

## **Annex A – Investment Fund**

### **A) Introduction:**

#### Policy Context and objectives of the PSL programme

1. In 2011 the Prime Minister announced the Government's ambition to dispose of surplus public sector land with the capacity for 100,000 homes to help deliver an immediate impact on the number of homes being built.
2. The purpose of the surplus public sector land programme is to accelerate the disposal of surplus public sector land to developers. The Autumn Statement provided support for this programme – with £290m recoverable funding to support a targeted programme to bring sites forward for development and get them to market through a targeted programme of acquisitions by the HCA and investment in sites.

#### Rationale / Objectives of the Investment fund (£190m)

3. To reduce the risk associated with bringing the sites to market, a £190m investment fund has been made available. The fund aims to support Government land-owners (including NHS Trusts) to reduce site-specific risks, for example, lack of infrastructure provision, site decontamination, demolition, asbestos removal, site ensuring clear title, some planning works etc. This should increase the probability of effective disposal. The landowner should demonstrate recognition of any local issues and ensure sufficient local engagement is embedded in the process.

#### Overview of the fund

##### ***Eligibility Criteria***

4. The fund can be invested in sites in England that are:
  - A) Already in the programme for disposal by 31 March 2015 where the landowner is able to evidence that investment will accelerate or reduce risk of disposal; or
  - B) Additional to the existing programme where the landowner can demonstrate that the investment will allow disposal prior to 31 March 2015.
5. Sites will be owned by central Government departments, their agencies, public corporations and NDPBs and NHS trusts. Local authorities are outside the scope of the fund as its purpose is to support the disposal ambition on central Government land.
6. Where the landowner is already working with a private partner on the site, any application for investment funding should come from the landowner, which will need to consider whether and how this investment impacts on any existing contractual arrangements.

7. The fund will be used to de-risk sites to increase marketability and certainty of disposal. It is for investment in remediation, infrastructure, access, demolition, site surveys / assessments and / or some planning works (or other investment if the department can demonstrate it will achieve A or B above and can be recovered). Investment must be capital. The fund is not intended to support costs related to operational costs / uses. The fund cannot be used to support relocation or re-provision of existing facilities.

Points to note:

8. DCLG would have first call on receipt to recover investment fund. The funding will be recovered within an agreed period – as agreed with HCA (see below). The full amount of investment is expected to be recovered. In the event of a non-sale, the fund is expected to be returned at the agreed point and usually no more than a period of 4 years.
9. The funding must be spent by the Government landowner within the agreed year, latest by close of 2014/15 financial year.
10. Through the funding letter/agreement landowners will agree to a timetable of investment and disposal for the site. Landowners will be expected to keep to these timescales.
11. The landowner will be expected to sell the site or enter into a conditional contract by March 2015.
12. The funding must not be used in a way that constitutes unapprovable State aid. In the event that it is deemed to be unapprovable State aid, then the funding will be repayable immediately.
13. The landowner will incur a charge against budget when they invest the money to prepare the land for sale.

***Assessment (Criteria)***

14. Priority will be given to those sites which offer (in relation to number of units):
  - **Highest certainty of disposal** by 2015 (what investment creates value and certainty).
  - **Greatest site risk reduction or acceleration** of disposal.
  - Greatest certainty over **ability to achieve spend**.
  - Greatest certainty around recoverability (**100% recoverable**).
  - **Value for money** – to allow maximisation of the number of units supported.

15. Proposals will be expected to include evidence relating to the above. This will include:

- Project plan for investment (eg if infrastructure works are to be funded, milestones for planning, procurement, works, etc).
- Plan for disposal: setting out a clear route to market (in particular clear milestones in relation to being declared surplus and resolving any operational issues on the site) and / or clear route through planning (milestones etc). Disposal milestones. Plans will need to demonstrate *how* the investment will increase the book value.

### ***Investment recovery***

16. The value invested from this fund will be paid back by the NHS trust at an agreed point in time within 4 years from spend. This will be agreed with HCA.

17. As the investment fund is to be allocated to Government landowners (in this case, NHS trusts), it will not charge interest.

18. Responsibility for slippage of costs between years and overrun of costs will be the responsibility of the landowner in receipt of funding and not DCLG. As explained above, the fund will be expected to be repaid at a point as agreed with by HCA (and usually no more than 4 years from spend). Funds will not be paid out in advance of need. The landowner can only draw on funds at the point that costs are incurred. If costs under-run the money should be paid back to HCA /DCLG as soon as is possible.

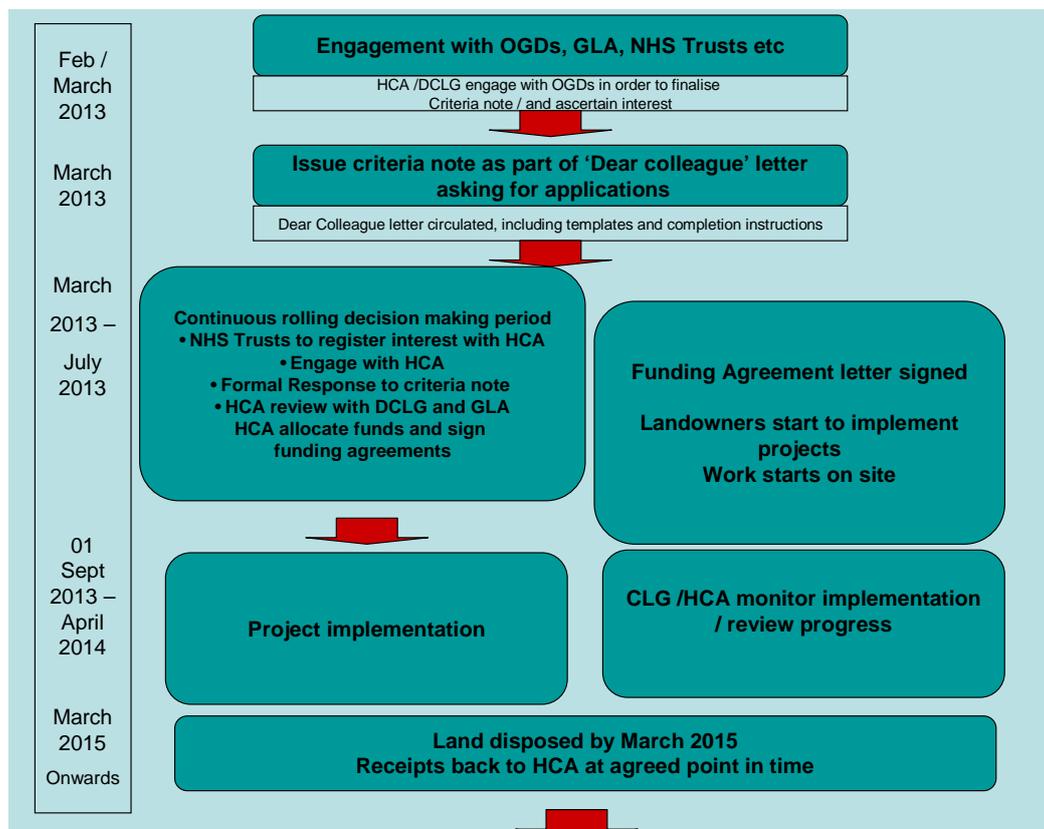
### Process

19. Alongside on-going engagement, we are now circulating an outline of the process and criteria. We urge you to apply as soon as possible and in the first instance, complete the attached Register of Interest (Annex C) and send to the HCA at [surplushealthsites@hca.gsi.gov.uk](mailto:surplushealthsites@hca.gsi.gov.uk) by 30 April 2013. The HCA will then make contact to before you provide the full information required in Annex C of this document – full information required. NHS Trusts should submit the additional information requested (see section C and D) as soon as they are ready and no later than 31 August 2013, with a rolling cycle of assessments and decision-making running from April to September 2013. Continuous engagement throughout this period aims to ensure a robust assessment against criteria and allow proposals that require additional time the flexibility to provide evidence.

### London

20. The Fund will be allocated across England (ie not pre-allocated by geography) and sites should be put forward to the HCA. Where sites are in London, the HCA will consult with the GLA and involve the GLA in the decision-making process. HCA will enter into funding agreements with sites in London subject to delegation by GLA.

## B. Assessment process



## C. Evidence required

### 1. Applicant:

- Name of organisation.
- What are your contact details?

### 2. Site

- What is the site?
- What is its address?
- What is the housing capacity for disposal in the SR following this investment?
- Is it

A) already in the programme for disposal by March 2015 where the central government landowner is able to evidence that investment will accelerate or reduce risk of disposal; or

B) additional to the existing programme where the central government landowner can demonstrate that the investment will allow disposal prior to 31 March 2015.

### 3. Investment

- What is investment going to be spent on?
- Provide a breakdown of costs.

- Provide milestones for delivery of the investment spend by March 2015

#### 4. Disposal

- What is the evidence that this investment will de-risk or accelerate disposal?
- Provide milestones for disposal (including marketing strategy).
- When will a disposal<sup>1</sup> be scored? (When will you enter into a conditional contract?)
- What is the anticipated market for the site?
- What are the risks to disposal and how will these be managed? (How will you ensure the site is attractive to the market?)
- What are the local level risks and how will these be managed?

#### 5. Investment recovery

- What is your current forecast receipt for the site – ignoring the investment?
- What would be the forecast receipt post investment? (ie what would be the impact of this investment on the receipt?)
- When will receipts be scored and on what basis (eg unconditional contract / impacts of deferred receipts)?
- When are actual receipts expected?

#### **D. Due Diligence and additional information required**

#### 6. Through the due diligence process we will seek to:

- Test the delivery programme for the investment.
- Test the disposal plan and marketing strategy in particular the likelihood of disposal by 2015.
- Consider the impact of the local market and other local issues on the above.
- Understand the timing of receipts and the risks around these.
- Identify the minimum funding needed for disposal.
- Test the additionality of the investment sought.
- Agree the form of Homes and Communities Agency investment.
- Ensure maximum potential for recovery of funding.
- Maximise value for money.
- Understand partner roles and responsibilities.

---

<sup>1</sup> disposal is defined as *The earliest of freehold disposal, grant of long lease exceeding 99 years, other transfers of land & risk, grant of building lease, conditional disposals or where a developer is selected and obligated to build out or sell on the land and the land owner is contractually obligated to release the land.*

## **Annex B – Acquisition Fund**

### **Q&A: Public land acquisition (NHS) - For NHS Trusts and Foundation Trusts<sup>2</sup>**

#### **Q. Is this a transfer or acquisition?**

A. This is an acquisition.

#### **Value**

#### **Q. What value will be paid?**

A. The assets will be valued on a market value basis, according to the current RICS Appraisal and Valuation Standards (“Red Book”) 8th Edition (and any subsequent Red Book revisions applicable as at the date of valuation), with compliance with the Red Book valuation standards in so far as these are compatible with HM Treasury Financial Reporting Manual (FRoM).

#### **Q. How will valuations be carried out?**

A. The HCA will commission the valuation on the basis of terms agreed with the trust and with valuers to provide a duty of care to the trust (or other similar arrangement). Trusts should work collaboratively with the HCA to agree the basis upon which valuers are appointed. The HCA will fund the valuation.

#### **Q. If the Market Value at the date is lower than book value – who will bear the write down?**

A. The Trust.

#### **Q. Will overage be applicable, if not how will our receipts expectations be met?**

A. Managing Public Money (A.4.8.13) sets out guidance on overage:

*"A.4.8.13 Exceptionally, certain sales to the Homes and Communities Agency (HCA) (replacing English Partnerships) may include overage. The only circumstances in which overage is acceptable are where:*

- HCA intends to sell the property to a private developer for housing development within two years;*
- there is a realistic prospect that selling through HCA will improve the outcome for housing policy, eg by creating an aggregate site;*
- the Accounting Officers of both the selling public sector organisation and HCA are convinced that, in this transaction, overage offers value for money for the public sector as a whole;*
- the development gains is to be split equally between the selling organisation and HCA; and*
- the Treasury agrees."*

---

<sup>2</sup> Note NHS Property Services Ltd sites are covered under central government Q&As for Department of Health

Trusts should contact the HCA if they consider overage should apply.

**Q. VAT**

A. HCA will opt to tax all sites on acquisition.

**Due diligence**

**Q. What is the due diligence process?**

A. HCA will carry out further due diligence. We require disposing trusts to cooperate and make relevant personnel and documents available. This will include:

- Full disclosure of liabilities
- Information about budgets (holding costs, disposal fees, investment)
- Contracts (including reviewing contracts that may be live at the time of acquisition)
- Red line boundaries
- Vacant possession and responsibility for occupations re-provision
- Legal issues
- Crichel Downs
- Planning history
- Surveys and other Studies
- Known investment requirements / endowment liabilities
- TUPE

**Full disclosure**

**Q. What responsibility will Accounting Officers be asked to take?**

A. Trust Accounting Officers will be asked to sign off the due diligence schedule before acquisition. Disposing Trust Accounting Officers will be responsible for non-disclosure.

**Vacant possession / surplus**

**Q. What happens if the site continues to be occupied for operational purposes post acquisition?**

A. HCA is not looking to take on operational responsibilities. One option is to agree to sell and exchange contracts conditionally with contracts to complete on the date at which the site becomes vacant.

If a site remains occupied, the HCA and the trust will agree the marketing process. Both parties will need to ensure that there is clarity about where beneficial ownership sits.

**Q. We have not yet announced the site as surplus**

A. Trusts are asked to ensure that before acquisition, announcements have been made that each site is surplus and will be acquired by HCA,

### Annex C - Register of Interest

<b>1. Trust Name</b>	
<b>2. Site Name</b>	
<b>3. Site Address</b>	
<b>4. Trust Contact</b>	Name: Position: Email: Phone Number:
<b>5. Do you have a preference for either Acquisition or Investment fund support or are you not sure at this stage?</b>	
<b>6. If you are interested in acquisition by the HCA, are you able to say when the site would be available to acquire?</b>	
<b>7. If you are interested in the Investment Fund are you able to indicate which work elements this may be needed for?</b>	
<b>8. Please indicate the size of site that is surplus or potentially surplus (hectares) and the estimated housing capacity if known? If you do have a site plan showing the boundary of the site, please attach it to the email. If these details have previously been provided via the Information Centre, please provide the unique ID reference number for the site.</b>	
<b>9. Are there any re-provision issues which are affecting the land being released for housing use?</b>	
<b>10. Is there any other information you wish to include before the HCA contacts you?</b>	

Please return the completed form to [surplushealthsites@hca.gsi.gov.uk](mailto:surplushealthsites@hca.gsi.gov.uk) by 30<sup>th</sup> April 2013.

By registering your interest this does not commit the Trust or the HCA to acquiring a site or providing investment support.

## **Annex D - Free Schools and Business Incubators**

### **Free Schools**

1. The Government expects all Government Departments to give the Department for Education (DfE) advance notice of all vacant buildings/sites that might be suitable for Free Schools.
2. To support this initiative, the Department of Health will be providing DfE with details of those properties identified as surplus or potentially surplus in the recent data collection. However, we would encourage all NHS trusts to advise DfE as new properties become surplus to requirements. We would also encourage NHS trusts to provide DfE details of vacant (or partly vacant) buildings that will remain available for at least six months which might be suitable for use as a Free School, on either a permanent or temporary basis. This is an on-going initiative and NHS trusts are asked to continue to support it.
3. DfE will assess each site on its merits, but the following provides a general guide as to the size:
  - From 1000m<sup>2</sup> for a 1 form entry (equates to around 200 pupils with 1 class in each year group) primary school
  - Around 2000m<sup>2</sup> for a 2 form entry (2 classes in each year group) primary school
  - From 4500m<sup>2</sup> for a 4 form entry (4 classes in each year group) 11-16 secondary school
  - Around 8000m<sup>2</sup> for a 3 form entry (3 classes in each year) all-through (primary and secondary) school
4. The sites could be leasehold or freehold. PFI should not be ruled out either. It should be emphasised that the DfE would prefer that you send details of properties even where you feel that they do not quite fit into the above criteria.
5. The type of buildings previously considered include:
  - Clinics, health centres, day centres and hospitals
  - Offices
  - Training centres
  - Ambulance stations
  - Care facilities, hotels and hostels
  - Churches
6. Market value would normally be paid, although there may be instances where the wider public benefits might be considered.
7. Details should be sent direct to Jo Bewley ([jo.bewley@education.gsi.gov.uk](mailto:jo.bewley@education.gsi.gov.uk)) or Bo Emecheta ([bo.emecheta@education.gsi.gov.uk](mailto:bo.emecheta@education.gsi.gov.uk)) at the DfE

## **Business Incubators**

1. To help small businesses get off the ground, the Government has announced plans to make empty and under-used Government office space available to small businesses so that they can start up and grow.
2. Many entrepreneurs struggle to find a suitably flexible and affordable space to start their business, so this practical measure taken by the Government will support the next generation of British businesses.
3. There are currently over 300 buildings in the central government estate with space in England and the Government, working in co-operation with landlords, will offer as much of this space as possible to small businesses, giving them space to grow at a low cost. The Government will invite third sector incubation organisations, who help new and existing small businesses prosper, to manage and allocate these spaces. These organisations will also provide the businesses with access to support and business advice.
4. NHS organisations are asked to support this initiative by reviewing its property and identifying accommodation that could host a business incubator.
5. Further information on Business Incubators can be obtained from [simon.morys@cabinet-office.gsi.gov.uk](mailto:simon.morys@cabinet-office.gsi.gov.uk), 07733 485932.