

Assurance Summary

VERSION 1 24.11.2021



1 – SCHEME DETAILS

Project Name	Adwick Depot	Type of funding	Grant
Grant Recipient	Doncaster Council	Total Scheme Cost	£7,346,804
MCA Executive Board	Housing and Infrastructure	MCA Funding	£1,200,000
Programme name	Brownfield Housing Fund	% MCA Allocation	16%
Current Gateway Stage	FBC	MCA Development costs	n/a
		% of total MCA allocation	n/a

2 – PROJECT DESCRIPTION

The £7.35m project will see Doncaster Council directly deliver 35 new high-quality, environmentally friendly affordable homes on the site. These will be retained as a part of the Council's social housing portfolio and bring back into public use 0.14 ha of green space. The works will begin in May 2023 and be completed in January 2025, with a 21 month build programme.

The units will be 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, which may result in the need for a new electrical substation. All homes will be connected to fibre broadband.

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

The FBC clearly states that the MCA is being asked to provide £1.2m which will be used to provide the low carbon specification of homes including:

- PV panels.
- EV charging points.
- No gas / air source heat pumps.

- High thermal performance.
- Upgrade of an existing electricity sub-station to service the site.

Additionally, MCA is being asked to fund the site preparation of the brownfield site including:

- Increased costs resulting from the conversion of the historic buildings on site, to meet Historic England's expectations.
- Ground contamination resulting from the former use of the site as a council vehicle depot.
- Drainage attenuation.

The 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 £1,030,973 of HRA funding and £1,225,000 from Homes England Shared Ownership Affordable Housing Programme (SOAHP).

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 site 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 resident's 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 in August 2022 and expect a decision by the end of December 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 site is allocated within the Doncaster Local Plan 2015-31). Due to the small number of units proposed, the project is below the threshold for a Traffic Impact Assessment.</p> <p>Detailed design work is due to be completed by May 2022 with a planning application submitted by August 2022 and a decision expected in December 2022. MCA funding is estimated to be secured by 31st March 2022 and, therefore, ahead of planning approval.</p> <p>A full Environmental Impact Assessment will be produced and submitted as part of the planning application process which is expected to be completed in late 2022. In response to Doncaster Council's ambitions to reduce carbon emissions and increase biodiversity, the scheme will benefit from the retention of existing trees and the planting of new trees on the site. Further design work will seek to introduce and maintain hedgerows, wildflower planting, and the creation of species-specific habitats.</p> <p>However, 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, enhanced biodiversity through tree retention and planting, and</p>

	delivering and maintaining 0.14 ha of public space. However, the FBC states that there will be short-term negative environmental impacts from development due to the resourcing and manufacturing of construction materials.
<i>FBC stage only – Confirmation of alignment with agreed MCA outcomes (Stronger, Greener, Fairer).</i>	<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 with the SEP and REP. Additionally, there are tree planting measures in place to improve biodiversity. - Net zero: the FBC states that the programme will include PV panels, EV charging points, air source heat pumps (no gas), high thermal performance, and an upgrade of an existing electricity sub-station to service the site contributing to 331 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>	£3,532,596	G
<i>Benefit Cost Ratio</i>	2.75	G
<i>Carbon Savings (£)</i>	£371,881	G
<i>Amenity Benefits (£)</i>	£274,543	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 spill over 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 with an additional benefit because this BCR has been calculated against all public sector funds. The Homes England grant for affordable homes can be viewed as a cost and benefit as set out in the DCLG 2016 appraisal guide

At OBC stage, the assessors deemed the consideration of three separate BCR calculations as reasonable but recommended that optimism bias was included in all BCR calculations. This has been amended at FBC stage.

The results of the BCR calculations for the preferred option is as follows:

1. An initial BCR – 2.20
2. An Adjusted BCR – 2.75
3. An Adjusted BCR (against all public funding) – 1.15

Overall, the project provides acceptable 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, increased electricity demand requiring a sub-station upgrade, design changes resulting from consultations. 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 short list and full matrix of identified risks are reasonable. All scoring has been undertaken accurately and the quantitative conclusions represent the risks effectively.

The following are worth noting:

- Any underspend should be returned
- Both planning and procurement pose risks to the delivery of the project and though funding could be awarded before these are secured funding should only be released once both have been achieved
- The MCA should ensure a funding condition is put in place to cap the tender return price at or less than a fixed price to ensure the cost of the scheme is not significantly greater than what was approved.
- The FBC form must be updated to reflect the comments and errors identified by the assessors.

Though not necessarily a funding condition the MCA should ensure the Applicant has provided a quantitative breakdown of exactly what the funding will cover to allow monitoring that it has been delivered.

The main risk regarding securing full funding for the project is the planning approval dependency associated with the Homes England SOAHP funding. Whilst the FBC 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 FBC 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 assessors acknowledge risk surrounding finding a contractor who will agree to entering a fixed price contract due to the macro supply chain issues and labour shortages affecting the uncertainty in tender prices within construction sector, at the time of writing. A 2.5% contingency could be viewed as limited in absorbing an increase in the tender price. However, DMBC have clarified that cost overruns will be paid for through the HRA, therefore, somewhat mitigating this risk.

The main contractor is responsible for appointing the sub-contractor. The assessors understand that 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.

6. DELIVERY

Currently, procurement starts in the same month as planning approval is secured in December 2022. Works commence in May 2023 and run for one year until 31st January 2025. This build period is reasonable. The milestones also include evaluation reports in the middle of the works on 31st March 2024 and 9 months after completion on the 31st October 2025.

The assessors deem the majority of the delivery timetable 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 still not been secured, it is reasonable to put a condition on the funding. The condition should only approve funding if the contractor's tender price return is at or below a capped price to avoid significant cost increases that could affect the deliverability of the scheme.

The FBC states the procurement process is expected to start in August 2022 through a construction framework, using a consultation framework that considers cost, quality and social value. It is estimated that the procurement of the main contractor will be complete by the end of March 2023.

Development costs are estimated at 90% certainty. The cost certainty has increased which is understood by the assessors due to an updated cost plan dated November 2021. The fixed-price contract for the scheme includes a 2.5% contingency totalling £173,059.68. The assessors consider contingency of 2.5% to be low when the procurement strategy has not commenced, and the scheme has not progressed through planning. The final level of contingency will be set with the contractor during the finalisation of the fixed price construction contract. The Council will accept responsibility for cost over-runs associated with any risks that are excluded from the construction contract.

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.

The FBC states that 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.

The FBC sets out how the programme will be monitored and who is responsible for undertaking and funding it. Monitoring will be the responsibility of Doncaster Council's Housing Programme Manager (HMP) who will report to the Council's Housing Delivery Group. The HMP will meet monthly with the main contractor to ensure that timescales, budgets, outputs/outcomes are all being met. An employers' 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 Council's 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)	
<i>The following conditions must be satisfied before contract execution.</i>	
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.	
<i>The following conditions must be satisfied before drawdown of funding.</i>	
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