|  |
| --- |
| **2024-25 Compliance Audit Checklist** |

|  |  |
| --- | --- |
| For schemes delivered through Strategic Partnerships Contracts | |
| Relevant Programmes: | 2016-21 SOAHP, 2021-26 AHP |

|  |
| --- |
| For use by ‘Independent Auditors’ undertaking self-assessment compliance audits under Affordable Homes Programme, Shared Ownership and Affordable Homes Programme Contracts.  Applies only to schemes delivered through Strategic Partnership contracts. |
| This checklist is to ensure that requirements and funding conditions for AHP Contracts have been met according to the Capital Funding Guide (CFG). All audits are undertaken online through the Compliance Audit system. This document is for information only and is not intended to be used to record or submit information regarding any audit. All questions will require a YES or NO answer and additional explanatory text to clarify the full details.  Please note the numbers below will not correspond with the numbers of the questions presented in the Compliance Audit system for individual schemes selected for audit. |

|  |  |  |
| --- | --- | --- |
| **GENERAL** | | |
| 1 | | Has a comprehensive scheme file (or equivalent) been provided containing all relevant documents as set out in the CFG?  If no, provide details of what documents are missing.  *Auditor Notes*  *Check for documentation omissions e.g. dated valuation, consultant’s appointment etc.*  *Where there is a Delivery Partner, check the Agreement between the Strategic Partner and Delivery Partner is held on file.*  *NB – Attachments are required only to support specific audit findings or to evidence any mitigating circumstances. There is no requirement to upload the complete scheme file as a matter of course.*  *For more information, read* [*CFG – Programme Management – Reporting and audit requirements.*](https://www.gov.uk/guidance/capital-funding-guide/6-programme-management) |
| 2 | | Was planning permission FREE from condition(s) that would make development ineligible for grant funding?  If no, provide details.  *Auditor Notes*  *For more information, read* [*CFG – Procurement and Scheme Issues – Planning Permission and Building Regulations.*](https://www.gov.uk/guidance/capital-funding-guide/8-procurement-and-scheme-issues) |
| 3 | | Where required, were other specified consents obtained for the relevant works?  If no, explain the reasons, or select “No other specified consents applied” as appropriate.  *Auditor Notes*  *Check if other consents apply and if they were obtained e.g. party wall award, listed building consent, permission to demolish, Environment Agency remediation plan etc.*  *For more information, read* [*CFG – Procurement and Scheme Issues – Planning Permission and Building Regulations.*](https://www.gov.uk/guidance/capital-funding-guide/8-procurement-and-scheme-issues) |
| 4 | | Where there is documented evidence of factors that may adversely affect mortgageability, have relevant expert reports been obtained and where applicable has necessary warranty been documented?  If there is no documented evidence of factors, select “There is no documented evidence of factors that may adversely affect mortgageability”.  If there is documented evidence and relevant expert reports have been obtained/warranty been documented select YES and provide an explanation of what these factors were and how the risks associated with them were mitigated.  For example:   * NHBC Buildmark certification/equivalent * Valuation * Structural report * Site investigation * Solicitor’s report * Indemnity insurance * Insurability of innovative house building systems   If there is documented evidence and relevant expert reports have not been obtained/warranty been documented select NO and provide an explanation of what these factors were, and risks associated with them.  *Auditor Notes*  *Check filed documentation, noting which documents have been seen and their date.*   * *House builder warranties/CML cover notes must be available on completion.* * *This question applies equally to both look-back and in-year schemes.* * *Attachments are required only to support specific audit findings or to evidence any mitigating circumstances.*   *For more information, read* [*CFG – Procurement and Scheme Issues.*](https://www.gov.uk/guidance/capital-funding-guide/8-procurement-and-scheme-issues) |
| 5 | | Has provider obtained an independent valuation report for the site/property acquired?  If yes, provide valuation details (valuation method, date of valuation and property/land value).  *Auditor Notes*  *A valuation does not necessarily need to be undertaken by an individual/organisation external to the grant recipient organisation, provided that the valuer is a MRICS Registered Valuer and adheres to the standards within the CFG (for exceptions to this see CFG: Procurement and Scheme Issues – Valuations – Sales Valuations). In particular, when appointing an individual/organisation that is not fully independent of the grant recipient organisation, due consideration should be given to ensure there is no actual, or potential for, conflict of interest in the assessment of the valuation and that the grant recipient organisation is fully satisfied that any valuation provided will be impartial.*  *For more information read,* [*CFG – Programme Management – Reporting and audit requirements – Audit Requirements – Audit scheme file*](https://www.gov.uk/guidance/capital-funding-guide/6-programme-management)*, and* [*Procurement and Scheme Issues – Valuations*](https://www.gov.uk/guidance/capital-funding-guide/8-procurement-and-scheme-issues)*.* |
| **DEVELOPMENT** | | |
| 6 | | For owned and leased properties, has the provider obtained secure legal interest in the name of the grant recipient, as defined in the grant agreement/Capital Funding Guide.  If no, provide details.  *Auditor Notes*  *The provider must obtain secure legal interest prior to first grant claim.*  *For owned properties: Check exchange/completion dates of purchase contracts are prior to first grant claim and solicitor based evidence that completion has taken place at the agreed sum. Also ensure that the confirmation is dated post completion and the completion certificates or proof of ownership are dated before first grant claim.*  *For lease properties: Check for solicitor’s written confirmation that any letter is legally binding and the term of the lease is in accordance with published guidance.*  *For lease and repair properties: Check the lease covers a minimum five year term and is signed on agreed terms before first grant claim. If not, confirm in comments section if there was a legally binding letter confirming agreement to lease. For more information, read* [*CFG – Finance – Grant Claims and Payments.*](https://www.gov.uk/guidance/capital-funding-guide/9-finance) |
| 7 | | Does the land/property have either of the following?   * 'Good title' as defined in the CFG. * Defective title indemnity insurance in favour of the grant recipient, with a limit of indemnity equal to at least firm scheme grant for the site.   *Auditor Notes*  *Checks to include freehold, leasehold and any empty homes. Check solicitor’s report on title or lease if one has been prepared, and a copy of the Land Registry extract. Note that, where an acquisition grant claim is being made, the provider must have either the freehold or long leasehold interest prior to drawing down grant. A conditional interest and/or indemnity insurance would be insufficient. For more information, read* [*CFG – Procurement and Scheme Issues – Property title*](https://www.gov.uk/guidance/capital-funding-guide/8-procurement-and-scheme-issues)*.* |
| 8 | | Have all of the following been achieved prior to Start on Site being recorded on the IMS system?   * The main building contract/works order has been signed and dated * Contractual possession of the site has passed to the contractor * Start on site works have commenced   If any requirements have not been met, provide details.  *Auditor Notes*  *Have all of the following been achieved prior to Start on Site being recorded on the IMS system?*   * *The main building contract/works order has been signed and dated.* * *Contractual possession of the site has passed to the contractor.* * *Start on site works have commenced.*   *If any requirements have not been met, provide details.* |
| 9 | | Is/was adequate insurance in place during development to cover the scheme/site for the full cost of the works during development?  Provide full details of the insurance arrangements and clarify the adequacy of the arrangements for grant recipient and/or build contractor.  *Auditor Notes*  *Arrangements such as a group insurance that covers a portfolio value rather than specific property may be sufficient, where they provide adequate insurance cover for the full replacement value.*  *Where the provider is a developer and isn’t retaining ownership, the Deed of Adherence means that this question can be answered by the landlord.*  *Note, Homes England expects the insurance arrangements to cover all of the required circumstances set out in the CFG.*  *For more information, read* [*CFG – Procurement and Scheme Issues – Scheme types and requirements.*](https://www.gov.uk/guidance/capital-funding-guide/8-procurement-and-scheme-issues) |
| **POST-DEVELOPMENT** | | |
| 10 | | Was the Practical Completion certificate in place at the point of the Practical Completion being approved in IMS?  If no, explain the reasons.  *Auditor Notes*  *Check certificate date against the date final Practical Completion approved on the IMS system and that it corresponds to the building contract.*  *Check that CFG definition of Partial Possession/Practical Completion has been met where applicable.*  *For more information, read* [*CFG – Programme Management – Milestones – Practical completion*](https://www.gov.uk/guidance/capital-funding-guide/6-programme-management)*, and* [*CFG – Finance – Grant claims and payments – Final (Practical Completion) claim*](https://www.gov.uk/guidance/capital-funding-guide/9-finance)*.* |
| 11 | | Is adequate insurance in place to cover the completed scheme / site for it's full replacement value?  If no, explain the reasons.  *Auditor Notes*  *Arrangements such as a group insurance that covers a portfolio value rather than specific property may be sufficient, where they provide adequate insurance cover for the Full Replacement Value.*  *Where the provider is a developer and isn’t retaining ownership, the Deed of Adherence means that this question can be answered by the landlord.*  *Homes England expects the insurance arrangements to cover all of the required circumstances set out in CFG.*  *For more information, read* [*CFG – Procurement and Scheme Issues – Insurance requirements.*](https://www.gov.uk/guidance/capital-funding-guide/8-procurement-and-scheme-issues) |
| 12 | | For Affordable Rent, Social Rent, Rent to Buy and Specialist Rent properties – do expected rents/or rents being charged meet the requirements set out in the CFG?  If not a rent scheme, select “Not an Affordable Rent, Social Rent, Rent to Buy or Specialist Rent scheme”.  *Auditor Notes*  *For more information, read* [*CFG – Housing for Rent Section 4*](https://www.gov.uk/guidance/capital-funding-guide/4-housing-for-rent)*.* |
| 13 | | Were all necessary planning consents obtained by Practical Completion? i.e. Were all reserved matters/conditions precedent signed off by the planners prior to the completion of the scheme?  If no, explain the reasons, or select “No planning consents were required or reserved matters/conditions precedent" as appropriate.  *Auditor Notes*  *Check if all necessary consents have been obtained by practical completion stage of the site.*  *If not, seek evidence that:*   1. *steps have been taken to obtain them* 2. *the delay is only due to late issue by the Local Planning Authority, and* 3. *there is no known reason why consents won’t be given or issued*   *In the event of planning consent not being granted before audit, note the detail of planning condition discharge outstanding (if applicable) and attach planning approval notice for reference.*  *For more information, read –* [*CFG – Procurement and Scheme Issues – Planning Permission and Building Regulations.*](https://www.gov.uk/guidance/capital-funding-guide/8-procurement-and-scheme-issues) |
| 14 | | Were all the final certifications required under building regulations obtained by the grant recipient prior to site practical completion being approved on the IMS system?  If no, explain the reasons or select “No final certifications under building regulations were required”.  *Auditor Notes*  *Check all certification dates are prior to site practical completion.*  *If building regulations sign off has not been achieved at time of audit, note the regulation to be discharged and reason for non-discharge.*  *For more information, read* [*CFG – Programme Management – Milestones*](https://www.gov.uk/guidance/capital-funding-guide/6-programme-management) *and* [*CFG – Finance – Grant claims and payments*](https://www.gov.uk/guidance/capital-funding-guide/9-finance)*.* |
| 15 | | Where the Provider has entered into a management agreement with a managing agent, is it satisfied that:  • The agent is viable  • Its aims are compatible with those of the provider  • Appropriate capacity, experience and resources are available, in line with responsibilities  If no, explain the reasons, or select “No management agreement” as appropriate.  *Auditor Notes*  *Check filed evidence and IMS submission to substantiate.*  *For more information, read* [*CFG – Programme Management – Management arrangements.*](https://www.gov.uk/guidance/capital-funding-guide/6-programme-management) |
| 16 | | Do the management agreement terms allow the Provider to?   * Retain overall responsibility for scheme financial control * Monitor property condition and occupancy * Let rented homes on a written tenancy agreement between the Provider and the occupant * Issue the SO leases to purchasers   If no, explain the reasons, or select “No management agreement” as appropriate.  *Auditor Notes*  *Check filed evidence and IMS submission to substantiate.*  *For more information, read* [*CFG – Programme Management – Management arrangements.*](https://www.gov.uk/guidance/capital-funding-guide/6-programme-management) |
| 17 | | Where applicable, has the contractual requirement to register a restriction on title with Land Registry, indicating a requirement to gain Homes England consent to dispose, been met?  If no, explain the reasons, or select “No contractual requirement to register a restriction on title” as appropriate.  *Auditor Notes*  *Note the restriction would only apply where the URB is retaining ownership or where they have offered the land as security.*  *Check relevant grant agreement for details.*  *For more information, read* [*CFG – Programme Management – Milestones – General – Definitions – Unregistered Bodies.*](https://www.gov.uk/guidance/capital-funding-guide/6-programme-management) |
| 18 | | Where additional grant was attributed to MMC, has the provider used the required categories or used construction processes that achieve a PMV score of 55% or above?  Confirm categories used or PMV score.  If there has been no additional grant attributed to MMC then select "No additional grant was attributed to MMC" from the dropdown menu.  *Auditor Notes*  *For more information, read* [*CFG – Procurement and scheme issues – Modern Methods of Construction (MMC) categories for schemes*](https://www.gov.uk/guidance/capital-funding-guide/8-procurement-and-scheme-issues)*, and* [*Strategic Partnerships*](https://www.gov.uk/guidance/capital-funding-guide/14-strategic-partnerships)*.* |
| **SALE** | | |
| 19 | | Shared Ownership – Have all of the fundamental clauses set out in the Shared Ownership chapter of the CFG at Chapter 1, Shared Ownership section 5 (Leases) and section 11 (Model Leases) been included in shared ownership leases?  *Auditor Notes*  *Registered Providers developing grant funded homes on Shared Ownership terms must ensure that their Shared Ownership leases are mortgageable and contain Homes England’s required fundamental clauses.*  *Check the following:*   * *The correct model lease has been used* * *The correct fundamental clauses for the relevant funding programme have been used.* * *The fundamental clauses have been used in an unaltered state including no changes to the defined terms (Note: unless Homes England permission for a lease variation is held on file.* * *For homes funded through the AHP 2021 to 2026 that the Initial Repair Period is 10 years from the lease grant date*   *For more information, read* [*CFG – Shared Ownership – Leases and Model leases*](https://www.gov.uk/guidance/capital-funding-guide/1-help-to-buy-shared-ownership) *and* [*CFG – Shared Ownership – Reporting and Audit Requirements – Scheme Information.*](https://www.gov.uk/guidance/capital-funding-guide/1-help-to-buy-shared-ownership) |
| 20 | | Shared Ownership – Has the applicant(s) been referred for independent financial advice and has the Provider evidence on file of a suitable financial assessment of every applicant to determine the share they are able to purchase and their overall affordability?  *Auditor Notes*  *Check the following:*   * *The detailed affordability assessment for each purchaser has been carried out by qualified, regulated advisor or mortgage lender.* * *The share amount purchased has been recommended by a qualified, regulated advisor or mortgage lender.* * *A copy of the detailed affordability assessment for each purchaser should be held on file.*   *For more information, read* [*CFG - Shared Ownership – Affordability Guidance – Establishing affordability*](https://www.gov.uk/guidance/capital-funding-guide/1-help-to-buy-shared-ownership) *and* [*Shared Ownership – Fundamental clauses*](https://www.gov.uk/guidance/capital-funding-guide/1-help-to-buy-shared-ownership)*.* |
| 21 | | Shared Ownership – do purchasers meet the eligibility requirements in the CFG?  *Auditor Notes*  *Providers are ultimately responsible for confirmation of an applicant’s eligibility for Shared Ownership. As such, providers should conduct a thorough assessment of an applicant’s eligibility to ensure that all the relevant criteria are met. Any exception to the eligibility criteria should have the written agreement of Homes England which should be documented on file.*  *Please check the following:*   * *Evidence that each purchaser has met all the relevant eligibility criteria and that evidence of this is held on file.* * *Where an exception has been agreed by Homes England to any of the eligibility criteria, their written agreement should be held on file alongside all supporting documentation relating to this.*   *For more information, read* [*CFG - Shared Ownership – Application Eligibility.*](https://www.gov.uk/guidance/capital-funding-guide/1-help-to-buy-shared-ownership) |
| 22 | | Shared Ownership – have the rents been calculated according to the formula set out in the CFG – specifically 4.1 of the Shared Ownership chapter.  If no, provide details.  *Auditor Notes*  *Check filed evidence against the CFG Rents and Service Charges section.*  *Check the rents have been calculated according to the percentage of unsold equity outlined in the original bids. For example, if the bid outlined that rents would be calculated on 2.75% of unsold equity, this should be reflected in the rents at initial sale.*  *For new Shared Ownership homes funded via the AHP 2021 to 2026 the calculation of any annual sinking fund charge (included in the service charge and where relevant) should not include any external and structural repair work, expected or unexpected, within the first 10 years.*  *Check the following:*   * *Rents and service charges have been set in accordance with the requirements in the CFG for initial sale, rent increases and resale.* * *The requirement concerning ground rents where contracts have not been exchanged before 23 May 2022 for AHP 21-26 and SOAHP 2016-21 has been met. This includes OPSO.* * *For new Shared Ownership homes funded via the AHP 2021 to 2026, the requirement concerning the calculation of any annual sinking fund charge has been met.*   *For more information, read* [*CFG - Shared Ownership – Rents and service charges.*](https://www.gov.uk/guidance/capital-funding-guide/1-help-to-buy-shared-ownership) |
| 23 | | Shared Ownership – for the sale of homes, have the Key Information Documents (KIDs) been provided to the buyer no later than reservation stage, and provided to the buyer’s solicitor along with the memorandum of sale?  Has confirmation been received from the buyer’s solicitor that the KIDs have been provided to the buyer, or that confirmation has been achieved through one of the other possible means where there was potential for delay to the purchase?  If there has been no prospective purchaser then select “No prospective purchaser” from the dropdown menu.  **Auditor Notes**  For the sale of Shared Ownership homes funded through either the SOAHP 2016 to 2021 or AHP 2021 to 2026, providers are required to make available a suite of KIDs at the appropriate time to enable customers to make an informed decision on their purchase, or to enable them to compare different homes. Homes England has made available a suite of KIDs for each programme and for each Shared Ownership product type.  Please check the following:   * The correct KIDs have been prepared for the relevant programme and Shared Ownership product type. * The KIDs have been passed to the buyer no later than the reservation stage, and provided to the buyer’s solicitor along with the memorandum of sale. * Confirmation has been received from the buyer’s solicitor that the KIDs have been provided to the buyer or, if there is a possibility that this requirement could cause a delay to the purchase, that one of the other acceptable means of confirmation is held on file.   For more information, read [CFG - Shared Ownership - Key Information Documents for shared owners.](https://www.gov.uk/guidance/capital-funding-guide/1-help-to-buy-shared-ownership#:~:text=11.3%20Key%20Information,also%20be%20shared.) |
| **EMPTY HOMES** | | |
| 24 | For Empty Homes, is there evidence to confirm that the property is not an existing social home owned by the provider or another provider (e.g. local authority or housing association)? If no, provide details.  *Auditor Notes*  *Ensure supporting filed evidence.*  *For more information, read* [*CFG - Procurement and Scheme Issues – Eligible Properties (Lease and Repair).*](https://www.gov.uk/guidance/capital-funding-guide/8-procurement-and-scheme-issues) | |

complianceaudit@homesengland.gov.uk