BHF Viability Assessment Framework

Contents

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1 Purpose and status

1.1 Purpose

This framework sets out how the Hull and East Yorkshire Combined Authority (HEYCA) will assess financial viability for proposals seeking support from the Brownfield Housing Fund (BHF).

Its purpose is to ensure that BHF support:

- addresses a genuine, evidenced market failure or exceptional brownfield delivery constraint;
- is necessary to unlock an eligible housing-led development;
- is limited to the minimum public intervention required;
- represents value for money and is affordable within the available programme; and
- is assessed consistently, transparently and proportionately.

This framework applies to all BHF applications where financial assistance is sought to address a viability or delivery gap. It should be read alongside:

- BHF assessment and scoring framework – Stage 1 gateway eligibility;
- BHF assessment and scoring framework – Stage 2 prioritisation methodology;
- Brownfield Housing Fund – Subsidy Control Process;
- HEYCA's Single Assurance Framework and applicable delegated decision-making arrangements;
- the relevant BHF prospectus, Funding agreement, programme conditions and monitoring requirements; and
- applicable national guidance, including HM Treasury's Green Book, MHCLG appraisal guidance, national planning-policy viability guidance, and relevant RICS professional standards.

1.2 Scope and decision-making

A viability assessment is a site-specific financial appraisal. It tests whether the value generated by a proposed development is sufficient to meet the reasonable and evidenced costs of delivery, including an appropriate land value and a competitive and proportionate return to the developer or delivery entity.

For BHF purposes, viability is not assessed to reduce otherwise applicable planning-policy requirements or to determine a planning application. It is assessed to determine whether public intervention is justified; whether the requested intervention is the minimum necessary; and whether the proposed support represents value for money and complies with HEYCA's assurance and subsidy-control requirements.

An application that demonstrates a viability gap is **not automatically entitled** to BHF support. Funding remains discretionary and subject to the full Stage 1 gateway, Stage 2 prioritisation, available budget, legal and financial due diligence, subsidy-control compliance and formal approval.

1.3 Transparency and confidentiality

HEYCA is committed to transparent, consistent and auditable decision-making. Applicants must therefore provide sufficient information to enable a clear explanation of:

- the development proposed;
- the specific constraints and abnormal costs affecting the site;
- the basis of the funding request;
- the viability position with and without BHF support; and
- the outputs, benefits, risks and public value expected from intervention.

HEYCA will publish this framework, its general approach, the principal criteria used and, where appropriate, high-level information on awards, outputs and public benefits.

HEYCA recognises that some detailed commercial information; such as tender returns, transaction terms, detailed appraisals, contractor pricing, financing arrangements and other commercially sensitive material, and may need to be treated confidentially where disclosure would genuinely prejudice legitimate commercial interests. Applicants must clearly identify any information for which confidential treatment is requested and provide reasons. Confidentiality will be considered in accordance with the Freedom of Information Act 2000, the Environmental Information Regulations 2004, applicable data-protection legislation and HEYCA's legal duties. Submission of material as confidential does not bind HEYCA to withhold it where disclosure is required by law.

HEYCA will not publish full financial models, detailed cost plans, land transaction documents, tender returns or personal data unless required to do so by law. However, applicants should not assume that all viability information will be confidential.

2 Core principles

HEYCA will assess each proposal against the following principles.

2.1 Additionality and market failure

BHF support must address a clearly defined market failure, exceptional brownfield constraint or delivery barrier. The applicant must demonstrate that, without intervention, the scheme would not proceed, would stall, would be materially delayed, or would deliver fewer homes or materially reduced public benefits.

The assessment will distinguish between:

- genuine site-specific abnormal costs and delivery constraints; and
- ordinary development costs, normal business risk, expected policy compliance, normal developer obligations or costs that should reasonably be reflected in the land price and commercial appraisal.

2.2 Minimum necessary intervention

BHF support will be limited to the minimum amount and most appropriate form of intervention needed to enable delivery. HEYCA may reduce the funding request, require changes to scheme assumptions, recommend a different funding instrument, phase funding, or use conditions, repayment, profit-share, overage or clawback mechanisms where appropriate.

Applicants must demonstrate that reasonable alternatives have been considered, including land-value adjustment, redesign, tenure or density changes, phasing, value engineering, cost reduction, private finance, equity, debt, landowner contribution, utility-provider contributions, planning obligations, other public funding and recoverable forms of support.

2.3 Evidence, realism and proportionality

All appraisal inputs must be current, reasonable, transparent, consistent and proportionate to the scheme's scale, risk and complexity. Inputs must be supported by suitable evidence. HEYCA may reject, amend or stress-test assumptions that are unsupported, inconsistent with market evidence or considered unduly optimistic or pessimistic.

The depth of appraisal and external verification will be proportionate to the scheme complexity, scale and funding mechanism sought and scheme. Larger, more complex, higher-risk or higher-value funding requests will be subject to more detailed scrutiny.

2.4 No reward for land price or avoidable risk

The price paid, or proposed to be paid, for land is not by itself evidence of a funding need. BHF will not normally compensate for an overpayment for land, speculative land-value expectations, poor procurement, avoidable delay, uncompetitive costs or avoidable project-management failures.

The relevant land benchmark will normally be based on existing use value plus an appropriate landowner premium, or another robust and policy-consistent approach where justified by the site circumstances. The benchmark must reflect abnormal costs, policy requirements and relevant site-specific infrastructure costs.

2.5 No double funding or overcompensation

The same cost or viability gap must not be funded more than once. The promoter / applicant must disclose all public and private funding, developer contributions, insurance proceeds, recoveries, contractual obligations and third-party contributions that relate to the scheme.

HEYCA will assess the proposed intervention alongside the wider funding stack and will take steps to avoid overcompensation, consistent with HEYCA's subsidy control process and the requirements of the applicable subsidy-control route.

2.6 Deliverability, outputs and public value

The proposed BHF intervention must be linked to a credible programme for delivery of the funded activity and a credible route to the required housing outputs. The viability assessment will be considered alongside the Economic, Commercial and Management

Cases, including value for money, deliverability, risk, programme, procurement, delivery capacity and compliance with the applicable programme deadline for housing starts.

3 Assessment approach

3.1 3.1 Purpose of the assessment

HEYCA will assess whether public intervention is necessary to unlock an eligible housing-led brownfield scheme and, if so, the **lowest-cost and most commercially appropriate form of intervention** capable of doing so.

A demonstrated viability gap does not establish an entitlement to grant. Grant is one potential form of BHF support. Depending on the nature of the constraint, cash-flow profile, risk allocation, land position, financial capacity of the applicant, forecast scheme value and prospects for capital recovery, HEYCA may offer or require another form of support.

HEYCA will seek to deploy BHF resources in a manner that:

- maximises housing, regeneration and public-value outcomes;
- minimises the amount of irrecoverable public subsidy;
- protects public funds and, where appropriate, recycles capital into further brownfield housing projects;
- does not displace viable private investment, landowner contribution or other available funding;
- reflects the risks retained by the applicant, landowner, contractor, funder and HEYCA; and
- remains compliant with the applicable BHF requirements, HEYCA's assurance arrangements and Appendix C2: *Brownfield Housing Fund – Subsidy Control Process*.

The assessment will take account of the whole intervention package, not only the amount requested by the applicant.

3.2 The appraisal basis

HEYCA will normally use a residual land-value approach, supported where appropriate by a discounted cash-flow assessment for phased, complex or long-term schemes.

At its simplest, the residual position is assessed as:

$$\text{Residual Land Value} = \text{Gross Development Value} - (\text{Development Costs} + \text{Finance Costs} + \text{Developer Return})$$

A viability gap may arise where the residual land value is below the relevant benchmark land value, after taking account of all reasonable development costs and returns. The provisional maximum support required to restore viability can be expressed as:

Indicative Viability Gap = Benchmark Land Value – Residual Land Value

These expressions are illustrations only. HEYCA will consider the full development cash flow, timing of costs and receipts, risk, funding structure, outputs, procurement arrangements, public benefits and all relevant site circumstances.

3.3 Without-BHF and with-BHF cases

Applicants must provide clearly reconciled appraisal scenarios to demonstrate both the need for intervention and the appropriateness of the proposed funding instrument.

As a minimum, the submission must include:

1. Without BHF: the position without any BHF intervention, demonstrating why the scheme would not proceed, would materially under-deliver or would be delayed beyond the required programme.
2. Applicant's preferred intervention: the position with the requested BHF support, showing the effect on viability, cash flow, delivery programme, outputs, funding requirement and projected return.
3. Alternative intervention cases: proportionate testing of reasonable alternatives, including, where relevant; loan, recoverable grant, guarantee, equity, co-investment, land-value adjustment, deferred consideration, land interest, overage, profit share, third-party contribution or a hybrid structure.

The alternatives must use the interest rates, fees, repayment terms, security requirements and other assumptions specified in the relevant BHF prospectus or otherwise notified by HEYCA. The applicant must explain why its preferred intervention represents the least-subsidised, proportionate and deliverable option

3.4 Minimum necessary intervention and funding calculation

HEYCA will determine the minimum necessary intervention by considering the viability gap together with the form, timing, risk and recoverability of the proposed support.

The requested amount must not exceed the lowest level of support capable of enabling delivery of the approved scheme and agreed housing outputs. A residual land-value shortfall does not, by itself, establish either the amount of funding to be awarded or that grant is the appropriate instrument.

HEYCA will consider:

- The evidenced and risk-adjusted viability gap.
- Whether the constraint is permanent and non-recoverable, or principally a cash-flow, timing or financing constraint.
- The availability of private finance, applicant equity, landowner contribution, land-value adjustment, third-party contributions and alternative public funding.

- The repayment capacity, available security and potential for loan, recoverable grant, guarantee or other debt-based support.
- The prospects for future profit, value uplift, refinancing, land sale, disposal proceeds or other recoverable value.
- The practicality and proportionality of equity, co-investment, land interest, overage, profit share or hybrid arrangements.
- The need for conditions, repayment, recycling, profit share, overage or clawback to prevent overcompensation and protect public funds.

HEYCA may approve less than the amount requested, require an alternative funding structure, defer a decision pending further evidence or determine that no intervention is justified.

3.5 Funding hierarchy

Applicants must consider the following hierarchy when developing their funding request. The hierarchy does not require HEYCA to use every option in every case. It establishes the expectation that grant will be used only where a less subsidised, recoverable or commercially structured intervention cannot reasonably unlock the approved scheme.

Priority	Intervention	Normal expectation and assessment question
1	Applicant, landowner and private-market solution	Has the applicant exhausted reasonable equity, debt, land-value reduction, deferred consideration, contractor contribution, utility-provider contribution, third-party funding, phasing, redesign and value-engineering options?
2	Land and commercial restructuring	Can the constraint be addressed by a lower land price, deferred land payment, overage arrangement, option, development agreement, landowner contribution, joint venture, site assembly mechanism or other revised commercial arrangement?
3	Debt, loan or guarantee	Can a loan, recoverable grant, guarantee, revolving facility, senior debt, mezzanine debt or other financing instrument resolve a timing or cash-flow constraint without requiring irrecoverable grant?
4	Equity, co-investment or land interest	Can HEYCA take an equity stake, acquire or retain a land interest, enter a development partnership, provide patient capital,

Priority	Intervention	Normal expectation and assessment question
		participate in future value uplift, or otherwise share risk and return proportionately?
5	Hybrid intervention	Can a combination of loan, equity, recoverable grant, land interest, deferred repayment, profit share or limited grant provide a lower-subsidy solution than a wholly non-repayable grant?
6	Non-recoverable capital grant	May be considered only where the applicant demonstrates that the preceding options are not viable, proportionate, deliverable or value for money, and that grant is the minimum necessary intervention to unlock the approved housing outcomes.

The hierarchy should be applied proportionately. For example, a modest, time-critical remediation intervention may not justify complex equity arrangements, while a major land-assembly, infrastructure or multi-phase regeneration scheme may require a bespoke commercial structure rather than a conventional grant.

3.6 Forms of support

Subject to the applicable BHF terms, legal powers, subsidy-control requirements and formal approval, HEYCA may consider one or more of the following:

- Non-recoverable capital grant.
- Recoverable grant, including repayment on defined commercial, delivery or value-uplift events.
- Loan or other debt instrument, including interest-bearing or concessional lending where justified.
- Guarantee, where this can unlock private lending or reduce the cost of finance.
- Equity investment, co-investment, development partnership or joint venture.
- Acquisition, assembly, retention or disposal of land or property interests.
- Deferred consideration, overage, profit share, value-sharing or recycling arrangements.
- A combination of the above.

The appropriate form of support will depend on the scheme's risk profile, viability, projected cash flow, security package, repayment capacity, forecast land and development value, delivery structure, expected public benefits and the extent to which public investment can be recovered or recycled.

3.7 Applicant’s options assessment

Applicants must submit an **Intervention Options Assessment** alongside the viability appraisal. This must explain the options considered, why they are or are not appropriate, and why the requested form and amount of BHF support is the minimum necessary.

The assessment must include, where relevant:

- The applicant’s own equity contribution and evidence of its availability.
- Senior, mezzanine and other debt options considered, including indicative terms, interest rates, fees, security requirements, repayment profile and impact on viability.
- Any Homes England, National Housing Bank, commercial lender, registered-provider, institutional investor or other finance discussions.
- Landowner contribution, revised land-value assumptions, deferred consideration, conditional payments, overage, option arrangements and site-assembly alternatives.
- Private-sector contributions, utility-provider funding, infrastructure-provider contributions, contractor proposals, insurance recoveries and third-party funding.
- Alternative schemes, including changes to density, tenure, phasing, specification, design, procurement, infrastructure scope, remediation method and delivery model.
- The potential for a loan, recoverable grant, equity investment, land interest, profit share, overage or other repayment mechanism.
- The impact of each option on housing outputs, affordability, programme, value for money, risk, public benefit and subsidy-control compliance.

Where an applicant concludes that grant is necessary, it must show clearly why a loan, equity, recoverable grant or other commercial mechanism would not be appropriate. A statement that commercial finance is “unavailable” will not be sufficient without evidence.

3.8 Testing loans and other recoverable support

Where the funding gap appears to arise principally from cash flow, timing of expenditure, temporary infrastructure costs, delayed receipts or an ability-to-borrow constraint, HEYCA will normally expect the applicant to demonstrate why debt, a loan, guarantee or recoverable grant is not suitable.

The applicant must provide a sensitivity assessment that tests, as appropriate:

- The amount, duration and proposed drawdown profile of a loan or recoverable intervention.
- The assumed interest rate, fees, repayment profile, security requirements and seniority.
- The effect on project cash flow, finance costs, development return and residual land value.

- The applicant's capacity to service and repay the facility.
- The impact of delayed sales, reduced values, increased costs or programme delay.
- The value and quality of potential security, including land, development assets, receivables, parent-company support, guarantees or contractual rights.
- The implications for affordability, delivery outputs and programme certainty.

HEYCA may set or update reference rates, fees, minimum-security requirements, repayment triggers and standard commercial terms in the BHF prospectus, an investment policy or individual funding documentation. The interest rate and terms of any loan will be determined by HEYCA, having regard to risk, security, term, subsidy-control treatment, comparable-market evidence, the applicable prospectus and the public-interest case.

3.9 Testing equity, land interests and value sharing

Where the scheme is expected to generate future value uplift, development profit, land-value growth, refinancing proceeds or disposal receipts, HEYCA may assess whether an equity investment, co-investment, retained land interest, development agreement, overage, profit share or other value-sharing mechanism is more appropriate than an irrecoverable grant.

Applicants may be required to provide evidence on:

- Land ownership, title, acquisition terms and existing or anticipated development agreements.
- Current land value, benchmark land value, expected post-remediation or post-infrastructure land value and anticipated value uplift.
- Forecast development profit, cash flow and distributions.
- Prospects for refinancing, disposal, land sale, phased sale, onward development or partnership arrangements.
- The proposed allocation of risk between the applicant, landowner, funders, contractor and HEYCA.
- The feasibility and cost of establishing, monitoring and enforcing a land interest, security arrangement, overage, profit-share or repayment mechanism.

HEYCA will take a proportionate approach. It will not normally pursue a complex commercial structure where the transaction costs, delay, legal risk or management burden outweigh the likely benefit of capital recovery. However, for larger, longer-term or higher-value schemes, a wholly non-recoverable grant will require particularly strong justification.

3.10 Grant as the final funding option

Non-recoverable grant may be appropriate where the viability gap results from genuine, site-specific and non-recoverable abnormal costs, and where other interventions would make the scheme undeliverable, create an unsustainable debt burden, materially delay delivery, fail to provide adequate security, or produce disproportionate transaction costs.

Grant may be particularly relevant where the intervention addresses permanent, non-income-generating constraints, such as:

- contamination, remediation and remediation validation;
- abnormal ground conditions and necessary stabilisation;
- essential demolition or treatment of structures;
- unavoidable site-specific utilities, access or enabling infrastructure costs that exceed normal development requirements;
- essential flood-risk mitigation that is exceptional to the site; or
- other evidenced brownfield constraints that cannot reasonably be recovered through future scheme revenues or value uplift.

Even where grant is justified, HEYCA may apply repayment, overage, profit-share, recycling or clawback provisions to protect against overcompensation or a material improvement in the approved financial position.

3.11 Assessment and decision

HEYCA will assess the requested intervention using the following questions:

1. Is there a genuine and evidenced market failure, abnormal brownfield cost or delivery constraint?
2. Would the scheme proceed, at the proposed scale and within the required programme, without BHF support?
3. Has the applicant exhausted reasonable private, landowner, commercial and third-party funding options?
4. Is the proposed form of support more subsidised than necessary?
5. Could a loan, guarantee, recoverable grant, equity investment, land interest, joint venture or hybrid approach unlock the scheme with lower irrecoverable subsidy?
6. Is the requested intervention the minimum necessary to enable delivery and deliver the required housing outputs?
7. Is the risk to HEYCA proportionate, managed and capable of being mitigated through security, conditions, repayment provisions or other contractual controls?
8. Does the intervention represent value for money, comply with subsidy control and support the BHF portfolio’s affordability and delivery objectives?

HEYCA may approve a different form, amount, timing or structure of support from that requested by the applicant. A recommendation may be subject to conditions precedent, security, valuation, legal due diligence, agreed repayment triggers, profit share, overage, clawback, monitoring and a revised viability appraisal.

3.12 Interaction with the viability model

The applicant's viability appraisal must be accompanied by a clear sensitivity and options schedule showing the effect of the principal potential funding structures on project viability and cash flow.

At a minimum, the schedule must compare:

- the applicant's base case without BHF;
- the proposed grant case;
- a reasonable loan or recoverable-support case, using the indicative interest rate and terms stated in the applicable BHF prospectus or otherwise specified by HEYCA; and
- any other option reasonably relevant to the scheme, such as equity, land-value adjustment, deferred consideration, overage, value sharing or a hybrid intervention.

The assessment must explain why the preferred option provides the best balance of deliverability, minimum subsidy, public value, risk, security and capital recovery. HEYCA may prescribe a standard template for this analysis.

3.13 No presumption of grant

Nothing in this framework creates a presumption that BHF support will be provided as grant. HEYCA retains discretion to determine whether to intervene and, where it does intervene, the amount, timing, funding instrument, commercial terms, conditions and security appropriate to the individual scheme.

The Homes England/National Housing Delivery Fund offer includes grant, loans, equity and guarantees, and expressly seeks to maximise value for money through capital recovery and, where appropriate, repayment and profit-share mechanisms. HEYCA's BHF viability assessment will apply the same underlying principle: public grant should be used only where it is necessary, proportionate and demonstrably preferable to a less subsidised or more recoverable intervention.

4 Appraisal inputs and evidence

4.1 Development description and outputs

The appraisal must match the proposed scheme submitted for BHF assessment. Applicants must provide a description of the development, site plan, accommodation schedule, tenure and unit mix, phasing, gross and net additional homes, non-residential elements, proposed BHF-funded activity and anticipated delivery milestones.

The application must identify all assumptions that materially affect viability, including planning status, affordable-housing requirements, Section 106 and CIL obligations, infrastructure requirements, design standards, sustainability requirements, remediation strategy and programme.

4.2 Gross development value

Gross development value (GDV) is the total value of completed development, before deduction of development costs, finance and developer return.

GDV assumptions must be evidenced by appropriate, current market information. Depending on the scheme, this may include comparable sales evidence, achieved sales, market-appraisal reports, registered-provider offers, valuation advice, rental evidence, investment yields, sales rates, tenure assumptions and disposal strategy.

Values must reflect the proposed specification, location, tenure, planning status, anticipated sales period and any material market conditions. Where the development is phased or long-dated, the treatment of future values must be clearly explained and supported.

4.3 Development costs

Development costs must be reasonable, current, itemised and supported by appropriate evidence. The applicant must clearly distinguish:

- normal development costs;
- site-specific abnormal costs;
- BHF-eligible activity funded costs (clearly presented as proportions of abnormal elements to distinguish proportionate and disproportionate abnormal elements);
- costs funded from other sources; and
- costs that are contingent, provisional or subject to further design or procurement.

Relevant costs may include acquisition and legal costs, construction, professional fees, planning and statutory costs, remediation, demolition, abnormal foundations, utilities, enabling infrastructure, marketing and sales, finance, contingencies, planning obligations and other necessary delivery costs.

The inclusion of a cost in an appraisal does not mean that it is eligible for BHF support. Eligible expenditure is determined separately under the BHF prospectus, Funding Agreement and HEYCA's funding decision.

Costs claimed as abnormal or BHF-relevant must be directly linked to the identified brownfield constraint and supported by proportionate technical evidence, such as site investigations, remediation strategies, structural reports, utility quotations, highways evidence, surveys, cost plans, bills of quantities, independent estimates, tender returns or comparable scheme evidence.

4.4 Abnormal and enabling costs

The applicant must identify the specific market failure, abnormal cost or development constraint that prevents the scheme from proceeding (eligible activities), or proceeding at the proposed scale, without BHF intervention.

Relevant constraints may include, where directly necessary to unlock the eligible housing development and subject to HEYCA confirmation of eligible expenditure:

- abnormal remediation and site-preparation requirements;
- contamination or other environmental liabilities;
- abnormal ground conditions, including ground stabilisation or exceptional foundation requirements;
- necessary demolition or treatment of structures that prevent development;
- disproportionate utility reinforcement, diversion or connection works, where these arise from a site-specific capacity deficiency or constraint and exceed normal development requirements;
- essential access, transport or enabling infrastructure that is disproportionate to the development and required to unlock the site;
- essential flood-risk mitigation or resilience measures that are exceptional to the site;
- land assembly or acquisition of critical interests needed to resolve fragmented ownership, access or infrastructure constraints; and
- exceptional costs associated with the conversion or re-use of vacant buildings.

This list is illustrative. It does not create an entitlement to funding and does not make all costs within a category eligible.

BHF will not normally support ordinary and proportionate construction or site-development costs, routine utility connections, normal internal estate roads, standard drainage, routine planning or policy obligations, ordinary Section 106 or CIL liabilities, normal developer overhead, avoidable delay, avoidable cost overruns, speculative land acquisition, retrospective expenditure or costs recoverable from another person or source.

4.5 Land value and landowner premium

Applicants must provide sufficient evidence of the relevant land value and the basis on which the site can be acquired, assembled, retained or made available for the proposed development.

HEYCA will normally assess benchmark land value using existing use value plus an appropriate landowner premium, or another robust and evidenced basis that is appropriate to the particular site and development proposal. The landowner premium should represent the minimum reasonable incentive needed for a willing landowner to release the land for the proposed development, taking account of the site's existing use, abnormal costs, development constraints, policy requirements, relevant market evidence and the costs of complying with those requirements.

The benchmark land value must reflect the scheme as proposed, including known abnormal costs, infrastructure requirements, planning obligations and other foreseeable development constraints. It must not be based on an assumption that public funding will protect a landowner's or applicant's speculative expectations of development value.

The promoter / applicant must disclose the price paid, agreed or anticipated for the land, together with the date, contractual basis, parties, conditions, deferred consideration, overage, abnormal-cost assumptions, related-party interests and any associated transactions. This information will inform HEYCA's commercial assessment. However, the price paid, agreed or anticipated is not determinative of benchmark land value and does not, by itself, justify BHF support, establish a viability gap or determine the amount or form of public intervention.

HEYCA will not normally provide BHF support to compensate for an excessive land price, speculative land-value expectation, avoidable acquisition risk or a transaction that failed to reflect known development constraints. In particular, BHF will not normally be used to protect a developer's or landowner's anticipated return where a scheme could proceed following a reasonable adjustment to land value, deferred consideration, landowner contribution, scheme redesign, alternative funding structure or another commercial arrangement.

Where the applicant has acquired, or is committed to acquire, land at a value above HEYCA's assessed benchmark land value, HEYCA may:

- assess the viability case using HEYCA's benchmark land value rather than the price paid or agreed;
- require evidence that the acquisition was undertaken on reasonable and informed commercial terms;
- require the applicant, landowner or other party to absorb or mitigate all or part of the difference;
- require renegotiation of the acquisition price, deferred consideration, overage, landowner contribution, revised development agreement or other commercial restructuring;
- reduce the proposed amount of support, offer an alternative funding instrument or decline to intervene; and
- require security, repayment, profit share, overage, land interest, recycling or clawback provisions where appropriate.

An alternative-use value may be considered only where it is legally, physically, financially and planning-policy realistic, supported by robust market evidence and capable of being realised within a reasonable timeframe. It must not rely on a hypothetical, speculative or unsupported planning outcome, and must not be used to import unearned hope value into the BHF funding calculation.

4.5.1 Exceptional strategic cases

Notwithstanding the general approach above, HEYCA may, in exceptional circumstances, support a proposal where land has been acquired, or is to be acquired, at a price above HEYCA's assessed benchmark land value.

This discretion does not mean that HEYCA will reimburse or compensate for the land-price overpayment. Rather, it enables HEYCA to consider whether a separate, compelling and proportionate public-interest case justifies intervention to secure a strategically important brownfield housing outcome that would otherwise not be achieved.

HEYCA may exercise this discretion only where it is satisfied that:

- the scheme is of exceptional strategic importance, evidenced through alignment with adopted HEYCA, local-authority or national priorities;
- the intervention addresses an identified market failure or equity rationale and is necessary to secure the relevant public outcomes;
- the site is materially important to a strategic regeneration area, brownfield cluster, town-centre programme, development zone, infrastructure corridor, strategic land assembly or other approved place-based priority;
- non-intervention would materially prejudice delivery of a wider public-sector investment, or a significant regeneration or housing outcome;
- there is no reasonably available alternative site or lower-cost intervention capable of achieving substantially equivalent outcomes within context to a broader strategy;
- the applicant and landowner have taken reasonable steps to mitigate the impact of the land-price position, including through land-value reduction, deferred consideration, overage, value sharing, revised commercial terms, private finance or other funding sources;
- the BHF intervention is the minimum necessary and most appropriate form of support, taking account of grant, loan, recoverable grant, equity, land interest, profit share, overage and other commercial options;
- the overall proposal demonstrates acceptable risk-adjusted value for money, including the scale, timing and certainty of net additional homes, affordable or specialist housing where relevant, brownfield regeneration, land remediation, infrastructure, environmental and wider public benefits; and
- the proposed support complies with the applicable subsidy-control route, including the requirement for support to be proportionate and limited to what is necessary to achieve the identified policy objective.

In deciding whether to support an exceptional strategic case, HEYCA may consider the reason for the land-price position and whether the applicant acted reasonably and with appropriate due diligence. However, a strategic rationale will not automatically justify support where the land-price position results from avoidable commercial decisions, known constraints, speculative assumptions or an otherwise unmanageable risk to public funds.

Any support approved under this discretion will be subject to enhanced financial, legal, commercial and subsidy-control due diligence. The relevant decision record must clearly identify:

- HEYCA's assessed benchmark land value;

- the price paid, agreed or anticipated;
- the quantified difference between those figures;
- the specific market failure, equity rationale and strategic public-interest case;
- the alternatives considered and why they were insufficient;
- the basis on which the amount and form of intervention have been assessed as minimum necessary;
- the principal risks and mitigations; and
- the repayment, profit-share, overage, land-interest, security, recycling or clawback arrangements applied to protect public value.

Where BHF support is proposed for land acquisition or assembly, HEYCA will normally require independent valuation advice, title and ownership evidence, an acquisition strategy, evidence of negotiation, a schedule of interests, confirmation of any public-sector disposal requirements and full details of deferred consideration, overage, ransom value, development agreements and related-party arrangements.

Where a strategically important site has been acquired, or is proposed to be acquired, at a value above HEYCA's assessed benchmark land value, HEYCA may consider taking an appropriately valued interest in the land, development or delivery vehicle as part of the funding structure. This may include an acquisition, leasehold or other land interest, option, development agreement, charge, equity interest, joint venture, overage, profit-share or other value-sharing arrangement.

Any such intervention must provide a proportionate and demonstrable public-value return, support delivery of the approved housing outcomes, be supported by independent valuation and legal advice, and comply with HEYCA's applicable powers, assurance requirements and subsidy-control obligations. The arrangement must not amount to indirect reimbursement of an excessive land price; HEYCA will take account of the value, recoverability and risks of the interest obtained when determining the minimum necessary intervention and overall value for money

4.6 Developer return, delivery return and contingency

The appraisal must include a reasonable and evidenced return that reflects the nature, risk, stage and procurement/delivery model of the scheme. The return must be sufficient to support delivery but must not be excessive or used to inflate the BHF requirement.

The appropriate measure of return may differ between private-sale development, build-to-rent, registered-provider, local-authority, joint-venture and direct-delivery models. Applicants must explain the proposed return, its basis and how it relates to the risks actually retained by the delivery entity.

Contingency must be separately identified and justified. It should reflect evidenced uncertainty and the stage of design, site investigation, procurement and risk management. Contingency must not duplicate quantified risks, optimism bias, contractor allowances or other risk provisions.

4.7 Finance, cash flow and timing

The appraisal must be consistent with the proposed BHF intervention profile, including the timing and conditions of any grant payment, loan drawdown, equity investment, land acquisition, repayment, interest, fees, distributions, profit share, overage, recycling or clawback.

Applicants must demonstrate the affordability and deliverability of the proposed intervention structure over the life of the project. For recoverable interventions, applicants must provide an evidenced repayment profile, security proposal, forecast cash flow, debt-service capacity and downside analysis.

BHF funding will not normally be used to meet expenditure before an executed funding agreement or other binding investment documentation, unless HEYCA has expressly agreed otherwise in writing.

5 Assessment process

5.1 Applicant submission

Applicants must submit a completed HEYCA viability model or another format approved by HEYCA, together with supporting evidence. The submission must be signed off by an appropriately authorised individual and prepared or reviewed by suitably qualified professionals where proportionate to the scheme.

HEYCA may reject incomplete, non-transparent or non-reconciling appraisals. Submission does not guarantee that an application will progress or be funded.

The submission must include an Intervention Options Assessment and a commercial sensitivity schedule. These must compare the applicant's preferred funding request with reasonable alternative structures, including land-value adjustment, deferred consideration, private debt, loan, recoverable grant, guarantee, equity, land interest, profit share, overage and hybrid options where relevant.

5.2 HEYCA review and challenge

HEYCA will undertake a proportionate review of the submitted appraisal. This may include:

- checking arithmetic, consistency, completeness and reconciliation to the application and business case;
- benchmarking values, costs, sales rates, rents, yields, returns, fees, contingencies and programme assumptions;
- reviewing the basis for proportionate abnormal costs and proposed eligible expenditure;

- testing the land-value assumption and landowner premium;
- considering whether normal and proportionate development costs or obligations have been presented as abnormal costs;
- reviewing alternative options and the minimum necessary intervention;
- undertaking sensitivity analysis and downside scenarios;
- considering the timing, availability and interaction of other funding;
- assessing subsidy-control implications and the risk of overcompensation; and
- considering whether repayable, recoverable or profit-sharing support would be more appropriate than an irrevocable grant.
- assessing whether the proposal is principally affected by a permanent, non-recoverable abnormal cost or a temporary cash-flow, finance or timing constraint;
- reviewing whether a debt, recoverable grant, guarantee, equity, co-investment, land-interest or hybrid intervention could enable delivery with lower irrecoverable subsidy;
- assessing proposed interest, fees, repayment capacity, security, priority, enforceability and recovery mechanisms;
- reviewing forecast value uplift, refinancing, sales/disposal proceeds, development profit and the scope for overage, profit share or recycling;
- testing the proposed allocation of risk between the applicant, landowner, contractor, private funders and HEYCA.

HEYCA may use internal officers and/or appropriately qualified external advisers. HEYCA may request clarification, additional evidence, changes to assumptions or a revised proposal. Any external review does not remove the applicant's responsibility for the accuracy and completeness of its submission.

5.3 Sensitivity testing

HEYCA will normally undertake sensitivity testing on material assumptions. The scope will be proportionate to the scheme but may include changes in sales values, rental values, build costs, abnormal costs, programme, interest rates, sales rates, developer return, land value, contingency, grant timing, loan drawdown, repayment profile, funding costs, refinancing, other public contributions, development profit and future value uplift.

Sensitivity testing does not create a right to additional funding if assumptions deteriorate. The Funding Agreement will set out the approach to cost overruns, programme delay, value changes, scope changes, underspend, additional public funding, refinancing, disposal, profit and recovery of funds.

For loans, recoverable grants, equity, land interests and hybrid structures, HEYCA may test repayment capacity, loan-to-value, debt-service coverage, security cover, timing of receipts, downside recovery and the operation of profit-share, overage or clawback provisions.

5.4 Funding recommendation and conditions

Following appraisal, HEYCA may recommend:

- no funding or no intervention;
- funding at less than the amount requested;
- non-recoverable capital grant, where justified as the minimum necessary intervention;
- recoverable grant, loan, guarantee, equity investment, co-investment, land acquisition or land-interest arrangement;
- a hybrid intervention, including a combination of limited grant with recoverable or value-sharing elements;
- funding subject to conditions precedent, security, repayment, overage, profit share, recycling, clawback or other contractual protections; or
- deferral pending further information, planning, procurement, land control, valuation, financing or commercial evidence.

Funding decisions will take account of the full BHF assessment, including Stage 1 eligibility, Stage 2 prioritisation, Strategic, Economic, Commercial, Financial and Management Cases, affordability, delivery risk, subsidy control and portfolio balance.

6 Information requirements

The following information will normally be required. HEYCA may vary the requirements to reflect the scale and complexity of a proposal.

Information area	Typical evidence
Scheme description	Site plan; planning reference; accommodation and tenure schedule; phasing plan; net additional homes calculation; design information; delivery milestones
Development appraisal	Completed HEYCA model; cash flow where required; without-BHF and with-BHF cases; reconciliation statement; assumptions schedule
Values	Comparable sales/rental evidence; valuation advice; registered-provider offer where relevant; sales-rate or letting evidence; disposal strategy

Information area	Typical evidence
Costs	QS cost plan; tender returns or contractor estimates; professional-fee schedule; utility/highways quotations; construction-cost benchmarks; programme; procurement strategy
Brownfield constraints	Ground investigation; remediation strategy; contamination reports; structural or asbestos surveys; utility correspondence; flood evidence; highways or access evidence; demolition or conversion options appraisal
Land	Title information; landowner details; acquisition strategy; independent valuation; evidence of negotiations; conditional contracts/options/development agreements; overage or deferred-consideration information
Funding and finance	Funding stack; evidence of equity/debt/other grant; finance terms; other public support declaration; details of insurance or third-party recoveries
Risk and delivery	Risk register; mitigation plan; governance arrangements; project team; programme; procurement plan; conditions and dependencies
Public value	Value-for-money appraisal; BCR or equivalent; grant per home and per hectare; leverage; strategic benefits; delivery of affordable, specialist or other priority housing
Compliance	Subsidy-control information; procurement information where relevant; tax/VAT treatment; applicant declarations; acceptance of Funding Agreement conditions
Intervention options and commercial structure	Intervention Options Assessment; tested funding structures; debt/equity term sheets; lender correspondence; interest and fee assumptions; repayment schedule; security proposal; forecast distributions; value-uplift analysis; proposed overage, profit-share, recycling or clawback terms

7 Investment controls, review and change

7.1 Funding and investment documentation

Where support is approved, HEYCA will enter into a GFA and/or other appropriate funding, loan, security, equity, land, development or investment documentation. The documents will reflect the funding instrument, risk profile, subsidy-control route and recovery arrangements:

- land acquisition, title, valuation and permitted use;
- planning, statutory approvals and discharge of conditions;
- procurement and contract award;
- evidence of finance and match funding;
- approved scope, outputs, costs and delivery programme;
- payment milestones and eligible expenditure;
- monitoring, audit and retention of records;
- disclosure of other public funding or material commercial changes;
- restrictions on disposal, refinancing, change of control or change of use;
- repayment, profit share, overage, recycling, clawback or recovery; and
- action following delay, underspend, cost change, scope change or non-delivery.
- interest rate, fees, drawdown profile, repayment terms and repayment triggers;
- security, priority, step-in rights, guarantees, charges, assignment, covenants or other protections;
- equity rights, governance, consent rights, distribution policy, exit mechanisms and valuation arrangements;
- treatment of refinancing, land sale, development profit, value uplift, deferred consideration and disposal proceeds;
- overage, profit share, capital recycling, repayment and clawback provisions.

7.2 Changes in viability

Applicants must notify HEYCA promptly of any material change that may affect the approved viability case, funding need, outputs, programme, procurement, land position, funding stack, subsidy-control position or ability to comply with the FUNDING AGREEMENT.

Material changes may include significant changes in costs, values, land price, tenure, housing numbers, abnormal-cost scope, planning obligations, finance, other public funding, development profit, timing or delivery entity.

Material changes also include changes to repayment capacity, security value, finance terms, refinancing, land value, projected profit, distributions, disposal strategy, valuation, ownership structure or the operation of any overage, profit-share, recovery or clawback arrangement

HEYCA may require a revised appraisal and may vary, suspend, reduce, recover or reprofile funding in accordance with the FUNDING AGREEMENT. Approval of additional funding is not automatic.

7.3 Post-completion and overcompensation review

HEYCA may undertake viability or overcompensation reviews at defined milestones, on completion, on sale/disposal, following refinancing or where a material change occurs. The purpose is to ensure that BHF support remains proportionate and that public funds are protected.

Where the approved project generates materially better outcomes than assumed, including through lower costs, higher values, additional public funding, land-value uplift, refinancing, increased development profit or disposal proceeds; HEYCA may apply agreed repayment, profit-share, overage, recycling or clawback provisions.

The extent and timing of any recovery will be determined by the applicable funding or investment documentation, the agreed subsidy-control route and the need to maintain a proportionate balance of risk and return. The purpose is to prevent overcompensation, protect public value and, where possible, recycle capital into further eligible brownfield housing interventions.

8 Relationship to Stage 1 and Stage 2

8.1 Stage 1: eligibility

The viability assessment provides evidence for the Stage 1 market-failure and viability-gap gateway. To pass this gateway, the applicant must demonstrate that:

- a genuine, site-specific market failure or exceptional brownfield constraint exists;
- the scheme is not viable or deliverable at the proposed outputs without intervention;
- the requested BHF intervention is the minimum necessary, appropriately structured and proportionate to the identified market failure or delivery constraint;
- the scheme can become viable and deliverable with the proposed support; and
- there is a credible route to land control, planning, funding, procurement, delivery of the BHF intervention and housing start within the applicable programme timeframe.

A failure to provide a robust and evidenced viability case will normally result in the proposal not progressing to Stage 2.

8.2 Stage 2: prioritisation

For schemes that pass Stage 1, the viability assessment informs Stage 2 value-for-money scoring. Relevant considerations include the Benefit-Cost Ratio or equivalent value-for-money assessment, grant per net additional home, grant per hectare, leverage of private and other public investment, delivery risk and any evidenced non-monetised benefits.

In considering value for money, HEYCA may also take account of the degree to which an intervention protects public funds, secures an appropriate risk-adjusted return, enables repayment or capital recycling, and reduces the need for irrecoverable subsidy without prejudicing delivery

A scheme may be eligible but not prioritised where its grant requirement is high relative to outputs, benefits, risk or available programme resources.

9 Publication and review

HEYCA may amend this framework from time to time to reflect changes in legislation, national guidance, the BHF programme, the Integrated Settlement, market conditions, assurance requirements or lessons from delivery. HEYCA will apply the version in force for the relevant funding call or will notify applicants of any material changes.

Nothing in this framework creates a legal entitlement to BHF support or overrides the terms of the applicable FUNDING AGREEMENT, funding agreement, statutory requirements or HEYCA's formal decision-making processes.

10 Annex 1: Summary of key terms

Term	Meaning for this framework
Additionality	The extent to which BHF support causes delivery, acceleration, additional homes or additional public benefits that would not otherwise occur.
Benchmark land value (BLV)	The land value used to test whether a scheme provides a sufficient return to release land for development. It will normally be based on existing use value plus an appropriate landowner premium.
BHF-funded intervention	The approved capital activity supported by BHF, such as remediation, enabling infrastructure, land assembly or another eligible activity.
Development appraisal	A financial model of anticipated development values, costs, land value, finance, return and cash flow.
Gross development value (GDV)	The total estimated value of completed development before deductions for costs, finance and return.
Market failure	A circumstance in which market forces alone do not deliver an otherwise desirable housing outcome, such as

Term	Meaning for this framework
	exceptional remediation costs, infrastructure constraints or fragmented ownership.
Minimum necessary intervention	The lowest amount and most appropriate form of public support that can reasonably enable delivery.
Overcompensation	Public support that exceeds the amount necessary to achieve the approved objective, taking account of all relevant revenues, values, contributions and returns.
Residual land value (RLV)	The amount remaining for land after deduction of development costs, finance and developer/delivery return from GDV.
Viability gap	The shortfall between the residual land value and the relevant benchmark land value, or another evidenced shortfall that prevents a deliverable scheme, after applying reasonable assumptions.
Commercial intervention	A BHF funding structure involving repayment, interest, security, shared value, return or other commercial protections, including loans, recoverable grants, equity, guarantees and land interests.
Equity investment	Public investment in a scheme or delivery vehicle in return for an ownership interest, agreed governance rights and potential share of financial return.
Overages	A contractual right for HEYCA to receive an agreed share of future land-value uplift, development value or disposal proceeds following specified events.
Profit share	An agreed mechanism under which HEYCA receives a proportion of defined project profit or distributable return after agreed costs, returns and thresholds.
Recoverable grant	Capital support that is repayable in whole or part when specified delivery, financial, refinancing, sale, value-uplift or other events occur.
Security	Assets, rights, guarantees or contractual protections that support repayment or performance obligations, such as a legal charge, parent-company guarantee, assignment, covenant or step-in right.

11 Annex 2: Applicant declaration

Applicants will be required to confirm that, to the best of their knowledge and belief:

1. The viability information submitted is complete, accurate, current and not misleading.
2. All material assumptions, risks, constraints, funding sources and public support have been disclosed.
3. The proposal would not proceed, would stall, or would materially under-deliver without the requested BHF intervention.
4. The funding request represents the minimum necessary support, taking account of reasonable alternatives.
5. No BHF-funded expenditure has commenced or been irreversibly committed before the applicable FUNDING AGREEMENTis executed, unless HEYCA has expressly agreed otherwise in writing.
6. The applicant will notify HEYCA promptly of material changes affecting viability, delivery, costs, values, land, finance, scope, outputs, other funding or subsidy-control compliance.
7. The applicant understands that HEYCA may verify the information, obtain independent advice, apply conditions, require repayment or clawback, and disclose information where required by law.
8. The Applicant has disclosed all reasonable private-finance, landowner-contribution, debt, equity, deferred-consideration, third-party-funding and alternative-intervention options considered.
9. The Applicant has provided full and accurate information on project funding, repayment capacity, security, refinancing, projected profit, value uplift, distributions, disposal proceeds and any proposed recovery or value-sharing arrangements.
10. The Applicant will not enter into a material refinancing, disposal, change of control, distribution, land transaction or funding arrangement that affects the approved BHF case without notifying HEYCA where required by the funding or investment documentation.
11. The Applicant accepts that HEYCA may require a recoverable or commercial form of intervention, and may apply interest, fees, security, repayment, overage, profit-share, recycling or clawback provisions where appropriate.