



Homes &  
Communities  
Agency

MAYOR OF LONDON

# STARTER HOMES LOCAL AUTHORITY FUNDING PROGRAMME

Prospectus

October 2015

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## **Ministerial Foreword**

Everyone who works hard should have the chance to own a home of their own. Home ownership gives people the confidence and the security to build a better future for themselves and their families. However, in the previous decade the spread of home ownership throughout society began to slow down before eventually declining.

Following the economic and housing crash we have worked to restore building and opportunity in the housing market. Between the first quarters of 2009 and 2015 the number of new homes started has doubled and continues to rise. Over the same period the number of first time buyers has also doubled, and since 2010 we have helped nearly 250,000 people to get on, or up the housing ladder.

Now we must go further to help the millions of other aspiring home owners. That is why our election manifesto set out our ambition to double the number of first time buyers again by 2020, and we made a number of important new commitments to achieve this ambition.

One key commitment is to build 200,000 high quality Starter Homes during the course of this Parliament, to be offered exclusively for first time buyers under 40 at a 20 per cent discount on market value. This will give more young people the opportunity to buy their own home, enabling them to settle down, establish roots, and enjoy the benefits of home ownership in the same way as their parents' generation.

On 10<sup>th</sup> August we announced a one-off £36 million funding package to help deliver the first wave of high quality Starter Homes. I am delighted that this prospectus opens the doors for the first wave of this money. It will be open to Councils across England to bid for a share of £10 million of capital funding this year. This money will allow Councils to bring forward additional land and make it viable for Starter Homes, by helping to fund preparation and clearance work.

These sites will go on to deliver top-quality designs and show aspiring young homeowners the different types of properties they can come to expect from Starter Homes. These, alongside the homes delivered through the £26 million land fund, will help pave the way for the country to deliver a Starter Homes transformation.

**Brandon Lewis MP, Minister of State for Housing**

## Introduction

1. The Government has set out a number of key priorities, including both driving up housing supply and increasing home ownership. In order to help meet these, the key strategic aim of the Starter Homes programme is to enable more young people into home ownership by offering access to lower cost newly built market housing. This is in direct response to the increasing challenge young people face in getting on the property ladder due to higher house prices and constrained earnings.
2. As a planning-led reform, Starter Homes has an important secondary aim of releasing additional land for housing that would not currently be used for housing development.
3. The Government is committed to building 200,000 Starter Homes over the course of this parliament, to be offered exclusively to first time buyers under the age of 40 at a minimum 20 per cent discount on the open market value.
4. In order to facilitate early delivery of Starter Homes, and demonstrate how delivery of well-designed Starter Homes can be achieved, Government announced a one-off funding package of £36 million on 10 August 2015.
5. Of this, up to £10 million of capital funding is available for local authorities in England to support activities to bring forward development of Starter Homes on land defined in paragraphs 6 and 7 below.

**This £10 million funding (The Fund) available for local authorities is the subject of this bidding prospectus.**

### Definitions

6. Starter Homes will:
  - be offered at a minimum 20 per cent discount on open market value to young first time buyers
  - be price-capped at £250,000 outside Greater London and £450,000 within Greater London, after discount
  - have restrictions that prevent the re-sale and letting of the properties at open market value for a five year period through Section 106 agreements
  - be developed on sites that are exempt from the Community Infrastructure Levy (CIL). Local authorities should also not seek Section 106 affordable housing or tariff style contributions on Starter Homes sites.
7. Land eligible for funding for Starter Homes through this funding programme must be:
  - commercial (including retail), industrial, leisure or other non-residential institutional land (such as redundant health and education sites) which is either vacant, under-used or unviable, in its current or former use, and
  - which has not currently been identified for housing in a local or neighbourhood plan or within the authority's 5 year housing land supply, and
  - is in local authority ownership.

### **Wider Framework for Starter Homes Delivery**

8. Delivery of Starter Homes is supported by planning policy with the National Planning Policy Guidance (NPPG):  
<http://planningguidance.planningportal.gov.uk/blog/guidance/starter-homes/starter-homes-guidance/>
9. Government has also set out in its Productivity Plan, published on 10 July 2015, how it intends to deliver this commitment. These proposals include:
  - requiring local authorities to plan proactively for the delivery of Starter Homes
  - extending the current exception site policy, and strengthening the presumption in favour of Starter Home developments, starting with unviable or underused brownfield land for retail, leisure and institutional uses
  - enabling communities to allocate land for Starter Home developments, including through neighbourhood plans
  - bringing forward proposals to ensure every reasonably sized housing site includes a proportion of Starter Homes
  - implementing regulations to exempt these developments from the Community Infrastructure Levy, and re-affirming through planning policy that Section 106 contributions for other affordable housing, and tariff-style general infrastructure funds, will not be sought for them
  - putting in place new arrangements to monitor their delivery.

### **Delivery Arrangements for The Fund**

10. The HCA will administer The Fund within all areas of England with the exception of Greater London. GLA will administer The Fund within Greater London. Up to £10 million capital funding is available for England, including Greater London.

## Key Features and Eligibility Criteria

11. To be eligible for funding, schemes must be able to utilise any funding allocated by 31 March 2016 and accelerate development of Starter Homes (as described in paragraph 6) on suitable land (as described in paragraph 7).
12. Up to £10 million is available across England.
13. This will be made available as grant funding and is non-repayable on subsequent disposal.
14. Grant paid to a local authority under this determination may be used only for the purposes that a capital receipt may be used for in accordance with regulations made under Section 11 of the Local Government Act 2003. The recipient local authority will be required to sign and return a declaration confirming this condition has been complied with.
15. Local authorities can bid for capital funding to use on suitable land (as described in paragraph 7) in their ownership that is not currently viable for Starter Home development; to assist with site preparation, remediation, demolition, site investigation and ecological works. Bids can be made for more than one site by the same local authority.
16. Funding allocated will be the subject of a funding agreement between HCA or GLA and the local authority. The model funding agreement is issued with this document.
17. Local authorities successful in bidding will be required to demonstrate in accordance with the funding agreement that Starter Homes have been delivered.
18. **Timing**
  - The allocated funding must be expended by March 2016 on eligible activity
  - An unconditional contract for disposal/development of the sites for Starter Homes should be in place with a developer by 31 March 2017
  - Starts on site for Starter Homes should occur by 31 March 2018
  - Local authorities are expected to use all reasonable endeavours to ensure that practical completion of Starter Homes will occur by 31 March 2019.

### Qualifying Criteria

19. The bidder is a local authority in England.
20. The land on which funding is sought must already be wholly owned by the local authority and they will be required to evidence this ownership through a title letter.
21. All capital funding allocated needs to be expended in compliance with the definition of capital expenditure by 31 March 2016.
22. The land on which the funding is spent must meet the criteria in paragraph 7 and go on to deliver Starter Homes as described in paragraph 6.
23. Sites must demonstrate a reasonable prospect of achieving planning permission for Starter Homes and meet the timescales in paragraph 18.
24. The local authority should be able to justify that the site is not currently viable for Starter Homes without funding in line with the assessment criteria.

## Deliverability

25. Local authorities are invited to bid for capital funding to accelerate Starter Home delivery on suitable sites. Bids should be for site preparation works relating to:
- Remediation
  - Demolition
  - Site investigation
  - Ecological works
26. Funding will be allocated by 20 November 2015 and spend on eligible activities, as described in paragraph 25, needs to be incurred before 31 March 2016. Drawdown of the allocated funding will be following submission of a claim form.
27. As a key part of their bid, local authorities will need to demonstrate a robust delivery plan to enable spending of allocated funds to meet the requirements of the programme and to demonstrate that the allocated funding will enable the disposal of the site for Starter Homes.
28. Timings for the funding programme are as follows:

Activity	Longstop Date
Issue bidding prospectus	12 October 2015
Return submissions	2 November 2015
Evaluation by HCA/GLA and notification of successful and unsuccessful bidders	By 20 November 2015
Works undertaken	31 March 2016
Drawdown of allocated funding	31 March 2016
Planning permission obtained and unconditional contract in place with developer	31 March 2017
Starts on Sites of Starter Homes	31 March 2018
Completion of Starter Homes	31 March 2019

## **Making an Application**

29. Bids should be submitted to the following email addresses:  
[StarterHomes@hca.gsi.gov.uk](mailto:StarterHomes@hca.gsi.gov.uk) if outside Greater London  
or  
[StarterHomes@london.gov.uk](mailto:StarterHomes@london.gov.uk) if inside Greater London.
30. All bids should be submitted by midday on Monday 2 November 2015 using the Excel spreadsheet issued with this document.
31. Further information and guidance on the application process and on completing your submission is available from the email addresses as above. All questions for clarification should be received by Friday 23 October to ensure there is sufficient time to provide considered answers.
32. Clarifications or answers to questions that may be applicable to other bidding local authorities will be distributed to all local authorities who have requested this bidding pack.
33. Bids can only be made by local authorities. Bidders should provide clear and succinct information to demonstrate they meet the assessment criteria set out in the table below and should detail the amount of funding they required.
34. Bids will be assessed initially on a pass/fail basis to ensure compliance with programme requirements and then will be assessed in accordance with value for money criteria and ability to incur the funding within the timeframe in accordance with the programme.



## **Assessment and Prioritisation**

35. When assessing bids, consideration will be given to deliverability of the proposals and the ability of the bidding local authority to meet the programme requirements.
36. The table below details the information required and provides assessment criteria. Bidders should refer to this in completing their bid proposal which should be submitted on the Excel spreadsheet issued with this document.
37. Bidders are asked to provide clear and succinct information that will enable evaluation. Suitable qualified and experienced staff from the HCA and the GLA (for Greater London) will make an assessment of the deliverability of each application in relation to programme and required deliverables. The criteria are detailed below and assessment will, in general, be made on a pass/fail basis.
38. A value for money assessment will be undertaken to ensure that funding is allocated where it will deliver most benefit.
39. The Fund is available for distribution across England. In the event of a large number of qualifying bids, consideration may be given to the distribution of these to reflect a geographical spread, while still taking account of value for money.

## **Additional Information**

40. The Secretary of State for Communities and Local Government also announced the launch of a fund worth up to £26 million to acquire sites for Starter Home development. The HCA will utilise a share of this funding to acquire suitable sites for development as Starter Homes up to March 2016. These sites will then go on to be sold to a developer via a design-led competition for Starter Homes under a standard marketing brief.

Local authorities are welcome to participate in the HCA disposal programme in 2016 to 2017 for Starter Homes sites funded through this programme.

<b>Assessment Criteria</b>			
	<b>Information required</b>	<b>Assessment Criteria</b>	<b>Scoring</b>
1.0	<ul style="list-style-type: none"> <li>• Bidder information                             <ul style="list-style-type: none"> <li>○ Local authority name</li> <li>○ Address</li> <li>○ Contact details, named contact, phone number email address</li> </ul> </li> </ul>	Completion of all information. Local authority is in England.	Applicant Sheet: questions A.1 to B.7 Pass / Fail
2.0	<ul style="list-style-type: none"> <li>• Site information                             <ul style="list-style-type: none"> <li>○ Site post code</li> <li>○ Coordinates</li> <li>○ Red line plan of Starter Home site</li> <li>○ Site area in hectares</li> </ul> </li> </ul>	Completion of all information.	Site Sheet: questions 1.1 to 1.11 Pass / Fail
3.0	<ul style="list-style-type: none"> <li>• Does the local authority own the site?</li> </ul>	Confirmation from the local authority that they do currently own the site (to be evidenced through a title letter provided prior to drawing down funding).	Site Sheet: question 2.1 Pass / Fail
4.0	<ul style="list-style-type: none"> <li>• Is the site to deliver 100 per cent Starter Homes?</li> </ul>	Confirmation from the local authority that the site will be used to deliver 100 per cent Starter Homes.	Site Sheet: question 2.2 Pass / Fail
5.0	<ul style="list-style-type: none"> <li>• Is the site commercial, industrial, leisure or other non-residential institutional land (such as redundant health or education site)?</li> </ul>	Confirmation from the bidding local authority that the site meets the criteria.	Site Sheet: question 2.4 Pass / Fail
6.0	<ul style="list-style-type: none"> <li>• Is the site currently underused and / or vacant and therefore not viable in its current use?</li> </ul>	Confirmation from the bidding local authority that the site meets the criteria.	Site Sheet: question 2.5 Pass / Fail
7.0	<ul style="list-style-type: none"> <li>• What is the current planning status of the site, if any?</li> </ul>	The site must not currently be identified for housing in a local or neighbourhood plan or within the authority's 5 year housing land supply.	Site Sheet: question 2.6 and 2.7 Pass / Fail

<b>Assessment Criteria</b>			
	<b>Information required</b>	<b>Assessment Criteria</b>	<b>Scoring</b>
8.0	<ul style="list-style-type: none"> <li>Confirmation of date of completion of Starter Homes</li> </ul>	Confirmation from the bidding local authority that completion will occur by March 2019.	Site Sheet: question 3.7 Pass / Fail
9.0	<ul style="list-style-type: none"> <li>Confirmation that the site is not currently viable for Starter Homes without funding.</li> <li>This should be supported by a brief viability appraisal to include: Land value Overall development cost Overall GDV</li> </ul>	<p>Confirmation from the bidding local authority that the site is not currently viable for Starter Homes without this funding.</p> <p>The local authority's assessment should be supported by the figures provided.</p> <p>Figures provided should be reasonable estimates and should be based on delivery of homes through the current starter homes exception planning policy.</p> <p>Response should be limited to 1 page of A4, to be submitted in the Supplementary Information Document.</p>	Site Sheet: question 2.8 Pass / Fail
10.0	<p>Explanation of how the capital funding will be spent:</p> <ul style="list-style-type: none"> <li>Description of the works or services that will be procured to prepare the site for development of Starter Homes.</li> </ul>	<p>Clear description of the works or services that will be funded. Works or services must qualify as capital expenditure (see paragraph 14) and must contribute to preparation of the site for development of Starter Homes and cover one or more of the following:</p> <ul style="list-style-type: none"> <li>Remediation</li> <li>Demolition</li> <li>Site investigation</li> <li>Ecological works</li> </ul> <p>Response should be limited to 1 page of A4 to be submitted in the Supplementary Information Document.</p>	Pass / Fail
11.0	<p>Timing:</p> <ul style="list-style-type: none"> <li>Key programme dates for instruction and completion of the works, please note any key dates for internal approvals, tendering processes, dependencies on other activities.</li> </ul>	<p>Clear and achievable programme for undertaking the works or services by 31 March 2016 that includes reasonable time for procurement, instruction and completion of the works or services and dates for internal approvals.</p> <p>Response should be limited to 1 page of A4 and can</p>	<p>Marks awarded according to assessment criteria detailed below on page 13.</p> <p>Good: 3 marks Satisfactory: 2 marks</p>

<b>Assessment Criteria</b>			
	<b>Information required</b>	<b>Assessment Criteria</b>	<b>Scoring</b>
		include a high level Gantt chart to be submitted in the Supplementary Information Document.	Poor: 1 mark
12.0	<p>Value for Money:</p> <ul style="list-style-type: none"> <li>• Number of Starter Homes to be delivered in accordance with the programme.</li> <li>• Funding required to carry out works in preparation of the site for development of Starter Homes.</li> </ul>	<p>A value for money assessment will be undertaken to consider funding required per Starter Home delivered.</p> <p>HCA/GLA will consider all bids, but there will need to be particular and careful justification in value for money terms where the subsidy is greater than £25,000 per Starter Home.</p>	<p>Marks awarded in a continuous range from 0 – 3 according to assessment criteria detailed below on page 13. Scores allocated will include part marks.</p> <p>Site sheet 2.3 and 4.0</p>

## Scoring Criteria

### Timing / Programme

#### **Good (Score 3)**

A consistently strong response for instruction and completion of the works which can be demonstrated by:

- A comprehensive strategy with dates for obtaining internal approvals necessary for the works
- A comprehensive and achievable timetable with dates and method for procuring a contractor for the works and carrying them out
- Demonstration of a comprehensive programme management approach highlighting dependencies on other activities
- Demonstration of sufficient resources to achieve the above.

#### **Satisfactory (Score 2)**

Average response without notable features which can be demonstrated by:

- As above, but failing on up to 2 of the criteria.

#### **Poor (Score 1)**

A weak response with areas of concern which can be demonstrated by:

- As above but failing on up to three of the criteria.

#### **No information provided (Score 0)**

### Value for Money Assessment

$\frac{\text{Total funding requested under this bid}}{\text{Number of Starter Homes estimated to be delivered}} = \text{£x per Starter Home}$

All compliant bids received are ranked according to the £x per Starter Home required, with the lowest funding required ranked first. Marks are allocated as follows:

VfM score =  $3 - (2 * \text{subsidy per Starter Home} / 25,000)$

For example if the subsidy required per Starter Home were £1,000, the score would be  $3 - (2 * 1,000 / 25,000) = 2.92$

And if the subsidy required per Starter Home were £25,000, then the score would be  $3 - (2 * 25,000 / 25,000) = 1$

Examples are shown in the table below:

Subsidy per Starter Home	VfM score
£1,000	2.92
£5,000	2.6
£10,000	2.2
£15,000	1.8

## **Contract Stage**

Local authorities that are successful in being allocated funding will be required to enter into a funding agreement with HCA, or the GLA for Greater London. The model funding agreement is issued with this document.

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The Homes and Communities Agency is committed to providing accessible information where possible and we will consider providing information in alternative formats such as large print, audio and Braille upon request.