



Homes  
England

# Assurance Framework for the Housing Infrastructure Fund – Marginal Viability Funding

# Contents

Introduction .....	1
Section one .....	2
Audience of the document .....	2
Section two .....	3
How the assurance framework works with the Accountability Statement for Local Government.....	3
The Accountability System Statement for Local Government .....	3
Section three .....	4
Allocation of the Housing Infrastructure Fund – Marginal Viability Funding.....	4
Section four .....	5
How Local Authorities receive and utilise their Housing Infrastructure Fund - Marginal Viability Funding allocations.....	5
Funding Clarification .....	5
Grant Determination Agreement .....	5
Payment mechanism.....	5
Section five .....	8
Monitoring and evaluating delivery .....	8
Monitoring .....	8
Evaluation .....	9
Annex A - Claim process Overview .....	10

# Introduction

1. The Housing Infrastructure Fund (HIF) is £5 billion of capital grant funding available from 2017/18 to 2022/23. It has been allocated to local government on a competitive basis, providing infrastructure targeted at unlocking up to 200,000 new homes where housing demand is greatest. HIF was announced at Autumn Statement 2016 as part of the National Productivity Investment Fund, with £2.3 billion funding available. An additional £2.7 billion was announced at Autumn Budget 2017.
2. HIF has been divided into two funding streams:
  - **Marginal Viability Funding (MVF)** – for typically smaller, stalled sites that aren't viable due to infrastructure costs and where the Fund will be the final, or missing, piece of the funding puzzle. Grants of up to £10m<sup>1</sup> were available to lower tier local authorities (districts, metropolitan, London boroughs, or unitary authorities)
  - **Forward Funding (FF)** – for strategic projects where HIF may be the first piece of funding needed to lever in and secure private investment and other public sector funding. Grants of up to £250m<sup>2</sup> are available to the uppermost tier of local authorities (combined authorities, or counties and unitary authorities where there is not a combined authority).
3. This document sets out the Assurance Framework requirements for Marginal Viability Funding projects receiving Housing Infrastructure Fund (HIF) funding from 2017/18.
4. This document will be accompanied by the HIF MVF Grant Determination Agreement (GDA) that will be specific to each project. GDA's will be entered into following a period of funding clarification which will confirm the amount of grant awarded and project deliverables. Further details regarding funding clarification and the GDA are set out in **Section four** of this document.

---

<sup>1</sup> MVF schemes had a “soft” cap of £10 million, however higher funding amounts could be awarded in exceptional cases

<sup>2</sup> FF schemes had a “soft” cap of £250 million, however higher funding amounts could be awarded in exceptional cases

# Section one

## Audience of the document

1. This document should be read by those Local Authorities who were successful in their application to the Housing Infrastructure Fund for Marginal Viability Funding.
2. It is understood that, in some instances, the Local Authority submitting the bid will not be the recipient of the funding and another Local Authority will be responsible for utilizing the HIF MVF Funding. In these occasions, this document should also be read by the recipient of funding.
3. Where there is a difference between bidder and recipient of funding the GDA will outline the accountability of both parties.

## Section two

### How the assurance framework works with the Accountability Statement for Local Government.

1. The assurance framework for the Housing Infrastructure Fund (Marginal Viability Funding) builds on the checks and balances established in the Accountability System Statement for Local Government. It includes regular reporting, an annual performance review, and a robust approach to monitoring and evaluation.

#### *The Accountability System Statement for Local Government*

2. The Accountability System Statement for Local Government sets out how the MHCLG Accounting Officer will meet their responsibilities and assure themselves that local government spends its money with regularity, propriety and value for money. It sets out the core local government accountability framework and, since the HIF MVF grant is paid to local authority accountable bodies, applies to how the HIF MVF grant is managed by those local authorities.
3. This Assurance Framework (the Assurance Framework for the Housing Infrastructure Fund – Marginal Viability Funding) provides the additional specific arrangements to assure MHCLG of value for money for the HIF MVF grant.

# Section three

## Allocation of the Housing Infrastructure Fund – Marginal Viability Funding

1. Allocations of the HIF MVF projects were informed by an assessment of the business cases submitted by Local Authorities. Bids were assessed using three main criteria:
  - Value for money
  - Deliverability
  - Strategic approach to delivering housing growth
2. The assessment, based on Green Book principles, selected bids with the strongest business cases and projects. The assessment was undertaken by analysts and officials, providing a fuller understanding of the projects, particularly around deliverability. This process was moderated to ensure a consistent and transparent approach to assessment. The investment decisions were made via a cross-government panel with MHCLG Ministerial agreement.
3. Any future awards of HIF, or similar grant programmes, will be informed by a consistent track record of successful implementation and demonstration of value for money, which will act as an important incentive to ensure quality and deliverability of projects. This includes the funding awarded under MVF.

# Section four

## How Local Authorities receive and utilise their Housing Infrastructure Fund - Marginal Viability Funding allocations

### *Funding Clarification*

1. The allocation of grant will be subject to a period of funding clarification which will be undertaken before the GDA is concluded.
2. The funding clarification period will provide further assurance on the deliverability of the project and ensure that the details provided in the bid present an accurate and current representation of the project, including financials, site conditions and planning and procurement status. If any specifics of the project have changed during the time in between the bid being submitted and funding clarification being undertaken then they will be addressed in this process.
3. The funding clarification work will provide the required metrics that will be used for the GDA and baseline.

### *Grant Determination Agreement*

4. The GDA will be agreed following the funding clarification period. All projects will be required to sign up to the GDA by December 2018 unless otherwise agreed even if grant funding is not awarded until future years.
5. The GDA will set out the terms and conditions for the grant funding, including the availability period, within which the funds are available to be drawn, and the project end date when project monitoring will end. The GDA will define the 'project' and the deliverables (including key milestones & outputs) which will be monitored against. The GDA will also include an initial (or base) cashflow setting out costs, values, funding and outputs.
6. The cashflow is a key document which will agree the annual HIF funding profile for the project. In order to ensure that HIF MVF spend for all projects is in line with the profile agreed with HMT, it is required that any alteration to an individual project's profile is agreed, in writing, by Homes England.

### *Payment mechanism*

7. MVF allocations will be paid to the bidding Local Authorities (or agreed nominated Local Authority). All payments will be made by Homes England under Section 19 of the Housing and Regeneration Act 2008.
8. Payments will be made in quarterly installments on the receipt of a valid claim form (with required supporting documentation), as well as evidence of progress from the most recent monitoring return provided by the local authority. These will need to confirm that that delivery is on track and that there is a reasonable expectation that they will be able to spend the allocated funding on the infrastructure project within the financial year. If the local authority cannot provide adequate assurance, then Homes England retains the right to withhold the grant payment.
9. Once all relevant conditions have been met, the quarterly payments will be on a

standardised basis, following first drawdown.

10. Payments for quarters one to three will be made in advance (upfront) and in arrears (where required), where justification through the monitoring process is provided to the satisfaction of Homes England, and in arrears for the last payment within the financial year.
11. Where payments are made upfront, this will only be for costs reasonably expected to be incurred up until to the next payment tranche. No funding can be provided for expenditure occurring in the next financial year. Section 151 officer sign-off must be received for all payments.
12. Homes England will carry out reconciliations of each claim to ensure the correct amount of funding is provided in the subsequent period.
13. Local authorities may use grant funding to recover any capital which has been spent at risk on the MVF project since 28 September 2017, subject to the claim and supporting documentation being to the satisfaction of Homes England.
14. **Annex A** provides an overview of the claim process and a table of the quarterly 'claim points' and claim period dependent on the first drawdown.
15. Due to the challenging nature of delivering infrastructure projects, we recognise that there may be exceptional circumstances where urgent payments may be required earlier than the agreed payment date. In these circumstances, local authorities can request an ad-hoc payment. Requests will only be granted on the condition that the previous grant payment has been spent (or with exceptionally high confidence in spend) and waiting until the next scheduled payment tranche could delay the progress of the project. Decisions will be made on a case-by-case basis by Homes England.
16. Any other changes regarding the agreed amount of MVF grant, or annual profile of MVF payments, will be reviewed as part of the annual performance conversation or regular engagement with Homes England contacts. Any changes to the agreed amount of grant or profile will require authorisation by Homes England, and, if significant, by MHCLG (and in some circumstances HMT).
17. The GDA will set out specific funding requirements for the project which must be followed and the local authority's Section 151 Officer is required to agree to these and the following standard grant conditions to receive HIF MVF funding:
  - a. The money is to be spent on capital related to the project;
  - b. The scheme will deliver by an agreed date. Otherwise, Homes England can recover funding;
  - c. Any costs saved or recovered are retained by the local authority and to be used for further housing delivery (subject to Homes England approval); and
  - d. The Local Authority will assure Government on delivery through proportionate regular reporting on progress, as set out in this document and the GDA.
18. It will be the responsibility of the local authority to procure and manage the spend of HIF funding on the agreed project, including through contracts for the delivery of infrastructure being funded by the grant. As part of the local authority's delivery plan, they will keep a procurement plan and associated timelines up to date.
19. Local authorities are responsible for ensuring that any funding they are awarded will be spent in accordance with all applicable legal requirements. This includes state aid, public



procurement law, wider public law (including the Public Sector Equality Duty), and planning law.

20. Local Authorities are expected to deliver the agreed projects. Where a local authority chooses to loan or pay money to developers or contractors to secure infrastructure delivery, the local authority will also be responsible for ensuring the recipient delivers on that agreement, and for taking any follow-up enforcement action. Government reserves the right to take track record of delivery on HIF MVF into account when determining the allocation of future funding.

# Section five

## Monitoring and evaluating delivery

1. MVF will be subject to monitoring and evaluation. Local Authorities will be required to monitor and report on a range of data including inputs, outputs and outcomes to demonstrate success and providing clarity to Government and the public about what HIF MVF funding has delivered.
2. Relevant metrics include the progress of the infrastructure against milestones, wider project delivery, the amount of private sector investment leveraged, housing units started and completed, and wider benefits achieved (such as supporting SMEs / Modern Methods of Construction and recovery of HIF funding). MVF performance will be monitored by Homes England, enabling it to target support where issues arise.

### *Monitoring*

3. MVF performance will be monitored throughout the life of the project, this includes prior to first payment and after last payment to ensure that projects remain on track.
4. To support the monitoring process, each project will have a regionally based Homes England Relationship Manager (RM) who will provide support to Local Authorities and ensure a regular dialogue is maintained. RMs will be on-hand to deal with any emerging risks and issues and will be the main channel of communication between the Local Authorities and central government.
5. MVF Projects will monitored in the following ways:
6. Prior to first payment:
  - a. **Project baseline.** A baseline of project deliverables and milestones will be agreed with Homes England in the GDA and appended cashflow. Monitoring returns, during the life of the projects, will be compared against this baseline to keep track of progress.
  - b. **Quarterly Local Authority monitoring returns (MR's).** Local Authorities will provide Homes England with a set of comprehensive data relating to each MVF project on a quarterly basis, including forecast spend, and project deliverables and progress and output metrics. RMs will meet with Local Authorities to discuss these returns.
  - c. **MR Assurance.** Homes England Assurance Managers (AMs) will review all quarterly returns to review project delivery. AMs are corporate Homes England staff, responsible for providing an independent assessment of project performance and for signing off drawdowns of grant funding to Local Authorities. AMs will attend meetings with local authorities as appropriate, depending on the size, complexity and risk profile of the projects. If any concerns are raised about the monitoring submission, they will be communicated to Local Authorities and may require amendments to be made to the submitted return. These reviews, combined with regular RMs engagement, provides an early warning system which highlights any emerging risks so that prompt action can be taken to address them. If a project is identified as under-delivering, Homes England reserves the right to request more frequent meetings and updates against progress and will work with Local

Authorities to put in place mitigation plans with appropriate mechanisms to address delivery concerns.

7. During payments:

- a. **Quarterly Local Authority monitoring returns (MR's)** – as detailed above and will also include detail on actual spend.
- b. **MR Assurance** – as detailed above.
- c. **Quarterly grant request.** Prior to each quarterly grant payment, Local Authorities will submit a grant request with evidence demonstrating how the grant funding will be utilised over the next period (and evidence of any spend incurred that is being included in the claim). Evidence should also be provided of how the funding has been spent in the previous quarter (if there has been a previous claim). The grant request and additional assurance information will need to be signed off by the Local Authority's S.151 Officer. Documentation provided from the most recently submitted MR, including an updated cashflow, and prior performance will be reviewed and considered by Homes England before confirming that the payment will be made.
- d. **Annual reviews.** Homes England will use the information from the monitoring framework to conduct a performance review of project delivery over the past year. This will review how the project is performing compared to the agreed baseline and confirm a forward plan for the next 12 months. It will also agree a set of actions and next steps, if there are any issues to be addressed by the Local Authority or by central government.

8. After payments completed:

- a. **Quarterly Relationship Manager (RM) discussions.** Every quarter, through engagement with RMs (and AMs as appropriate), Local Authorities will confirm whether progress on site is in-line with the baseline and that the project is on-track to deliver the housing and any other expected outputs. A reduced frequency of discussions may be agreed for projects where there is strong evidence of progress and milestones have consistently been met.
- b. **Six-monthly Local Authority monitoring returns (MR's).** Local Authorities provide Homes England with a progress report on the wider project works, the delivery of housing and any recovered HIF grant. This monitoring requirement will continue throughout the lifetime of the project and subsequent use of recycled funds (if relevant). Homes England reserves the right to request more frequent monitoring returns if wider project is underperforming.

### *Evaluation*

9. As a recipient of grant funding, local authorities will be required to complete evaluation surveys on MVF. This will involve completing short surveys and interviews with independent programme evaluators, to help inform future programme and policy development. We may wish to involve developers as part of this.

# Annex A - Claim process Overview

- Payments will be made on a quarterly basis in advance (up until the next quarter) and in arrears for the final payment of the financial year (**shown in red**).
- **All claims must be for spend incurred within the financial year (from 1 April-31 March)**.
- The final claim of the financial year is to be made in March for costs already incurred (i.e. on an arrears basis since last claim).
- First payments will be made once a scheme goes unconditional. Once a scheme has gone unconditional, and received its first payment, the payment quarters will start from that month.
- Claims should be submitted to Homes England in the claim month, **no later than the 20<sup>th</sup> of the month (15<sup>th</sup> for March payments)**, using the claim form provided with the GDA.
- If your scheme goes unconditional in January or February, the claim cannot be made until March, with March commencing the claim month cycle.
- Payments will be made within 12 working days on receipt of a valid claim.
- All claim forms require a section 151 officer sign off (or delegated authority).
- If there is any expenditure that was not validated in a previous claim (i.e. appropriate evidence still to be provided) then this can be included within the next payment (if valid).
- Claim forecasts will be required within MR returns.
- The payment timetable and claim period is shown below:

1 <sup>st</sup> Claim Month	Claim period 1	2 <sup>nd</sup> Claim Month	Claim period 2	3 <sup>rd</sup> Claim Month	Claim Period 3	4 <sup>th</sup> Claim Month	Claim Period 4
Apr	Apr 1 <sup>st</sup> - June 30 <sup>th</sup>	July	July 1 <sup>st</sup> - Sept 30 <sup>th</sup>	Oct	Oct 1 <sup>st</sup> - Dec 31 <sup>st</sup>	Mar	Jan 1 <sup>st</sup> - Mar 31 <sup>st</sup>
May	Apr 1 <sup>st</sup> - July 31 <sup>st</sup>	Aug	Aug 1 <sup>st</sup> - Oct 31 <sup>st</sup>	Nov	Nov 1 <sup>st</sup> - Jan 31 <sup>st</sup>	Mar	Feb 1 <sup>st</sup> - Mar 31 <sup>st</sup>
June	Apr 1 <sup>st</sup> - Aug 31 <sup>st</sup>	Sept	Sept 1 <sup>st</sup> - Nov 30 <sup>th</sup>	Dec	Dec 1 <sup>st</sup> - Feb 28 <sup>th</sup> *	Mar	Mar 1 <sup>st</sup> - Mar 31 <sup>st</sup>
July	July 1 <sup>st</sup> - Sept 30 <sup>th</sup>	Oct	Oct 1 <sup>st</sup> - Dec 31 <sup>st</sup>	Mar	Jan 1 <sup>st</sup> - Mar 31 <sup>st</sup>	Apr	Apr 1 <sup>st</sup> - June 30 <sup>th</sup>
Aug	Aug 1 <sup>st</sup> - Oct 31 <sup>st</sup>	Nov	Nov 1 <sup>st</sup> - Jan 31 <sup>st</sup>	Mar	Feb 1 <sup>st</sup> - Mar 31 <sup>st</sup>	May	Apr 1 <sup>st</sup> - July 31 <sup>st</sup>
Sept	Sept 1 <sup>st</sup> - Nov 30 <sup>th</sup>	Dec	Dec 1 <sup>st</sup> - Feb 28 <sup>th</sup> *	Mar	Mar 1 <sup>st</sup> - Mar 31 <sup>st</sup>	June	Apr 1 <sup>st</sup> - Aug 31 <sup>st</sup>
Oct	Oct 1 <sup>st</sup> - Dec 31 <sup>st</sup>	Mar	Jan 1 <sup>st</sup> - Mar 31 <sup>st</sup>	Apr	Apr 1 <sup>st</sup> - June 30 <sup>th</sup>	July	July 1 <sup>st</sup> - Sept 30 <sup>th</sup>
Nov	Nov 1 <sup>st</sup> - Jan 31 <sup>st</sup>	Mar	Feb 1 <sup>st</sup> - Mar 31 <sup>st</sup>	May	Apr 1 <sup>st</sup> - July 31 <sup>st</sup>	Aug	Aug 1 <sup>st</sup> - Oct 31 <sup>st</sup>
Dec	Dec 1 <sup>st</sup> - Feb 28 <sup>th</sup> *	Mar	Mar 1 <sup>st</sup> - Mar 31 <sup>st</sup>	June	Apr 1 <sup>st</sup> - Aug 31 <sup>st</sup>	Sept	Sept 1 <sup>st</sup> - Nov 30 <sup>th</sup>
Jan	If your scheme goes unconditional in January or February the first claim month will be March on an arrears basis only (see <b>Section 4 Paragraph 13</b> above).						
Feb							
Mar	Mar 1 <sup>st</sup> - Mar 31 <sup>st</sup>	June	Apr 1 <sup>st</sup> - Aug 31 <sup>st</sup>	Sept	Sept 1 <sup>st</sup> - Nov 30 <sup>th</sup>	Dec	Dec 1 <sup>st</sup> - Feb 28 <sup>th</sup> *

\*In case of leap year - February 29<sup>th</sup>