

# Assurance Summary (SBC)

VERSION 1 24.11.2021



## 1 – SCHEME DETAILS

<b>Project Name</b>	Goldthorpe Housing Project	<b>Type of funding</b>	Grant
<b>Grant Recipient</b>	Barnsley Metropolitan Borough Council	<b>Total Scheme Cost</b>	£9.6m
<b>MCA Executive Board</b>	Housing and Infrastructure	<b>MCA Funding</b>	£2.5m
<b>Programme name</b>	Brownfield Housing Fund	<b>% MCA Allocation</b>	26%
<b>Current Gateway Stage</b>	SBC	<b>MCA Development costs</b>	n/a
		<b>% of total MCA allocation</b>	n/a

## 2 – PROJECT DESCRIPTION

The Goldthorpe Housing Project (GHP) will see the demolition of approximately 40 properties and delivery of approximately 11 new build, low carbon affordable homes for social rent. These will be built to Barnsley's Low Carbon Standard (subject to funding and planning permission) which includes incorporation of air source heat pumps (no gas development), solar PV, EV charging points, PV battery storage and triple glazing. In addition, biodiversity measures will be incorporated into the fabric of new homes and public realm (where appropriate).

The project will also include the following additional interventions:

- Creation of a new east-west pedestrian connection between Market Street, Cooperative Street and Victoria Street
- Creation of communal greenspace, opportunities to involve the community to create ownership and pride in their area
- Shared space streets and road improvements to improve functionality and the street scene
- Alleyway improvements: reduce the length of alleyways because of the demolition of approximately 40 properties, installation of directional lighting, and incorporation of 'Secured by Design' principles to improve natural surveillance and feelings of safety
- Improve the rear boundaries: installation of fences/walls with locking gates to improve security and reduce flytipping and improve feelings of safety
- Provision of Secured by Design cycle storage, once the rear alleyways and boundaries are improved

MCA Brownfield Housing Funds will be used for the following:

- Demolition costs for Phase 2 (32 properties).
- Making good of 2 gable end properties following the demolitions.
- Delivery of the full 0.1129 ha of proposed greenspace.
- Shared space streets works (Co-operative Street and Victoria Street) and improvements to the highway.
- New lighting to narrow alleyways.
- Drainage realignment (where necessary).
- Works to secure the rear boundaries of properties.
- Acquisition of up to six terraced properties to transfer into the HRA as affordable homes.
- MCA funding will provide the project contingency at 10%.

The costs included in Appendix 2 have been prepared in a robust manner with Arcadis providing high level cost estimates, sense checked by an independent cost consultant. Costs have also been pro-rated in line with other similar schemes. Internal costs have been provided by council teams.

At approximately £230k per property (assuming 11 properties), the overall BHF grant intervention rate for the project is very high, reflecting the fact that the scheme delivers wider regeneration of the area and improvements to existing properties.

### 3. STRATEGIC CASE

#### *Project rationale*

The business case provides a short narrative describing the social, economic and environmental challenges largely caused by the coal mine closers in 1994. The challenges identified provide a clear rationale for intervention in Goldthorpe.

The core rationale for the project, presented in the business case is associated with directly addressing six key issues associated with the Goldthorpe Housing Project area's (site), these are summarised below:

- Over-supply of poorer quality, private rent and vacant, low demand pre-1919 properties
- Lack of public greenspace for social interactions, exercise, informal play and lack of biodiversity
- Poor quality public realm
- Problematic rear alleyways attracting fly-tipping, ASB/crime
- Dilapidated / removed boundaries of properties creating a lack of security
- No space to store bikes safely

The business case presents a clear rationale for intervention on the site, however the rationale for the project could be strengthened at FBC stage by clearly describing why a housing-led approach was selected to address the issues associated with the site; and by evidencing the need / demand for the tenure and type of housing proposed.

The core justification for public funding presented in the business case is based on the assumption that the low values of recently sold properties, high portion of empty properties, high turnover of tenancies mean that the risk associated with returning a profit / financial return on investment are too high for the private sector. To support this assumption the business case states that there has been no housing-led regeneration of the GHP area by the private sector. Overall, this is a

	<p>reasonable justification for public support but could be strengthened by explicitly referencing specific market failures (public good, negative externalities).</p> <p>The business case states that without the MCA funding, only Phase 1 of the GHP would be delivered, resulting in the loss of all Phase 2 outputs, outcomes and impacts, noting that HRA would also reduce as this can only be spent on new build affordable homes. At OBC / FBC stage the outputs, outcomes and impacts of Phase 2 should be outlined to provide a better understanding of the need for MCA funding.</p>
<i>Strategic fit</i>	<p>The SBC presents a clear mapping of the scheme's outputs and outcome against the SEP indicators and desired outcomes. This is a strength of the SBC and demonstrates that the proposed scheme has the potential to contribute significantly to the SYMCA's strategic objectives.</p> <p>As well as contributing to SYMCA's wider strategic objectives, the proposed scheme makes a strong contribution to the delivery of BMBC's strategic objectives, particularly for the regeneration of Goldthorpe. The scheme sites within BMBCs wider plan for the development of Goldthorpe ('Goldthorpe Housing Strategy Final Report, 2021). The schemes priorities and design are well informed by local consultation.</p>

#### 4. VALUE FOR MONEY

The scheme will replace existing properties with a smaller number of homes. This results in a negative LVU, which is appropriate.

The benefits attributed to the place making impact of the scheme are the most significant economic benefit of the project. It is assumed that the scheme will result in a 0.5% increase in the value of 3,181 existing residential properties within a 0.5km radius of the scheme, with average house prices assumed to be approximately £140,000.

In the business case text, carbon savings are included under non-quantifiable benefits. However, in the economic model the carbon savings are quantified. In the model, carbon savings are a considerable disbenefit of the development, but it is unclear how this has been calculated. It also appears that the societal fuel savings resulting from reduced energy use in the new and upgraded homes have not been accounted for. It is possible that a more favourable treatment of the impact of the development on greenhouse gas emissions, including the impact of societal fuel savings would lead to an improved BCR.

Assumptions in relation to optimism bias, displacement, deadweight and distributional benefits appear reasonable.

All three viable options are shown in the economic case to generate a BCR of above 1 when only SYMCA costs are considered, suggesting acceptable value for money on SYMCA investment. However, the BCRs considering all total public sector costs provided are higher than the SYMCA alone. This is most likely an error in the calculation of the total public sector cost of the scheme in the economic case.

An options assessment has been undertaken and this is thorough for a project at SBC stage. 4 options were identified:

- Do minimum – Effectively do nothing. BCR = 0
- Viable Alternative 1 – Reduced scheme with lower BHF grant. BCR = 2.09
- Viable Alternative 2 – Same as preferred schemed – without £300k property purchase for HRA. BCR = 1.13
- Preferred Option. BCR = 1.14

The preferred option scheme is considered the only one that will deliver the full range of benefits. However, benefits attributable to the £300k purchase of up to 6 properties for incorporation into BMBCs HRA portfolio are not explicit within the SBC. Therefore, the added value and potential benefits of the preferred option, over and above Viable Option 2 are not clear.

The Benefit Cost Ratios calculated for the preferred option and for the two viable alternative options are all above 1. However, at 2.09, the BCR for Viable alternative 1 is high and almost double that of the preferred option. The reason for selecting a preferred option with a significantly lower BCR than a viable alternative is not made clear.

## 5. RISK

The business case identifies 5 key risks with a likelihood and impact rating, a mitigation and owner, these are presented below:

Risk	Likelihood	Impact	Mitigation	Owner
Securing additional funding	High	High	Early discussions with funding bodies, robust bid submissions, working up detailed programme of works packages	AD
Project delays	High	High	Allocated Project Manager to deliver programme and reporting into Town Deal Board	AD
Failure to secure contractor	Low	High	Holding pre-tender marketing event(s)	AD
Failure to secure planning consents	Low	High	Pre-application submissions and early discussions with statutory consultees	AD
Rising costs and availability of materials	High	High	Fixed price tender(s) allow sufficient lead in times and incorporate appropriate contingencies	AD

The risks identified and mitigations describe reflect the project's key risks and appropriate mitigations are described.

## 6. DELIVERY

The SBC states that planning approval for the project was secured in January 2022 and that works will start on site in January 2023.

The timeline included in Section 6.4 of the SBC indicates that SYMCA approval of BHF funding will be obtained in February 2023, followed by Cabinet approval (assumed BMBC) in Spring 2023.

The project timeline indicates submission of the SBC to SYMCA in October 2022 and submission of the Full Business Case in November 2022. This appears to be a very tight timeline.

It is unclear from the proposed programme when procurement of the proposed works will be completed or whether this is already underway. There may be an opportunity to accelerate delivery by running procurement alongside FBC development.

It is unclear for the programme what the timescales are for site acquisition or whether CPO is necessary.

No activities related to project delivery are included in the timetable, which stops at Cabinet approval by BMBC.

## Annex 1 – Strategic Policy Fit

To what extent does the project meet the MCA’s strategic objectives as set out in the of the MCA Corporate Plan 2021-22?

Outcome	Strategic Objective	R/A/G Rating	Comments
<b>Stronger</b> Achieve sustained good growth, underpinned by productivity gains that exceed the UK average	<b>Leading an economic transformation by:</b> 1. creating not just a bigger economy but a better one: higher-tech, higher skill, and higher-value - backing wealth and job creators	R	
	2. enabling businesses to survive, adapt and thrive and be more innovative and resilient as we come out of the pandemic and resulting economic downturn	R	
	3. stimulating local economies by investing in the infrastructure, transport and digital capabilities to create jobs and transform places	G	
<b>Greener</b> Drive forward environmental sustainability to achieve our net-zero carbon target by 2040	<b>Leading a green transformation by:</b> 4. decarbonising our economy, regenerating the natural environment and accelerating Net Zero Carbon transition	G	
	5. capitalising on technological and scientific capabilities to improve the resilience and quantum of clean energy supply, storage, distribution and usage	G	
	6. revolutionising transport, getting South Yorkshire moving by foot, bike, bus, tram and train	A	
<b>Fairer</b> Unlock prosperity by eliminating the wage gap and health inequalities between South	<b>Leading a wellbeing and inclusion transformation by:</b> 7. raising quality of life, reducing inequality, and widening opportunity for South Yorkshire people	G	
	8. equipping people to contribute to and benefit from economic prosperity	R	

Yorkshire and the national average	9. supporting people to improve their skills, get back to work, remain in or progress in work, or set up in business and thereby accelerate social mobility	R	
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## 8. RECOMMENDATION AND CONDITIONS

<b>Recommendation</b>	Proceed to FBC, subject to recommendations
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<b>Payment Basis</b>	
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<b>Conditions of Award (including clawback clauses)</b>
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### **Recommendations / Issues to be addressed at FBC:**

- 1 There is not a clear connection between the cost items listed in the body of the SBC and those presented in Appendix 2. Therefore, it is not possible to clearly identify which specific costs are to be met from the proposed MCA BHF grant allocation. An additional column should be added to the table in Appendix 2 to clearly identify the specific amounts to be funded through BHF grant.
- 2 The SBC refers to £300k of SYMCA funding to acquire properties for HRA stock. It is not clear whether this is included in the figure of £2,040,000 quoted in Appendix 2 for the acquisition of land and buildings.
- 3 The contingency amounts stated in Appendix 2, total £823,199. At 8.86% this level of contingency appears low for a project at SBC stage, with cost certainty assessed at 40% (Section 5.1). The SBC identifies rising costs and availability of materials as a high risk to the project. Consideration should be given to setting a higher contingency figure.
- 4 Two contingency figures are presented in Appendix 2, £821,278 for Phases 1 and 2, and a figure of just £1,921 as a 10% contingency on Town Deal and other spend. Clarification should be provided in relation to the two contingency figures, and in particular the low figure of £1,921.
- 5 It is unclear what assumptions have been made for inflation. It is possible that inflation has been built into all costs but if this is the case, it has not been made clear. Appropriate assumptions for inflation should be built into the costs.
- 6 Allocation of BHF funds to contingency presents a risk to the project and potential complications as the project progresses. If the project underspends against contingency, will this be returned to SYMCA? If the project overspends on contingency, is it clear whether SYMCA of the BMBC will cover additional costs. Consideration should be given to the use of BHF grant to meet costs other than contingency, to avoid future project risks.
- 7 The model for HRA funding of the scheme is unclear. Is the Council meeting the upfront costs from borrowing and repaying the debt from income from subsequent rents / service charges? If so, the additional costs of borrowing should be incorporated into the scheme costs. Is the future net rental income of the properties being accounted for in the cost modelling. For affordable homes, it would be reasonable to assume an income to the landlord for a period of at least 25 years. Clarify the HRA funding model and whether there are any associated borrowing costs. If necessary, add these to the project costs.
- 8 Review Sections 2.4 and 2.5 to ensure that the description of the project's contribution to the MCAs core objectives is consistent across both sections.
- 9 Consider adding the outputs and outcomes listed in the above bullet points to Section 2.4
- 10 Clarify and if possible, quantify the benefits associated with the £300k purchase of up to 6 properties for inclusion in BMBCs HRA, to demonstrate the added value of the Preferred Option over Viable Option 2.
- 11 Justify the reasons for selecting a preferred option with a BCR lower than a viable alternative option.
- 12 Explain the causal link between the scheme and wider property values in the area.

- 13 Review the treatment of greenhouse gases and consider the inclusion of societal fuel savings as a benefit. This may have a favourable impact on the BCR.
- 14 Recalculate total public sector cost BCRs to reflect full public sector costs.
- 15 The positive and negative impacts of the scheme on CO2 emissions are quantified, so that an assessment of the project's contribution to net zero can be completed. This could be completed at FBC stage.
- 16 That the inclusion of the FBC stage within the assurance process be clarified.
- 17 That the project programme be extended to include post approval activities, leading to completion of the project.
- 18 That procurement activity and timescales be included in the project programme.
- 19 Consider whether there is an opportunity to accelerate delivery by running procurement alongside FBC development.
- 20 A formal legal opinion will be required at FBC stage confirming subsidy control compliance.