Circular N7 /2007

**REVISED ARRANGEMENTS FOR THE APPRAISAL, APPROVAL AND MANAGEMENT OF SOCIAL HOUSING PROJECTS**

Dear Director /Town Clerk

I am directed by the Minister of State for Housing and Urban Renewal to inform you of revised arrangements for the appraisal, approval and management of housing projects included in the Department’s Social Housing Investment Programme.

**CONTEXT**

The recent Housing Policy Statement *Delivering Homes, Sustaining Communities* challenges us to build the type of communities suitable for our fast changing society – communities where people are happy to live and in which residents can participate and prosper. The Social Housing Investment Programme is a central element in the provision of tailored housing services to those who cannot afford to meet their own housing needs. The creation of sustainable communities requires the delivery of quality housing in well managed estates.

Authorities will be aware that substantial investment has been devoted to social and affordable housing measures in recent years and an increased programme of investment is proposed under the *National Development Plan 2007 – 2013* and the *National Action Plan for Social Inclusion 2007 – 2016*. In addition to the new policy context, the implementation of capital projects will also be governed by long-standing and more recent general instructions and guidelines issued by the Department of Finance, including:

- Guidelines for Engagement of Consultants;
- Conditions of Engagement for Construction Consultants;
- New Forms of Construction Contracts for Public Works;
- Public Procurement [Green Book and EU Directives];
- Guidelines on the Implementation of Public Private Partnerships [www.ppp.gov.ie]; and

This circular is a complement to the requirements on local authorities set out in the above general instructions and guidelines and authorities should continue to adhere to the requirements set out therein.
**SCOPE OF CIRCULAR**

This circular sets out revised arrangements relating to the appraisal, approval and management of housing projects under the Department’s Social Housing Investment Programme for projects procured through conventional construction contracts.

Single units of social housing or small projects with a capital value of less than €500,000\(^1\) may be undertaken by housing authorities without the prior approval of the Department subject to the following conditions:

- Compliance with the Department’s Best Practice Guidelines, *Quality Housing for Sustainable Communities* (2007);
- Compliance with all regulatory requirements e.g. procurement, planning, contractual and building regulations, etc.;
- Conforming to the objectives and targets as set out in the authority’s Housing Action Plan;
- The submission of quarterly reports on housing output; and
- Staying within the cost thresholds for housing set by the Department.

The inclusion of social housing construction projects with a capital value of €500,000 or more in the Social Housing Investment Programme, is subject to revised arrangements under the following headings:

- Project Appraisal and Design
- Project Approval
- Project Management
- Monitoring Arrangements

**PROJECT APPRAISAL & DESIGN**

*Delivering Homes, Sustaining Communities* announced the introduction of **sustainable community proofing** for all new projects. In developing a project proposal authorities should address a series of critical questions relating to the need for the project, how it contributes to meeting the strategic housing objectives of the authority, the options for delivering the project and the resources and timeframe for implementation. Particular attention should be paid to the issue of sustainability of large mono-tenure estates or of the provision of additional social housing in areas where there is already a predominance of social or low-cost private rented accommodation.

To facilitate sustainable community proofing and to comply with guidance for capital projects, the Department will require a written proposal – **The Project Brief** – for any project (with a capital value of €500,000 or more) to be included in the Social Housing Investment Programme.

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1  All cost estimates in this Circular are VAT inclusive.
The Project Brief should address the following five elements:

1. Analysis of Housing Need;
2. Design Brief;
3. Site Selection;
4. Project Management Arrangements; and
5. Initial Cost Estimates.

1. **Analysis of Housing Need**
   
   This element of the Project Brief should contain a statement on what need is being addressed and should contain an update of the current position regarding housing need in the locality and an account of how the proposal responds to the needs identified in the Authority’s Housing Action Plan.

2. **Design Brief**
   
   A design brief should be provided in accordance with the guidance set out in Chapter 2 of *Quality Housing for Sustainable Communities*. In particular, authorities should address the points raised in section 2.3 (Content of the Brief) of the document. The level of detail in the design brief should be appropriate to the size of the proposed project.

   The design brief, once approved by the Department, will form the basis for the detailed design and planning of the housing project. The Department doesn’t require detailed plans/drawings at this stage.

3. **Site Selection**
   
   The selection of the site for the project is a key element in the development of the project. The brief should contain a general statement on the suitability of the proposed site having regard to the availability of land and demand for housing [social, affordable and private] in the area. Specifically, the brief should consider what is the best mix of development for the site. In preparing the brief regard should be had to Chapter 1 and Appendix 1 of *Quality Housing for Sustainable Communities*.

   Authorities should provide the following information:

   - Location and size of site;
   - Site location map @ 1:500^2;
   - Date site was acquired by Local Authority;
   - Details of any other land owned by the authority in the locality;
   - Information on current and proposed developments on adjoining sites (including zoning details as appropriate); and
   - Acquisition costs [HFA loan repayment] or current market value of the site.

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2 A maximum A3 size map outlining the site and its surrounding area.
4. **Project Management Arrangements**

Particulars on how the authority proposes to manage the project should be provided. Issues to be addressed should include whether the project will be designed in-house or not, what method of procurement is to be used and who within the authority is responsible for the project.

If the project is to be delivered in a number of phases, or is a further phase of a scheme already completed or underway, the relationship between the different phases should be explained.

Where it is intended to engage external professional services to develop the full design brief or undertake an urban design framework study or a ‘Master Plan’ for the development, the brief should include an outline specification of the proposed work.

5. **Initial Cost Estimates**

The authority should provide an initial estimate of the total project cost, including in the case of mixed developments of the non-social housing elements. The costs should be broken down according to the headings set out below. It is accepted at this point that only a broad indication of costs is possible.

- **Social Housing Construction Costs**, which may be estimated using the “all-in unit cost ceiling” or may be based on the last comparable tender.
- **Other Construction Costs**, necessary infrastructure, environmental improvements, community facilities, etc.,
- **Management / Professional Fees**, covering the design / planning and construction phases of the contract
- **Land Costs**, based the repayment of HFA loan or, where this does not apply, an estimate of current value of the site,
- **Other Costs**, any other known significant costs

The estimate of costs should be returned to the Department on Form SHIP01 [Appendix 1].

**APPROVAL OF PROJECT**

Having considered the project brief and deemed it suitable for inclusion in the Social Housing Investment Programme, the Department will issue an approval letter to the authority concerned. **At this point, housing projects become eligible for exchequer funding.**

Although the approval of the Department to include the project in the social housing investment programme ends the initial appraisal stage of the project, it should be stressed that changing circumstances, and any changes in the specifications or costs of the project, may require a fresh assessment of the project.

Departmental approval will vary according to the circumstances of the particular proposal.
Projects up to a capital value of €5 million

For projects up to a capital value of €5 million that do not contain an unusual level of complexity, authorities will normally be approved to take the project through to procurement without further referral to the Department. The Department will provide an overall budget cost for the project and approval will be subject to:

- Adherence to the content of the project brief,
- Meeting any special conditions set by the Department in its approval of the project,
- Compliance with the Department’s, Quality Housing for Sustainable Communities;
- Compliance with all regulatory requirements, including procurement, planning, contractual and building regulations; and
- Staying within the budget cost set for the project.

Projects with a capital value greater than €5 million

Departmental approval will be provided on a phased basis for projects with a capital value greater than €5 million. The initial approval will be for the development of the detailed design and associated documentation [see below], hereafter referred to as The Project Plan. The Department will provide an initial budget cost for this phase of the work, which will be recoupable once the Project Plan is submitted to the Department. For some very large projects, for example, regeneration schemes, this phase may even include the carrying out of pilot projects required to finalise the technical and financial planning for the main scheme.

The key control gateways for the project are set out below:

- Completion of Design Phase
  Submission of the Project Plan including the detailed design\(^3\), a financial profile, a timeframe/schedule for implementation and management plan. The submission should also highlight any significant changes from the project brief.

- Completion of Planning
  Confirmation that statutory planning requirements have been met. For most projects a Department approval at this stage is only likely to be required if the planning approval departs in a material way from the project brief. For major projects the Department may require submission of the tender documentation for approval.

- Completion of Procurement
  Submission of tender recommendation report for approval of the Department to go to construction.

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3 The detailed design documentation should be sufficiently developed to be used for statutory planning purposes and should contain an Architect/Engineer’s report, external works layout, floor plans of all dwelling types, typical sections through proposed dwellings, typical block/street elevations, unusual features proposed, proposed heating system and other relevant documentation. Copies of any strategic plans e.g. master plan, urban design framework, local area plan etc., the results of any pilot projects, and any social or economic studies should also be included.
Projects with a capital value greater than €20 million

For projects with a capital value greater than €20 million and following submission of the Project Plan, the Department will consult with the National Development Finance Agency on the financial options for developing the project.

Projects with a capital value greater than €30 million

Local authorities are required to undertake a full cost benefit analysis for projects with a capital value greater than €30 million. The CBA should be submitted to the Department as part of the Project Plan.

Public Private Partnerships [PPP]

For large scale mixed developments and for major regeneration schemes the option of undertaking the development by means of a PPP should be considered and a report included as part of the Project Brief. If, following consideration of this report and in discussions with the authority, the use of a PPP approach is considered a realistic option, the authority will be asked to undertake a full PPP Assessment in accordance with the guidelines issued by the Department of Finance.

PROJECT MANAGEMENT

Each authority should establish a formal structure for managing their capital programme. Where there are a number of approved projects these can be managed by a single project team charged with the responsibility for bringing the projects through their different phases. The Department’s housing inspector for the area will be a member of the team and should be copied with all relevant documentation, minutes of meetings etc. For each project the authority should nominate an official within the authority to be responsible for delivering the project.

For any individual projects valued at over €20 million there should be a separate project team with a senior official within the authority specifically responsible for delivering the project.

For all approved projects over €20 million, or for a group of projects where the combined value is more than €20 million, a project co-ordinator should be appointed. The Department will meet the additional costs on an agreed basis. Authorities may bring together projects within the county area in order to engage a project co-ordinator.

Authorities are advised to put in place arrangements to ensure that they adhere to the processes required for implementing projects in an efficient and accountable manner. The Department will undertake process compliance spot checks on individual projects from time to time.

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4 For more general information on project management see Department of Finance, Guidelines for the Appraisal and Management of Capital Expenditure Proposals in the Public Sector.
**MONITORING ARRANGEMENTS**

Once a project is approved the Department needs to be kept informed on progress on implementing the project. Progress will be monitored informally through the Department’s housing inspector’s involvement on project teams but authorities are asked to ensure that the Department is formally notified about the following key events:

- Approval of planning;
- Commencement of procurement;
- Commencement of construction; and
- Substantial completion of works.

**TRANSITIONAL ARRANGEMENTS**

This circular applies to all new projects seeking funding under the social housing investment programme. In order not to delay projects that are already well advanced, existing arrangements will apply for projects for which the Department has provided either written approval to proceed or approved a budget cost. All other projects are deemed to be covered by this circular from a current date.

**ENQUIRIES**

A copy of this circular is available electronically on the Sharepoint system under the category, Housing > Housing Construction. Any enquiries relating to this circular may be directed to:

Mr. David Costello  
Department of the Environment, Heritage and Local Government  
Social Housing (Construction and Procurement) Section  
Custom House, Dublin 1  
Tel: 01-888 2143  Email: david_costello@environ.ie

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Eddie Lewis  
Principal Officer  
Social Housing (Construction & Procurement) Section

To: Managers, Director of Services for Housing, Town Clerks
APPENDIX ONE – SHIP01 FORM

PROJECT COST DETAILS – INITIAL ESTIMATE

FORM SHIP 01

AUTHORITY DETAILS

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PROJECT DETAILS

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COST ESTIMATE

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TOTAL VALUE OF PROJECT [Mixed Developments] 10

€

Signed: ____________________________ Date: ____________________________

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5 Local authority should indicate if there are any other proposed sources for funding e.g. ICRs for remedial works projects.
6 Estimated costs based on recent tender costs in the area [if not available use unit cost guidelines]
7 If acquired using loan from HFA, repayment plus rolled up interest, if not provide estimated market value.
8 All professional fees, project management costs and any allowed payments in respect of in-house work.
9 Construction costs for infrastructure works directly related to the project or for community support works e.g. community facilities
10 For mixed developments including affordable and/or private housing or non-housing related facilities, provide broad estimate of overall value.