



Homes &
Communities
Agency

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Department for
Communities and
Local Government

Large Sites Infrastructure Programme - CME

Prospectus

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Introduction

1. Locally-led large scale housing schemes are a key vehicle for meeting the Country's housing needs. By definition they are complex, needing to resolve multiple issues, but they also provide an excellent opportunity to deliver economic, social and environmentally sustainable places which make a positive difference to local communities.
2. Many of these schemes face a number of barriers that are hampering their progress. For some, moving smoothly forward through the planning process can be a challenge due to the specialist and technical skills required to deal with the complexities schemes of this scale present. For others improving the co-ordination of advice and potential sources of funding from across Government may be a key issue. Moving towards the delivery stage, schemes may be ready to go but cannot raise the significant upfront capital that is needed to pay for major infrastructure - roads, bridges, schools, utilities, power supplies - the fundamental structures that need to be in place up front to support major housing schemes. This has meant that many major housing schemes are unable to progress as quickly as needed.
3. In April 2014 the Large Sites Infrastructure Programme was launched to help **accelerate and unlock** housing developments of at least 1500 housing units that have slowed down or stalled completely. The programme was designed to create a sustainable pipeline of locally-led large scale sites coming through the development process to delivery to provide a medium to long term boost to housing growth. We are also keen to support developments that follow the principles and design of Garden Settlements.
4. This Prospectus triggers the start of Continuous Market Engagement and invites Expressions of Interest for the financial element of this programme (LSIF), with the ATLAS support and Brokerage elements also remaining on offer.
5. A key element of the programme is its long term nature. The intention is to run Continuous Market Engagement to the end of March 2020 to allow schemes to come forward for support at the point that it is needed and enable a robust and well informed picture of locally-led large scale development activity to be established, allowing a more co-ordinated and strategic level of support. This Prospectus sets out what support is available and how to access it. More details of the support are set out in later sections but, in short, the Programme comprises:-
 - ***Access to expert planning and technical support and advice to help schemes progress from conception through to planning consent.***
 - ***Dedicated brokerage support from central Government to help resolve barriers that are preventing schemes from moving forward.***
 - ***Access to a £1bn Local Infrastructure Fund to enable delivery of the major infrastructure which is needed to get housebuilding underway.***

The Support Package

6. The Large Sites Infrastructure Programme comprises a support package that can be tailored to the individual circumstances of a scheme, with the elements of the package designed to be complementary and able to support schemes at various stages of the development process. The different types of support available through Continuous Market Engagement and eligibility criteria are set out below. Applicants can bid for a single element, or a combination depending on need. The Programme will operate for England only and will be managed by the Homes and Communities Agency. For any schemes that come forward in London, the Greater London Authority will be engaged and views taken into account. In line with national planning policy the support package will not apply to schemes on Green Belt land or other land with special environmental protections. This prospectus is offering the following package:-

Advice and Brokerage

What's on Offer?

For those schemes that are at an early stage but need expert advice/support to resolve outstanding issues/barriers to move forward:-

- **Access to direct planning and technical support;** where schemes are in the process of being developed and/or there are outstanding planning and related technical issues that are preventing progress of a scheme direct targeted support may be available through the HCA through their Advisory Team for Large Applications (ATLAS) to help resolve these issues. More information on this is included at Annex D.
- **Access to brokerage support** from central Government and the Homes and Communities Agency to assist sites in overcoming regulatory, cross government investment and relationship barriers to delivery.

Eligibility criteria

This element of the support package is available to schemes which are 1,500 units or over in size, and which can demonstrate **local support** through a clear willingness from the Local Planning Authority to adopt a positive planning approach to move the relevant scheme forward. Both Local Authorities and private sector partners are eligible to apply.

Support will be operated on a continuous market engagement basis, subject to availability. All Expressions of Interest are to be made to the HCA (details on page 9). Expressions of Interest for planning and technical support will be considered and prioritised by the Advisory Team for Large Applications (see more detail in Annex D). Expressions of Interest for brokerage will be sent to the Department for Communities and Local Government to consider and prioritise.

Large Sites Infrastructure Fund

What's on offer?

For those schemes that are at the point of being ready to start development but require capital investment to deliver up-front infrastructure

A £1bn Local Infrastructure Fund for locally-led large schemes - Access for private sector developers to a £1bn recoverable capital investment fund. Loans will be made available to deliver the significant infrastructure that such schemes require. The main aim of the fund is to accelerate delivery of new housing and it is not intended that the fund be used for demolition purposes on a large scale.

Investment Finance will usually be in the form of a **loan offered** with an appropriate interest rate applied in accordance with the State Aid matrix (see Annex A for detail). Other forms of investment will be considered if necessary in order to maintain flexibility and enable bespoke packages of support to be developed where needed provided the investment is state aid compliant.

Eligibility criteria

To be eligible for funding schemes must comply with the following terms:-

- Be 1500 housing units and over.
- Be submitted by a private sector partner.
- Able to demonstrate **local support** through either having at least outline planning consent, or the site being designated for development in an adopted local plan.
- Have support from the relevant local authority (the Homes and Communities Agency will test this with the local authority).
- Funding will be provided on a recoverable basis (with funds returned to the Homes and Communities Agency). An appropriate rate of interest will be applied (detail provided at annex A).
- Appropriate security for the investment should be in place. Further information on the types of acceptable security, as detailed in paragraph 19.
- All investments will have to be state aid compliant (See Annex A).
- Schemes must be in a position to draw down funding in full prior to 31 March 2020; drawdown and repayment profiles will be agreed on a case by case basis.
- Projects must involve capital expenditure in infrastructure and/or other site preparation works that will support economic growth.
- A minimum investment of £500k. There is no upper limit subject to fulfilling the bid criteria and value for money.

- Bidders must confirm that the project is fundamentally viable; they can support the repayment and have the consent of any existing lenders to access additional finance from this Fund.
- Total public funding (including funding from other public sources) for the wider project that the infrastructure is serving must be below 50% of total project costs across the life of the wider project.
- Bidding parties must be able to demonstrate a robust delivery plan and investment proposal.
- Projects **must ultimately lead to the development** of housing.

How will eligible schemes be prioritised?

7. Schemes which satisfy the stated eligibility criteria will be prioritised as follows.

Advice and Brokerage

8. Expressions of interest for the non-financial elements of support (i.e. brokerage and HCA (ATLAS) support) will be considered by the Department and Homes and Communities Agency on a case by case basis.
9. In light of the ATLAS team's capacity, their support to schemes will be prioritised based upon an assessment of the following:-
- The number of units and overall impact;
 - The likelihood of the scheme making timely progress demonstrating a clear programme towards the anticipated determination of planning applications.
 - The strength of existing positive joint working arrangements and the commitment of key public and private sectors partners.
 - The evaluation of impacts (for schemes being actively supported); and
 - The extent of key delivery and procedural risks.

Large Sites Infrastructure Fund

10. Expressions of interest will be prioritised based on the following:-

- a) Schemes that can demonstrate a clear link between infrastructure to be provided and homes delivered
- b) Schemes that offer the greatest prospects of quantified early delivery
- c) Schemes that offer the greatest acceleration of housing delivery.
- d) Schemes that offer the most impact in terms of amount requested and homes delivered.
- e) Schemes that offer the greatest prospects of investment recovery.
- f) Schemes in areas of highest demand, measured by house price to income ratio.

11. The Homes and Communities Agency will consider its overall exposure on a portfolio level during the prioritisation process and reserves the right to manage this exposure accordingly.

Large Sites Infrastructure Fund – Further Information and the Assessment Process

Expression of Interest stage

12. Bids for capital loan finance must use the online Expression of Interest form available through the HCA Partner Portal. Applicants must be able to demonstrate clearly that they can meet the requirements set out in this prospectus, and indicate the amount of funding they are bidding for. **Capital funding will only be made available to private sector partners.**
13. Any bid for capital funding must be submitted by a private sector partner. If the landowner is a local authority, they must have a private sector development partner which has a formal relationship with the authority and can make the submission. We would expect evidence of demonstrable support for the scheme from local parties.
14. A single bidder can put forward multiple bids. Each bid must individually comply with the criteria and requirements set out in this prospectus. Applicants should note that the Homes and Communities Agency will be seeking to manage exposure at a portfolio level and the Agency's decision is final.

Shortlisting stage

15. The Homes and Communities Agency will assess capital bids against the requirements set out in this prospectus, with bids prioritised in line with the above stated prioritisation criteria.

Due Diligence stage

16. All shortlisted schemes will then undergo a technical due diligence review carried out by the Homes and Communities Agency to test value for money of the proposition and the ability of the bidder to pay back the loan. Applicants will need to satisfactorily complete the due diligence process and demonstrate that their scheme offers the best value against the investment criteria before funding is awarded.
17. The due diligence review will, in broad terms, consider the following:-
- Whether and what types of **alternative sources of funding have been explored.**
 - The **level of funding** that is appropriate – consideration will be given to the minimum amount of public funding necessary for the scheme to get under way and might be less than the funding sought. It is expected that the private sector will be funding other scheme costs and, other than in exceptional circumstances, total public funding (including funding from other public sources) will comprise a maximum 50% of project costs.
 - Appraise the scheme's **financial, commercial and market position** and its ability to

generate income to pay back the investment at a later date.

- The **ability of the loan recipient to re-pay the loan and interest** – it is a requirement that all loans will be repaid with interest. An assessment will be made of the ability to deliver against an agreed start on site, house sales programme and re-payment schedule to correspond with this. Clear recovery schedules will be put in place with a longstop payment date by which point the loan is expected to be paid back in full.
- The **bidders financial standing** – bidders will be expected to provide up to date accounting and other financial information and an assessment will be made of their track record of paying back investments along with their overall credit rating.
- The **level of loan security** required – loans will not be given without appropriate security being in place to assure its re-payment. Examples include a legal charge, parent company guarantee, performance bond or personal guarantee.
- The **deliverability** of both the infrastructure and the wider project over the required timescales.
- The **legal due diligence** will include, as a minimum, the provision by the funding applicant of a fully completed Certificate of Title. This will be required for the site (in its entirety) that the funding is to be provided for and any other site over which the Agency is to receive security. Applicants should also be prepared to provide detail of any other senior lending at the beginning of the due diligence process.
- Applicants should note that, if shortlisted, they will be required to provide the certificate of title and detailed information regarding any existing finance arrangements in the first instance.

'Know Your Customer' requirements:

18. The Homes and Communities Agency will require sufficient information to satisfy its 'Know Your Customer' requirements. This includes, but is not limited to, the provision of appropriate financial accounts and evidence of any funding lines available to the bidder. Where the bidder is a consortium the Agency will require full details of the consortium structure and accounts information for each of the consortium members. Further details on the initial information that will be required at due diligence are included at Annex D.

19. A due diligence pack will be issued to all shortlisted bidders which will contain greater detail than summarised here.

Contract stage

20. Schemes that pass the due diligence stage will enter into formal negotiations to contract terms before finance is issued. Legal and valuation costs associated with the transaction will be paid by the borrower.

21. The interest rate on any loan will be calculated with reference to the European Commission Reference rate plus a margin calculated on the basis of an assessment

of creditworthiness and collateralisation. The Homes and Communities Agency will consider the interest rate that can be offered for a loan based on individual project circumstances at the due diligence stage (see Annex A). This will take into account the credit rating of the bidder and the level of security being offered for the loan.

Who do I submit my application to?

22. Applications are to be submitted online via the Homes and Communities Agency Partner Portal which is available <https://partners.hca.local/Portal/Landing>
23. For all **non-financial support** (i.e. brokerage and ATLAS support) please submit an expression of interest to the HCA. There is no deadline for submissions, which will be considered subject to capacity.
24. All Expressions of Interest for the **Large Sites Infrastructure Fund** should be accompanied by an Investment Proposition should which outlined the delivery plan for the site (max **15** pages). The template proposition is available at <https://www.gov.uk/government/collections/large-sites-infrastructure-programme> and this must be completed and uploaded for submission via the partner portal (see application guidance for further details).
25. Guidance on the application process and completing your online submission is available on the HCA website at <https://www.gov.uk/government/collections/large-sites-infrastructure-programme>

Further information

26. For further information, please contact the Homes and Communities Agency at LSIP@hca.gsi.gov.uk or visit the website at <https://www.gov.uk/government/collections/large-sites-infrastructure-programme>
27. For further information regarding the support which the HCA ATLAS team can provide please contact ATLAS@hca.gsi.gov.uk

Annex A - Interest rates for loans

Large Site Infrastructure Programme loans are recoverable, with an appropriate rate of return on the investment.

The investments must be structured in a way that is State Aid compliant and this will take the form of a commercial loan.

The level of investment offered through this fund at the end of the due diligence process will be based on our view of the minimum necessary for the proposal to proceed and of recoverability. Both the quantum and type of investment offered will be based on our appraisal of the proposal and might be less than the funding sought.

Terms

The HCA will consider the interest rate that can be offered for loan based individual project circumstances at the due diligence stage.

The interest rate matrix below shows the minimum margin. Interest rates will be based on our assessment of the creditworthiness of the bidder and the collateral offered. The EC reference rate is also applied to the loan, which is currently 1.02% as from 1st January 2015. For example, a project with 'satisfactory' creditworthiness and 'normal' collateral would have a margin of between 2.20% and 4.00%. Taking into account the current reference rate, this will lead to an initial interest rate of between 3.24% and 5.04% being applied to the loan.

Interest Rate Matrix

The table below shows the minimum margin based on our assessment of the creditworthiness of the bidder and the collateral offered:

Creditworthiness	Collateralisation		
	High	Normal	Low
Strong (AAA-A)	0.60%	0.75%	1.00%
Good (BBB)	0.75%	1.00%	2.20%
Satisfactory (BB)	1.00%	2.20%	4.00%
Weak (B)	2.20%	4.00%	6.50%
Financial Difficulties (CCC or below)	4.00%	6.50%	10.00%

Creditworthiness

Where bidders have a rating from a recognised credit rating agency this will be used. Relatively few UK private sector residential developers have an externally verified credit rating. More registered providers (RPs) have ratings and they are traditionally in stronger categories.

Where the bidder does not have an external rating, its creditworthiness will be reviewed at due diligence. This will involve an assessment of the bidder's financial standing and the risks associated with lending to that business - likelihood of default (encompassing both capacity and willingness to pay) is an important factor. Considerations may include:

- Financial analysis - profitability, net asset position/balance sheet strength, gearing, etc.
- Assessment of the trading history/development experience of a borrower – evidence of a “track-record” of delivery.
- The ability of the borrower to service the loan (interest and capital) in the context of its existing commitments
- Accounts, credit-checks, references - leading to an overall profile of a borrower
- Benchmarking against peer companies

Government's decision will be final.

Collateralisation

This will consider the security offered for the loan and the amount that the lender could expect to lose in the event of default. This will involve an assessment of the amount that could be recovered from the project, the security offered and also from the bidder's balance sheet. We will require satisfactory demonstration of repayment from the scheme cashflow (assessed by our advisors) and adequate security (supporting the level of proposed borrowing) to minimise its loss in a default scenario (e.g. a legal charge, parent company guarantee, performance bond). Shortlisted bids which, through the due diligence process, clearly demonstrate repayment and appropriate security will be treated as having “normal” collateralisation. Should the collateral offered justify a different categorisation, this will be taken into consideration in the rate offered.

Government's decision will be final.

Annex B – Expression of Interest - Evidence Required for Large Sites Infrastructure Funding

Applicant details:

- Name of organisation
- Contact name
- Contact email address
- Contact telephone number
- Address of organisation
- Organisation type
- Company Registration Number
- Details of joint venture or consortium arrangements
- Confirmation of board sign-off
- Confirmation that prospectus has been read and understood
- Confirmation of involvement in any other Local Infrastructure Fund bids

Site details:

- Name and location (including Local Authority area, coordinates and postcode)
- Confirmation that a site plan has been provided
- Size of site
- Planning status
- Number of units
- Confirmation of applicant's control of site
- Confirmation of whether the site had funding from LIF Round 1

Large Sites Infrastructure Fund Capital Funding bid details:

- Confirmation that bid is the only one for Large Sites Infrastructure Fund Capital Funding on this site
- Confirmation that the proposed recipient of the funding is a private sector body

Timescales and delivery

- Start on site date of infrastructure works
- Details of anticipated build programme
- Confirmation of whether the funding is for unlocking or accelerating the development
- Confirmation of degree of acceleration of build programme if capital funding bid successful

Units and floorspace

- Number and tenure of residential units
- Quantity and Planning Use Class breakdown of employment floorspace

Financial details:

- Cost profile for infrastructure works
- Profile of loan/equity funding requested
- Source details for balance of funding (bank loan, developer equity, other public funding)
- Profile of capital repayment to HCA

Planning details:

- Confirmation of planning permission
- Confirmation of whether any other consents are required
- Confirmation that the site is fundamentally viable, can support the repayment of the fund and has the consent of any existing lenders to access additional finance from this fund.
- Confirmation that description has been given of the infrastructure/site preparation works required, including demonstrating a clear link between this and the delivery of the housing/employment floorspace in the Investment Proposal (see below).

Wider project financial details:

- Confirmation of total cost (to include land value, profit and infrastructure costs)
- Confirmation of confirmed public funding
- Confirmation of unconfirmed public funding
- Gross Development Value

Wider project planning details:

- Detailed information regarding planning consents including reference numbers or links to the Planning Portal and information regarding outstanding Reserved Matters
- Details of any site characteristics that would delay start on site

Ownership details:

- Confirmation of whether the applicant has control of the site
- Details of the nature of control
- Confirmation of the freehold owner
- Confirmation of whether the site was disposed of by a public sector body
- Details of whether the HCA, GLA or other government organisation has any on-going interest in the site.

Investment proposal:

All Large Sites Infrastructure Fund capital bids should be accompanied by an investment proposal of no more than 15 pages in length summarising the key points regarding the proposed project. A template document is available on the HCA website at <https://www.gov.uk/government/collections/large-sites-infrastructure-programme>

Further information:

Further detail of what is required in the Expression of Interest form can be found in the accompanying guidance which is available on the HCA's website at <https://www.gov.uk/government/collections/large-sites-infrastructure-programme>

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Annex C – Due Diligence - Know Your Customer Requirements

The following is provided for information, and indicates the information which will be required should a scheme be shortlisted and enter into due diligence.

In the case of bidders acting alone:

- Latest audited financial accounts for the bidder (full accounts rather than abbreviated)
- Management or draft accounts where the audited accounts are more than six months old
- Latest audited financial accounts for the bidder's ultimate parent company (full accounts rather than abbreviated)
- Details of any events occurring since the last audited accounts that have a material effect on the understanding of the bidder's, or its wider group's, financial standing, including but not limited to change of control or ownership, corporate re-financing, significant acquisitions, disposals or closure of subsidiaries or business units and potential contingent liabilities including litigation. If none of these apply then a statement confirming that fact
- Evidence of funding lines available to the bidder, including up to date details of headroom within facilities and undrawn facilities
- Where it is proposed that funding will be introduced from related parties then similar information in relation to headroom and undrawn facilities
- Identity of proposed guarantor(s) (if applicable).

In the case of consortia bids

- Details of the legal status of the bidder (examples include joint venture company, partnership, limited liability partnership, limited partnership)
- Details of the names of consortium members, structure of the consortium and roles of each consortium member
- For existing joint venture vehicles the latest audited financial accounts for the bid vehicle (full accounts rather than abbreviated)
- Management or draft accounts where the audited accounts are more than six months old.
- In the case of newly formed joint venture vehicles details of the structure of the opening balance sheet, including details of partner's proposed equity and stakeholder loan investments
- Latest audited financial accounts for each of the consortium members (full accounts rather than abbreviated)

- In respect of the bid vehicle and each consortium member details of any events occurring since the last audited accounts that have a material effect on the understanding of the bidder's, or its wider group's, financial standing, including but not limited to change of control or ownership, corporate re-financing, significant acquisitions, disposals or closure of subsidiaries or business units and potential contingent liabilities including litigation. If none of these apply then a statement confirming that fact
- Evidence of funding lines available to the bidder, including up to date details of headroom within facilities and undrawn facilities
- Similar information in relation to the funding lines available to each consortium member
- Where it is proposed that funding will be introduced from related parties then similar information in relation to headroom and undrawn facilities
- Identity of proposed guarantor(s) (if applicable).

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Annex D - Planning & Technical Advice

Introduction

The role of planning in this overall programme is key, not only in terms of assisting to enable large scale sites to progress efficiently and effectively through the approval processes, but also to ensure that they are well-planned, supported by a variety of stakeholders and importantly deliverable

As part of this package of support the Advisory Team for Large Applications (ATLAS) will make available its free, independent advisory service to local planning authorities and their development partners. The team is part of the Homes and Communities Agency (HCA).

ATLAS is dedicated to helping partners deliver high quality sustainable development through effective planning processes, collaborative working and the promotion of best practice. The team only engages where it has scope to add value to the process and where there is a positive and receptive Local Authority. Whilst advice will be provided first and foremost to the Local Authority, ATLAS promotes a collaborative, open and transparent process and we will work with all other key stakeholders, in particular the private sector, in an impartial manner.

Advice may or may not support the position being taken by any specific stakeholder and partners are under no obligation to accept ATLAS advice with final decision making residing with the stakeholder concerned.

Scope of Support

The ATLAS team can provide expertise and skills in planning, viability & deliverability, transportation, master planning, urban design, environmental and social sustainability, project management, etc. to meet the needs of individual projects. In addition the team have highly developed skills in broader enabling activity, such as through facilitation, negotiation, mediation, and brokerage. ATLAS do not provide a direct case officer style resource, but may offer to undertake specific pieces of work if the project requires it.

A key part of the overall support package is the way that the ATLAS team can build confidence between parties and draw from its network of relationships with a range of key agencies typically involved in large scale projects. This can include bodies such as the Highways Agency, Environment Agency, Natural England, English Heritage. Such organisations can raise key issues that will need to be resolved and ATLAS can play a brokerage role between the Local Authority, land promoter/developer and the Agencies concerned to attempt to find acceptable solutions.

Relationship to wider package of support

The provision of planning and technical support can occur as a distinct activity thus enabling a broad range of schemes to take advantage of the offer if they are not in a position to directly require other elements of the programme such as investment funding.

Alternatively the support may be usefully combined with other elements of the package such as complementing potential resource funding and/or helping sites progress through key planning milestones to enable them to become investment and delivery ready at a later date. Where various strands of support are combined, it is important to note that the assessment of any bids for resource or capital funding will not be influenced by the existence of historic or active provision of ATLAS support.

Accessing planning & technical support

ATLAS support a rolling programme of schemes at any one time, hence are able to consider potential support for new schemes on an on-going basis. Public or private sector partners with projects which could benefit from support should register their interest via the HCA Partner Portal.

The provision of support is considered on a case by case basis based upon the issues facing a project, the ability to add value and make positive progress, and the team's overall capacity. The gateway criteria and approach to prioritisation is set out at in paragraphs 3 and 6 of this prospectus.

Contact Details

Applications are to be submitted via the portal with any queries directed to LSIP@hca.gsi.gov.uk.

To contact ATLAS direct to discuss the opportunities further please email atlas@hca.gsi.gov.uk or call the team direct on 01234 242512

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