



██████████  
By Email Only

Windsor House  
Homes England – 6<sup>th</sup> Floor  
50 Victoria Street  
London  
SW1H 0TL

Dear ██████████

**RE: Request for Information – RFI3063**

Thank you for your recent email, which was processed under the Freedom of Information Act 2000 (FOIA). You requested the following information:

*Would you kindly confirm if the decision to buy the Kings School Site in Macclesfield was because*

- 1. The market ( in Macclesfield ) had failed , preventing development from the private sector.*
- 2 . There was a benefit/cost ratio in terms of economic benefits against costs of at least 1.5:1 (£1.5 of benefit is gained for each £1 spent)*
- 3 . Macclesfield was considered one of the most unaffordable areas of the country*
- 4 Another reason*

*I make no comment but simply wish to understand the reason for your (HE) intervention in this particular instance .*

**Response**

We can confirm that we do hold some recorded information that falls within the scope of your request.

The answers to your questions are contained within the Business Case that was prepared for the King's School. For ease, we have addressed each of your questions in turn:

- 1. *The market ( in Macclesfield ) had failed , preventing development from the private sector.***  
The rationale for public sector intervention was supported by the existence of several interlinked market failure and equity considerations. The rationale is detailed in section 2.5 of the full business case, attached as Annex A.
- 2. *There was a benefit/cost ratio in terms of economic benefits against costs of at least 1.5:1 (£1.5 of benefit is gained for each £1 spent)***  
We can confirm there was a benefit/cost ratio (BCR) of more than 1.5:1.  
The BCR differs depending on whether the release of wider land for housing is included in the calculation. The BCR is detailed in section 3.2.5 of the full business case, attached as Annex B.



Date: 16 September 2020

Our Ref: RFI3063

Tel: 0300 1234 500

Email: [infogov@homesengland.gov.uk](mailto:infogov@homesengland.gov.uk)

### **Public Interest in Disclosure - Section 43 - Commercial interests**

On 8 August we wrote to inform you that we did hold the information that you had requested, but that a qualified exemption (section 43(2)) applied to that information. We advised that we required further time to balance the public interest arguments for and against disclosure.

Under section 43(2) Homes England is not obliged to disclose information that would, or would be likely to, prejudice the commercial interests of any party.

The requested information relating to the benefit to cost ratio engages section 43(2) of the FOIA as it is commercial in nature.

Section 43 is a qualified exemption. This means that once we have decided that the exemption is engaged, Homes England must carry out a public interest test to assess whether or not it is in the wider public interest for the information to be disclosed.

#### **Arguments in favour of disclosure:**

- Homes England acknowledges that there is a public interest in the government achieving value for public money; and
- Homes England acknowledges there is a general public interest in promoting accountability, transparency, public understanding and involvement in how Homes England undertakes its work.

#### **Arguments in favour of withholding:**

- Release of the information could allow interested parties to inflate the cost of future services if the BCR were in the public domain. If third parties could infer profit/loss the price of goods and services could be inflated which would not be in the public interest as it could affect value for public money.

Having considered the arguments for and against disclosure of the information, we have concluded that the balance of the public interest favours disclosure and this information is disclosed within Annex B.

The full text of the legislation can be found on the following link:

<https://www.legislation.gov.uk/ukpga/2000/36/section/43>

### **3. *Macclesfield was considered one of the most unaffordable areas of the country***

The affordability of Macclesfield and the North West was considered in section 1.5 of the full business case, attached as Annex C.

### **4. *Another reason***

We can advise that this is not a request for recorded information that falls within the definition under FOIA. The FOIA does not oblige a public authority to create information to answer a request if the requested information is not held. The duty under section 1(1) is only to provide the recorded information held.

The full text of section 1 in the legislation can be found here:

<https://www.legislation.gov.uk/ukpga/2000/36/section/1>



Homes  
England

Making homes happen

Date: 16 September 2020

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### **Right to Appeal**

If you are not happy with the information that has been provided or the way in which your request has been handled you may request an internal review by writing to;

The Information Governance Team  
Homes England – 6<sup>th</sup> Floor  
Windsor House  
50 Victoria Street  
London  
SW1H 0TL

Or by email to [infogov@homesengland.gov.uk](mailto:infogov@homesengland.gov.uk)

You may also complain to the Information Commissioner however, the Information Commissioner does usually expect the internal review procedure to be exhausted in the first instance.

The Information Commissioner's details can be found via the following link

<https://ico.org.uk/>

Please note that the contents of your request and this response are also subject to the Freedom of Information Act 2000. Homes England may be required to disclose your request and our response accordingly.

Yours sincerely,

**The Information Governance Team**  
For Homes England

OFFICIAL

Not in Scope

[Redacted]

[Redacted]

[Redacted]

### 2.5 Rationale for intervention

The rationale for public sector intervention at King's School is supported by the existence of several interlinked **market failure** and **equity** considerations:

- **Asymmetric information** – economics textbooks describe information asymmetry as being where one party has more or better information than the other. This asymmetry creates an imbalance of power in transactions, which can sometimes lead to adverse selection, incomplete markets and is a type of market failure. Whilst JLL has demonstrated that development is profitable (see S.1.5), it is possibly perceived as too risky and/or too large by the private sector to bring forward. This could be because developers do not have full market information; and
- **Coordination failures** – in economic theory, this occurs when certain desirable activities fail to take place because of limitations within the system which means they fail to coordinate the plans. This could apply to the coordinating of the four disposals necessary for the construction of the facilities. There could be a rationale for Homes England to address this failure given its close relationship with Cheshire East Council (see Section 1.2);

In respect of **equity**, the project will provide a number of affordable housing units and there will be no attempt to reduce this level. Indeed, recognising Homes England's position regarding affordable housing, opportunities to increase the provision of affordable housing will be considered post-acquisition, subject to further approvals.

Not in Scope

[Redacted]

[Redacted]		
[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]

### 3.2.5 Value for money

Table 3.5 pulls together the costs and benefits of the short-listed options and provides an overall indication of value of money. The standard VFM indicator in the Economic Case is normally a **Benefit Cost Ratio**, or BCR. As the name suggests, this a ratio of the benefits over costs and represents how much benefit in £s could be supported by £1 of public investment. BCRs are widely-used in governmental appraisals and are the recommended VFM metric in both the HM Treasury's Green Book and MHCLG's Appraisal Guide.<sup>17</sup>

Table 3.5 demonstrates that the option for Homes England to acquire the site and bring forward 300 housing units yields a BCR of **2.68:1** (this means every £1 of investment generates £2.68 of public benefit). If the analysis was repeated, but this time 560 units were analysed then this would give a BCR of **4.98:1**. Given all housing is contingent on Homes England acquiring Fence Avenue, this is a legitimate claim.

Table 3.5: Costs and benefits (discounted, £000s)		
	Option 2 (300 units)	Option 2 (560 units)
Not in Scope		
BCR	2.68:1	4.98:1

Not in Scope

<sup>17</sup> MHCLG Appraisal Guide (2017)

Not in Scope



## 1.4 Why we need this project

Operating from two campuses is simply not sustainable for King's School. Without consolidating their ownerships into one new, purpose-built school there is the real danger about its long-term existence. This obviously leads directly onto the possible loss of staff and the education of pupils.

At the same time, Macclesfield has some of the **highest house prices in the North West** (see Section 1.4). Homes England – with its recently enhanced housing remit – would enable this site and others in King's School existing estate to could forward for residential development, helping to increase the supply of new dwelling. By acquiring Fence Avenue and facilitating the delivery of the vendor's wider estate, Homes England would be facilitating the development of 560 new dwellings in this area of high residential prices.

Critically, without Homes England involvement the whole proposal – new school, more housing – would fall down.

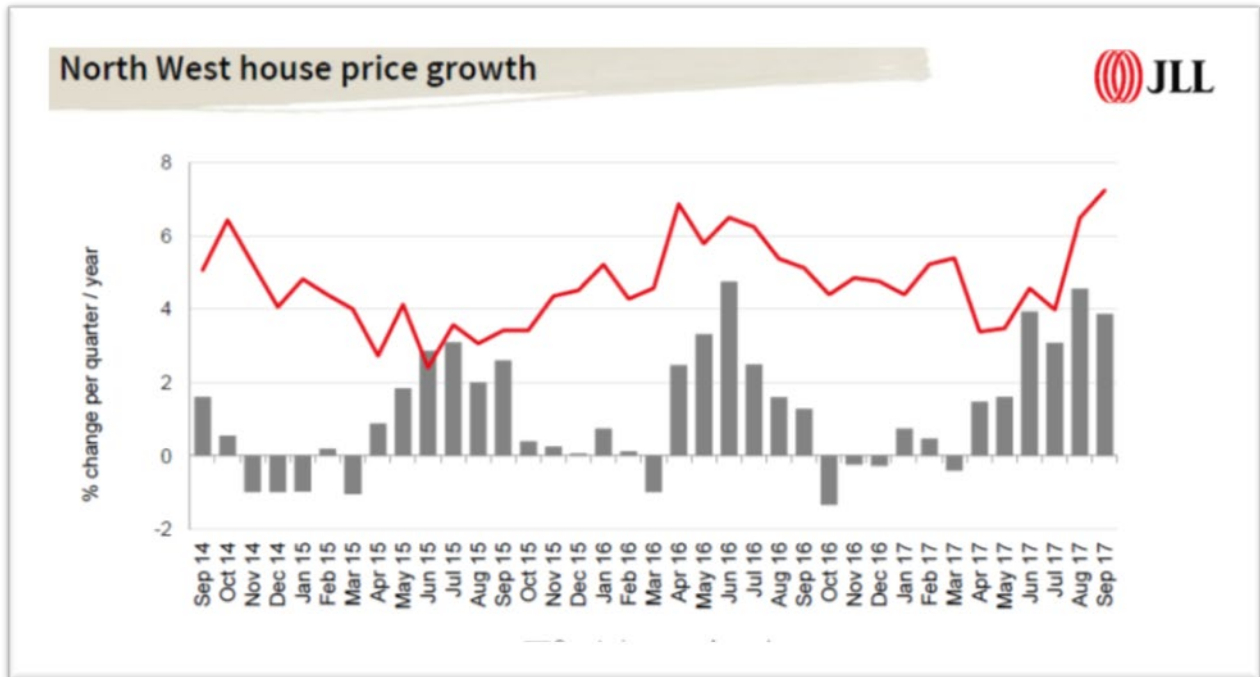
## 1.5 Macclesfield housing market

Homes England has engaged independent property market advice – Jones Lang LaSalle (JLL) – to assist with the purchase of the King's School property. In addition to providing a RICS Valuation on Market Value (see S. 4.3), JLL have also provided commentary on the residential market.

### North West property market

House prices in the North West rose by 3.9% in the three months to end-September 2017. This increase in price compares with an increase of 1.4% across the UK. The gain of 3.9% in the North West follows a rise of 3.9% in the three months to end-June 2017 and a decrease of 0.4% three months earlier. In the year to end-September 2017, **house prices in the North West increased by 7.3% while average prices across the UK rose by 5.4%**. This is the highest annual increase of all the UK regions. Figure 1.4 overleaf shows this house price growth in the North West graphically.

Figure 1.4: House price growth across North West



Source: JLL Residential (2017)

### Macclesfield property market

The market in Macclesfield appears to be strong across all house types/sizes, but there is a particular shortage of smaller new build properties aimed at first time buyers and young families. It will be important to get a good mix of property types on the subject site in order to maximise sales rates and ensure consistent demand for the houses.

### Fence Avenue site

In JLL's opinion, they highlighted the following key attributes in respect of the subject site:

- **High value** residential location popular with a range of purchasers;
- Site has **outline planning permission** for the development proposed;
- **Attractive views** from the elevated land at the rear of the site;
- **Excellent proximity** to town centre facilities;
- Lack of new build development in the town therefore **little competition** from other sites;
- Perceived as **too large** and requiring too much **upfront capital** by the private sector; and
- Whilst several interested developers were able to commit to an unconditional purchase, they were only able to offer **deferred payment terms** which did not align with the cashflow requirements under the King's School construction contract.

### Affordability

This government has committed to increasing the supply of housing in areas where affordability is an issue. The site is in Macclesfield, which has some of the highest house prices in the North West. The median local authority affordability ratio is 7.36. By acquiring Fence Avenue and facilitating the delivery of the wider estate, Homes England would be enabling the development of **560 new dwellings** in this high-demand area. This will help affordability and better align supply with demand.