

Background Information: Process and Implications of Torbay Council Activating its Registered Provider Status.

1.0 Local Authority Registered Provider status

If a non-stocking owning Council wishes to take ownership of dwellings for social housing purposes, it can own up to 200 dwellings without being required to operate a Housing Revenue Account (HRA). [Housing Revenue Account - GOV.UK \(www.gov.uk\)](http://www.gov.uk) The following link provides a useful decision flowchart on the explanation of an HRA and the application. [HRA Flowchart.pdf \(publishing.service.gov.uk\)](#) The fact a Council intends to own property for social housing purposes by default reactivates its Registered Provider status. Local authorities that provide social housing are required to compulsory registration under section 114A of the HRA 2008. [Housing and Regeneration Act 2008 \(legislation.gov.uk\)](http://legislation.gov.uk) This is a straightforward process and has been activated within 2 days for other Local Authorities. This is very different that the process and requirements for other organisations. [Guidance for new entrants on applying for registration as a provider of social housing - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

2.0 Investment Partner status and grant funding process

If the Council wishes to apply for Homes England (HE) grant funding, then it will need Investment Partner (IP) status to achieve this. If the Council acquires a property with an existing grant liability, then it does not need investment partner status.

The purpose of achieving IP status is to draw down HE grant funding. Applying for IP status is a case of completing a fairly straight forward application, within which the applicant needs to demonstrate its capacity and capability to manage and finance a grant funded affordable housing programme. [Apply to be an investment partner for the Affordable Homes programme - GOV.UK \(www.gov.uk\)](http://www.gov.uk) From a Torbay perspective we would need to demonstrate that the appropriate external management and development partnerships are in place to deliver the programme, given we have no internal capacity. Exploratory conversation have been undertaken with development and management partners to ensure that the market is available for this to be undertaken.

It is likely that the Council will apply for IP status concurrently with a grant application to support acquisitions and is an acceptable process by HE. Assessment of applications are undertaken within 8 weeks. Initial conversation have been undertaken with Torbay Homes England representative on the process and if there would be any challenges. Conversation on both the notification of RP and applying for IP status have been very positive.

3.0 Grant funding process

Applications for HE grants is by way of their Integrated Management System (IMS) – i.e. the grant bid system. This requires the applicant to input scheme details as far as they are known. This will include projected capital costs, operational costs, contribution from the RP which results in the residual grant required to fund the project. The timetabling of delivery is included within the bid system, including site acquisition, start on site and practical completion. In usual circumstances, applications for HE grants will be relate to a new build scheme where the costs are more certain as the scheme will usually be within the applicant's ownership and capital costs will be backed by a QS assessment if not a contract price. The construction costs should be updated as prices change- for example if a QS assessed price is submitted at the bid stage and the tendered price differs from this.

In an acquisition programme, the acquisition properties may not have even been identified and there is a greater level of uncertainty in a competitive market. As such, the submitted bids will be

indicative of anticipated acquisition and refurbishment values. For these types of programmes, an indicative scheme is bid. Simplistically the applicant inputs an indicative programme based on benchmark costs and values, and the grant ask to cover the funding gap. This is illustrated simplistically below (note the figures are for illustration purposes only):

Indicative programme (no.)	Cost of acquisition (incl. fees & taxes)	Cost of refurbishment (incl. fees)	RP funds (borrowing and/or other capital)	Grant bid
10	£1,000,000	£200,000	£900,000	£300,000
Per Unit	£100,000	£20,000	£90,000	£30,000

Inputs into the IMS system form the bid as stated. However, the bid can be subject to a degree of negotiation, if for example Homes England believe the grant ask is too high.

Once a bid is approved, then the applicant (the RP) will need to enter into contract with Homes England, the terms of which are not negotiable. The bid on IMS will form the basis of this contract and, as such the grant recipient, as the RP is now referred to in contract terms, is contracted to deliver the submitted scheme in accordance with the submission details. There will be an allowance to vary submission details with the agreement of the grant provider. Often this will relate to delays in the scheme and the key message from Homes England is about communication.

Every time a property is purchased through the scheme, then this individual property is set up as a separate 'firm scheme' within IMS. The indicative programme is then reduced by one unit and so this process continues every time a property is acquired. The point to note is that the indicative allocation is unlikely to divide equally across each acquired property. In the example below the RP has acquired the first unit at below the indicative per unit value and hence the residual grant is at a slightly rate per unit. This can work the other way and hence the programme needs to be carefully managed.

Firm scheme 1	Cost of acquisition (incl. fees & taxes)	Cost of refurbishment (incl. fees)	RP funds (borrowing and/or other capital)	Grant allocated
1 Akasia Av	£95,000	£15,000	£85,000	£25,000
Indicative programme (no.)	Cost of acquisition (incl. fees & taxes)	Cost of refurbishment (incl. fees)	RP funds (borrowing and/or other capital)	Grant allocated
9	£900,000	£180,000	£810,000	£275,000
Per Unit	£100,000	£20,000	£90,000	£30,556

The grant system through IMS may seem complicated, but operation of the system is more about familiarity. This is an aspect that Council could consider outsourcing to their development partner, although the Council will need some form of oversight for audit purposes.

4.0 Other Requirements

The other aspect that the Council needs to be aware of is the annual scheme audit. It is likely, if the Council is successful in bidding for grant funding, that one of its schemes (1 acquisition) will be audited. The audit is relatively straightforward for an acquisition programme and the key

consideration as with audits is transparency and clear audit records. There are audit templates that can be used, and this is an element where the processes can be outsourced to the development partner, although oversight is again required.

The Homes England audit will not be considering matters that the Council's internal and external auditors would consider, such as contractor procurement. The HE audits will focus on evidencing scheme costs and delivery timelines accord with what has been submitted on the IMS system.

The final piece of administration is that if the Council will need to provide a letter of good statement on an annual basis.