

## Assurance Panel VfM Statement

### Scheme Details

<b>Project Name</b>	RMBC Small Sites 2020/21		
<b>Grant Recipient</b>	Rotherham Metropolitan Borough Council		
<b>MCA Executive Board</b>	Housing & Infrastructure	<b>MCA Funding</b>	£433,950
<b>% MCA Allocation</b>	6.9%	<b>Total Scheme Cost</b>	£6.303m

### Appraisal Summary

<b>Project Description</b>
<p>Rotherham Metropolitan Borough Council are utilising existing brownfield sites to enable the development of affordable housing. As part of the Council's Housing Development Programme, 32 homes for rent will be delivered across three schemes, comprising nine Housing Revenue Account (HRA) owned sites:</p> <ul style="list-style-type: none"> <li>• Scheme 1 focuses on delivering 14 bungalows across two sites.</li> <li>• Scheme 2 is in East Herringthorpe with plans to deliver 13 houses across 5 sites.</li> <li>• Scheme 3 is in Thrybergh, delivering 5 houses across 2 sites.</li> </ul> <p>The specific use of MCA funds is identified as for land remediation and preparation prior to development to help address the viability gap for the sites in question.</p>
<b>Strategic Case</b>
<p>The units proposed are in areas with low property values, meaning that without sufficient support they would not be delivered due to viability issues. The scheme has already received funding support from Homes England and is looking for additional support to enable all elements of the 32-house scheme to go ahead.</p> <p>The sites are already owned by RMBC and will contribute to the Council's housing and affordable housing delivery targets. RMBC has a housing need of approximately 550-600 new houses per annum, and a target for council delivery of housing for 175 houses for 2020/21 and 225 for 2021/22. The council has also identified a shortfall of 716 affordable houses, which this scheme will contribute to.</p> <p>The project aligns well with SCR MCA's approach to land, housing and the built environment with the SEP including a specific objective to improve the quality of existing and new housing stock, whilst maintaining housing growth.</p>
<b>Value for Money</b>
<p>The project delivers 32 affordable homes, estimated to generate a Net Present Value of £112,379 and BCR of 1.3. This provides acceptable value for money.</p> <p>The future land uses could result in the site increasing in value to £1,102,700, a Land Value Uplift of approximately £483,200.</p> <p>Based on Communities and Local Government (CLG) guidance 'Valuing the benefits of regeneration', further benefits of the indirect outcomes of the scheme could include:</p> <ul style="list-style-type: none"> <li>• Consumption benefits (to account for 'private betterment minus dis-amenity') of up to ££474,000 per annum.</li> <li>• Production benefits (to account for employment enabled by the new housing, due to new residents coming to the area, increasing the local labour pool) of up to £569,000 per annum.</li> </ul>

- Visual benefits (from the external benefits arising from enhanced visual amenity), of up to a one-off benefit of £523,000.

## Risk

Top 5 risks as presented in the business case:

1. Increased costs (Probability: Med / Impact: Med)
2. Affordable Homes Programme (AHP) funding unavailable (Probability: Low / Impact: High)
3. Planning permission refused (Probability: Low / Impact: High)
4. Coronavirus (Probability: High / Impact: High)
5. Brexit (Probability: Medium / Impact: Medium)

The impact of coronavirus is regarded as the greatest risk. A cost is not tied to this risk, but it is anticipated this could relate to the impact of local outbreaks, impacts on the construction industry or supply chain, or construction workers being contracting the virus. The applicant will mitigate this risk through early warnings of any delays to programme caused by national announcements.

There is contingency in the budget which should enable cost overruns to be covered. If there are increases in costs, then these will be borne by the applicant (or passed to contractors if their contractual agreement covers this), as indicated in the risk management section of the funding application. Contingency is £385,000 and identified as a 10% allowance in the project's development appraisal.

## Delivery

The applicant is experienced in delivering social housing, with their Strategic Housing & Development Service having delivered over 280 new build houses in the past three years. The applicant states that project management resources are in place but do not provide additional detail on this. Delivery will be undertaken under a Programme Manager and a Project Commissioning Coordinator. Additional details on the organogram are included in Appendix 3. The application would benefit from additional detail on the day-to-day project management arrangements.

For Scheme 1, due to it being more progressed, multiple milestones have already been reached, including planning application approval and proposals for the construction contract returned. A preferred contractor has been selected for scheme 1 and contract award is due to be sent prior to commencement on site in March 2021. Schemes 2 and 3 will take place later and therefore there is more uncertainty about how realistic the milestones are. The applicant has stated in the clarification questions that these are reasonable at the time of submission. The applicant should ensure the MCA is informed of the progress of these later schemes as a condition of grant approval.

## Legal

The applicant has stated that Subsidy Control is not applicable. This appears to be a reasonable interpretation with the scheme delivering social housing for Council use, a Service of General Economic Interest (SGEI). The applicant does not believe the grant payment breaches Subsidy Control rules. There is no confirmation in the application that legal advice has been provided to this end.

## Recommendation and Conditions

<b>Recommendation</b>	Full grant award subject to conditions
<b>Payment Basis</b>	Payment on defrayal
<b>Conditions of Award (including clawback clauses)</b>	
<b><i>The following conditions must be satisfied before contract execution.</i></b>	
<ol style="list-style-type: none"> <li>1. Agree detailed schedule of inclusive growth indicators and targets (e.g. % of [previously unemployed] locals offered permanent contracts and apprenticeships, mentoring and school engagement and engagement with the local supply chain) to ensure the project delivers wider socio-economic benefits and that these can be captured, monitored and reported.</li> </ol>	

2. Submission of acceptable Subsidy Control opinion

The conditions above should be fully satisfied by 6<sup>th</sup> April 2021. Failure to do so could lead to the withdrawal of approval.

***For each scheme the following conditions must be satisfied before drawdown of funding for that scheme element.***

3. All required statutory consents must be satisfied.
4. Submission of evidence of RMBC's Board approval for the scheme.
5. Formal confirmation of all other funding approvals required to deliver the project.
6. Submission of a detailed project plan and risk register including sufficient contingency provision for all activities and related mitigation costs.
7. Confirmation of procurement and evidence of cost certainty
- 8.

**The following conditions must be included in the contract**

9. Clawback will be applied on outputs at MCA discretion
10. Agreeing detailed delivery milestones, particularly for schemes 2 and 3

## Record of Recommendation, Endorsement and Approval

### RMBC Small Sites 2020/21

Assurance Panel Recommendation		Board Endorsement		MCA Approval	
Date of Meeting		Date of Meeting		Date of Meeting	
Head of Paid Service or Delegate	Ruth Adams Deputy CEX	Endorsing Officer (Board Chair)		Approving Officer (Chair)	
Signature		Signature		Signature	
Date		Date		Date	
S73 Officer or Delegate	Gareth Sutton Group Finance Director	<b>Statutory Finance Officer Approval</b>  <b>Name:</b>  <b>Signature:</b>  <b>Date:</b>			
Signature					
Date					
Monitoring Officer or Delegate	Steve Davenport SCR MCA Solicitor				
Signature					
Date					