

## Assurance Panel Summary



### Scheme Details

<b>Project Name</b>	Adwick Depot	<b>Type of funding</b>	Grant
<b>Grant Recipient</b>	Doncaster Council	<b>Total Scheme Cost</b>	£7.17m
<b>MCA Executive Board</b>	Housing & Infrastructure	<b>MCA Funding</b>	£1.2m
<b>Programme name</b>	Brownfield Housing Fund	<b>% MCA Allocation</b>	16.7%

### Appraisal Summary

Project Description	
<p>This £7.17m project will see Doncaster Council directly deliver 35 new high-quality, environmentally friendly and affordable homes on a site they will retain ownership of as a part of their social housing portfolio, bringing back 0.14 ha of green space into public use. The works will begin in June 2022 and be completed in Autumn 2023.</p> <p>The OBC is clear in setting out that a total of £1.2m of 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 £970,000 of HRA funding and £1,230,000 from Homes England Shared Ownership Affordable Housing Programme (SOAHP). The OBC specifically states that MCA funding will contribute to the project achieving low carbon standards, including PV panels, EV charging point, air source heat pumps (no gas), high thermal performance, and an upgrade of an existing electricity sub-station to service the site. In addition to the high energy performance of the homes, MCA funding will also contribute to the costs of preparing the derelict brownfield site. Specific items to be funded include increased costs from conserving historic buildings, ground contamination and drainage attenuation.</p>	
Strategic Case	
<i>Options assessment</i>	<p>The OBC sets out three options: Do minimum, viable alternative option 1, and the preferred option. 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. The assessors view is that the preferred option has the best strategic fit with the councils' objectives and the other options have been discounted for legitimate reasons.</p>
<i>Statutory requirements and adverse consequences</i>	<p>The OBC states that the Council will submit a planning application for the project in October 2021 and expect a decision by the end of January 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. The assessors note that detailed design work is due to be completed by 30th September 2021 with a planning application submitted by 15th October 2021 and a decision expected in January 2022. MCA funding is estimated to be secured by 31st March 2022 preferably with planning approval secured.</p> <p>The OBC states that 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>The OBC states that initial environment 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 0.14 ha of public space. However, the OBC states that</p>

there will be short-term negative environmental impact from development due to the resourcing and manufacturing of construction materials.

## Value for Money

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, 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.

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

1. Initial BCR: 2.45
2. Adjusted BCR: 3.11
3. An adjusted BCR (against all public sector funding): 0.84

BCR calculations against MCA funding have a BCR of greater than 1 and therefore provide acceptable value for money.

## Risk

There are a series of risks identified in the OBC. The major risks identified include MCA funding not being approved, tender return prices higher than expected due to construction prices inflation, Historic England requirements to preserve elements of the heritage buildings, 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 OBC also identifies how the risk is to be mitigated and the individual owner. It is considered both the short list and full matrix of identified risks are reasonable. All scoring has been undertaken accurately and it is felt the quantitative conclusions represent the risks effectively.

The MCA should ensure that if procurement is not complete prior to FBC stage, then 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 by the MCA.

The OBC states that there are no funding risks associated with the scheme. In addition to the MCA funding, the project has secured funding through the Council's Housing Revenue Account (HRA). The Council will apply for £35,000 per dwelling from Homes England SOAHP. The Homes England funding requires planning approval which presents a risk. Furthermore, Section 6.1 - key milestones shows Homes England SOAHP funding secured on 31st October 2021 when planning is estimated to be secured by 31st January 2022. The assessors recommend that securing Home England SOAHP funding should be moved to after planning approval given the dependency relating to funding approval. The OBC states that if Homes England SOAHP funding is not secured, the Council will meet the shortfall of funding through the HRA.

The envisaged scheme will be delivered by a main contractor who will enter a fixed-price contract with the Council. 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.

## Delivery

Overall, the timetable for delivery is considered reasonable. Currently, procurement completion and securing MCA BHF funding both takes place on 31st March 2022. It is recommended that securing Home England SOAHP funding should be moved to after planning approval given the dependency relating to funding approval. The milestones also include evaluation reports in the middle of the works on 31st March 2023 and 3 months after completion on the 31st March 2024. It is deemed that the preference would be at FBC stage that there is known costs and procurement certainty with a main contractor secured. If timing is an issue and procurement is not completed before a decision then 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 OBC states the procurement process is expected to start in October 2021 through a construction framework, with procurement of the main contractor complete by the end of March 2022.

Development costs are estimated at 75% certainty. 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 clear governance structure has been included from the Project Manager (main contractor that is yet to be appointed) to the Doncaster Council Cabinet. The OBC has not been signed by the identified SRO.

The OBC states that during the development of the strategy and build programme key stakeholder were consulted, including internal partners from education, leisure and highways, external public sector partners including health, local registered housing providers and St Ledger Homes of Doncaster (ALMO). Detailed public consultation will take place as part of the planning application process which will be in October 2021 in line with the Council's Site Development Proposals Consultation Protocol.

The OBC sets out how the programme will be monitored and who is responsible for undertaking and funding it. 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 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. Additionally, if Homes England funding is secured, Homes England will require quarterly updates on scheme progress and completions per annum.

## **Legal**

The OBC states that subsidy control 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.

## Recommendation and Conditions

<b>Recommendation</b>	Proceed to FBC
<b>Payment Basis</b>	
<b>Conditions of Award (including clawback clauses)</b>	
Submission deadline for the FBC of the 29 <sup>th</sup> of November 2021.	

## Record of Recommendation, Endorsement and Approval

### Project Name

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