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Our Ref: Response to Inspectors Letter
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6th October 2017

Mrs Carole Crooks
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FAO – Mr David Spencer, Inspector.

Dear Mr Spencer,

Response to Submission of ‘An Introduction to the Housing Infrastructure Fund (HIF)’

Thank you for the opportunity to respond to this submission.

The document sets out the two funding streams available through the HIF, these are:

- Marginal Viability Funding (bids of up to £10million)
- Forward Funding (bids of up to £250million)

I would like to confirm that the Council has submitted a bid of £8million for **Marginal Viability Funding**.

Page 10 of the document sets out the different timescales and processes for the two funds, for clarity an extract in detailing the Marginal Viability Funding process and timescale is detailed below.

How and when to apply for funding?

Marginal Viability bids will be assessed through a **one stage process**. Eligible local authorities can submit business cases online by **28 September 2017**. These will be assessed and funding awards announced from late 2017 or early in 2018.



The application was submitted on the 28th September 2017. An Outline Delivery Bid was submitted as part of the HIF submission in line with the application requirements. The Strategic Outline Business Case was not required as part of the supporting information and was therefore not submitted. The information published by DCLG on Marginal Viability Funding through the Housing Infrastructure Fund is attached at Appendix 1 for further information.

The Council is anticipating an announcement on the outcome of the funding bid by early next year. Therefore there are no concerns about the timing and process of this funding stream impacting upon the delivery of the Compact Grade Separated Junction, over bridge and Elwick bypass.

To ensure the deliverability of the Local Plan, the Council has agreed that, if grant funding is not secured, it will prudentially borrow funds required to implement the highway works to ensure that the delivery of housing is not delayed by the requirement for the Compact Grade Separated Junction, over bridge and Elwick bypass. The prudential borrowing would then be repaid via S106 Legal Agreements linked to the housing developments in the vicinity. Full details of the funding scenarios are detailed in EX/HBC/96.

Yours sincerely



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Department for
Communities and
Local Government

Housing Infrastructure Fund Supporting Document for Marginal Viability





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Housing Infrastructure Fund and Marginal Viability

Our ambitious policies in our **Housing White Paper** will mean more and better homes, welcomed by existing communities because they add to, rather than subtract from, what is already there.

The **Housing Infrastructure Fund** is a government capital grant programme of up to **£2.3 billion**, for new physical infrastructure which will unlock sites in the areas of greatest housing demand and help to deliver up to 100,000 new homes in England. Funding will be awarded to local authorities on a highly competitive basis.

This Fund will help to make new land available and get homes built.

The Housing Infrastructure Fund will:

- Deliver new physical infrastructure to support new and existing communities;
- Make more land available for housing in high demand areas, resulting in new additional homes that otherwise would not have been built;
- Support ambitious local authorities who want to step up their plans for growth and make a meaningful difference to overall housing supply; and
- Enable local authorities to recycle the funding for other infrastructure schemes, achieving more and delivering new homes in the future.

We recognise that different types of intervention are needed to put the right infrastructure in place and so there are two separate funding streams:

- **Marginal Viability Funding:** This will be used to provide the final, or missing, piece of infrastructure funding in order to get existing sites unblocked quickly or new sites allocated. We expect the infrastructure to be built soon after schemes have been awarded funding, and for the homes to follow at pace.
- **Forward Funding:** This funding will be used for a small number of strategic and high-impact infrastructure schemes. We may put in the first amount of funding, which then gives the market confidence to provide further investment and make more land available for development and future homes.

This supporting document provides detailed information on the **Marginal Viability** element of the Fund, how it works and how we will select which proposals to fund. It is to be read alongside the Introduction to the Housing Infrastructure Fund booklet.

There is a separate supporting document for **Forward Funding** which can also be found on the webpage:

www.gov.uk/government/publications/housing-infrastructure-fund

What types of proposals do we wish to fund?

The Marginal Viability Fund (MVF) is designed to get housebuilding started quickly on sites where the upfront costs of putting in the infrastructure are not stacking up financially. For example, this could be due to unforeseen costs for utility provision or abnormal site remediation.

These schemes will be well advanced – typically with planning permission in place for the infrastructure and the housing, and the majority of funding already secured or identified. Our funding will be used to provide the final, or missing, funding injection required to enable infrastructure to build out soon after schemes have been awarded funding, and for the homes to follow at pace.

Some **examples** are included on page 15 for information.

What does this mean?

For **local authorities** this is an opportunity to bid for a new stream of funding to help pay for infrastructure upfront and unlock additional housing in their area. Local authorities can also keep any costs recovered, helping them to achieve more housing delivery in the future. In return, we expect infrastructure works to start soon after the funding is provided, and for housing to follow at pace.

For **developers** this is an opportunity to work with local authorities on the timely provision of infrastructure, making development schemes viable. In return, we expect developers to do their share, make their financial contributions, and build out sites quickly.

For **local communities** this will mean that much needed supporting infrastructure is provided at the same time as any new and additional housing. In return, we ask communities to accept that more housing is needed if future generations are to have the homes they need at a price they can afford.

For **utility companies and infrastructure providers** this is an opportunity to help fund new infrastructure where and when it is needed, supporting the current position that existing bill payers are not asked to pay for future growth. In return, we expect infrastructure providers to deliver the infrastructure in a timely manner, working in partnership with local authorities and developers so that new homes can be delivered.

What will an eligible bid look like?

To be eligible for Marginal Viability Funding, bids must meet the following criteria:

1. Be from a single or lower tier local authority

All single and lower tier local authorities in England are eligible to bid for Marginal Viability Funding. This includes all unitary councils (including London Boroughs).

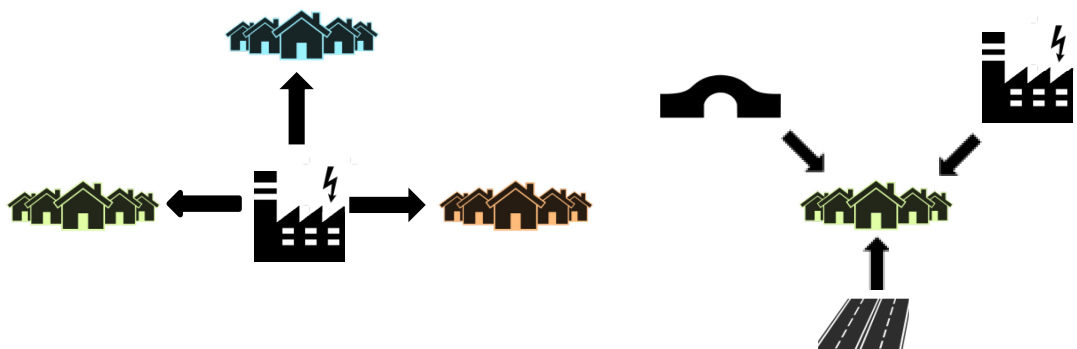
Ranking bids

We want local authorities to submit their most ambitious bids so that we can fund the best proposals available. Local authorities are therefore asked to **rank the bids they submit in order of priority**. When ranking bids, local authorities need to consider the degree of ambition in the bid, primarily in terms of the value for money and the number of additional homes; the strategic approach; and the deliverability of the infrastructure and homes.

When we assess bids against our criteria, we will look at the highest priority bid first. We may then assess the authority's lower priority bids in ranking order.

We do not expect local authorities to bundle together lots of different, small proposals into a single bid. Instead, we are looking for proposals that make cohesive sense.

For example, a bid could cover a single piece of infrastructure which will unlock one or more housing sites. Or it could cover multiple pieces of infrastructure, which then unlock homes in a specific location.



Bids are capped at £10 million

We expect to fund bids up to £10 million. The £10 million cap applies to the Housing Infrastructure Fund bid, and not the size of the overall scheme. We want Government money to go as far as possible and so we are looking for schemes to maximise private sector investment and for the majority of the funding to be in place or identified.

Higher levels of funding may be awarded **in exceptional cases** to bids that can demonstrate a transformational delivery of new homes.

2. Requires grant funding

Bidders will need to demonstrate that **the schemes cannot happen without the financial support of this Fund** but would still offer a net benefit to society. This means we require evidence of a demonstrable market failure and that developers, or others, are not able to pay for the infrastructure themselves. Demonstrating that grant funding is required also applies if the land is publicly owned.

A market failure could be caused by a range of reasons. Bids will need to set out who would benefit from the infrastructure, who will be paying towards it, why those benefiting cannot pay the full costs upfront, and what has changed since the land was purchased.

The amount of any funding award will take account of predicted cash flows for the schemes, expected developer contributions and the size of grant needed. In certain circumstances, we **may ask developers to open their books to us**, before any funding is awarded.

This Fund is not to be used when developers, or others, are able to pay for the infrastructure themselves. Nor is it to be used to bail out developers who have simply overpaid for land.

If a local authority is able to make efficiency savings or recover funding from developers and delivery partners in subsequent years, then this money can be retained and recycled in order to help them to achieve more housing delivery in the future. In return, if there are any cost increases, then the local authority, and their delivery partners, will be expected to find other sources of funding to meet such costs, rather than additional grant being provided through this Fund.

Please see **Annex 2** on page 18 for **technical guidance** on demonstrating market failure.

3. Delivers physical infrastructure

We will fund **physical infrastructure** that a local area needs in order to get homes built. The funding is for capital expenditure and bids will need to explain what physical infrastructure is being delivered. This could, for example, include:

- transport and travel
- utilities
- schools, community, heritage and healthcare facilities
- land assembly
- digital communications
- green infrastructure, such as parks and green corridors
- blue infrastructure, such as flood defences and sustainable drainage systems.

4. Supports getting an up-to-date plan in place

If we are to build the homes this country needs, we need to make sure that enough land is released in the right places, that the best possible use is made of that land, and that local communities have control over where development goes and what it looks like. The Housing White Paper sets out proposals to make sure every part of the country has an up-to-date, sufficiently ambitious plan so that local communities decide where development should go.

Local authorities need to reflect this in their Housing Infrastructure Fund bids:

- the local authority must have an adopted **up-to-date plan** (either a development plan or spatial development strategy) or a plan that has been submitted for examination; **or**
- bidders need to demonstrate that the funding will unlock the release of otherwise undeliverable land, which will **speed up getting the plan in place**.

5. Has support locally

We are asking communities to accept that more housing is needed if future generations are to have the homes they need at a price they can afford.

For Housing Infrastructure Fund bids, we are also asking local authorities to demonstrate that their infrastructure proposals have **support locally**.

This means we will seek evidence of a strong local commitment to delivery, including between different tiers of local government and with delivery partners and providers; the involvement of local communities and MPs; and engagement with Local Enterprise Partnerships.

6. Meets our spending timetable

This Fund is available up to 31 March 2021. When making funding decisions, we will take into account our funding profile for the £2.3 billion Fund. This includes funding in 2017/18 and so **we will prioritise announcements for strong schemes that can start spending straight away**.

When we make individual funding awards, we will announce the full funding amount for the scheme. We will also give an annual profile, which will need to be spent in the year allocated.

How will we assess bids?

All eligible bids will be assessed using three main criteria.

1. Value for money

We want to maximise the benefits from public money by funding the best value for money proposals that we can. We also want to ensure that all schemes funded provide a greater total net benefit than cost. When submitting bids, there will be a series of questions that follow the principles set out in the Green Book and the [DCLG Appraisal Guide](#). These will allow us to assess whether a scheme represents good **value for money**.

To do this, bids will need to provide a **Benefit Cost Ratio** (BCR) which quantifies the benefits from homes being built, and compares these to the costs to Government. All benefits and costs will be discounted at the standard rate of 3.5% per annum. Discounting is a technique used to compare costs and benefits that occur in different time periods. It is based on the principle that, generally, people prefer to receive goods and services now rather than later.

Calculating the benefits

We will use **land value uplift** in quantifying the net benefits of a proposal. This measures the difference of value from the land's current use to when it is used for housing and captures all private sector costs of development. For example, derelict ex-industrial land has a much lower land value than a thriving housing development.

We encourage local authorities to provide site level information of valuations as part of their bids. If these are not available, or not sufficiently robust, then we will instead use the Department's published estimates.¹

The next step is then to work out what proportion of the housing is likely to be **additional**. This will be based on an assessment of what would have happened anyway. This includes on the site without Government intervention (the 'deadweight') and in the wider area (so how many homes may be 'displaced' from other developments).

Calculating the costs

In calculating the BCR, we will take into account **the total amount of funding being provided by central Government**. This is to make sure we capture all of the costs to government, and do not double count the benefits where these may have already been captured elsewhere. This includes the amount sought from the Housing Infrastructure Fund and also any other central Government funding going into the same scheme. This does not include any funding put in by local government or by Local Enterprise Partnerships.

¹ <https://www.gov.uk/government/publications/land-value-estimates-for-policy-appraisal-2015>

We have created a '**Ready Reckoner**' to give local authorities an indication of how proposals will look from a value for money perspective. This is available on our website at www.gov.uk/government/publications/housing-infrastructure-fund.

Local authorities can look to put together a package of complementary central Government funding for schemes.

Please see **Annex 3** on page 19 for further technical guidance on our approach to value for money.

2. Strategic approach to delivering housing growth

We want to fund those schemes that take a strategic approach, with strong local leadership and joint working to achieve higher levels of housing growth in the local area, in line with price signals, and supported by clear evidence.

Proposals should:

- demonstrate **strong local leadership** in:
 - making more land available for housing development by delivering ambitious plans that address housing pressures as reflected in price signals. Where areas go beyond this, it will further strengthen their bid;
 - effective joint working between authorities;
 - the delivery of new homes;
- provide a clear **evidence-base** that the infrastructure would unlock significant numbers of new and better homes, taking into account local housing markets, areas of opportunity for growth, constraints holding back new housing supply, and making the most of all available funding streams;
- **diversify** the housebuilding market, for example by encouraging new market entrants and SME builders to deliver housing.

Effective joint working between authorities includes **working collaboratively across boundaries** to deliver new infrastructure and housing at scale and at pace. One example of joint working may be where an infrastructure proposal connects an authority which has high housing need but lacks suitable housing sites, with an authority which has housing sites and would benefit from connection with an area of greater economic growth.

Joint bids

We encourage local authorities to set out their approach to joint working and to submit **joint bids** where their housing or infrastructure needs align. All joint bids require a single local authority to be identified as the lead bidder. The lead bidder will then include the joint bid as part of their ranking.

Joint bids need to demonstrate that both, or all, local authorities are taking a strong and active role in delivering the scheme, including committing their own resources and being part of the scheme's governance and project management.

This reflects proposals in the Housing White Paper to see more and better joint working where planning issues go beyond individual authorities, building on the existing duty to co-operate.

3. The scheme and homes can be delivered

In their bids, local authorities will be asked to set out their **delivery plans** for both the infrastructure and the subsequent housing. We wish to see evidence that:

- there is a clear plan to deliver the infrastructure;
- there is a clear link between the provision of the infrastructure and the delivery of the homes; and
- all the key delivery partners are working together effectively.

As part of this, we will need to understand the local authority's key milestones, project plan, and any levers or contractual arrangements with key delivery partners or those operating in the local housing market. For instance, where a scheme involves a new road, we would expect the Local Highways Authority to support the bid.

Bids will be assessed on the relative deliverability of the proposed scheme – both for the infrastructure and the subsequent housing. This will, for example, include:

- the strength of the plans;
- the progress made to date;
- the status of planning permissions;
- the strength of active commitment from key partners and delivery bodies;
- the project management and governance approach;
- the understanding of key delivery risks and their mitigations;
- the number of critical dependencies, especially those outside of the local authority's direct control; and
- the nature of the local housing market and why the proposed delivery approach suits that market.

We will also work across Government to ensure the proposed infrastructure scheme aligns with Government approaches, we take a co-ordinated approach to investment, and decisions are informed by knowledge from relevant Government bodies, such as the Homes and Communities Agency, the Environment Agency, and Highways England.

Successful local authorities will need to agree a named lead and senior officer, who will be responsible and accountable for delivery of the infrastructure.

There could be circumstances where the infrastructure would be delivered by a different local government body than that submitting the funding bid. We would look for clear delivery commitment and engagement from all the relevant organisations and for a mutual agreement on which organisation would be best placed to be the accountable body for the funding.

Other considerations

We will prioritise schemes based on their impact against these main criteria, with an emphasis on value for money. We may also take into account our funding profile, the geographical capacity of an area to deliver the infrastructure development, and wider economic considerations.



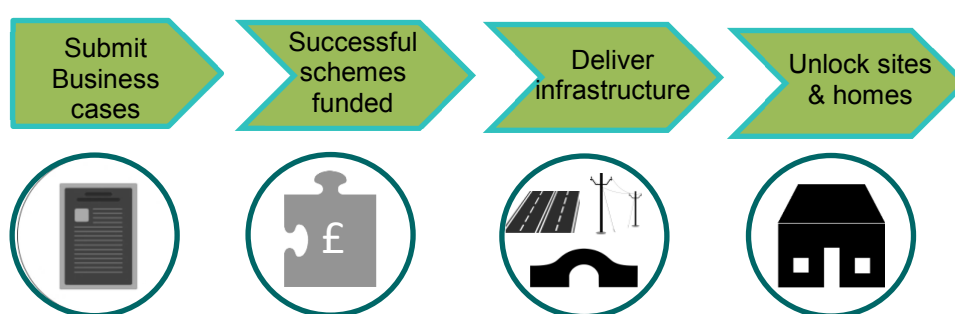
Next steps and submitting a bid

Marginal Viability bids will be assessed using a one stage process. Eligible local authorities need to **submit their bids online by 28 September 2017**.

The **online bidding form** will be made available on our website during July.

All bids need to be signed off by the **S151 officer**, who will provide assurance that the bid meets the requirements set out in this document and the relevant terms and conditions.

Bids will be assessed and funding awards announced from late 2017 or early 2018.



Help is available

Please go to www.gov.uk/government/publications/housing-infrastructure-fund to **access more support** and for contact details.

Our **Ready Reckoner** is also available online to give local authorities an indication of how proposals will look from a value for money perspective.

If you are interested in the strategic **Forward Funding**, please see the separate supporting document.

Terms and conditions

Grant payments

Over recent years, Government policy has been to free local authorities from some of the previous Governments' accounting and reporting requirements, and to devolve greater powers and accountability. There is also a statutory framework of legal duties and financial controls on local authorities, to ensure proper democratic accountability, transparency, public scrutiny and audit.

In line with that, funding will be awarded for individual schemes covering **the full duration** of the Housing Infrastructure Fund programme. Payments will be made six monthly under **section 31** of the Local Government Act 2003 and will be based on progress reports from the local authority. These will need to confirm that that delivery is on track and that there is a reasonable expectation that they will be able to spend the allocated funding on the infrastructure scheme that year. If the local authority

cannot provide adequate assurance, then Government retains the right to withhold the grant in that period and will work with the local authority to re-profile expenditure to match the anticipated spend profile. A small number of grant conditions will apply, covering:

1. The money is to be spent on capital;
2. The scheme will deliver by an agreed date. Otherwise, the Department can recover any unspent funding;
3. Any costs saved or recovered are retained by the local authority and to be used for further housing delivery; and
4. The Local Authority will assure Government on delivery through proportionate regular reporting on progress.

Individual timings and assurance approaches will be developed in discussion with local authorities ahead of any grant determination being issued.

Engagement and monitoring

We need to ensure that we are making the best funding decisions and getting the best outcomes for taxpayers. We therefore ask successful local authorities to help us to review how well the funding is working and **achieving results**.

We will work with successful local authorities to agree a proportionate approach to providing information on key achievements, such as:

- Spend
- Delivery of infrastructure
- Delivery of new homes.

Legal requirements and procurement of third parties

Local authorities are responsible for ensuring that any funding they are awarded will be spent in accordance with **all applicable legal requirements**. This includes state aid, public procurement law, wider public law (including the Public Sector Equality Duty), and planning law.

Any development decisions for specific proposals must go through the **normal planning process** and be guided by development plans, taking into account all material considerations. As part of the bidding process we will be seeking assurance of this.

The responsibility for **procuring infrastructure** rests with the local authority. Where a local authority chooses to loan or pay money to developers or contractors to secure infrastructure delivery, it will be for them to construct and agree the terms under which this transfer of money occurs and to ensure they comply with public procurement law and state aid requirements. The local authority will also be responsible for ensuring the recipient delivers on that agreement, and for taking any follow-up enforcement action.

Annex 1: Examples

We anticipate receiving bids for a range of types of infrastructure required to unlock housing. These are examples of Marginal Viability proposals that would work well against our assessment criteria. However, the Fund is highly competitive and bids will be chosen based on those which perform best against the published criteria.

Example 1: New Link Road

Scheme with single piece of infrastructure unlocking multiple housing sites							
Site type: Brownfield				Housing market strength: Medium			
Infrastructure needed	New link road	Number of homes	3,000	Funding requested	£5 million	Total scheme cost	£35 million

The proposal would enable the delivery of five key housing sites in the area, unlocking at least 3,000 new homes, by providing funding to put in a new link road.

The total scheme will cost £35 million with £15 million coming from the private sector (through Community Infrastructure Levy and Section 106 payments) and £15 million allocated from local public funding. However a £5 million gap has been identified due to the high costs of infrastructure which cannot be met through other funding sources. £2 million of this is needed in the financial year 2017/18 and the remaining £3 million in 2018/19.

An independent assessment has indicated that housing development would stop at about 600 new homes if the link road is not built, falling short of an ambitious local plan trajectory.

There is local support for the link road, including from two local MPs, because existing roads are heavily congested, particularly around the local primary school. The scheme has strong local leadership and commitment from within both local authorities and with the Local Enterprise Partnership.

The link road is part of a wider vision to connect different strategic travel hubs and economic areas. For this reason, two neighbouring local authorities have submitted this as a joint bid. One of the housing sites is being developed by an SME builder, partly through direct development and partly through a contractual arrangement with a local community of custom builders.

There is a robust delivery plan, clear project management, and contractors are already engaged. All homes either have planning consent or are allocated in the local plan, and developer procurement is well progressed. The local authority has contractual arrangements with the developers who will meet a pre-agreed build-out rate. Funding recovery and recycling by the local authority can be expected if the developer makes a higher than expected profit.

The proposal shows good value for money, and the additionality of the homes is medium.

Example 2: Flood Defences

Scheme with single site requiring multiple pieces of infrastructure to unlock							
Site type: Brownfield				Housing market strength: High			
Infrastructure needed	Flood defences; remediation; public realm	Number of homes	1,400	Funding requested	£8 million	Total scheme cost	£135 million

The proposal would enable the delivery of a priority housing site for the area, unlocking at least 1,400 new homes, by providing funding to overcome difficult and costly infrastructure requirements including: flood defences; extensive remedial works; and public realm works.

A developer is already on board; however they have been unable to continue with the development due to the substantial infrastructure requirements. These could not have been known at the time of purchase and were highlighted following more detailed site investigations.

The total scheme will cost £135 million with £120 million coming from the private sector. However an £8 million gap has been identified which cannot be met through other funding sources.

Enabling the scheme will also act as the catalyst for re-development of an adjoining site delivering an additional 200 homes. The flood defences are also a key component of the local authority's wider strategic vision for the town in line with their local plan.

Outline planning consent for the masterplan, and detailed consent for the infrastructure is expected within six months of grant awarded. The related infrastructure works are expected to start on site next year with housing starts following within six to seven months.

The developer is keen to see the site delivered quickly and is considering options, with the support of the local authority and local stakeholders, to diversify the tenure mix of the development to support increased build-out rates.

This proposal shows good value for money and the additionality of homes is high.

Example 3: Land Remediation

Site type: Brownfield				Housing market strength: Medium			
Infrastructure needed	Land assembly; site access; public realm and land treatment works	Number of homes	2,000	Funding requested	£10 million	Total scheme cost	£300 million

The scheme will enable the delivery of a local plan site, unlocking at least 2,000 new homes in a city centre location, by providing funding to overcome a number of barriers, including site assembly and site access.

The majority of the site is rail locked and the provision of new and reconfigured road infrastructure will provide the necessary access into the site to release capacity and facilitate delivery of the development. Land which will provide a key point of access for the site is owned by a third party who does not wish to take forward the development themselves. Due to the high infrastructure costs no willing purchaser has been found. Funding is required to purchase the land in order to make sure this integral part of the site does not prevent the full potential of the development being realised.

Upfront infrastructure requirement costs have previously rendered the scheme unviable. However through a recent re-design of the site access, the costs have significantly reduced. £240 million of private sector funding has been identified along with further public sector investment. Despite the substantial amount of private and public investment a £10 million gap has been identified due to the significant clean-up costs of the brownfield land which cannot be met through other funding sources

The scheme has significant support from the Local Enterprise Partnership and the local authority is engaged with Network Rail with a governance board established to provide support.

The scheme has a masterplan and is identified as a key strategic site for the area. Planning applications for the whole site and the infrastructure will be submitted shortly. The spend profile for the required funding is in-line with the Fund requirements and will be drawn between 2017 and 2021.

The proposal shows an acceptable value for money, and the additionality of the homes is medium.

Annex 2: Technical Guidance on Demonstrating Market Failure

Market failure occurs where the market alone cannot achieve an economically efficient outcome. In the case of schemes that are eligible for marginal viability funding, this will occur when there is a need to provide infrastructure that no one developer would be able or willing to fund on their own, but may also mean resolving a failure of co-ordination between developers. The Treasury's [Green Book](#) provides further guidance on what constitutes market failure.

Bidders will need to demonstrate that the need to deliver infrastructure has caused a viability gap as we will use this fund only to pay for infrastructure where the market is unable to provide it. We only want to fund schemes that are able to demonstrate that providing this infrastructure will unlock new housing.

Bidders will also need to demonstrate that this market failure has occurred since the site was acquired, and identify a clear 'trigger event' that caused the site to become unviable. We will not use this fund to compensate developers who have simply overpaid for land.

Potential bidders should bear in mind that not all factors that prevent development are market failures. For example, if the revenue from a development is too low to justify the costs of construction, or a site is too risky to secure private finance, then developing housing may not be the best outcome for that site or a good use of Government funding.



Annex 3: Technical Guidance on Demonstrating Value for Money

The economic appraisal will be based on the present value economic benefits of a scheme, divided by its present value costs to central government. This will generate a benefit cost ratio. The two elements of this are described below.

Economic benefits

The Housing Infrastructure Fund is targeted at unlocking the economic benefits from new housing. We will quantify these economic benefits using **land value uplift**, which represents the economic benefits of converting land into a more productive use. Land value uplift is calculated by the difference between the value of the land in its new use, minus the value in its previous use.

Where bidders are able to provide alternative site specific land values, these may be used instead, providing government can be assured that the calculation of land value uplift is consistent with DCLG Appraisal Guide.

If site valuations are not available or not sufficiently robust, **the Department's published estimates are to be used.**² These are based on Valuation Office Agency data and provide the value of residential land by local authority and industrial and agricultural land by region. These are produced for the specific purpose of economic appraisal and provide a consistent estimate of economic benefits across different areas.

The total land value uplift on a site will provide the gross economic benefit. It will then be necessary to estimate how much of this economic benefit is genuinely **additional**; that is, how much development would have occurred in the absence of the intervention. Two elements of additionality should be considered:

- Firstly, the **deadweight**, which in the context of the Housing Infrastructure Fund will refer to development that would have happened on the site without government intervention. This may, for example, reflect that some portion of a site could be developed without the infrastructure funding. It may also reflect that the infrastructure funding will only accelerate development on a site, in which case the deadweight will be very high. Estimating the proportion of the benefits which are deadweight will be based on the characteristics of the specific site, and will be a judgement that must be made and justified by the local authority that is submitting the bid.
- Secondly, the **displacement** caused by a site must be considered. This reflects two possibilities; firstly, that bringing forward a new site within a local housing market may crowd out other private sector investment; and secondly, that new sites being unlocked by new infrastructure may prevent other new sites coming forward through the planning system, if a local authority is already meeting its local plan housing requirement. Typically, market

² <https://www.gov.uk/government/publications/land-value-estimates-for-policy-appraisal-2015>

displacement will be higher where a local housing market is weak and house prices will be low. Displacement in the planning system will be lower if a local authority is trying to actively increase the amount of land brought forward for housing. The extent of displacement will be judged based on the information provided by the local authority, and data about the local housing market.

Quantifying additionality is not a precise science. Using the factors above, we intend to group bids in approximate additionality categories, based on the values below:

Additionality	% estimate
High	75%
Medium high	50%
Medium low	25%
Low	10%

Calculating costs

In appraising costs, we will only take into account costs on central government. This will reflect both spend from this fund, and any other funding that has been received from central government. This will not reflect any money spent or recovered by the local authority or by a Local Enterprise Partnership.

All costs and benefits will be discounted at the standard rate of 3.5% per annum. This will tend to favour delivery sooner rather than later.

Further help

More information is available in the HM Treasury Green Book, including the supplementary guidance on Valuing Infrastructure Spend, and in our [DCLG Appraisal Guide](#).

We also encourage local authorities to test the value for money of their Housing Infrastructure Fund proposals using our [Ready Reckoner](#).

