

Assurance Summary

VERSION 1 24.11.2021



1 – SCHEME DETAILS

Project Name	Doncaster Small Sites	Type of funding	Grant
Grant Recipient	DMBC	Total Scheme Cost	£8,132,942
MCA Executive Board	Housing and Infrastructure	MCA Funding	£890,000
Programme name	Brownfield Housing Fund	% MCA Allocation	11%
Current Gateway Stage	FBC	MCA Development costs	n/a
		% of total MCA allocation	n/a

2 – PROJECT DESCRIPTION

Doncaster Council are applying for £890,000 of Brownfield Housing Fund to enable the delivery of the £8.1m Doncaster Small Sites Housing Project which will see the development of 42 new high-quality, environmentally friendly affordable homes across 5 small sites in Doncaster. The houses will be retained by Doncaster Council as a part of their social housing portfolio.

The housing will be developed in line with Doncaster Council's Low Carbon Living house type range. Consequently, the scheme will deliver housing that exceeds current environmental regulations and standards by incorporating PV roof panels, high levels of thermal insulation, EV charging points and air source heat pumps into the designs. The scheme also aims to avoid the need to supply the site with gas. All homes will be connected to fibre broadband.

The project will bring 5 underutilised brownfield sites back into productive use and contribute to addressing a shortage of affordable housing in Doncaster.

The works are due to start in January 2023 and be complete by June 2024, with an 18 month build programme.

MCA funding is required to bridge a viability gap. In addition to the Brownfield Housing Fund, other public funds will be used (subject to confirmation) including £5,772,942 of HRA funding and £1,470,000 from Homes England Shared Ownership Affordable Housing Programme (SOAHP).

MCA funding will help the project achieve low carbon standards, including PV panels, EV charging points, air source heat pumps (no gas) and high thermal performance. In addition to the high energy performance of the homes, MCA funding will also contribute to the costs of preparing the derelict brownfield sites. Specific items to be funded include increased costs site preparation – cut and fill, incoming services, and abnormal costs (abnormals include fencing to adjacent properties and reinstatement of car parking).

3. STRATEGIC CASE

<p><i>Options assessment</i></p>	<p>The FBC sets out three options: Do minimum, viable alternative option 1, and the preferred option. The Do minimum option, to put the sites on the open market as a housing development opportunity for the private sector, limiting the provision of affordable housing to no more than 15% (The Local Plan Requirement), was discounted for legitimate reasons.</p> <p>The alternative viable option was discounted on the basis that it did not deliver the homes to the same energy efficient standard when compared to the preferred option resulting in the project not contributing to the Council's climate policies and fuel poverty ambitions.</p> <p>The preferred option has been selected as it meets all the SMART objectives. Specifically, it delivers much needed affordable housing, improves the quality of the housing stock, reduces fuel poverty and increases residents' health and well-being.</p>
<p><i>Statutory requirements and adverse consequences</i></p>	<p>The FBC states that the Council will submit a planning application for the project in April 2022 and expect a decision by August 2022. The planning application will include stakeholder consultation engagement, transport and environmental assessments to ensure the project is compliant with policy and statutory plans. The sites are under the threshold for a transport assessment.</p> <p>The assessors note that detailed design work is due to be completed by March 2022 with a planning application submitted by April 2022 with a decision expected in August 2022. MCA funding is estimated to be secured by 31st March 2022 and, therefore, without planning approval.</p> <p>A full Environmental Impact Assessment will be produced and submitted as part of the planning application process which will include a Biodiversity net gain consideration.</p> <p>An initial environmental impact assessment has been carried out. The findings illustrate the positive impacts of developing brownfield land such as reducing the amount of greenfield land required to deliver the housing need, reduction of lifetime carbon due to the energy-efficient specification and delivering and maintaining 0.33 ha of public space.</p>
<p><i>FBC stage only – Confirmation of alignment with agreed MCA outcomes (Stronger, Greener, Fairer).</i></p>	<p>The project has good alignment with the SEP and RAP across all three strategic objectives Stronger, Fairer and Greener, and specifically in relation to the MCA's Air Quality and Net Zero ambitions, as set out below:</p> <ul style="list-style-type: none"> - Air quality: the specification of the build includes enhanced carbon reduction measures to minimise CO2 emissions and improve air quality over the lifetime of the property. The MCA funding is being used to directly contribute to these enhancements and is therefore well aligned.

- Net zero: the programme will include PV panels, EV charging points, air source heat pumps (no gas) and high thermal performance contributing to 397 CO2 savings per annum. It aligns well with the SEP and RAPs objectives on accelerating SCR's net zero carbon transition.

4. VALUE FOR MONEY

Monetised Benefits:

<i>VFM Indicator</i>	<i>Value</i>	<i>R/A/G</i>
<i>Net Present Social Value (£)</i>	£3,003,553	G
<i>Benefit Cost Ratio / GVA per £1 of SYMCA Investment</i>	3.3	G
<i>Carbon Savings (£)</i>	£446,258	G
<i>Amenity Benefits (£)</i>	£647,137	G

Value for Money Statement

The economic dimension includes a series of monetised benefits to determine BCRs alongside non-monetised outcomes. For the preferred option the following have been considered:

1. An initial BCR – including direct Land Value Uplift (LVU), indirect spillover LVU, amenity benefits, and carbon savings. This BCR has been calculated against the MCA BHF funding only, not all public funds.
2. An adjusted BCR – in addition to the initial BCR health benefits and societal fuel benefits have been added. Again, this BCR has been calculated against the MCA BHF funding only, not all public funds.
3. An adjusted BCR – the same benefits have been included as number 2 above but this BCR has been calculated against all public sector funds.

As per the economic appraisal, the results of the BCR calculations for the preferred option is as follows, these have been taken from the Appendix Fi:

1. An initial BCR – 2.35
2. An Adjusted BCR – 3.30
3. An Adjusted BCR (against all public funding) – 1.12

The project offers value for money (above the threshold of 1) when considering all public funding. However, the FBC should be updated to include a revised BCR calculation table and results (including showing the new benefit 'affordable housing benefit from SOAHP grant').

Overall, the project provides good value for money.

5. RISK

The major risks identified include MCA funding not being approved, tender return prices higher than expected due to construction prices inflation, design changes resulting from consultations, planning delays, and cost overruns. All risks have been scored identifying the highest risk in terms of likelihood and impact. For each,

the FBC also identifies how the risk is to be mitigated and the individual owner. The assessors have considered both the short list and full matrix of identified risks and believe that all are reasonable. All scoring has been undertaken accurately and it is felt the quantitative conclusions represent the risks effectively.

The assessors believe that the main risk regarding securing full funding for the project is the planning approval dependency associated with the Homes England SOAHP funding. Whilst the applicant states that there is low planning risk for this project, if there is a delay in planning approval, there will also be a delay in securing full funding. However, the applicant assures that if this funding is not available, the Council is able to meet the schemes full funding requirements through the HRA which mitigates this risk.

The envisaged scheme will be delivered by a main contractor who will enter a fixed-price contract with the Council. The main contractor is responsible for appointing any sub-contractors. The main contractors are required to undertake due diligence checks on sub-contractors. There are potential risks regarding selecting a main contractor that enters financial difficulty once appointed. Appropriate due diligence checks should be completed prior to the award to ensure the main contractor has a good financial standing. Further management controls could be introduced to regularly monitor the financial position of the contractor during the term of the contract along with regular updates as per contractual arrangements.

At the time of writing, the assessors are aware of the general difficulties and reluctance facing contractors when entering fixed price contract due to the current tender price uncertainties. The MCA and applicant should seek to mitigate this issue where possible. Current mitigations include using estimating current construction prices (cost plan dated November 2021), using standard house types, and comparing construction prices against similar schemes. The assessors believe the mitigation procedures in place are adequate.

6. DELIVERY

Currently, securing MCA BHF takes place on 31st March 2022. Procurement is due to be complete by December 2022. Works commence in January 2023 and run for one year until December 2023 for three sites and June 2024 for the remaining site. This build period is reasonable.

The majority of the delivery timetable is reasonable. The Council should confirm they have the capacity to achieve planning for this project alongside other commitments. As, at FBC stage, a main contractor has not been secured, the assessors believe it is reasonable to condition any the funding approval against the contractor's tender price return.

The procurement process is expected to start in August 2022 through either a compliant procurement exercise in line with UK procurement legislation, or a mini competition via a compliant third-party framework agreement. The procurement process will consider cost, quality and social value. It is estimated that the procurement of the main contractor will be complete by the end of November 2022.

The assessors agree with the stated level of certainty of 90% due to the developed nature of the project and extensive internal knowledge of the site. For the same reason the contingency allowance of 2.5% (albeit low for the project's stage) is reasonable as site investigations are complete with abnormalities identified with a detailed cost plan. The assessors note that there is a risk that the final contingency figure may change once a main contractor is appointed after MCA BHF funding is secured. The FBC clearly states that cost overruns will be dealt with by the Council. However, to manage contingency risk, a funding condition should be considered. The funding condition should inhibit funding from being released until procurement is complete.

A Housing Programme Manager has been identified in the FBC and is also the Senior Responsible Officer. Furthermore, a clear governance structure has been included from the Project Manager (main contractor that is yet to be appointed) to the Doncaster Council Cabinet. The FBC has not been signed.

During the development of the strategy and build programme the following key stakeholders were consulted:

- internal partners from education, leisure and highways
- external public sector partners including health, local registered housing providers
- St Ledger Homes of Doncaster (ALMO)

Detailed public consultation will take place as part of the planning application process which will be in April 2022 in line with the Council's Site Development Proposals Consultation Protocol.

Monitoring will be the responsibility of Doncaster Councils Housing Programme Manager (HMP) who will report to the Councils Housing Delivery Group. The HMP will meet monthly with the main contractor to ensure that timescales, budgets, outputs/outcomes are all being met. An employer's agent will be appointed to support the HMP ensuring that the build is a fair reflection of the costs involved. The main contractor must update social value outcomes progress monthly. Doncaster Councils Housing Delivery Group will evaluate the programme during the construction and on completion MCA will be provided with copies of reports. All costs associated with monitoring will be met by Doncaster Council. The evaluation will comprise of a mid-stage and end of project review.

7. LEGAL

The FBC states that subsidy control/state aid rules do not apply to this programme for a series of reasons. The grant is being made to Doncaster Council (a public body) who have gone through an open procurement route to appoint the most commercial and economically advantageous bidder. In addition, it is noted that the funding and projects will have no impact on international trade and the provision of social housing falls within the EUs Service of General Economic Interest.

8. RECOMMENDATION AND CONDITIONS

Recommendation	Full grant award subject to conditions
Payment Basis	Payment on defrayal
Conditions of Award (including clawback clauses)	
<p><i>The following conditions must be satisfied before contract execution.</i></p> <ol style="list-style-type: none"> 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. 2. Submission of acceptable Subsidy Control opinion 	

The conditions above should be fully satisfied by 18/03.2022. Failure to do so could lead to the withdrawal of approval.

3. Submission of detailed costs, project plan and risk register including sufficient contingency provision for all activities and related mitigation costs.

The following conditions must be satisfied before drawdown of funding.

4. Confirmation of procurement and evidence of cost certainty
5. All required statutory consents including all planning conditions must be satisfied.
6. Formal confirmation of all other funding approvals required to deliver the project.
7. Formal confirmation of commitment to address any cost overruns without unduly compromising project outputs and outcomes.
8. Submission of evidence of DMBC's Board approval for the scheme.

The following conditions must be included in the contract

9. Any underspend to be returned to the MCA
10. Clawback will be applied on outputs/outcomes at MCA discretion