



Department for  
Communities and  
Local Government



Homes &  
Communities  
Agency

# Estate Regeneration Programme

Prospectus for 2016/17

## Introducing the estate regeneration programme

Where we live can have a significant impact on life chances. Poor housing and neighbourhood design can actively entrench poverty and disadvantage in communities. Estate regeneration can offer a real opportunity to transform the way thousands of people live.

This guide tells you more about the programme and the funding currently on offer.

## What is the estate regeneration programme?

In January 2016 the government announced an ambitious plan to transform up to 100 housing estates. A national strategy has been developed to spearhead this.

We recognise that estate regeneration schemes are long term and complex projects, requiring significant upfront expenditure which may only be fully recovered over the life of a project.

We know that, because of cashflow constraints, there are a number of major estate regeneration schemes that are stalled or only able to move slowly, even though they are fundamentally viable over the life of the project.

## How does the estate regeneration programme work?

We will initially provide three types of funding to help landlords and projects:

**£140 million of project finance to kick-start and accelerate the regeneration of estates.** We are inviting applications for proposals that are locally supported, clear on funding requirements, and fundamentally viable. We will fund costs associated with land assembly including leaseholder buy-outs, de-canting/re-housing costs, demolition, preparatory construction and other works necessary to enable development or accelerate delivery. Loans will be secured against land or property assets.

The funding will be available until it is fully allocated.

**£30 million of enabling funding in 2016/17** to help landlords at the early stage of estate regeneration proposals with, for example, feasibility studies, viability assessments, masterplanning, community engagement and partner or procurement advice.

Funding is currently available in 2016/17, with the intention of allocating it by the end of the financial year, and subject to demand, more funding may be available in future years.

**£2m of capacity building funding in 2016/17** to help build commercial skills capacity in local authorities to deliver estate regeneration. This funding is available exclusively to local authorities and will be awarded to applicants with clearly demonstrable commercial skills gaps or lack of staff with previous regeneration experience. The funding aims to enable local authorities to procure external advice and consultancy to assist with attracting finance, structuring joint ventures and other specialist financial and commercial tasks.

Funding is currently available in 2016/17, with the intention of allocating it by the end of the financial year.

## **£140 million project finance**

### **What does it cost?**

Project finance could be made available in the form of loan or other forms of recoverable funding. The interest rate on any loan will be a commercial rate based on the EC reference rate, plus a margin calculated on the basis of creditworthiness and collateralisation.

### **Who can apply?**

#### **These are the eligibility criteria:**

- Investments to be repaid, with interest
- Borrowers will need to be classified to the private sector, or a Private Registered Provider, as defined in the Housing and Regeneration Act 2008 Section 80(3)
- Borrowers should demonstrate that the project is fundamentally viable
- Proposals to have support of the local community and the relevant local authority.

**Schemes which are experiencing a viability gap are invited to bid, however at present we are not able to fund unviable schemes through recoverable investment project finance. Subject to appetite, DCLG will review the overall funding package offered in future years.**

### **Prioritisation**

As a government backed-initiative, the estate regeneration programme project finance reflects wider government priorities. We are looking for schemes which:

- Deliver the best value for money for the taxpayer
- Are fundamentally viable

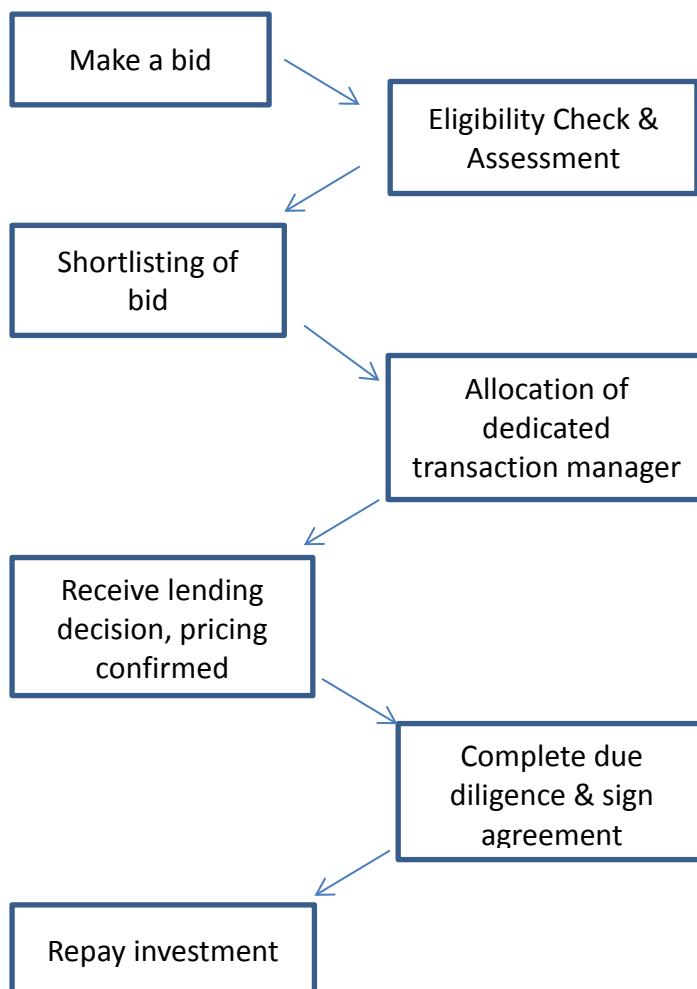
- Can demonstrate strong local community support and a commitment to meaningful engagement with residents
- Can demonstrate a strong partnership with the local authority
- Can deliver a net increase of housing and/or a mix of tenures
- Deliver well-designed homes and neighbourhoods for residents

Your community engagement and design approach are an integral part of your bid, and may be tested further in due diligence.

DCLG is committed to working with areas to help estates achieve their regeneration ambitions and share any learning with others. We would expect areas in receipt of any funds to engage with the department on how successful bids are being put into action, this may include basic reporting.

**The Homes and Communities Agency will consider its overall exposure both in terms of organisation and geographical concentration on a portfolio level during the prioritisation process (and during due diligence and the Know Your Customer process) and reserves the right to manage this exposure accordingly**

## How we will allocate funding



## **£30 million of enabling funding in 2016/17**

### **What does it cost?**

The enabling funding will be paid out as grant, on non-commercial terms

### **Who can apply?**

#### **These are the eligibility criteria:**

- Applicants will be the local authority or registered provider
- Applicants must be the landlord of an existing housing estate: A site wholly or largely in public or charitable ownership, comprising predominantly residential accommodation. Built principally for the purpose of the provision of affordable or social housing, a significant number of dwellings on the site will be owned, let and managed by the freeholder for the original purpose. Open and shared private space (common parts) will also be owned and (where not statutorily adopted) managed by the freeholder
- Grant must be used for the purposes of estate regeneration: development that is undertaken to improve the social and physical environment of housing estates
- Proposals must be intended to create or sustain social housing.
- Funding provided must be committed in 2016/17
- Funding provides acceleration of estate regeneration proposals

### **Prioritisation**

As the enabling funding will be committed towards the early stages of estate regeneration projects, we are looking for bids that demonstrate:

- Acceleration of estate regeneration proposals
- Building skills and capacity
- Deliver best value for money for the taxpayer

## **£2 million of capacity building funding in 2016/17**

### **What does it cost?**

The capacity building funding will be paid out as grant, on non-commercial terms

## **Who can apply?**

### **These are the eligibility criteria:**

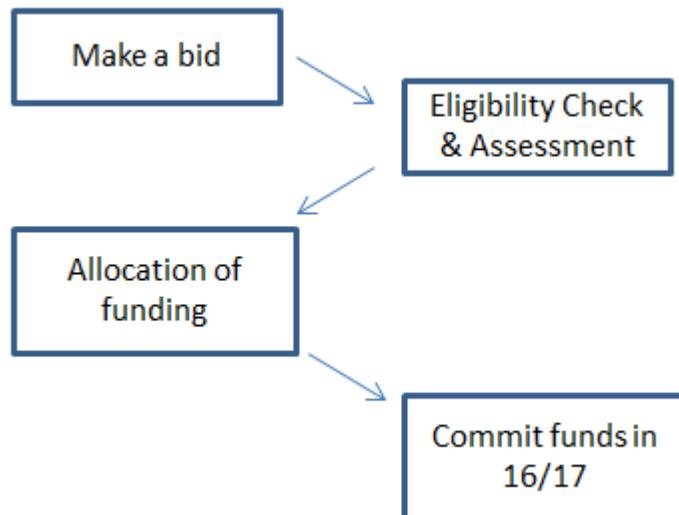
- Applicants will be a Local Authority
- Funding provided must be committed in 2016/17
- Funding provides acceleration of estate regeneration proposals through the procurement of specialist commercial skills resource. Examples of eligible uses of capacity building funding include procuring external consultants to advise on how to structure a joint venture and attract institutional investment, or hiring additional council staff to work in commercial roles for the duration of a regeneration scheme.

## **Prioritisation**

We are looking for bids for capacity building funding that demonstrate:

- Acceleration of estate regeneration proposals through the procurement of specialist commercial skills resource
- An aim to build capacity as widely as possible within the local authority to create a legacy of commercial skills to benefit future regeneration initiatives
- Deliver best value for money for the taxpayer

## **How we will allocate funding**



## **London Bids**

The Greater London Authority (GLA) will review London bids, contribute towards assessment for bids, and will be involved in shortlisting decisions for schemes in the capital.

## **What is the Homes and Communities Agency?**

The Homes and Communities Agency is the national housing, land and regeneration agency in England. It is sponsored by the Department for Communities and Local Government.

The HCA has been providing loan finance to the private sector since 2008. During this time, the HCA has made available loans and investments totalling over £4.4 billion to support the private sector to build new homes and bring forward land for development.

The HCA has a dedicated investment team who bring together extensive experience of commercial lending with the government investment capability.

## **How do you apply?**

Bids should be submitted online via the HCA Partner Portal which is available at: <https://partners.hca-online.org.uk>

Guidance on the bidding process and completing your online submission is available on the Homes and Communities Agency's website at: <https://www.gov.uk/government/publications/estate-regeneration-fund>

As part of your bid you'll need to provide certain key pieces of information about your development plans, and your other funding as part of the decision making process.

## **Fees**

The HCA reserves the right to charge a standard arrangement fee in relation to successful bids for the £140m project finance funding at the point of the scheme entering into contract.

## **Important information**

The HCA is registered with the financial services regulator, the Financial Conduct Authority (FCA), for supervision of its Anti Money Laundering (AML) controls in relation to the lending activities carried out by the HCA Investment directorate as required by the Money Laundering Regulations 2007 (MLR). We are therefore required to comply with legal as well as relevant FCA regulatory requirements with regard to the prevention of AML / Counter Financing of Terrorism (CFT).

As part of the due diligence process undertaken by the HCA, "Know Your Customer" (KYC) involves establishing the identity and verifying the address of the Directors / Owners / Partners of the bidding entity, together with establishing and identifying the Ultimate Beneficial Owner (s) and Principal Controllers. The purpose is to ensure we have full transparency not only of the contracting party, but also of the ultimate source of funds in establishing the entity, or any relevant equity investment into the Borrowing party's project. Full KYC requirements can be downloaded via the website.

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