.

- 2.2.4 To create a new project, RPs must choose the appropriate programme in OPS and then enter the project information and submit the project for GLA approval. See also, [2.2.92 New build project types](#).

Milestones

- 2.2.5 The progress of programmes will be monitored against the milestone dates. Milestones consist of the date that event is forecast to take place and then the date the event occurs. Not all milestones are mandatory for all programmes/projects, and the number of milestones will depend on the type of programme being developed.
- 2.2.6 Milestones have two functions:
- To monitor performance (i.e. the RP's reliability in predicting programme/project progress); and
 - To trigger grant payments.
- 2.2.7 RPs are expected to update and reforecast milestones as soon as they are aware of any changes.
- 2.2.8 The RP should choose the appropriate processing route within the Milestones block depending on the type of housing being developed. The processing route will predetermine which of the following milestones are mandatory or optional. RPs will be required to forecast at least all the mandatory milestones with dates before submission for approval:
- Land acquisition
 - Contractor appointment
 - Detailed planning permission achieved
 - Start on site
 - Practical completion;

Project Costs

- 2.2.9 The GLA collects project costs information in respect of the following areas:
- Acquisition cost;
 - Building works cost; and

- On costs.
- 2.2.10 Only certain types of expenditure are eligible for funding in each of these cost areas. The Funding Agreement or contract refers to Actual Development Costs, meaning the expenditure actually incurred in delivering the homes which are being requested grant for, as opposed to the projected expenditure. The Funding Agreements and Contracts also prohibit Total Public Sector Subsidy (i.e. grant plus all other public funding) exceeding the Actual Development Costs.
- 2.2.11 For acquisition costs, funding is available in respect of the purchase price of land/property and Stamp Duty Land Tax.
- 2.2.12 For building works costs, funding is available in respect of the following:
- Main works contract costs;
 - Major site development works (where applicable). These include piling, soil stabilisation, road/transport/sewer construction, major demolition;
 - Statutory agreements, associated bonds and party wall agreements (including all fees and charges directly attributable to such works) where applicable;
 - Additional costs associated with complying with archaeological works and party wall agreement awards (including all fees, charges and claims attributable to such works) where applicable; and
 - Irrecoverable VAT on the above, where applicable.
- 2.2.13 For on costs, funding is available in respect of the following:
- Legal fees, disbursements and expenses;
 - Net gains/losses via interest charges on development period loans;
 - Building society or other valuation and administration fees;
 - Fees for building control and planning permission;
 - Fees and charges associated with compliance with European Union directives, and the GLA's requirements relating to energy rating of dwellings;
 - In-house or external consultants' fees, disbursements and expenses (where the development contract is a design and build contract);

- Insurance premiums including building warranty and defects/liability insurance (except contract insurance included in works costs);
- Contract performance bond premiums;
- Borrowing administration charges (including associated legal and valuation fees);
- An appropriate proportion of the RP's development and administration costs;
- Marketing costs (sale projects only);
- Post completion interest - for sale projects only; and
- Irrecoverable VAT on the above, where applicable.

2.2.14 Where the development contract is design and build, the on costs are deemed to include the builder's design fee element of the contract sum. Therefore, the amount included by the builder for design fees should be deducted from the works cost element submitted by the RP to the GLA.

2.2.15 Similarly, other non-works costs that may be included by the builder such as fees for building and planning permission, building warranty and defects liability insurance, contract performance bond and energy rating of dwellings should also be deducted from the works cost element submitted by the RP to the GLA.

Project Contributions

2.2.16 The Affordable Homes Programme 2021-26 will fund homes that are additional to the minimum developer contributions that are required without grant through the planning system. Costs and contribution information should be provided on OPS and should relate specifically to the with GLA funding.

New Project Approval

2.2.17 Once a project is submitted for approval to the GLA, no further edits will be allowed while it is being assessed. The GLA will seek internal governance approval for a new project and approve or reject the project via OPS depending on the decision. The GLA may return the project to the RP for edits and ask the RP to resubmit it before a decision is made.

Project Changes

2.2.18 Similarly, to a new project, when an RP wishes to submit a change, e.g. a change to the grant request or number of homes, they must do so via OPS and

submit to the GLA for approval. Unless authorised, unapproved changes are not contractual.

Review Meetings

2.2.19 RPs and GLA should discuss programme delivery at review meetings. Review meetings will be at least quarterly. The data requirements for these meetings are set out in the Funding Agreement or contract.

Claiming payment milestones

2.2.20 When a project reaches start on site or practical completion, RPs are obliged by the Funding Agreements and Contracts to claim the milestone through OPS within 10 business days. However, owing to the practicalities of achieving this, especially where RPs have large numbers of projects, the GLA has agreed that *in exceptional circumstances* details may be submitted within up to 30 business days of the milestones being achieved.

Project Completion

2.2.21 Once all the milestones have been achieved RPs should complete all the project blocks on OPS and close the project within 30 business days.

Project Termination

2.2.22 For projects that fail to reach completion, RPs must contact the GLA as grant may be recoverable (see the Grant Recovery chapter).

2.2.23 The GLA may terminate a project and recover any grant paid where:

- The project no longer meets a strategic need
- The project no longer offers value for money
- The RP has not previously told the GLA of the changes, even if the changes are not fundamental.

Indicative allocations

2.2.24 RPs can bid for indicative allocations on OPS. RPs will be asked to provide the number of affordable homes and the grant requested, and this will be assessed by the GLA.

2.2.25 Once an RPs has an indicative allocation approved on OPS, they should begin to discuss the Named Projects that will be profiled out using the indicative

allocation with the GLA. The Named Projects need to be created as new projects on OPS and ticked that they are using the indicative allocation.

- 2.2.26 Indicative funding may be paid at the land acquisition stage but will require evidence and set deadlines as to when the transaction needs to be completed.

Grant Agreements and Contracts

General

- 2.2.27 All grant recipients and providers wishing to deliver the Mayor's preferred affordable housing products are required to enter a contract. Contract management is a key principle of the delivery model. This section sets out the process that RPs must follow regarding their Funding Agreements or Contracts.
- 2.2.28 The Grant Agreements and Contracts are a standard form of contract being used by the GLA for its AHPs but there are several different types to reflect the differing nature of grant recipients – namely:
- Local Authority
 - Approved Provider;
 - Developer-led;
 - Negotiated; and
 - Supported and Specialist Housing.
- 2.2.29 There is also a 'Short-Form Agreement' for providers who are not in contract but who wish to deliver new Affordable Rent dwellings without grant funding.

Process

- 2.2.30 Following GLA approval of funding, the GLA will produce and send the lead provider a legally binding Grant Agreement or Contract to meet the agreed number of starts and/or completions within the prescribed timeframe.
- 2.2.31 The Funding Agreement/ Contract sets out the GLA's and RPs' obligations and rights. Each will include:
- Conditions of grant;
 - Total amount of grant;
 - Reporting obligations;
 - Conditions which must be met before payment of grant will be made.

- The Grant Agreement or Contract will be valid for the duration of the offer but will allow for variations to account for flexibilities in delivery subject to approval on GLA OPS.
- 2.2.32 Only one Grant Agreement must be executed by the relevant partners regardless of how many projects a partner or consortium is intending to deliver. RPs belonging to more than one consortium will be required to enter into an Agreement for each consortium.
- 2.2.33 Funding Agreements and Contracts must show as signed in OPS for payments to be administered.

Contract Management

- 2.2.34 The Funding Agreements and Contracts acknowledge that changes may be required to the agreed programme offer to ensure that:
- The allocated grant is properly and effectively spent;
 - The delivery of affordable housing under the programme offer is maximised;
 - The provider remains capable of delivering the programme offer.
- 2.2.35 It is a strong principle of the contract review process that any variation to delivery of the programme offer should be rectified by the RP/consortium in the first instance.
- 2.2.36 Where delivery progress falls behind the Agreement/Contract's requirements, the RP will have an opportunity to put forward proposals to increase or accelerate delivery in the first instance. The GLA will take a view on the likelihood of achievement of remedy, informed by the scale of variation and the stage reached in the programme (i.e. a risk assessment). The view taken will be informed by past performance of the RP in remedying delivery issues.

Consortium Arrangements

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

Consortium Breach of Contract

- 2.2.38 The Funding Agreements and Contracts specify certain actions that may constitute a programme default and potentially give rise to the GLA terminating the agreement. In most circumstances the partner/consortium can rectify a breach - for instance by removing the party responsible from the consortium - during a period of remediation.
- 2.2.39 Whilst the GLA anticipates cases will be rare, a breach of the Agreement or Contract may also be treated as a breach of the GLA's requirements. As per [The Recovery Of Capital Grants and Recycled Capital Grant Fund \(Greater London\) General Determination 2017](#), a breach of the GLA's requirements could result in the withdrawal of an RP's use of its Recycled Capital Grant Fund (RCGF) and repayment of all or part of recycled grant held in its RCGF. For more information on the Determination and grant recovery please refer to the Grant recovery chapter.

Reporting and Audit Requirements

Compliance audit

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

Practical Completion

- 2.2.41 This is a payment milestone and occurs when a project has been completed in accordance with the terms of the relevant building Contract or Funding Agreement, as being fit for occupation as a residential development, in accordance with NHBC requirements. This excludes minor defects and/or minor omissions at the time of inspection which are capable of being made good or carried out without interfering with the beneficial use and enjoyment of the dwellings.
- 2.2.42 Any planning conditions or reserved matters must normally be signed off for Practical Completion to be achieved.
- 2.2.43 For Social HomeBuy, HOLD, Leasehold Repurchase and Right to Acquire, Practical Completion will be the date when the purchase is completed.
- 2.2.44 For Off The Shelf products, the dwellings must be ready for immediate occupation. In the case of a new Off The Shelf development, a claim for grant should not be made prior to the completion date (as specified on the practical completion certificate issued by the duly authorised contractual party). However, there are circumstances when grant can be claimed on exchange of purchase contracts. See 2.3.13 for more details on Off the Shelf projects.

Delivery Standards

Delivering Quality Homes Action Plan

- 2.2.45 The Delivering Quality Homes Action Plan aims to support Investment Partners to deliver good quality homes, by reviewing and enhancing their quality management practices.
- 2.2.46 Between October 2021 and March 2023, the GLA will conduct a pilot with four IPs selected through a voluntary EOI process. The draft resources and implementation plan will be tested and refined during this period.
- 2.2.47 Provisions are included in the AHP 2021-26 agreements which may become operative if the GLA notifies IPs that it intends to do so following conclusion of the pilot.
- 2.2.48 The implication for IPs includes but is not limited to: submitting to the GLA a draft DQH Action Plan for their organisation using the action plan template and handbook (meeting a minimum number of actions) within a defined period (e.g. 2 months from notification/contract signing); obtaining verification that the Action Plan satisfies the GLA's requirements within a defined period (e.g. 1 month from submission of draft); adopting and implementing the action plan within a defined period (e.g. within 12 months from verification or by the end of the 21-26 Programme); providing updates (and evidence, if required) at regular intervals defined by the GLA (e.g. quarterly check-ins, annual review, final self-assessment); following a defined remediation process in the event of non-compliance. IPs will bear the costs for these activities.
- 2.2.49 Background to the initiative and more information the Delivering Quality Homes Action Plan can be found in the following link:
https://www.london.gov.uk/sites/default/files/dqh_info_sheet.pdf

Design and Sustainability Standards

- 2.2.50 Prior to claiming start on site, partners are expected to review the design and sustainability standards, to ensure they are accurate and up to date. If changes need to be made, Partners are required to make these changes on OPS, and to seek authorisation from the Area Teams for these changes. If any exemptions are sought, these will be assessed in line with the exemption framework and the governance process.
- 2.2.51 Fuller guidance on the GLA's Design and Sustainability standards, including exemption framework, can be found here: <https://www.london.gov.uk/what-we-do/housing-and-land/homes-londoners-affordable-homes-programmes/homes-londoners-affordable-homes-programme-2021-2026/design-and-sustainability-further-guidance>.

Building Safety Standards

- 2.2.52 Investment partners must meet five mandatory building safety standards to be eligible for grant funding through the Mayor's housing funding programmes. Investment partners will be required to self-certify compliance with these requirements in advance of receiving payments from the new programme.

Standard 1.

The following buildings must include AFSS, including (but not limited to) sprinklers:

- All purpose-built blocks of flats* (including conversions) of any height.
- All supported and specialist accommodation.

* Blocks of flats are defined as multi-occupancy residential buildings with two or more sets of domestic buildings. This does not include maisonettes, where two flats exist within a converted house and there are no 'common parts' through which an individual would evacuate in the event of a fire.'

Standard 2. The Building Regs 2010 (as amended) require control over combustible items in the external walls of relevant buildings. All new buildings/conversion, refurbishment or remodelling of existing buildings/acquisitions funded by the GLA should apply those combustibility restrictions regardless of their height. More specifically, external walls of all buildings (of any height) should contain only materials of Class A2-s1, d0 or Class A1 in accordance with BS EN 13501-1:2007+A1:2009. Please note that in practice this means that new buildings should adhere to Regulations 7(1), (2), and (3) of Approved Document B only. The definition of 'relevant building' detailed in Regulation 7(4) does not apply – all buildings without exception are considered 'relevant buildings' by the Mayor of London.

Standard 3. All homes must include access to water supplies for firefighting in accordance with [Water UK's national guidance document](#).

Standard 4. For all homes, investment partners must register any in-built electrical products, such as white goods, with the manufacturers' registration service. Investment partners must also encourage residents to register white goods with manufacturers for every product where it is possible to do so.

Standard 5. For all homes, investment partners must ensure that information about product registration, product recalls and electrical safety is made available to residents.

- 2.2.53 The building safety standards are mandatory requirements for new build homes built through programmes where grant is secured for the development and building of homes. No exemptions will be agreed for homes which are not yet complete.
- 2.2.54 Where investment partners are acquiring off the shelf package deals to convert the tenures of completed new build homes which have not been occupied, very limited exemptions may be considered by the GLA, for example where it is not feasible to retrofit or amend the designs of the completed homes. The GLA may consider an exemption from the standards for acquisitions where clear evidence is provided for why the standards may not be complied with. Bids for funding for off the shelf package deals that can comply with the building safety standards will be prioritised above those that cannot.
- 2.2.55 Where investment partners acquire existing second-hand homes which have been occupied before conversion to sub-market housing, including where investment partners undertake refurbishment or remodelling as supported and specialist housing, they will be required to meet the following three building safety standards only:

Standard 2. The Building Regs 2010 (as amended) require control over combustible items in the external walls of relevant buildings. All new buildings/conversion, refurbishment or remodelling of existing buildings/acquisitions funded by the GLA should apply those combustibility restrictions regardless of their height*. More specifically, external walls of all buildings (of any height) should contain only materials of Class A2-s1, d0 or Class A1 in accordance with BS EN 13501-1:2007+A1:2009. Please note that in practice this means that buildings should adhere to Regulations 7(1), (2), and (3) of Approved Document B only. The definition of 'relevant building' detailed in Regulation 7(4) does not apply – all buildings without exception are considered 'relevant buildings' by the Mayor of London.

Standard 4. For all homes, investment partners must register any in-built electrical products, such as white goods, with the manufacturers' registration service. Investment partners must also encourage residents to register white goods with manufacturers for every product where it is possible to do so.

Standard 5. For all homes, investment partners must ensure that information about product registration, product recalls and electrical safety is made available to residents.

- 2.2.56 Standards 1 (automatic fire suppression systems) and 3 (water supplies for firefighting) do not apply where investment partners acquire existing second-hand homes, or undertake refurbishment, conversion or remodelling as specialist and supported housing, with GLA funding.
- 2.2.57 The GLA reserves the right to monitor compliance with these requirements through the spot checks in the annual compliance audit process. For refurbishment, conversion or remodelling as specialist and supported housing and acquisitions, investment partners should fully complete a [Statement of Reasonable Endeavours Undertaken to Verify Construction of External Walls for Acquisitions or Homes Delivered as Refurbishment, Conversion or Remodelling](#), for each named project, ensuring the statement is accurate in all material respects, by completion of the relevant project and retained on file. This statement sets out the GLA's requirement that investment partners must undertake a visual assessment of the façade of the external wall of the relevant building; identify any relevant records detailing the construction of the building, and confirm that there are no known building safety issues relating to the external wall.
- 2.2.58 Further information about the Mayor's Building Safety Standards can be found here: <https://www.london.gov.uk/programmes-strategies/housing-and-land/building-safety-london>

Equality, Diversity and Inclusion

- 2.2.59 EDI requirements will be included in standard contracts for all grant recipients and all organisations will be expected to meet and evidence these requirements within one year of receiving a grant allocation. Upon review, if the grant recipient has not met the contractual requirements relating to EDI, they will be offered the chance to submit a 'remediation plan' outlining how they will meet the requirements within a three-month period. If after this three-month period, the partner has still not met the requirements the GLA will be able to take action to terminate the contract and claw back any grant received by the organisation.
- 2.2.60 The EDI funding conditions identify the contractual requirement to deliver on EDI requirements within 12 months of contracts being entered into. Further

information about this requirement can be found here:

<https://www.london.gov.uk/programmes-strategies/housing-and-land/homes-londoners-affordable-homes-programmes/homes-londoners-affordable-homes-programme-2021-2026/guidance-meeting-edi-funding-conditions>

Modern Methods of Construction (MMC) Categories

- 2.2.62 To record the homes that are produced using MMC, associations will be required to assign a "build category" to projects at key stages in the processing route. More detail can be found here:
https://www.london.gov.uk/sites/default/files/cast_-_mmc_-_december_2020.pdf or here https://www.cast-consultancy.com/wp-content/uploads/2019/03/MMC-I-Pad-base_GOVUK-FINAL_SECURE.pdf
- 2.2.63 The following categories are available for entry relating to Programmes being funded from 2021 onwards:
- Category 1 – Pre-Manufacturing - 3D primary structural systems
 - Category 2 – Pre-Manufacturing - 2D primary structural systems
 - Category 3 – Pre-Manufacturing - Non systemised structural
 - Category 4 – Pre-Manufacturing - Additive Manufacturing
 - Category 5 – Pre-Manufacturing – Non-structural and sub-assemblies
 - Category 6 – Site labour reduction/productivity improvements
 - Category 7 – Site led labour reduction / productivity improvements
- 2.2.64 **Category 1 - Pre-Manufacturing – 3D primary structural systems.** 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.
- 2.2.65 **Category 2 – Pre-manufacturing – 2D primary structures.** Flat panel units are produced in a factory and assembled on-site to produce a three-dimensional structure. The most common approach is to use open panels, or frames, which consist of a skeletal structure only with services, insulation, external cladding and internal finishing occurring on-site. More complex panels - typically referred to as closed panels - involve more factory-based fabrication and may include lining materials and insulation. These may also include services, windows, doors, internal wall finishes and external claddings.
- 2.2.66 **Category 3 – Pre-manufacturing – Non systematised structural components.** A method - also referred to as semi-volumetric - which combines both panellised and volumetric approaches. Typically, volumetric units (sometimes referred to as 'Pods') are used for the highly serviced and more repeatable areas such as kitchens and bathrooms, with the remainder of the dwelling or building constructed using panels. The hybrid approach is

sometimes used to provide added flexibility on complex sites and those requiring additional communal areas. As with both volumetric and panellised approaches the degree of factory-based fabrication is variable.

- 2.2.67 **Category 4 – Pre-manufacturing – Additive Manufacturing.** 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, projects incorporating the use of floor or roof cassettes, precast concrete foundation assemblies, pre-formed wiring looms, mechanical engineering composites, etc. would fall into this category. Traditionally constructed projects utilising manufactured units - such as windows, door-sets, roof trusses, etc., which might otherwise be part of the fabrication process in the other OSM categories - should not be included as sub-assemblies or components in this category.
- 2.2.68 **Category 5 – Pre-manufacturing Non-structural assemblies and sub-assemblies.** The use of pre-assembled components that do not form the structure of the building, but which consolidate materials and processes that otherwise would be delivered on site. These solutions can be used in isolation in an otherwise traditionally constructed project and include reasonably commonly used items such as bathroom pods.
- 2.2.69 **Category 6 - Traditional building product led site labour reduction/productivity improvements.** The evolution of traditional building materials so that they are quicker, easier and safer to install. This can typically involve either large format versions of traditional materials, or materials that have been developed to be easier to install with less reliance on on-site labour.
- 2.2.70 **Category 7 – Site process led labour reduction/productivity improvements.** The use of systems and processes on-site to drive productivity by removing unnecessary work stages, enabling better and faster installation and improving health and safety.
- 2.2.71 In the AHP 2021 to 2026, there is a programme target of delivering at least 25% of homes delivered as MMC. The selected 25% of homes should use the above framework to categorise the MMC delivered on a project. Organisations can deliver the requirement using any of the categories in the framework.
- 2.2.72 PMV is a measure of the proportion of construction activity that takes place away from the final worksite. The greater the PMV, the greater the value of works delivered off-site or near site and by proxy, the likely greater related improvements in site productivity, programme speed and final product quality.

- 2.2.73 The PMV is calculated as the financial proportion of a construction project's Gross Construction Cost derived through pre-manufacturing. Pre-manufacturing includes all costs incurred prior to the final installation at the construction workface, including all materials, the total labour applied in pre-manufacturing processes, fixed and variable manufacturing overheads and associated plant, logistics and transportation costs. Gross Construction Costs include all pre-manufactured costs, on site labour costs, all preliminaries costs, overhead, profit and risk. See more information about PMV, including a tool to estimate and record the PMV of your projects; <https://www.cast-consultancy.com/pmv/>.
- 2.2.74 Certain categories of MMC require more cost (and risk) earlier in the development stages, due to fundamental elements of the scheme being manufactured offsite. Partners should reflect the appropriate processing route within the GLA OPS Milestones block depending on the type of housing being developed.

Post Occupancy Evaluation (POE)

- 2.2.75 Post Occupancy Evaluation is the assessment of homes post completion to test whether homes delivered are fit for purpose, reviewing both energy performance and resident satisfaction.
- 2.2.76 Between October 2021 and March 2023, the GLA conducted a pilot with four IPs selected through a voluntary EOI process. The draft resources (questionnaire, home visit template, summary proforma and [GLA Be Seen energy monitoring requirements](#)) as well as the implementation plan will be tested and refined during this period.
- 2.2.77 POE provisions are included in the AHP2021-26 agreements which were activated when the GLA notified IPs that it intended to do so following conclusion of the pilots.
- 2.2.78 The implication for IPs includes but is not limited to; proactively collecting the data using the GLA provided resources, carrying out a home visit, following the GLA Be Seen energy monitoring requirement and conducting self-assessment to be returned to the GLA. IPs will bear the costs for all these activities.
- 2.2.79 IPs will be notified of their requirement to conduct POE on a completed project. The IP will be provided with a standardised set of resources which they will use to assess the performance of their homes and whether they are fit for purpose. If the requirement becomes operative, IPs will be required to sample a selection of their completed projects and submit data back to the GLA.
- 2.2.80 The requirement will involve data collection and submission to the GLA on projects following completion, with a period of 9-18 months as the data collection window. This puts the requirement beyond 'the life of the AHP' taken to mean deadline for completions (March 2029).
- 2.2.81 Background to the initiative and more information on what POE is can be found here via Housing and Land Design: [POE Pilot Information Sheet](#).

Programme and Project Management

- 2.2.82 This chapter sets out procurement and project delivery requirements.
- 2.2.83 Providers are expected to strive constantly to improve their efficiency and effectiveness in delivering affordable housing, while also remaining focussed on the quality of the dwellings. The GLA encourages provider to pursue design excellence through several routes, including:
- The use of Design Champions within their organisation.
 - Appointing consultants who can provide high quality design services.
 - Partnering with suppliers.
 - Collating and making use of customer feedback and resident satisfaction.
- 2.2.84 No member, employee, agent or consultant of a GLA investment partner or RP should have an interest in the proposed vendor or contractor, or in the land or property to be acquired. This includes any firm, partnership or organisation in which they or their families are involved.
- 2.2.85 Effective procurement and project management are both crucial for the delivery of projects on time, on budget and to the required quality.

Mortgageability of housing constructed using a non-traditional technique

- 2.2.86 When an innovative house building system is to be used, IPs must seek suitable reassurances that:
- The system can achieve the necessary statutory approvals, including Building Regulations.
 - The system has been assessed and confirmed as suitable for housing use by an appropriate independent technical approvals authority (the assessment should take account of the suitability of claddings and other elements proposed for use in conjunction with the system).
 - The system, with reasonable cyclical and planned maintenance provision, has been designed for a life expectancy of at least 60 years.
- 2.2.87 Appropriate organisations for the purposes of technical assessment are deemed to be:
- Building Research Establishment (BRE) <http://www.bre.co.uk/>
 - British Board of Agreement (BBA) <http://www.bbacerts.co.uk/>
 - Construction Audit Ltd
 - WIMLAS, or
 - Others as authorised under Annex 4 of Construction Products Directive.
 - Other organisations such as:
 - CERAM (<http://www.ceram.co.uk>)
 - TRADA (<http://www.trada.co.uk/>)
- 2.2.88 For structural warranty purposes, the Steel Construction Institute (SCI) will be accepted for some systems or components if suitability is endorsed by either:
- NHBC (<http://www.nhbc.co.uk>)

- Zurich Municipal (<https://web.zurich.co.uk/municipal/>) or
- BuildingLifePlans Ltd (<https://www.blpinsurance.com/>)

Project Types and Requirements

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

New Build Requirements & Project Types

Longevity Requirement

2.2.90 These properties must have a life expectancy of at least 60 years. Property longevity is not the same thing as grant liability – therefore the fact that the property is expected to last 60 years does not mean that the grant liability only lasts for 60 years. Grant liability is in perpetuity. Longevity may be a factor determining good title (see paragraph 2.3.63 below).

2.2.91 In addition, the construction system used must:

- Be capable of achieving necessary Building Regulations and other statutory approvals;
- Have been assessed and confirmed as suitable for housing by an independent approvals authority such as NHBC, Zurich, Building Life Plans or a body of equivalent standing.

New build project types

2.2.92 **Acquisition and works.** The construction of new dwellings on land purchased by the IP without the benefit of any public subsidy. In certain circumstances the IP may enter into a building licence agreement.

2.2.93 **Off the shelf.** A brand-new completed dwelling or dwellings, suitable for social housing letting, purchased from a contractor/developer or their agents, following an inspection by a suitably experienced or qualified person. Known in the industry as a Turnkey project, as it is ready for immediate use.

- 2.2.94 **Works only.** The construction of new dwellings on land already owned by the IP, and for which the IP has received public subsidy in the past to help acquire it. This excludes land in the ownership of the RP which it purchased without the benefit of any public subsidy (Acquisition & Works).
- 2.2.95 **Land inclusive package** (also known as package deal). A Package Deal/Land Inclusive Package is a variation of Acquisition & Works. The land/property is acquired from the developer or building contractor who will also construct the dwellings on the land. Normally there will be separate contracts for the purchase of the land/property and for the development works. Usually these contracts are signed simultaneously with the building contract dependent upon the completion of the land acquisition contract. Exceptionally, a land inclusive package may include the acquisition of some partially or wholly completed dwellings. Land Inclusive Packages, which consist solely of completed dwellings, must be classified as Off the Shelf/Turnkey.

Longevity Requirement

- 2.2.96 Rehabilitation properties must have a life expectancy of at least 30 years after the IP has completed the works, repair, or improvement. Property longevity is not the same thing as grant liability – therefore the fact that rehabilitation property works are expected to last 30 years does not mean that the grant liability only lasts for 30 years. Grant liability is in perpetuity. Longevity may be a factor determining good title (see paragraph 2.3.63 below).
- 2.2.97 The IP must ensure that an inspection of all properties requiring works is carried out by relevantly qualified, experienced and professionally indemnified technical consultants or relevantly qualified and experienced members of staff. Please also refer to the Shared Ownership section of the Housing for Sale chapter.

Rehabilitation project types

Rehabilitation projects involving purchase

- 2.2.98 **Acquisition and works.** The IP acquires a property, or properties, on the open market for refurbishment or conversion. The cost of the grant-eligible repair and improvement work per dwelling must exceed £10,000 exclusive of VAT. A building contract will normally be entered into, but sometimes work can be carried out under a building licence agreement. If the works cost

less than £10,000 per dwelling, the property is classified as an Existing Satisfactory or Purchase and Repair project.

- 2.2.99 **Existing Satisfactory.** The IP acquires a second-hand existing dwelling, or dwellings, on the open market, which is/are already of a standard and condition suitable for social housing letting, after an inspection by a suitably experienced or qualified person. Works necessary for the project to comply with Design and Quality Standards must not exceed £1,500.
- 2.2.100 **Purchase and Repair.** The IP acquires a second-hand dwelling on the open market, which requires some repair to bring it to a standard and a condition suitable for social housing letting. The estimated cost of the grant-eligible works will exceed £1,500 but be less than £10,000 per dwelling, exclusive of VAT.

Rehabilitation projects not involving purchase

- 2.2.101 **Works Only.** The property must already be owned by the IP, which purchased it with help from public subsidy, BUT no public funds have been paid for any previous refurbishment or conversion works. The property needs rehabilitation, improvement or conversion.
- 2.2.102 Re-improvement projects will not normally be considered less than:
- 15 years after Practical Completion of the original rehabilitation project (or stock transfer in the case of Stock Transfer RPs (e.g. LSVTs)); or
 - 30 years after Practical Completion of the original new build project.
- 2.2.103 However, re-improvement projects may be considered sooner where the property is difficult to let because it is no longer appropriate for the intended use, or there is a serious health risk to tenants.
- 2.2.104 The improvement or conversion works carried out in a re-improvement project must bring those parts or elements of the property which have been subject to re-improvement up to the current design and construction standards.

Conversions

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

Insurance Requirements

- 2.2.106 It is a condition of grant for both Rent and Sale projects that both during development and thereafter, IPs insure the accommodation with reputable insurers for its Full Replacement Value.
- 2.2.107 IPs may wish to search the Royal Institute of Chartered Surveyors (RICS) website (www.ricsbooks.com) for guides about insurance.
- 2.2.108 IPs may also wish to safeguard their insurance position by commissioning an independent professional opinion on reinstatement values every five years or more frequently as appropriate.

Other risks

- 2.2.109 In addition to the specified risks of loss or damage to the building caused by fire or aircraft, the GLA requires 'other risks' to be covered as follows:
- For Rehabilitation property - from the exchange of contracts to purchase until practical completion of the whole or relevant part of the works:
 - Explosion, lightning, earthquake;
 - Storm, tempest, flood (but not frost);

- Bursting, leaking or overflowing of water tanks, water apparatus, water pipes, or sewage pipes.
- For Rehabilitation and Newbuild property - from practical completion of the whole or relevant part of the works:
- As for rehabilitation property above; plus
- Subsidence, ground heave, or landslip of the site on which the building stands.

Exclusions

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

Procurement and Project Issues – Acquisition

General

- 2.2.112 This section sets out the GLA's property purchase requirements.
- 2.2.113 Where IPs make speculative purchases, they do so at their own risk and cannot pre-empt the GLA's investment decisions. The GLA cannot guarantee future funding and IPs must accept the risks involved in making such purchases.

Public Sector Purchases

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

Property Title

- 2.2.115 The GLA requires that when IPs acquire an interest in a property or where works are to be done, the property must offer "good title".
- 2.2.116 RPs are said to have "good title" when they can prove their title to such a degree that no third party can defeat it. This definition is being used in its legal sense as understood by property lawyers.
- 2.2.117 Not having "good title" to its land/property does not mean that an IP does not own that land/property. Rather it means that the proof that is being offered in support of its claim to ownership does not preclude the risk that some other party might be able to demonstrate a better claim to ownership.
- 2.2.118 How IPs demonstrate "good title" will vary depending upon whether the land is registered or unregistered.
- 2.2.119 For registered land, "good title" means that land is classified as "absolute" or "good leasehold" by the Land Registry. Should proof of title be required, this is demonstrated by supplying a copy of the Land Registry extract.
- 2.2.120 Holding land described by the Land Registry as "qualified" or "possessory" does not demonstrate "good title".
- 2.2.121 Demonstrating "good title" to unregistered land is harder. IPs, may if they wish, have their deeds or other evidence of ownership considered by a solicitor familiar with property law and conveyancing and have that solicitor give an opinion as to whether the proof offered is sufficient to demonstrate "good title". However, such an opinion is just that, and would not bind third parties.
- 2.2.122 Consequently, the only formal legal mechanism for demonstrating "good title" is to have the unregistered land registered with the Land Registry, and have the title classified as "absolute" or "good leasehold" as appropriate. The Land Registry may or may not agree to this, depending upon the circumstances.
- 2.2.123 The GLA understands that where IPs are unable to demonstrate "good title" they may have "possessory title" supported by an indemnity insurance which could 'pay off' a third party, who later was able to provide documentary evidence of "good title" to that

land. Where no other route is available to the RP the GLA will consider funding on the basis that:

- IPs agree to bear any risk if challenged, and
- They accept that grant repayment would be required if the property was no longer available for the purposes for which it was funded
- In the unlikely event that a third party demonstrated "good title" but was not willing to be 'paid off' by the insurer the RP would need to contact the GLA accordingly.

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

2.2.125 Good title can be leasehold or freehold. Where the title is leasehold, longevity requirements are relevant. New build projects are expected to last at least 60 years (see paragraph 2.3.11 above), so a lease of at least 60 years would be necessary. Rehabilitation properties must have a life expectancy of at least 30 years, so a lease of at least 30 years would be necessary unless the programme is a specialist one where shorter leases are permitted (e.g. lease and repair).

Transfers to and between RPs

2.2.126 RPs must notify any local authority that has an interest in the property.

2.2.127 The Transfer of Properties (TOP) procedure does not apply when RPs enter into management agreements without a change of property ownership (please see the Management Arrangement section at 2.4 below).

2.2.128 The (TOP) procedure does not apply when RPs dispose of their entire stock to another RP. This is known as a Transfer Of Engagement (TOE). However, in some cases the transfer of land and property under a restructuring may require consent. RPs should therefore seek further advice from the Regulator.

2.2.129 The disposing RP must comply with the terms of any loan secured on the property.

2.2.130 For all transfers between or to RPs, where the property concerned has been allocated capital grant, receiving RPs must maintain adequate records of that capital grant for future reference in case that property should become subject to the GLA's grant recovery rules.

Reporting transfers of grant funded property between RPs

2.2.131 Property transfers or disposals between RPs are not deemed a Relevant Event for grant recovery purposes if GLA gives prior approval. Responsibility for grant will pass from the exporting RP to the importing RP. For more information about relevant events and recovery, please see paragraph 8(m) of the Recovery Determination and section 6 (paragraph 6.3.30) of the GLA CFG.

2.2.132 Where property has received Housing Association Grant (HAG), Social Housing Grant (SHG), or Social Housing Assistance (SHA) (including Recycled Capital Grant Fund or Rent Surplus Fund) RPs must advise the GLA immediately when the ownership of that property, or properties, has changed and no more than 30 days after the date of completion.

2.2.133 It is not necessary to notify the GLA of the transfer of land and property that has received no grant.

Procedural Requirements in respect of Transfer of Property (TOP) between RPs.

2.2.134 Immediately following the transfer (or disposal) of a property, and in any event no more than 30 days after the date of transfer/disposal, the donor RP must inform the GLA in writing using the title "Request to Process and Notify a Transfer of Property." A TOP 1 (R) form should be included in the submission. This can be requested from GLA Area Managers.

Completion and approval of form TOP 1 (R)

2.2.135 Prior to completion of the form RPs must ensure they meet the following conditions:

- The donor RP must confirm that all relevant legal processes to transfer the property to the recipient RP have been completed;
- Both donor and recipient RP must confirm that the TOP 1 (R) will be completed by an authorised signatory;

- Both donor and recipient RP must agree to accept that the GLA must protect public funds;
- Both donor and recipient RPs must agree to accept that the GLA may use the information provided in this form to prevent and detect fraud;
- Both donor and recipient RPs must agree to accept that the GLA may share the information with other organisations that handle public funds;
- Both donor and recipient RPs must agree to accept that the GLA may use the information provided for statistical surveys and related purposes;
- Both donor and recipient RP must agree to accept that the GLA may pass this information in confidence to Department for Levelling Up, of Housing and Communities and agencies working on it and the GLA's behalf;
- Recipient RPs must confirm that they are to be held accountable for the GLA's investment in property/properties received from the donor RPs as stated on TOP 1 (R);
- Recipient RPs must confirm that they will adhere to the GLA's conditions regarding grant recovery, as detailed in the Grant Recovery chapter of this guide for property/properties received from the donor RP.

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

Transfers from Local Authorities and Other Public Sector Bodies

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

2.2.138 Grant shall not be paid towards the cost of acquiring or improving tenanted stock acquired from a public sector body. The MHCLG Housing Transfer Guidance, says that the valuation and the RP's Business Plan should provide for all works required over a 30 year period as a minimum, taking account of demand, viability and stock restructuring. Where there are known plans for regeneration, the housing costs should also be included in the Business Plan.

- 2.2.139 In exceptional circumstances the GLA may consider whether new grant may be made available where providers can demonstrate that they are unable to fund delivery of local authority stock transfers, including those associated with regeneration proposals, without assistance. Eligibility for new grant for providers taking transfers of local authority stock will be subject to a full bid assessment against AHP parameters. In some cases, eligibility will depend on the date of transfer – see below.
- 2.2.140 When drawing up their Business Plans and considering future investment needs, RPs cannot assume that grant will be available at any point in the future. The GLA will not consider bids for grant unless the proposals fit with the priorities for investment in the Borough Investment Plans or similar agreed documentation and the resources are available. The GLA recognises that some costs cannot be foreseen and that some future programmes may not be reasonably quantifiable when the Business Plan is being drawn up. Additional costs arising from changes to the nature of works after transfer must be absorbed by adjustments to the Business Plan where possible, for example by re-phasing of works, by identifying capital or revenue savings elsewhere or by applying increases in income over and above those allowed for in the Business Plan. All proposals must also fit within the RP's asset management strategy and include an explanation of why such costs were not included in the original business plan.
- 2.2.141 Cases will be considered for funding only where the works are essential to provide good quality homes for the residents and the additional cost cannot be managed by adjustments to the Business Plan. When considering bids for funding, the GLA will require evidence that the costs were not reflected in the original valuation and Business Plan. Where there was some provision for works in the Business Plan, this must be deducted from the grant payable on the enhanced or replacement works to ensure there is no double subsidy.
- 2.2.142 Where RPs (ex-RSLs) are subsidising new grant development, either on the transfer site or elsewhere, or are subsidising non-grant eligible activities, they will have to put forward an additional case to support their application for funding.
- 2.2.143 As the Recycled Capital Grant Fund can only be used for works which would in principle qualify for new grant, the contents of this section also apply to the use of the Fund.

Types of work

Major Repairs

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

Improvements and remodelling

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

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

Demolition and rebuilding

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

- Where the homes are no longer appropriate for their intended use and/or demand has substantially changed, the homes are difficult to let and replacement is more cost effective than renovation;
- Where non-housing buildings (for example, garages, community centres) included in the transfer are no longer used;
- Where new requirements have been introduced after transfer which make replacement the most cost effective solution;
- Where provision was made in the business plan for demolition only and a need has been identified after transfer for replacement housing i.e. demand has increased; or
- Where following consultation with tenants after transfer, replacement becomes the preferred long term option;
- Where demolition and rebuilding in the long term were anticipated, but specific proposals could not reasonably be included in the Business Plan, and additional funding is necessary.

New development of vacant sites

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

Transfers of tenanted stock from other public sector bodies

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

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

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

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

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

Transfers from organisations funded under Section 27A of the Housing Act

2.2.152 Where an RP (ex-RSL) receives grant funded property from an organisation subject to a Grant Agreement and funded under Section 27A of the Housing Act 1996 as part of a transfer the following procedures should be followed.

2.2.153 Organisations which have received grant under Section 27A of the 2004 Housing Act, and any units developed by such organisations, will have been subject to the same conditions as if they were developed by RPs (ex-RSLs). This includes the rent regime for property developed for letting and the rent charged on unsold equity for shared ownership properties. These will have been set in accordance with the Project Details schedule in the Grant Agreement.

2.2.154 Once the property has been transferred from the original developing organisation to an RP (ex-RSL), the RP (ex-RSL) will assume responsibility for the grant contained within the property, as if it had received the grant itself. The RP (ex-RSL) is obliged to

ensure that the GLA's published requirements in relation to issues such as rents and grant recovery are adhered to. Transferred property will be subject to compliance audit.

- 2.2.155 Where rental properties grant funded through the NAHP under Section 27A of the Housing Act 1996 are transferred from an organisation subject to a Grant Agreement on completion, the setting of rents on these properties is covered by the Regulator's (HCA's) standards.

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

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

Transfers of property funded under s19(6) of Housing and Regen Act 2008

- 2.2.157 Where property funded under s19(6) of the above Act is developed by RPs who were previously Registered Social Landlords and transferred to other RPs who were previously Registered Social Landlords the provisions of paragraphs 2.3.75 to 2.3.77 above will apply.
- 2.2.158 Where property funded under s19(6) and developed by an RP that is not a former Registered Social Landlord is transferred to an RP that was a Registered Social Landlord the provisions of paragraphs 2.3.93 to 2.3.96 above will apply; unless the organisation was previously a Local Authority and the property was subject to a Large Scale Voluntary Transfer.
- 2.2.159 Where property subject to a Local Authority LSVT is involved the provisions of paragraph 2.3.78 to 2.3.84 will apply.

Reporting and Audit Requirements for RPs

- 2.2.160 For grant funded property developed for Rent and Sale which has been transferred to other RPs; RPs must forward a letter to the transferring organisation requiring it to adhere to the GLA's and Social Housing Regulator's published requirements in respect of rents, service charges and ongoing management and marketing

arrangements etc. A copy of this letter must also be sent to the GLA.

- 2.2.161 For shared ownership property transferred, RPs must enter initial sales data on OPS at the point of transfer.

Planning Permission and Building Regulations

RPs must:

- 2.2.162 Obtain outline or detailed planning permission according to the requirements and timescales outlined;
- 2.2.163 Have obtained building regulation approval prior to the completion of the development; and
- 2.2.164 Have had any planning conditions and/or reserved matters signed off by the planners prior to the completion of the development.
- 2.2.165 The GLA may give permission for a practical completion grant claim before all planning conditions have been signed off. Details of how to request permission are below. This would be relevant for phased projects where sign-off will not be possible until completion of the final phase, or for other minor conditions which do not impact on occupation of, or safe access to, the completed homes.

This section provides information on:

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

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

2.3 Planning Conditions and Obligations

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

- The quality of the housing provided meets programme requirements;
- Suitable nomination rights to local authorities are preserved;
- Nominees (whether for housing for rent or affordable home ownership) are consistent with national policy;
- There are no consents that are made personal to the applicant RP and/or voluntary agency managing the project to the exclusion of other RPs;
- There are no consents that restrict the letting/sale of property in contradiction of any national policy of Government or the GLA;
- For example, a planning consent should not exclude housing for rent from the provisions of the Right to Acquire (which gives a statutory right to purchase certain properties provided by RPs) or restrict the equity in a shared ownership project;
- There are no restrictions on use or sale of the properties which make them unmortgageable; and
- There are no restrictions on grant recovery that contradict GLA policy, e.g. by restricting the location of spend of recycled receipts, or of requiring recycling to the LA in a way which jeopardises the GLA's interest.

2.3.2 If IPs are uncertain as to whether a particular planning condition or obligation will make the development ineligible, it should contact the GLA.

2.3.3 Local planning authorities may attach s106 Obligations for offsite works and financial contributions to planning permissions obtained by IPs. This may include, for example, the provision of community centres not primarily for IPs' tenants, or financial contributions for non-housing purposes.

2.3.4 IPs must ensure that they are acting within their own rules in complying with such obligations by obtaining legal advice as to whether the proposed activity is within their rules. The GLA will not dispute that advice unless there are strong grounds for doing so. IPs 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 about any limitation measures that it might be prudent for IPs to undertake.

Net Additionality for GLA Grant

- 2.3.5 The Mayor will use the AHP 2021-26 programme to maximise the number of new homes in London and funding will be available for homes that are net additional. Additionality will be achieved when the total number of homes on the scheme increases. We expect that there will be no loss of affordable floorspace in addition to an increase in overall homes.
- 2.3.6 AHP 21-26 grant can be used for new homes which are replacing existing homes, where those existing homes are obsolete. An obsolete home is defined as one where an affordable home is no longer considered by the landlord to be capable for letting for long term tenancies for reasons pertaining to condition, type or building standards, regulations or safety. The replacement of obsolete homes will normally only be funded when they are part of a project that also delivers a net increase in affordable housing.
- 2.3.7 At the point when an indicative allocation is profiled out, or a new named bid submitted, the GLA will check whether information has been provided on how the partner reached the conclusion that these homes were obsolete, due to condition, typology, building regulations or safety. If satisfied, the GLA will agree that appropriate evidence has been provided and both the case made and the approval should be held on file by the partner for compliance audit.
- 2.3.8 Homes do not have to be vacant to be considered obsolete. Partners may list decants as evidence of obsolescence and this would generally be accepted. However, partners may continue to let homes, including as temporary accommodation, while seeking funding or awaiting start on site. Information will be sought from partners as to how this is justified, but to ensure best use of housing stock, partners are not encouraged to leave properties empty.
- 2.3.9 If homes are obsolete because of poor conditions, partners are expected to include some information setting out why they propose demolition rather than repair. Similarly, if obsolete on grounds of type, partners should set out why reconfiguration or an alternative lettings strategy does not address the issue. If building safety is cited, partners are expected to outline the deficits

identified (including who has advised them and the survey work carried out) and why remediation is not proposed.

- 2.3.10 Grant is also available to fund replacement homes on estate regeneration projects with a demonstrated viability gap, requiring grant to unlock redevelopment. Priority in bidding will be given to those projects which offer higher levels of additionality.
- 2.3.11 For the purposes of calculating the baseline level of affordable homes within any new estate regeneration project with phases to be considered for funding within the AHP 2021-26 programme, the IP should identify the number of existing affordable homes of all affordable tenures within the estate boundary on 1st April 2021.
- 2.3.12 For the purposes of calculating the baseline level of affordable homes within any ongoing estate regeneration project with phases to be considered for funding within AHP 2021-26 programme, the IP should identify the number of existing affordable homes, of each affordable tenure, within the estate boundary that were in place on the date of grant of planning permission.
- 2.3.13 To qualify for funding projects will also have to ensure that the net affordable floor space on the overall scheme increases (not just the parts the GLA are funding directly).

Thresholds for using GLA AHP grant

- 2.3.14 A key objective for the Mayor is to maximise the number of new affordable homes in London.

Homes for Londoners: Affordable Homes Programme 2016-23

- 2.3.15 GLA grant secured through the AHP 2016-23 is not expected to be used to fund IPs to buy homes from developers that have been secured as affordable housing in a s106 agreement. An exception to this is via the Developer-led route in the Mayor's Homes for Londoners: Affordable Homes Programme 2016-23, where funding is available at a set grant rate if an eligible project is delivering 40 per cent or more affordable homes. IPs who are Approved Providers can secure funding on their own sites subject to these projects being eligible for funding. IPs should refer to the Homes for Londoners: Affordable Homes Programme 2016-21 funding prospectus for further guidance on these funding routes.

Homes for Londoners: Affordable Homes Programme 2021-26

- 2.3.16 Under AHP 2021-26, IPs are required to demonstrate net additionality and value for money by maximising the use of other sources of funding and cross-subsidy. Homes delivered through other forms of subsidy should not also be subsidised by GLA grant, except where expressly agreed by the GLA. This is to ensure that GLA funding results in net additionality and the maximum delivery of affordable homes.
- 2.3.17 To achieve this: it is expected that all schemes receiving grant through the AHP 2021-26, including those that are developer-led, will deliver a minimum of 40 per cent affordable housing (measured by habitable room).
- 2.3.18 GLA grant funding through the AHP 2021-26 will usually only be available for affordable housing above 35 per cent.

For schemes delivering 100 per cent affordable housing within the site boundary defined in the planning consent, all units will be eligible for GLA grant.

- 2.3.19 To enable the GLA to assess whether schemes meet these requirements, partners must specify the percentage and tenure mix of affordable housing to be provided within the site boundary of the planning permission (in which a named project is located) as well as the percentage of affordable housing on which grant is sought:
- 2.3.20 for named projects this information must be included as part of the bid submission.
- 2.3.21 for *indicative* projects that were not specified by name as part of the initial bidding round, this should be provided when these are created (profiled) to named projects in OPS.
- 2.3.22 The GLA expects to discuss affordable housing grant requirements directly with the intended grant recipient, so developers should ensure that a partnering IP is identified before any approach is made to the GLA.
- 2.3.23 Once a named project has been approved on OPS, if there are changes to the percentage or tenure mix of affordable housing being delivered within the site boundary of the planning permission (in which a named project is located), or if the percentage or tenure mix of affordable housing that is being funded by GLA grant changes (within any named projects located within the site boundary of the relevant planning permission,

including any offsite provision), then the IP must notify the GLA via OPS. The GLA will review whether the project still meets the criteria for grant funding and whether the level of funding allocated to the project is still appropriate.

Additionality Viability Assessment

2.3.24 On projects offering less than 40% affordable (by habitable room), if grant is sought on the initial 35 per cent of affordable housing, IPs will be subject to an Additionality Viability Assessment process as part of the bid submission for named projects, and for indicative projects prior to profiling as named projects on OPS. As part of this process, the IP will need to demonstrate that there are exceptional development costs and barriers to delivery that justify grant being awarded. The IP will need to submit viability information on an open book basis to the relevant Area Team demonstrating the minimum proportion of affordable housing on which grant is required to ensure that the scheme is deliverable. Where projects are offering more than 40% affordable housing (by habitable room), grant can be applied to eligible homes above 20% and grant benchmarks will be published to assist with modelling.

2.3.25 IPs will need to provide to the GLA whatever viability information the GLA reasonably requires as part of the Additionality Viability Assessment, which includes (but is not limited to) the following:

- Site name, location, description and development programme
- The number and tenure of total residential by units and habitable room; the unit size mix (number of 1,2,3,4+ bed units); gross external and internal areas for all uses
- Development values of all components of the scheme, including market and affordable housing, commercial and community uses including sale prices (market and shared ownership first sales), rents, capitalisation yields, operational expenditure costs, sales and letting rates and income and subsidy from any other sources including provider contributions
- The total level of grant funding sought under the 2021-26 AHP and by unit for each tenure considering the AHP additionality and value for money objectives

- Construction costs, if necessary, verified by a cost consultant, including contractor preliminaries, overheads, profits and fit out by tenure and use
- Professional fees, finance costs, marketing and legal costs, statutory costs such as planning obligations and Community Infrastructure Levy
- Minimum partner return accounting for project management costs & risk
- Site acquisition and land costs taking full account of all regulatory requirements including affordable housing, planning obligations and Community Infrastructure Levy and any infrastructure or abnormal development costs
- A declaration confirming that the information and assessment provided is a true and fair reflection of the viability of the development and that the partner is relying on this for financial purposes. This should be legally witnessed or signed by a director of the IP.

2.3.26 As part of the Additionality Viability Assessment, IPs should provide viability information in a standard format specified by the GLA and include a summary of the information referred to above. The assessment should be evidenced and reflect their best estimate of costs and values to be incurred and, where known, actual costs and values. This should assess the scheme at the overall level of affordable housing and tenure proposed and be used to determine the minimum grant level and minimum number of units on which grant is to be applied to ensure that the scheme is deliverable. It is expected that a minimum of 20 per cent affordable housing will be delivered through other sources of funding/subsidy (including development value) and will therefore not be eligible for grant. Within the red line boundary of the site, it is expected that a minimum 20 per cent affordable housing will be delivered through other sources of funding/subsidy (including development value) and will therefore not be eligible for grant. For example, on a 100 home site which offers 35 affordable homes, at least 20 would not be eligible for grant.

2.3.27 The GLA will assess the information provided to ensure that this is evidenced and realistic, and may request further information or apply alternative assumptions which may affect the level of grant awarded.

Additionality for Estate Regeneration Schemes

- 2.3.28 The Mayor will use the AHP 2021-26 programme to provide funding for estate regeneration projects where there will be no loss of affordable floorspace and affordable housing supply is increasing.
- 2.3.29 IPs will be required to determine a baseline of existing affordable homes within the site's estate boundary. The difference in homes between the number of proposed affordable homes and the existing number of affordable homes will be recorded in OPS at bid stage.
- 2.3.30 There are two approaches for determining the baseline of existing affordable homes:
- (a) For new estate regeneration projects (with phases to be considered for funding within the AHP 2021-26 programme), the IP should identify the number of existing affordable homes, of each affordable tenure, within the estate boundary on 1st April 2021.
 - (b) For ongoing estate regeneration projects (with phases to be considered for funding within AHP 2021-26 programme), the IP should identify the number of existing affordable homes, of each affordable tenure, within the estate boundary that were in place on the date of grant of planning permission.
- 2.3.31 AHP 2021-26 grant can be used for new homes which are replacing existing homes, whether or not the existing homes are obsolete, however it is important to record any obsolete homes on OPS at bid stage.
- 2.3.32 Estate regeneration schemes will be eligible for grant without the need for any Viability Assessment if the scheme is 100% affordable. If an estate regeneration project is not 100% affordable, but is seeking grant on all affordable homes (i.e. for replacement and additional homes) then the GLA will work with the IP to assess the level of grant required to make the project viable.
- 2.3.33 IPs receiving grant are expected to ensure that the level of affordable housing in the relevant planning permission for the project should be the same (or higher) than the level of affordable housing included on the OPS submission, but this may be capped at 50% affordable in line with Affordable Housing London Plan Guidance.

Improving Efficiency

- 2.3.34 RPs are responsible for providing efficient and cost effective management in the best interests of tenants and are accountable for the public funds invested in the project.
- 2.3.35 RPs can adopt a variety of management arrangements, including outsourcing the work (commissioning another organisation to provide services on the RP's behalf - such an organisation is often referred to as a "management agency").
- 2.3.36 Regardless of whether the provision of services has been outsourced, ultimate responsibility for effective management of any tenants' and/or leaseholders' interests and the stock will remain with the RP that owns the properties.
- 2.3.37 RPs may choose to outsource the provision of management and maintenance services to other organisations for a variety of reasons:
- To deliver the services more efficiently;
 - To deliver the services more effectively;
 - To deliver the services more sensitively (especially where specialist expertise is needed for the client group);
 - To assist specialist organisations in growing and becoming viable.
- 2.3.38 Housing projects (including Supported Housing) involving the delegation of any housing management responsibilities to a statutory body (e.g. local authority, health authority) are ineligible for grant.
- 2.3.39 However, where RPs are commissioning another (non-statutory) organisation to provide services, they must do so in writing. The services to be provided must be clearly defined in the contract, as must the cost to the RP of receiving the services.
- 2.3.40 The contract for the provision of the services must be finalised and signed in time for the service provider to mobilise their resources to be able to deliver the services at an appropriate level of quality at the handover date.

The GLA does not provide a model management agreement.

Site Signboards

- 2.4.1 For all affordable housing projects in London covered by a GLA contract, IPs must comply with the GLA's signboard requirements, unless the GLA has provided a specific exemption.
- 2.4.2 The artwork, which incorporates both the Mayor of London and Department for Levelling Up, Housing and Communities (DLUHC) branding, can be requested from your GLA Area Manager who will also manage the sign off process with the GLA Design team.
- 2.4.3 For all sites, the GLA requires a minimum of one signboard. There are two sizes available. The larger version - 2440mm x 1220mm (8ft x 4ft) - is the preferred design. The smaller version - 2440 x 610mm (8ft x 2ft) - may be used where space is limited. Deviation from these sizes must have prior written permission from the GLA.
- 2.4.4 Where hoardings are installed at the site, the GLA requires the equivalent of 15% of the available space. The hoarding artwork can be scaled up or down but is set at the standard panel size of 2.4m by 1m.
- 2.4.5 For examples of how the hoarding artwork may be incorporated into your project's design, please email your Area Manager for a Hoarding Artwork Request Template.
- 2.4.6 Where the IP considers that the provision of a site signboard or GLA publicity on site hoardings is inappropriate (e.g. where it would be inappropriate to publicise the client group) or where a different sized board is required, exemption or waiver should be sought in writing from the GLA.
- 2.4.7 The GLA wishes to ensure that properties that are developed with the benefit of grant are managed and maintained in accordance with the Regulator for Social Housing (RSH).
- 2.4.8 This applies whether the properties are directly managed by the RP who developed them with grant, or by other organisations with whom the RP has contracted for management services.

Finance Information

- 2.4.9 This chapter sets out the conditions and procedural requirements which aim to ensure that funding is:
- Used correctly in accordance with general fiscal legislation;
 - Accounted for accurately; and
 - Administered in line with the correct procedures.
- 2.4.10 Use of Social Housing Assistance (SHA) /Social Housing Grant (SHG) is governed by the GLA's terms and conditions, and principles as described in section 2.1 above, and/or clauses in the Grant Agreement.
- 2.4.11 Grant Recovery is governed by [The Recovery Of Capital Grants and Recycled Capital Grant Fund \(Greater London\) General Determination 2015, Recovery of Capital Grants and Recycled Capital Grant Fund General Determination 2017](#) and clauses in Funding Agreements.
- 2.4.12 The use of grants paid in respect of Right to Acquire and Social HomeBuy is governed by statute. Section 35 of the Housing and Regeneration Act 2008 requires the GLA to specify:
- The procedure to be followed in relation to applications for grant
 - The method for calculating, and any limitation on, the amount of grant
 - The manner in which, and time or times at which, grant is to be paid and
 - Any other terms and conditions on which such a grant is given
- 2.4.13 Financial Assistance paid in respect of RTA and SHB discounts will be subject to the rules of the Disposal Proceeds fund (DPF).

Other Sources of Funding

- 2.4.14 Grant can be combined with other sources of funding, including:
- Long-term loan from a bank/building society/other (a mortgage);

- Recycled Capital Grant Fund - where permitted, see Grant Recovery
- Disposal Proceeds Fund - see the [Regulator's DPF guidance](#)
- Other public subsidy e.g. gap-funding grant from a Local Authority
- Discount on land from the public sector
- Discount on land from the private sector (arising from the local authority planners imposing a Planning Obligation, through a S106 Agreement)
- RPs' own funds
- Charitable donations

Other Public Subsidy

2.4.15 Previously the Capital Funding Guide has drawn a distinction between the deductible and non-deductible other public subsidy with deductible other public subsidy reducing entitlement to grant. This concept is no longer relevant, with grant levels for projects set through competitive bidding rather than a formula. Grant is not adjusted due to the receipt of other public subsidy but all sources of income to a project will form part of the value for money assessment.

2.4.16 .

Other Public Subsidy: Discounted Land

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

Example

- 2.4.18 If a local authority sells land subject to a nomination agreement which requires more than the baseline 50% nominations for grant-funded projects, this will restrict the value of the property. Without this restriction a site may be worth, say, £1.5m (the Unrestricted Value). However, with the requirement to enter into a long-term Nomination Agreement providing, say, 100% of initial lettings and 75% of true voids, the Restricted Value of the site will fall to (say) £1.3m. If the RP pays £1.3m, they will NOT be considered as having received £200,000 of Additional Affordable Housing Subsidy/Other Public Subsidy, as they will have paid full value for the site, given that it is fettered with the Nomination Agreement.
- 2.4.19 **Definition:** Consideration is the thing of value that one party gives to another under a contract. Often, it comes in the form of money, but it can also come in the form of goods or services. Thus, the total consideration paid by one party under a contract to the other party may be a mixture of monetary consideration and consideration-in-kind. An example might be and RP offering nomination rights to affordable housing to an employer, a Local Authority or other body. Having the right to nominate someone into affordable accommodation has a value. Thus, nomination rights can be consideration-in-kind.
- 2.4.20 Both the Restricted Value and the Unrestricted Value should reflect the uses for which a planning permission is likely to be obtained.
- 2.4.21 RPs must obtain professional valuation advice on the effect on value of any restrictions placed on land by the seller.
- 2.4.22 RPs must also note the difference between "total consideration" and "price". The GLA will count the organisation's project as being in receipt of Additional Affordable Housing Subsidy if the value of the monetary consideration paid (the price) **and** the consideration-in-kind provided is less than the Restricted Value of the property.

Right to buy receipts

- 2.4.23 Central government rules prevent use of local authority (one for one) right to buy receipts to fund homes that feature in the GLA's programme, including those funded by Recycled Capital Grant or which are nil grant as far as the GLA is concerned.
- 2.4.24 The government's rules for local authorities spending right to buy receipts on housing development prohibit combination of those receipts with GLA grant funding for affordable housing.
- 2.4.25 For further information, local authorities should consult their DLUCH funding agreements. Registered providers receiving local authority funding for housing development also need to be aware of this restriction.

Acceptance of the Funding Agreement or Contract

- 2.4.26 RPs developing a programme under the GLA's AHPs must formally accept the GLA's terms and conditions as contained within the Grant Agreement. This will require a Board decision and RPs must retain a minute of the Board's decision on file for compliance audit purposes.
- 2.4.27 Signing the Funding Agreement or Contract will be deemed as acceptance of the GLA's terms and conditions
- 2.4.28 RPs will not be able to claim grant unless the Funding Agreement or Contract has been agreed and signed.

Breaches of the Funding Agreement or Contract

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

- 2.4.31 The GLA may terminate and reclaim any grant paid plus interest on a project where it no longer meets the criteria on which the offer was originally approved.

Grant Payments

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

Definitions

Acquisition of Land

- 2.4.34 The forecast date for the completion of acquisition contracts. Grant may be drawn down at acquisition where agreed by the GLA.

Planning Permission

- 2.4.35 There are two types of planning permission – outline and detailed. Outline **planning** permission gives an indication of permitted development but may be subject to detailed planning permission being obtained before building can commence. Detailed planning

permission must be submitted within 3 years of receiving outline planning permission.

Start on Site (SOS) is triggered by the date when:

- The building contractor takes possession of the site or property;
- The RP and building contractor have both signed and dated the building contract; and
- The Start on Site works have commenced (please see the Definitions in the relevant Grant Agreements and below for details).

2.4.36 SOS may also occur before an RP has completed purchase of or acquired a leasehold interest in the site. The RP will need to have a Building Agreement/Licence in order for it to claim grant. Please see below for further information.

Start on site definitions

2.4.37 **For new build projects being delivered under the 2021-26 AHP** please see the Definitions section in the relevant Grant Agreement.

2.4.38 Start on site definitions are repeated below.

- (a) the digging of a trench which is to contain the foundations, or part of the foundations, of such dwelling;
- (b) the laying of any underground main or pipe to the foundations, or part of the foundations, of such dwelling or to any such trench as per (a) above;
- (c) any operation in the course of laying out or constructing a road or part of a road;

2.4.39 Other **defined** terms used below have the meaning given in the Grant Agreement.

2.4.40 It is not intended that the definition of Start on Site Works in the Funding Agreement or Contract excludes projects where demolition works have begun or where infrastructure works (such as excavations to install drainage or highways infrastructure works including where such works are the subject of a s278 or s104 agreement) to support the project have commenced, subject to the conditions below. Starts on Site can therefore be recorded (and where relevant a grant claim submitted) in circumstances where:

2.4.41 Either:

- A Building Contract has been signed and dated with a single Building Contractor to undertake both demolition and construction works, or infrastructure and construction works; and
- Demolition or infrastructure works have commenced; and
- Upon completion of demolition works and site clearance, or of infrastructure works, construction works which meet one of the definitions in the relevant Funding Agreement or Contract and repeated above (a-d) will immediately follow on;

2.4.42 Or

- A separate contract for demolition works or for infrastructure works has been signed and dated and a Building Contract with a Building Contractor has been signed and dated and:
- Demolition works or infrastructure works have commenced;
- Upon completion of demolition works and site clearance or upon completion of infrastructure works, the Building Contract with the Building Contractor will be unconditional; and
- As soon as the Building Contract becomes unconditional, start on site works which meet one of the definitions in the relevant Funding Agreement or Contract and repeated above (a-d) will proceed.

Service Diversions

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

Rehabilitation or conversion projects

- 2.4.44 Paragraph 2.5.35 above lists works required to meet the new build SOS definition. Those works are not required for projects that are not new build, i.e. for rehabilitation or conversion projects. For such projects the trigger for claiming grant at start on site is the date of the start on site of the main contract works. This is deemed to be the date when the contractor takes possession of the site/property AND both parties have signed the main building contract. The requirements of paragraph 2.5.22 above still apply

for rehabilitation or conversion projects, i.e., they are eligible for a start on site payment only where the grant recipient has been obliged to make a payment in respect of the project. Some but not all rehabilitation or conversion projects benefit from start on site payments, depending on the programme and the rules prevailing at the time when the project is approved.

2.4.45 The amount of grant payable at Start on Site will be set out on GLA OPS.

2.4.46 Where the Start on Site grant tranche has been drawn down too soon the RP may be charged interest for the period between the date when the tranche was received by the RP and two weeks after the correct closing date for start on site. In such cases the provider must notify their GLA Area Manager.

Start on Site – Grey Areas

Building Licence/Agreement to Lease or Buy

2.4.47 Where providers wish to start building works on land that they do not yet own, they must demonstrate that they have a secure legal interest in the property for grant to be payable. Specifically, they must:

- Ensure there is a legally binding agreement that the legal interest in the property will be transferred to the provider immediately or within a reasonable timescale following completion of the development;
- Seek legal advice to ensure they have sufficient security to proceed;
- Be aware that if the project fails to complete, or the legal interest is not transferred to them, the GLA will recover any grant paid.

2.4.48 In addition to the requirements on obtaining a secure legal interest in the property, the RP must not claim grant in advance of need.

Golden Brick projects

2.4.49 "Golden Brick" is relevant where a landowner may incur professional fees if, for example, they obtain a planning permission on their land or undertake investigatory work. These fees are likely to attract VAT. The landowner may wish to reduce these expenses by electing to charge VAT on the land when they sell it. VAT on the sale of land is charged at the standard rate of 20%.

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

- IPs must have entered into their contract with their builder, to undertake the building works from Golden Brick level onwards,
- IPs' builders must have possession of the site and be undertaking the work from Golden Brick level onwards.

2.4.58 As IPs' contractors cannot be simultaneously undertaking work on the properties that are "up to Golden Brick level" and "from Golden Brick level onwards", the RP can only claim Grant when work is "from Golden Brick level onwards."

2.4.59 There may, however, be occasions where the organisation selling the land and undertaking works to Golden Brick level is the same as that which the IP will contract with to undertake works beyond Golden Brick level. Under such circumstances, Start on Site grant may be claimed provided the following conditions are satisfied:

- The IP can demonstrate that it will be entitled to a secure legal interest in the property at the point at which Golden Brick is reached, for example, by entering into a legally binding agreement (such as an Agreement for Sale) with the vendor to complete the land acquisition/purchase with the achievement of Golden Brick providing the trigger for purchase completion. The Agreement for Sale (or other legal agreement) should include a backstop date allowing for either completion of land acquisition or termination if Golden Brick has not been achieved by that backstop date.
- Grant tranches should not be claimed in advance of need. Thus, IPs should be paying money out for the works being undertaken to Golden Brick stage, as well as towards the land acquisition costs. IPs may choose to pay towards the latter in proportion to and with payments being made for works. IPs should have an obligation to make such payments before claiming grant. However, IPs may wish to safeguard such monies until Golden Brick has been achieved, and it has completed purchase of the land and has a works contract secured for works post Golden Brick. IPs may choose to do this by holding the money in an escrow account, held to the benefit of the developer or as stakeholder, subject to achievement of the Golden Brick stage within the agreed timescale.
- Within current programmes, where an IP wishes to claim start on site under a Golden Brick arrangement, as well as meeting the Golden Brick requirements set out above, they must also ensure that the definition of start on site set out in the Funding Agreement

or Contract, and/or the requirements set out above have been achieved.

Final (Practical Completion) Claim

- 2.4.60 For grant purposes, Practical Completion is when the last dwelling is handed over, the project having been completed in accordance with the terms of the relevant building contract, as being fit for occupation as a residential development, in accordance with NHBC requirements. For current programmes, this excludes minor defects and/or minor omissions at the time of inspection which are capable of being made good or carried out without interfering with the beneficial use and enjoyment of the firm project. For instance, a project can be classed as completed even though external works such as landscaping may remain to be completed.
- 2.4.61 Any planning conditions or reserved matters must normally be signed off for Practical Completion to be achieved. Exceptions are possible only with GLA permission, which would be given for minor conditions such as landscaping. To request such permission, please enter a project comment in GLA OPS prior to submitting final cost entry submission, giving details of each condition outstanding and the date of the sign-off application. The GLA will then review the project comment when approving the final cost submission. If agreed, the provider should submit further post-completion GLA OPS project comments confirming date of discharge for each planning condition.
- 2.4.62 In the case of a new Off The Shelf development, a claim for grant should not normally be made prior to the completion date (as specified on the practical completion certificate issued by the duly authorised contractual party). However, the claim can be submitted against the issue of a certificate of Partial Completion provided all the dwellings in the project, or phase, have been handed over.
- 2.4.63 IPs must input the following information into the Unit Details block on OPS before the project is complete:
- rents and service charges (updating any details that have changed)
 - Sales information
 - Bedroom sizes
 - Number of new and/or refurbished homes

- Number of people per home

2.4.64 For Affordable Rent projects, rents will be calculated according to market rents at the time of letting.

2.4.65 For any Social Rent projects agreed, providers should refer to the Housing for Rent chapter.

Social HomeBuy

Initial Sales

2.4.66 Following legal completion of the initial sale providers must notify the GLA and can then claim grant based on the discount available to the purchaser. The amount of grant claimed should be calculated in accordance with the Social HomeBuy section of the Housing for Sale chapter.

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

Staircasing Sales

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

Right to Acquire

2.4.69 Following legal completion providers must notify the GLA and can then claim grant based on the discount available to the purchaser (see the Right to Acquire section of the Housing for Sale chapter).

2.4.70 RPs must claim grant within 6 months of the date of legal completion. RPs can apply for grant only after the legal completion of the sale and not before.

Leasehold Repurchase

Shared Ownership - General

2.4.71 Total grant payable will be up to 70% of the value of the shares being repurchased. Payment will be in a single tranche, payable on Practical Completion.

Payment

- 2.4.72 When IPs are due to receive grant from the GLA for the first time, there are standard forms to complete to allow bank account and other relevant details to be uploaded to OPS. If your organisation needs to complete these forms, please contact your GLA Area Manager. The GLA pays grant directly into RPs' bank accounts and does not pay grant in any other way.
- 2.4.73 The GLA will pay grant within 10 working days of the claim being approved for payment.
- 2.4.74 The GLA will compensate the RP for any late Grant payment that is the sole responsibility of the GLA. The compensation will be for any interest charges suffered or for any potential loss of interest that would have been earned by the RP. It is payable upon receipt of a claim from the provider supported by evidence that such loss has been incurred. The claim can be in the form of a letter addressed to the GLA containing an explanation of the amount of the loss, how it has been incurred together with relevant calculations.
- 2.4.75 The interest rate payable will be at the maximum of the Bank of England base rate plus 4%.

VAT

- 2.4.76 VAT (input tax) is payable on works to existing stock and some works in new build contracts (e.g. landscaping, equipment, furnishings). The majority of most provider' outputs under 2011-15 AHP are Affordable Rent, which is an exempt supply. Therefore, only partial recovery of input VAT paid is possible.
- 2.4.77 The GLA strongly recommends that providers refer to the wide range of free public notices on various aspects of VAT and the network of local VAT Business Advice Centres that are available to traders and public. Further guidance on VAT is available from local VAT offices at the [HMRC website](#).

VAT on Major repairs

- 2.4.78 If the provider reclaims VAT on Major Repairs projects which have already received 100% grant funding, the grant paid in relation to VAT will be reclaimed as unexpended grant.
- 2.4.79 The provider may retain reasonable costs incurred in recovering the VAT where these can be justified. Each case will be considered on its merits.

Anti-Money Laundering Regulations

- 2.4.80 Providers must ensure that they are aware of these regulations and adhere to them. RPs' activities may mean that they come within the ambit of the Money Laundering Regulations 2007. For example, some RPs may be treated as undertaking Estate Agency activities. RPs will need to obtain legal advice on the extent to which their activities are covered by these Regulations and ensure that they comply with them.
- 2.4.81 Regulations 25-30 of the [Money Laundering Regulations relate](#) to persons who act as high value dealers. It is unlikely that providers would be considered high value dealers when undertaking Affordable Home Ownership activity, but they must ensure that they satisfy any requirements of the above regulations.
- 2.4.82 RPs must seek their own advice as necessary to ensure compliance.
- 2.4.83 For details of the Anti-Money Laundering Regulations please see the [Money Laundering regulations website](#).