



Assurance Panel Summary

Scheme Details

Project Name	Former Nightingale School, Balby, Doncaster	Type of funding	Grant
Grant Recipient	Doncaster Council	Total Scheme Cost	£9.59m
MCA Executive Board	Housing	MCA Funding	£1.57m
Programme name	Brownfield Housing Fund	% MCA Allocation	16.4%

Appraisal Summary

Project Description	
<p>The Former Nightingale School site is located in Balby, a suburb in the south-west of Doncaster on Cedar Road. The 1.64 ha site, a former school which closed in August 2003, was used as temporary accommodation for Doncaster's Regimental Museum up until 2019 and was cleared in early 2021.</p> <p>The £9.59m project will deliver 51 new high-quality, environmentally friendly affordable homes and will be retained by Doncaster Council as a part of their social housing portfolio. Circa 0.36 Ha of green space will also be brought back 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 £1,570,000 is required to bridge a viability gap. In addition to the Brownfield Housing Fund, other public funds will be used (subject to confirmation) including £6,234,647 of HRA funding and £1,785,000 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 site preparation – cut and fill, incoming services and abnormal costs.</p>	
Strategic Case	
<i>Options assessment</i>	<p>The OBC sets out three options: Do minimum, viable alternative option 1, and the preferred option.</p> <p>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 several reasons, including the fact that a private sector led scheme would not deliver the same amount, type and specification of affordable housing.</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. 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</p>

ensure the project is compliant with policy and statutory plans (the site is allocated within the Doncaster Local Plan 2015-31). 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.

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. The OBC states that initial an 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 0.36ha of public space. However, 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, 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.

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

1. An initial BCR – 2.81
2. An Adjusted BCR – 3.56
3. An Adjusted BCR (against all public funding) – 1.01

All BCR figures calculated and reported in the BCR are over 1 and therefore represent acceptable value for money.

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 OBC also identifies how the risk is to be mitigated and the individual owner. 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 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. It is recommended 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. The main contractor is responsible for appointing the sub-contractor. 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.

Delivery

Overall, the timetable for delivery is considered reasonable. The Council should confirm they have the capacity to achieve planning for this project alongside other commitments, given that DMBC are bringing forward a number of other sites with similar timescales. It is recommended that at FBC stage, 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 considered reasonable to put a condition on any funding approval such that if the contractor's tender price return is at or below a capped level 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 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 March 2022.

Development costs are estimated at 75% certainty. This is considered reasonable 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% is reasonable as site investigations are complete with abnormalities identified with a detailed cost plan. It is noted that the final contingency figure may change once a main contractor is appointed and should be in place at FBC stage. The OBC clearly states that cost overruns will be dealt with by the Council.

The OBC names the Housing Programme Manager (Doncaster Council) as the Senior Responsible Officer. 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 states that key stakeholders 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 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.

Legal

The OBC 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.

Recommendation and Conditions

Recommendation	Proceed to FBC
Payment Basis	
Conditions of Award (including clawback clauses)	
<p>Recommendations at FBC stage:</p> <ul style="list-style-type: none">- Submission deadline for the FBC of the 29th of November 2021.- If procurement is not complete prior to the 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 programme estimates that MCA funding will be approved 3 months after the planning decision has been made. While there is expected to be low planning risk for this project, no public consultations have taken place to date which may result in design changes and delay planning approval. As planning approval is a key dependency for project delivery, a funding condition should be in place to make funding dependent on planning given the risk.- It would be preferable to have procurement certainty in place in time for MCA funding at the FBC stage.- The BCR relating to MCA funding only should include optimum bias when undertaken at FBC stage- All benefits should be appraised over the same period i.e., 30 years at FBC stage	

Record of Recommendation, Endorsement and Approval

Project Name

Appraisal 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 Finance Manager	Statutory Finance Officer Approval			
Signature					
Date					
Monitoring Officer or Delegate	Steve Davenport SCR CA Solicitor				
Signature					
Date					