



Assurance Panel Summary

Scheme Details

Project Name	Doncaster Small Sites	Type of funding	Grant
Grant Recipient	Doncaster Council	Total Scheme Cost	£8.33m
MCA Executive Board	Housing and Infrastructure	MCA Funding	£0.89m
Programme name	BHF	% MCA Allocation	10.8%

Appraisal Summary

Project Description

Doncaster Council are applying for £890,000 from the Brownfield Housing Fund to enable the delivery of the £8.33m Small Sites Housing Project which will see the development of 42 new high-quality, environmentally friendly affordable homes across 5 small sites in Doncaster. Provisional site layouts for each of the schemes have been provided.

The houses will be retained by Doncaster Council as a part of their social housing portfolio. A summary of the housing delivered at each site is outlined below:

The homes will be in line with Doncaster Council's Low Carbon Living house type range. Consequently, the scheme will deliver homes 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, which has resulted in the Council recently approving a 5-year Housing Delivery Plan (2020-2025) which aims to deliver 500 new affordable houses.

The OBC is clear in setting out that a total of £890,000 is required to bridge a viability gap. In addition to the Brownfield Housing Fund, other public funds will be used (subject to confirmation) including £5,967,430 of HRA funding and £1,470,000 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) 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 site preparation costs – cut and fill, incoming services and abnormal costs (include fencing to adjacent properties and reinstatement of car parking).

Overall, the assessors have found that the OBC is clear in setting out what the funding will be used for.

Strategic Case

<p><i>Options assessment</i></p>	<p><i>Is there a clear rationale for the selection of short-listed options and the choice of the Preferred Way Forward?</i></p> <p>The OBC 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 several reasons. Firstly, there was no guarantee that the private sector would respond to this opportunity. The sites were included on a database of HRA sites that was shared with the Council's partner RPs but received no sustained interest. Additionally, the do minimum option was discounted because the private sector would not deliver the same quantity (100%) or quality of affordable housing as the preferred option due to their need to maintain target profit margins.</p> <p>As this is a key objective of the programme the assessors agree that the do minimum option has rightfully been discounted.</p> <p>Alternative viable option 1 is to bring back into productive use the vacant, brownfield sites by delivering the proposed 43 houses and 0.36 ha of public green space to a lower specification which excludes the environmental / energy efficient design features valued at £1,089,119. The assessors recommend adjusting the options analysis to show that the alternative viable option fully meets the objectives noted above. The only difference should be the reduced energy efficiency.</p> <p><i>The preferred option has been selected as it meets all the SMART objectives.</i> 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>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>
<p><i>Statutory requirements and adverse consequences</i></p>	<p><i>Does the scheme have any Statutory Requirements?</i></p> <p>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 with a decision expected in January 2022. MCA funding is estimated to be secured by 31st March 2022 preferably with planning approval secured. 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). The sites are under the threshold for a transport assessment.</p> <p><i>Are there any adverse consequences that are unresolved by the scheme promoter?</i></p> <p>The OBC also states that an 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 0.34 ha of public space. However, there will be short-term negative environmental impact from development due to the resourcing and manufacturing of construction materials. 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>No adverse consequences were found when social and economic impacts were assessed.</p> <p>The assessors accept that the applicant has considered the wider implications of the project, and although we have not had sight of the documents submitted in support of the applicant's planning applications, it is accepted that sufficient and proportionate consideration has been given.</p>

Value for Money

Taking consideration of the monetised and non-monetised benefits and costs, and the uncertainties, does the scheme represent 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), 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 – 2.66
2. An Adjusted BCR – 3.73
3. An Adjusted BCR (against all public funding) – 0.72

Based on MCA investment, the project has a BCR of greater than 1 and therefore provides acceptable value for money.

Risk

What are the most significant risks and is there evidence that these risks are being mitigated?

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. All 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.

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.

Do the significant risks require any contract conditions? (e.g. clawback on outcomes)

The assessors have not identified any significant risks while undertaking our assessment of the OBC. The MCA should ensure that there are contractual conditions in place in relation to any project underspend. The MCA should also 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.

Are there any significant risks associated with securing the full funding for the scheme?

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 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 OBC 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 OBC 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.

Are there any key risks that need to be highlighted in relation to the procurement strategy?

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 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.

Delivery

Is the timetable for delivery reasonable and has the promoter identified opportunities for acceleration?

Overall, the assessors consider that the timetable for delivery is reasonable but note that currently, procurement completion and securing MCA BHF funding both takes place on 31st March 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 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.

The assessors also note that alongside these 5 sites, the DMBC are bringing forward a number of other sites with similar timescales. For each of these, the Council is leading on achieving planning with internal resources. At FBC stage, the Council should confirm they have capacity to simultaneously achieve planning on all these separate schemes.

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. The assessors deem that the preference would be 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 the assessors believe it is reasonable 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.

Is the procurement strategy clear with defined milestones?

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. The strategy aligns with Section 6.1 which lists the procurement strategy.

The assessors believe the procurement strategy is clear with defined milestones.

What is the level of cost certainty and is this sufficient at this stage of the assurance process? Has the promoter confirmed they will cover any cost overruns?

Development costs are estimated at 75% certainty. The fixed-price contract for the scheme includes a 2.5% contingency totalling £196,600. The assessors asked for justification regarding the 2.5% contingency as we consider it to be low when the procurement strategy has not commenced, and the scheme has not progressed through planning. In response to our clarification question, the applicant agreed it appeared to be low but is appropriate for several reasons; site investigations are complete; the cost plan includes £172,000 of abnormal costs which relate to the drainage, sub-station, service diversions, additional demolition / site clearance / asbestos removal and retaining walls; standard house type designs allow for the Council to be accurate with cost estimates. Additionally, 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.

The assessors agree with the stated level of certainty of 75% 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 abnormals identified with a detailed cost plan. The assessors note 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.

Has the promoter demonstrated clear project governance and identified the SRO? Has the SRO or other appropriate Officer signed of this business case?

The OBC names the Housing Programme Manager (Doncaster Council) as the Senior Responsible Officer and contact details have been provided. 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 but by the Director of Economy and Environment (Doncaster Council) and the Assistant Director of Finance (Section 151) (Doncaster Council).

The assessors are satisfied that a clear governance structure has been put in place to manage the project along with an identified SRO.

Has public consultation taken place and if so, is there public support for the scheme?

The OBC states that during the development of the strategy and build programme the following key stakeholder 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)

However, the OBC states that there is good local support for the development without providing clear evidence of support.

The assessors note that 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 following stakeholders will be consulted:

- Tenants and residents living in the vicinity of the development.
- Businesses, institutions or owners of land within the vicinity of the development.
- Elected Members for the relevant ward.
- St Leger Homes of Doncaster.
- Doncaster Council Neighbourhood Management / Area Management.
- Local tenant representatives.

Are monitoring and evaluation procedures in place?

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 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.

Additionally, if Homes England funding is secured, Homes England will require quarterly updates on scheme progress and completions per annum.

The assessors view the monitoring and evaluation procedures set out in the OBC in relation to the programme as proportionate and clear.

Legal

Has the scheme considered Subsidy Control compliance or does the promotor still need to seek legal advice?

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.

The OBC provides considered reasons as to why all the projects will comply with subsidy control however the assessors cannot provide legal advice as to whether these reasons satisfy subsidy control regulation.

Recommendation and Conditions

Recommendation	Proceed to FBC
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Payment Basis	
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Conditions of Award (including clawback clauses)

Recommendations at FBC stage:

- 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 Name: Signature: Date:			
Signature					
Date					
Monitoring Officer or Delegate	Steve Davenport SCR CA Solicitor				
Signature					
Date					