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**Meeting of the Cabinet – 17<sup>th</sup> February 2022**

**Joint Report of the Chief Executive and Director of Finance and Legal**

**Capital Programme Monitoring**

**Purpose of Report**

1. To report progress with the implementation of the Capital Programme.
2. To propose amendments to the Capital Programme.
3. To propose the “Prudential Indicators” as required to be determined by the CIPFA Prudential Code for Capital Finance in Local Authorities and the Local Government Act 2003.
4. To propose the Council’s updated Capital Strategy.
5. To propose the Council’s Minimum Revenue Provision (MRP) Policy for 2022/23.

**Recommendations**

6. That the Council be recommended:
  - That progress with the 2021/22 Capital Programme, as set out in Appendices A and B be noted.
  - That the amendment to the Transport capital programme in paragraph 10 be approved.
  - That the Tipton Road fence capital project in paragraph 11 be approved.
  - That the additional items for the VLR project in paragraph 12 be approved.
  - That the Social Care digitisation project and associated spend of £224k in paragraph 13 be approved.
  - That the capital projects proposed in the Medium-Term Financial Strategy in paragraphs 14-19 be added to the capital programme, subject to the approval of revenue funding by Full Council on 7<sup>th</sup> March 2022.
  - That the Prudential Indicators as required to be determined by the CIPFA Prudential Code for Capital Finance in Local Authorities and the Local Government Act 2003, as set out in Appendix C, be agreed.
  - That the updated Capital Strategy set out in Appendix D be approved.

- That the Minimum Revenue Provision (MRP) Policy for 2022/23 be approved as set out in paragraph 23.

## **Background**

7. The table below summarises the *current* 3 year Capital Programme updated where appropriate to reflect latest scheme spending profiles.

	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Public Sector Housing	52,434	67,929	71,168
Private Sector Housing	6,049	5,527	4,145
Environment	6,002	13,934	5,000
Transport	10,039	8,032	2,000
Regeneration	26,365	23,460	9,931
Cultural	17,415	842	0
Schools	11,472	11,126	7,000
Social Care, Health and Well Being	418	605	0
Commercial and Customer Services	781	738	738
<b>Total spend</b>	<b>130,975</b>	<b>132,193</b>	<b>99,982</b>
Revenue	2,370	1,674	947
Major Repairs Reserve (Housing)	25,025	25,309	25,621
Capital receipts	22,496	17,864	10,447
Grants and contributions	42,598	22,768	9,934
Capital Financing Requirement	38,486	64,578	53,033
<b>Total funding</b>	<b>130,975</b>	<b>132,193</b>	<b>99,982</b>

Note that the capital programme is subject to the availability of government funding.

8. Details of progress with the 2021/22 Programme are given in Appendix A. An update on progress with the Council's most significant capital schemes is shown in Appendix B. It is proposed that the current position be noted.
9. The report on the Housing Revenue Account elsewhere on this agenda contains details of the proposed updated Public Sector Housing capital programme.

## **Amendments to the Capital Programme**

10. Transport

It is proposed that £110,000 is transferred from the additional non recurrent pothole revenue budget for 2021/22 to the pothole capital budget. This transfer will be utilised for the re-surfacing of three roads which have multiple pothole locations, and the roads are continuing to deteriorate.

## 11. Regeneration

The Institute of Technology (IoT) was completed in September 2021 and the Very Light Railway Innovation Centre (VLRNIC) will be completed in this spring. Both of these buildings are bounded on one side by the Tipton Road. The fence and part of a retaining wall along this stretch of the road are in poor repair and pose both health & safety and security risks to these new buildings. The fence is along a key route into the town and given the investment in the area spend is required in replacing the fence to present an updated and tidy appearance to visitors and commuters. If the fence is left as it is it will detract from the investment made into the IoT and the VLRNIC. The existing retaining wall is bulging due to tree damage, this is proposed to be repaired whilst saving as many trees as possible due to the scarcity of vegetation on Castle Gate Island. The cost of these works is estimated to be £160,000 which can be funded by prudential borrowing, the debt charges for which are to be funded by revenue budgets held by the Regeneration & Enterprise budgets. It is proposed that this scheme is included in the Capital Programme.

## 12. Very Light Rail wi-fi and generator

Additional works identified as required and funded by Coventry City Council have already been included in the Capital Programme. In addition to this, wi-fi connection to the workshop (£10,000) and a generator to supply power to the workshop (£20,000) are required.

The items detailed above are to be funded by resources held by Coventry City Council. It is proposed that these two additional items are included in the Capital Programme.

## 13. Digitising Social Care

A bid was made to the Digitising social care programme which is funded by NHS-X. Dudley MBC were awarded £0.224m to continue with the extension of the Successor project.

The NHS-X is a Government unit with responsibility for setting national policy and developing best practice for National Health Service technology, digital and data, including data sharing and transparency.

The funding will be used to help fund the following deliverables:

- Delegation Portal ~ NHS
- Dudley Adult Social Care Major Version Upgrade ~ pre-requisite for the Provider Portal
- Provider Portal ~ Providers
- Automated Transfer of Care record ~ NHS
- Shared Care record (LAS / RIO) ~ NHS
- Marketplace / brokerage (brokerage, directory) ~ Providers and NHS



## Capital Projects arising from the Medium-Term Financial Strategy

14. The report on the Medium-Term Financial Strategy includes revenue funding for five capital schemes to be funded by either prudential borrowing or additional income. These five schemes are laid out below. It is proposed that these are included in the capital programme subject to approval of revenue funding by Full Council on 7<sup>th</sup> March.

15. Crystal Leisure Centre Roof replacement

Property condition reports prepared during the 2021 refurbishment of Crystal Leisure Centre identified that the roof was in poor condition and a subsequent assessment recommended a replacement programme to ensure the future operation of Crystal Leisure Centre was not put at risk. The capital programme budget for the refurbishment of Crystal Leisure Centre did not make an allowance for such significant investment, as the overall leisure centre project (which also included the new Duncan Edwards Leisure Centre and Halesowen refurbishment) had to be managed within an identified budget. It is only within the last few months that the full scope of repair work needed has been identified, hence this additional funding of £600k being sought.

A programme, most likely phased, is being considered in conjunction with Leisure Services, in order to limit the impact on leisure activities wherever possible. The information contained within the condition survey report will also be considered in order to address the worst affected roofs as a priority to ensure that visitors can continue to enjoy the facilities. Competitive tenders will be obtained from suitably qualified and experienced contractors with the local market being encouraged to consider this tender opportunity.

The scheme is to be funded by prudential borrowing with the resultant debt charges to be built into the Council's revenue budget.

16. Red House Cone Restoration

The Red House Glass Cone in Wordsley is the former factory site for Stuart Crystal, the star attraction on site and within the glass quarter is the glass cone which is grade II\* listed, schedule ancient monument. The cone was originally constructed in 1837 and is over 100ft high, it is one of only 4 glass cones remaining in the UK and is the most significant because the site not only retains its original ancillary buildings but has to the best of our knowledge the only surviving historic Lehr in the world.

The cone itself is currently closed to visitors due to health and safety concerns, in 2019 following a period of severe weather conditions a considerable amount of debris was falling from the inside of the building. During late 2020 a full architectural survey was carried out and determined the building required a significant amount of conservation and maintenance repair works to preserve the building and stop further deterioration. The cost and proposed schedule of works was determined in 2021 at £1.5m this includes all internal and external conservation and general repairs to

ensure the structure remains sound and includes a water management system to reduce future repair requirements.

The current forecast spend is £1.5million and is to be funded by prudential borrowing, the debt charges for which are to be built into the Council's base budget.

#### 17. Stalled and Derelict Sites

A cross directorate Stalled & Derelict sites working group has been established to oversee the identification and development of priority stalled and derelict sites across the borough. A range of interventions are already being used by departments including empty dwelling management orders, enforced sale, section 215 notice and ultimately compulsory purchase order (CPO) to seek to address problem sites however, in instances where enforcement or other interventions are having limited success, capital funding is required to support with the acquisition or CPO of sites in order to bring forward development.

The current forecast spend is £1million and is to be funded by prudential borrowing, the debt charges for which are to be built into the Council's base budget.

#### 18. Himley Play Area

Approval has been given from Informal Cabinet to approve the business case for the installation of a children's play area and catering facility within Himley Park. Following a recent survey, it is clear that a play area will be a welcome addition to the site. The business case requires an estimated capital spend of £450k. Drawings for the scheme are currently being produced. The scheme is to be funded by prudential borrowing, the debt charges for which are to be funded by additional income generated as a result of the development.

#### 19. Dudley Town Hall Investment

With the new Bistro progressing, £550,000 capital is being sought to improve the interior of the tired and dated Dudley Town Hall. It is proposed to redecorate the main hall, side bar and banqueting suite areas. It is also proposed to refurbish the gentlemen's toilets to match the previously refurbished ladies' toilets. The sound system, lighting and associated rigging will also be done to enable the service to offer a greater range of events. Additionally, new seating will be included as part of the upgrade. Rebranding of the venue will form part of the refurbishment scheme. An implementation programme will be compiled that starts as soon as possible and works around the existing hall commitments.

The scheme is to be funded by prudential borrowing with the resultant debt charges to be funded by additional income generated.

## **The CIPFA Prudential Code for Capital Finance in Local Authorities**

20. The Local Government Act 2003 introduced a system of “prudential borrowing” which allows councils to set their own borrowing limits subject to criteria of prudence, affordability, and sustainability. The CIPFA Prudential Code sets out the indicators that authorities must use, and the factors they must take into account, to demonstrate that they have fulfilled this objective.
21. Details of the various indicators required, and the proposed figures to be set in relation to each indicator are set out at Appendix C. The Code requires authorities to produce a Capital Strategy. The proposed updated Capital Strategy for the Council is set out in Appendix D.

## **Minimum Revenue Provision (MRP) Policy Statement**

22. Before the start of each financial year each authority must agree its policy on making Minimum Revenue Provision (MRP) for repayment of non-HRA borrowing incurred to fund Capital expenditure, in respect of that financial year. (There is no requirement to make MRP in respect of HRA borrowing).
23. It is proposed that the Council agrees the following MRP Policy for 2022/23:
  - MRP for all borrowing and credit arrangements be calculated on an annuity basis over the initial estimated life of the relevant assets. *(This is unchanged from the 2021/22 Policy. It is how a standard repayment mortgage operates, with less principal repaid in the early years so that the total of interest and principal repaid each year remains constant over the mortgage period).*

## **Finance**

24. This report is financial in nature and information about the individual proposals is contained within the body of the report.

## **Law**

25. The Council’s budgeting process is governed by the Local Government Act 1972, the Local Government Planning and Land Act 1980, the Local Government Finance Act 1988, the Local Government and Housing Act 1989, and the Local Government Act 2003.

## **Risk Management**

26. Risks, and their management, are considered prior to proposals being brought forward to include projects in the Capital Programme. This includes risks relating to the capital expenditure itself, funding of that expenditure (e.g. grant availability and conditions), and ongoing revenue costs and/or income.

## **Equality Impact**

27. These proposals comply with the Council's policy on Equality and Diversity.
28. With regard to Children and Young People:
- The Capital Programme for Schools will be spent wholly on improving services for children and young people. Other elements of the Capital Programme will also have a significant impact on this group.
  - Consultation is undertaken with children and young people, if appropriate, when developing individual capital projects within the Programme.
  - There has been no direct involvement of children and young people in developing the proposals in this report.

## **Commercial / Procurement**

29. All procurement activity will be carried out in accordance with the Council's Contract Standing Orders, and the relevant officers will take the procurements through the Procurement Management Group to monitor compliance at the relevant Gateways.

## **Council Priorities**

30. Proposed capital projects are in line with the Council's capital investment priorities as set out in the approved Capital Strategy.



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## **List of Background Papers**

Relevant resource allocation notifications.

CIPFA Prudential Code for Capital Finance in Local Authorities.



## 2021/22 Capital Programme Progress to Date

<b>Service</b>	<b>Budget £'000</b>	<b>Forecast £'000</b>	<b>Variance £'000</b>	<b>Comments</b>
Public Sector Housing	52,434	52,434	0	
Private Sector Housing	6,049	6,049	0	
Environment	6,002	6,009	7	See Note 1
Transport	10,039	10,039	0	
Regeneration	26,365	26,365	0	
Cultural	17,415	17,415	0	
Schools	11,472	11,555	83	See Note 2
Social Care, Health and Well Being	418	418	0	
Commercial and Customer Services	781	781	0	
<b>Total</b>	<b>130,975</b>	<b>131,065</b>	<b>90</b>	

Note 1: Overspend of £7,000 for the Amblecote recreation ground project.

Note 2: Extra costs relating to purchase of the Pens Meadow site.

## Progress with Major Capital Schemes

### Public Sector Housing

#### New Council Housing

##### Completed:

- Forge Road (Stourbridge) – 3 affordable homes, 2 x one bedroom and 1 x two bedroom.
- Hollywell Street – 4 affordable two bedroom homes.
- Branfield Close (Hurst Hill) – 3 affordable homes, 2 x two bedroom and 1 x 3 bedroom.
- Bromley (Pensnett) – 5 affordable two bedroom homes.

##### On site and progressing:

- Hinbrook Road (Russell's Hall) - 12 apartments, commenced January 2021.
- Commonsides (Pensnett) – 5 affordable homes, 1 x five bedroom, 1 x four bedroom and 3 x two bedroom.

##### Planning approval achieved and commencement imminent:

- The Vista – 2 affordable two bed bungalows – planned start on site March 2022.
- Corporation Road – 8 affordable homes across 2 sites (two and three bed houses) – planned start on site March 2022.
- Beacon Rise – 11 affordable homes, 8 apartments, 2 x two bedroom and 1 x three bedroom houses.
- New Swinford Hall – conversion to 18 affordable apartments (mix of one and two beds).

##### Planning approved but no commencement programmed in as yet:

- St Georges Rd, Dudley – 7 affordable homes, 3 x two bed, 3 x three bed and 1 x four bed
- Whitegates Road – 3 affordable homes, 1 x four bed and 2 x one bed.

##### Schemes submitted for planning:

- Lower Valley Road – 17 affordable homes, 14 apartments (mix of one and two beds) and 3 x two bedroom wheelchair bungalows.
- Swan St, Netherton – 75 affordable units including a sheltered housing scheme of 54 units.
- Enville St, Stourbridge - 10 affordable apartments
- Colley Lane, Cradley – 9 affordable apartments
- Broad Street, Coseley – 9 affordable houses
- Wells Road, Brierley Hill – 6 affordable apartments
- Langstone Road, Russell's Hall – 3 affordable bungalows

##### Schemes due to be submitted for planning:

There are also ongoing feasibility works on a number of potential affordable sites.

The programme will also support the delivery of:

- The Brierley Hill Future High Streets Fund project by delivering new housing in the Brierley Hill area, subject to the purchase of land from the private sector, now that we have a successful MHCLG bid. Notably Daniels Land and the High Plateau, and rear of the Moor Street Shopping Centre.

### Private Sector Housing

Homes for Sale – Himley Road & Brierley Hill:

- 4 new detached homes likely to commence at Himley Rd commencing Feb 22
- Feasibility and design briefs are progressing for Homes for Sale as part of the wider mixed tenure regeneration of Brierley Hill within the Future High Streets Fund project at Daniels Land and the High Plateau, and rear of the Moor Street Shopping Centre.

## **Environment**

### Lister Road Depot Redevelopment

The overall project is currently paused to review links with other sites and ensure the best strategic use of space. Further proposals will be brought back to Cabinet and Council in due course. However, it is intended to proceed immediately with the demolition of identified buildings at the Lister Road site to ensure Health & Safety compliance and in preparation for further works to commence once any other proposals are brought back to Cabinet and Council. These demolition works have been completed thus eliminating the Health & safety risks associated with these buildings.

### Stevens Park, Quarry Bank Lottery & Council funded project

The refurbishment & extension of Tintern House is essentially complete including a new mess room for Greencare. New community facilities including toilets, community rooms, kitchen, cafe & external terrace are all open to the public.

The Emily Jordan Foundation Projects are actively seeking trainees & running their various projects from the house: 'Spokes' (Bicycle restoration & sales) 'Twigs' (Horticultural training & sales) & 'Go Green' (recycling).

Externally, remedial works to the Horticultural Training Area are underway & the majority of park improvements have been completed.

The new Community Development Officer, Emma Jackson, is in place organising a series of events & activities until Autumn 2024.

### Wrens Nest Wardens' Base

The acquisition of 113 and 115 Wrens Hill Road was completed on the 6<sup>th</sup> August 2021. Design briefs with input from Green Care, Friends Groups and other interested parties will need to be undertaken to enable the proposed use.



## Transport

### Street Lighting (Invest to Save)

The street lighting lantern conversions to LED technology programme on main roads is now complete.

## Regeneration

### Dudley Townscape Heritage Initiative

The Townscape Heritage (TH) programme is funded through the National Lottery Heritage Fund which offers grant assistance to carry out repair, reinstatement and refurbishment works to historic buildings, as well as a programme of complementary education and community engagement activities. The Phase 2 TH programme, operating with a grant budget of £1.178m from the NLHF and £300,000 match funding from the Council, commenced in February 2017. Following agreement by the Heritage Fund for an extension to the Grant Expiry Date, in the light of delays because of the pandemic, the programme is now due to run until December 2022.

The programme focuses on buildings in the town centre's historic core. The work at 203/204 Wolverhampton Street has been completed. Other properties within the programme include the following:

- 216 Wolverhampton Street: the project is practically complete and in the final defects liability period.
- 208 and 209 Wolverhampton Street: grant offers confirmed and now, following on with difficulties finding appropriate joinery subcontractors, work is due to progress in new year.
- 204a Wolverhampton Street: work commenced on site in June/July 2021 but experienced difficulties with rendering subcontractors. The work is due to recommence in March, when the weather is more conducive to lime rendering.
- 14 New Street: work underway, but numerous issues have arisen which have required further funding. The external repairs have now been completed and the scaffolding has been dismantled. Internal work to be carried out when current lease comes to an end in March.
- Fountain Arcade: work is currently underway, including repairs to stonework and shopfront reinstatement.
- Plaza Mall: work to façade off scaffold is due for completion shortly and scaffolding will be dismantled. Further enhancement works to the shopfront will then be carried out.
- 207 Wolverhampton Street: grant offer agreed and project due to start in spring 2022, when the weather is appropriate for lime rendering. The project includes comprehensive repairs to the building and reinstatement of shopfront.

A wide-ranging activities programme, running alongside the capital works programme, has been progressed and developed in conjunction with teams in Adult and Community Learning, Museums, Communications and Public Affairs and the Historic Environment Team. A revised programme has been agreed with the Heritage Fund which has been adapted in



light of Covid-19 restrictions. Further activities have been included in the programme which work with delivery partners (Co Lab) who already have established links with the community of Dudley. This has seen the successful 'Growing up in Dudley' project, which has gathered images and oral reminiscences of those 'Growing Up in Dudley' and 'Dudley Days' which held workshops with a small group of participants to create music inspired by connections with Dudley. The TH programme is working with education colleagues to share material produced as part of the programme and develop teaching resources. The project also works closely with the Historic Environment Team to produce information in the form of trails and leaflets to enhance understanding and appreciation of the historic environment. The project continues to work with volunteers where possible. The Heritage Open Days event in September formed the focus for the publication and display of much of the material being produced, including the re-issuing of various Dudley trails, and exhibiting of material gathered through the Growing Up in Dudley initiative. It also saw the production of two new virtual tours, for Priory House and the Former School of Art. A blue plaque has now been installed on the former School of Art to commemorate Percy Shakespeare and was officially unveiled January 2022. A 4-page insert about the programme was included in the autumn (2021) edition of the Home magazine.

### **Brierley Hill High Street Heritage Action Zone**

The High Street Heritage Action Zone Programme (HSHAZ) is a nationwide initiative designed to secure lasting improvements to our historic high streets for the communities who use them. It is Government funded and run by Historic England with the aim of making the high street a more attractive, engaging and vibrant place for people to live, work and spend time. It is designed to unlock the potential of high streets across England, fuelling economic, social and cultural recovery. Brierley Hill High Street was one of 68 High Street across England selected to receive a share of the fund.

The Brierley Hill High Street HAZ is a 4 year programme, due for completion by March 2024. At the start of the programme a grant budget of £1.8m was awarded by Historic England with £400,000 match funding coming from the Council, equating to an overall grant of 81.80% from Historic England. At the end of September 2021 however, this figure was increased further due to an additional £242,171 grant increase provided by Historic England, which with the 18.20% match from the Council provides a total grant increase of £296,052.46. For more information, please refer to the relevant Decision sheet CEX/06/2021 - <http://online.dudley.gov.uk/decision/showdecision.asp?id=5193>

The programme provides grant assistance to third parties to carry out repair, reinstatement and refurbishment works to historic buildings as well as grant assistance towards bringing vacant floorspace back into use. It also provides grant towards public realm improvements, plus there is a programme of complementary education and community engagement activities. The buildings that are considered to be a priority for grant assistance and where the owners are positively engaging with the Council and have appointed a Conservation Accredited Architect include:

- Former Pulse Nightclub, 17 Dudley Road
- 2a and 2 Albion Street



- 96-100 High Street
- Former Brierley Hill Library and Technical Institute, Moor Street
- 3-5 Church Street

In addition, there are several other priority projects where the owners are in the process of appointing a Conservation Accredited Architect and holding pre-application discussions with the local planning authority.

With respect to the public realm parts of the project, a contractor has been appointed and work has now commenced on-site to undertake repairs and architectural reinstatement works to the Brierley Hill War Memorial and its immediate setting (Phase 1), majority of the works for this phase were successfully completed in-time for centenary of the War memorial in November 2021. The remainder of the works will be completed January/February 2022. With respect to the war memorial garden proposals (Phase 2), tenders for this part of the project went out at the beginning of October and the contract was awarded late November. Works on this phase commenced on-site on the 4<sup>th</sup> January 2022 with a proposed completion date of March 2022. This second phase proposes significant stabilization works to the embankment, structural repairs to the intermediate wall that runs through its centre and the laying out of a soft landscaping scheme.

Community engagement and activities are also being positively progressed and developed in conjunction with Brierley Hill Community Forum, Friends of Marsh Park, Dudley Market, Black County Living Museum and with teams in Adult and Community Learning, Museums, Communications and Public Affairs, Dudley Business First and the Historic Environment Team. There is in-place an Activity Plan for the project. This quarter the centenary celebrations for the Brierley Hill War Memorial were delivered by Council officers and the local community. The war memorial was adorned in a sea of hand-crafted poppies. There was a cascade of poppies fixed to the war memorial itself and over 220 individual poppies were fixed to the railings and lampposts throughout the town, each handwritten with the name of the fallen soldier, his age when killed in action and where.

Another major element of the High Street Heritage HAZ is the development of a Cultural Programme. The Arts Council England, National Heritage Memorial Fund and Historic England are providing funding for the development and delivery of the HS HAZ Cultural Programme. On the 25<sup>th</sup> June it was confirmed by Historic England that the application submitted to them jointly by Brierley Hill Community Forum and Dudley Council for funding for a Cultural programme had been successful and that the total sum of £94,000 was to be awarded. Work is now underway on pulling together a programme of cultural events and activities which are required to accord with the milestones and instalment schedule issued by Historic England. On the 9<sup>th</sup> December a Progress update report was submitted to Historic England along with the first claim for an interim payment. On the 14<sup>th</sup> January 2022 an Expression of Interest was submitted to Historic England for Brierley Hill to be the host of a national music commission in the summer of 2022.



## Public Sector Decarbonisation

The council has been awarded a grant of approximately £4.4m through the Public Sector Decarbonisation Scheme (PSDS) and managed by Salix.

The primary intention of the funding is to switch sites from carbon-intensive forms of heating such as oil and gas, to electrical forms of heating (air source heat pumps) that have a trajectory to becoming zero-carbon (as the proportion of the UK's electricity generated from renewables increases). Solar photovoltaic (PV) and battery storage will also be installed, and lighting will be upgraded to LED, where possible to help both offset the operational cost of the heat pump usage and balance the electrical load reducing the impact on the network – of prime concern to the electrical network operator as the network in Dudley is known to have capacity problems around the Borough.

The scheme includes Dudley Council House and Town Hall, Stourbridge Town Hall and Library, Himley Hall and Ward House as well as the following schools: Amblecote, Caslon, Cotwall End, Glynne, Queen Victoria, Straits and Wrens Nest Primary Schools.

Works commenced during the summer of 2021 with all the installations at the named schools nearing completion. All are subject to the necessary network operator approval - requested - (Western Power Distribution) before the heating works can go live. Planning applications have been lodged for the works at Council House, Himley Hall and Ward House (now received) with decisions expected shortly. Detailed design considerations are shortly to be confirmed around the work extent for Stourbridge Library. While all works are planned to be completed by March 2022, this timeframe is now very tight with potential impacts whether from adverse weather, delayed planning decisions or supply chain delays. It is intended to place a project change request with Salix to seek an additional 3 months (to June 2022) to ensure sufficient time to implement all the necessary works and absorb impacts from any delaying factors.

## Low Carbon Place Strategy

The Council was awarded approximately £2.5m European Regional Development Funding (ERDF) to deliver a project that will reduce carbon emissions. This is a joint project between Housing and Corporate Landlord Services that will reduce carbon emissions from council owned homes as well as corporate buildings such as the Council House. £2.5m of match funding is being met from existing HRA budgets.

In November 2021 the council appointed a new central heating installer for council housing as the previous went into administration. The programme recommenced slowly in December as the contractor mobilises. A project change request has been submitted requesting a further 18 months be added to the programme deadlines, to enable this resultant delay to be accommodated which affects the Housing side of the programme. It should also be noted that where homes are sold under the Right to Buy scheme, but have had the benefit of the grant, the council is required to refund the capital impact of the grant. The programme of energy efficiency improvements to the corporate estate is nearing completion, the final element anticipated to complete in June 2022.



## Very Light Rail (VLR)

### *Track Works:*

Two Very Light Rail test tracks between Castle Hill Bridge and Cinder Bank have now been installed with a test passenger platform located at the Cinder Bank end of the tracks due for completion by the end of March 2022. The full track length (including the extension loop) is 2.3 km. The eastern track is bedded on stone ballast and western track on a concrete track form system. This aspect of the project has now been completed and handed over to the Council. The track route is on a disused Network Rail (NWR) freight track-way which is to be leased from NWR.

The additionally approved Loop Extension works are now complete.

The Coventry prototype vehicle is due to arrive later in 2022 for testing.

Additional works identified as required by Coventry City Council have been procured, which are being funded through a grant from Coventry of £1.293m. This includes new equipment, workshop and a Research and Development Halt.

Coventry City Council are finalising a further Grant with the Council for the procurement of additional tools and a Driver Simulator in the sum of £20,000 and £100,000 respectively.

### *National Innovation Centre (NIC):*

A planning application for the proposed new building for the Very Light Rail National Innovation Centre (VLRNIC), including a pedestrian foot bridge link to Tipton Road and links to future Metro line, car parking, rail vehicle test track sidings and linking lines into the VLRNIC engineering hall was submitted on 12<sup>th</sup> December 2017 and determined with conditions to be discharged on 2<sup>nd</sup> March 2018.

Building regulations conditional notification was received on 22<sup>nd</sup> February 2018 and conditional approval received on 25<sup>th</sup> May 2018.

Funding has now been confirmed from the Government's Get Britain Building (GBB) Fund (£12.350m) and LEP (£0.650m). ERDF grant of £5.000m was also secured, making the total budget for the project £18.000m.

Tenders were received on 10<sup>th</sup> January 2020 and were evaluated with final recommendation being Clegg Construction as the contractor. Clegg started on site at Castle Hill on 26<sup>th</sup> October 2020 and the formal Completion date for the Innovation Centre is 25<sup>th</sup> February 2022. Whilst the Project is progressing well the changes referred to previously have led to delays which are still being assessed by the Contract Administrator but have been indicated by the Contractor, Clegg Construction, to a new completion date of 5<sup>th</sup> May 2022. Associated costs of the delays, assessed as the responsibility of the Council, are anticipated to be contained within the Contract sum by the Project team.



## Metro Complementary Measures

The £9.1 million budget is to fund the works associated with the delivery of the Wednesbury to Brierley Hill Metro extension.

The legal agreement with Transport for West Midlands (TfWM) states that the Council will fund the complementary measures along the route including pedestrian's crossings. The Council has also agreed with TfWM to fund the uplift of materials where the Metro is built through Dudley Town centre in order to provide high quality public realm. Large public realm interventions have been identified along the route at key stops, notably Station Drive (now Dudley Castle), Flood Street and Brierley Hill, to be funded by this programme of works. The £1million accelerated funding associated with the Towns Fund will be used to fund works to adopt Zoological Way, part of the works for the new loop road to access the Metro stop and some of the public realm work along Castle Hill.

Other interventions along the route, which the Council needs to fund, include creating a new wayfinding system to improve legibility, increase walking and cycling to tram stops and to provide a consistent recognizable branded signage across the borough to residents and visitors giving the information that is needed. The consultant to develop the wayfinding system has been appointed through the OJEU process and started work on the system in October 2020. Dudley print map is now available.

Midland Metro Alliance (MMA) are constructing the Metro extension for TfWM. TfWM have approved MMA's costs and the next stage of the design process has started. The Council is now working with TfWM to confirm the costs of the complementary measures, the uplift of materials and the public realm interventions.

## CCTV

Phase 1 is predominantly complete and operational with the only outstanding work being to the healthy hubs where 1 out of the 5 has been completed. For the remaining 4, the local network cabling has been done and the hardware is in ICT stores. D&ICT are looking at new funding options to meet the costs of relocating fibre circuits before reprogramming the completion of the remaining 4 hubs.

Work on Phase 2 reflects the initial extension approved at the outset of the project. The main problems faced in this phase have been access to staff and materials throughout the last 18 months. Additional public realm cameras in this phase include:

- Cameras in Sedgley Bilston Street and Wolverhampton Street Dudley – the columns have been erected but we are still waiting on Western Power for installation dates. This is being chased by Street Lighting.
- Coronation Gardens – Completed and fully operational. This includes 2 cameras on 4 Ednam Road, 1 in Coronation Gardens, 1 on the junction by college.
- Castle Gate – design work is complete, and columns will be erected shortly. However, this is also awaiting an installation date from Western Power for power.
- The cameras to Lye town centre have been completed.
- All 12 deployable cameras are now operational and available for use.



Phase 3 work includes the additional cameras requested and approved at Council in 2021, to be sited at Kent Street Upper Gornal, Shell Corner Halesowen, Netherton High Street, Wollaston traffic island, Toys Lane/Furlongs Road Colley Gate and Queensway Halesowen. Initial feasibility studies have been completed but full design and planning is in progress. The original location at Jews Lane/Eve Lane Upper Gornal has now been reconsidered and it is proposed to site a fixed camera in Roseville instead. West Midlands Police are also in favour of this revision. We aim to complete these within Quarter 1 of 2022.

Sites also considered but not originally included were at Foxcote Lane/Wynall Lane which followed concerns over lack of power and network connectivity in the area. However, after revisiting the area, the proposal now is to install a fixed camera on the roundabout of Wynall Lane / Wynall Lane South.

With regard to Queensway Pedmore and Victoria Road Quarry Bank, which at the time had no supportable ASB cases, a site visit will be made by Council Officers and West Midlands Police to reconsider the situation.

### Dudley Interchange

Transport for West Midlands (TfWM) has now secured all the funding for the Interchange. TfWM are out to competitive tender to secure a contractor for the works. Gateley Hamer have recommenced the CPO process. Counsel advice recommends that the CPO is split into two - one for the Interchange and associated highways works and another for the Portersfield scheme and highway works. Assuming all land required can be acquired by negotiation then construction for the highways will start at the end of the year and for the Interchange will start in February 2022.

At the September Cabinet it was agreed that DMBC will use its CPO powers to purchase Farm Foods and the properties required for the associated highways. As a result of the need to CPO properties the start date for the Interchange has been moved to January 2023, Completion is expected Summer 2024. The CPO will be submitted to the Secretary of State next month.

An alternative location for the Interchange during construction has been identified.

Ownership of the Photographic Studio on Birmingham Street has been resolved and the purchase price is being negotiated. Site visits have been arranged in preparation of demolition once the sale has been agreed.



## Dudley Town Centre Highways Infrastructure (Portersfield Link)

As reported previously the WMCA has conditionally approved funding to support changes to the Highways Infrastructure to create access to the Portersfield development site and improve access to the wider Town Centre. This funding amounts to £6.0m. In addition to ongoing design work, some site clearance has already been carried out to allow for intrusive site investigation to provide information to support the design process. In terms of land acquisition for the highways, a CPO will be developed as part of the overall development of the site. Highway design work has currently been frozen to avoid any abortive spend until the review of the overall development site has been completed.

## Black Country Blue Network 2

The surveys have commenced for Castle Hill, Sedgley and Holloway Street sites. It is anticipated that works will start early 2022. Work programme are awaited from the contractor and may need to be reviewed against contractual milestones. Turl's Hill and Coseley sites need to be procured however, there may be some delays to these sites due to staffing issues.

## Dudley Town Hall and former Museum

The tender for the Town Hall Bistro refurbishment was won by J R Slee, who are based in Shrewsbury. They are a family business and whilst working on the usual type of projects, specialise in working on Listed Buildings.

Work started on the 18<sup>th</sup> October 2021 and progresses well on site with demolitions and structural work nearing completion. Work is currently on programme to be complete on 1<sup>st</sup> April 2022 but, like all capital projects in the current climate, that may be subject to refinement.

## Refurbishment of Dudley Council House Campus

Following approval this project is now in the early stages of design with essential remedial work to the roof already on site and progressing well. This is so that external scaffolding will be struck in advance of the Commonwealth Games cycling event. A meeting with Access in Dudley was held and access and disability improvements are now being considered. In addition, a meeting has been held with the Council's equality officer to review the wider campus from staff perspective and comments will be sought from elected members to ensure that all issues with respect to accessibility of main users of the buildings are considered. The provisional programme will see the pre-contract stage completed in early 2022. Following a report to Future Council Scrutiny in June 2021, officers were asked to report back confirming proposals, incorporating comments made at the meeting and highlighting proposed financial and energy related savings to Scrutiny in March 2022. Once started, the construction phases are scheduled to take around 2 years to complete.



## Brierley Hill (Future High Streets)

The Council secured £9.99m from the Future High Streets Fund in December 2020. This is to support a programme of activity at Brierley Hill, to be implemented in the period 2021 to 2026. The key objectives are to improve footfall, reduce vacancy rates and improve the diversity of shops and facilities. All Future High Streets Funding has to be drawn down by 2023/24. DMBC match funding, identified through existing approvals, will be used to fund projects within the latter part of the programme. The overall investment value of the programme is in the region of £44m.

### *Project summaries:*

Public Realm and Connectivity Improvements (£4.75m) - Funding to connect the new Midland Metro terminus to the High Street, improve existing public realm connectivity between key buildings and provide new public spaces and pocket parks. Lead designer appointed in the autumn of 2021 to prepare and consult on proposals, with a commencement of initial works in Q4 2021/22. The majority of the public realm works will be implemented during 2022/23 and 2023/24 to be ready in advance of the Midland Metro opening.

Key Retail Sites (£1.05m) - The owners of the Moor Centre have submitted a planning application to remodel the precinct and bring parking closer to the shops. If approved, this will free up the rear car park land for development. The Council wishes to redevelop the site for up to 44 homes. The Future High Streets Fund provides the money for site acquisition and remediation. A purchase agreement to secure the land is currently being negotiated. The shopping precinct redevelopment works are programmed for 2022/23. DMBC build out on land to the rear will be during 2023/24 and 2024/25. Combined overall investment value £8m.

Infrastructure and Air Quality Improvements (£255,000) - Future High Streets will provide support to amend two highway junctions at Venture Way. The intention is to improve pedestrian connectivity between the High Street and medical centre; prevent queuing traffic which has resulted in movement delays; and improve air quality levels. The works are programmed to commence in Q4 2021/22 and complete in Q1 2022/23.

Addressing Housing Need (£3.55m) - Discussions are underway to acquire 10 acres of brownfield land known as Daniels Land and the High Plateau. These are two long-term vacant sites, formerly part of the Round Oak Steel Works that have remained undeveloped for over 40 years. Future High Streets funding will support site remediation and preparation costs. Dudley Council's Housing Department will then construct up to 220 new mixed tenure homes to meet local housing needs. Density and housing numbers may increase following the receipt of urban design advice and the completion of detailed design work. There may also be the opportunity to consider the introduction of leisure uses. Following INTU shopping centres entering administration, discussions have continued with Ellandi retail investment

which is acting on behalf of the creditors that own the Merry Hill Centre and adjacent land. In December 2021, the creditors appointed a new company Sovereign to manage Merry Hill. DMBC is to make contact at a corporate level to discuss how Sovereign and the Council can work together on a number of Merry Hill projects. This will include Daniels Land and the High Plateau. The intention is to please initial activity around the construction of the Metro rail viaduct that crosses the sites during 2022/23, with remediation works and build out to commence in late 2022/23. Completion is anticipated during 2025/26. The overall value of the project is £30m.

Public Library (£308,000) - refurbishment of Brierley Hill public library and ground floor housing department reception area. Scheme designs have been the subject of community consultation and have been well received. Freeholder approval has been received in-principle for the refurbishment works. The estimated cost of works is forecast to be above the identified budget, due to higher-than-expected building materials cost inflation. The building works will be tendered shortly and this will provide final costs certainty. A review is currently being undertaken of additional funding to support the project. The refurbishment works are programmed to commence in the spring and will complete during the summer of 2022.

Public Toilets (£80,000) - Reopening of public toilets to support the High Street visitor return following the coronavirus pandemic, and the provision of welfare facilities for Metro tram drivers. Midland Metro Alliance is making an additional contribution of £38,000 to support the works. Feasibility designs finalised that will also include changing facilities after discussions with stakeholder groups. Works were tendered in January 2022, with a start site during Q4, 2021/22 and completion during Q1 2022/23.

In addition to the Future High Streets Fund award, the Council has secured further investment from the West Midlands Combined Authority. This is to acquire land to support implementation of the High Street Link. A funding agreement between WMCA and DMBC is due to complete in early 2022. This is a long-term vacant gap site where there is the opportunity to provide a new connection from the High Street to the Metro terminus. The Council has appointed an agent and agreement has been reached to acquire the sites. Initial site safety works will commence in spring 2022, with a start on site of the pedestrianisation works in the autumn of 2022.

A Town Board has now been established to oversee the various interventions underway in Brierley Hill. These include the Future High Streets Fund, Heritage Action Zone and delivery of the Midland Metro. It includes Mike Wood MP, DMBC and business, community and educational sector representatives. The first meeting was held in September 2021 and these will continue on a quarterly basis.

## **Cultural**

### Leisure Centres

The new Duncan Edwards Leisure opened on Monday 24 January 2022. Very positive feedback received.



Phase 1 of the refurbishment of Halesowen Leisure Centre is complete; again, very well received by customers. Phase 2 which includes improvement to the swimming pool is due for completion on 04 July 2022.

Phase 1 improvements to Crystal Leisure Centre have been completed. The new village style changing rooms and improvements to the leisure pool have received positive comments.

## **Schools**

### Schools Basic Need Projects

The next phase of projects to be funded from Basic Need capital grant has been agreed, with Brierley Hill Township secondary school places as a priority. The plans include expansion to both Wordsley and Crestwood Secondary Schools to meet projected growth with an additional 300 pupil places for each school.

Unfortunately, the construction company that were managing both projects went into administration in August and their work on both sites ceased. There was minimal works still to be carried out at Wordsley School therefore Construction & Design, the Councils in house consultants, have picked up the remaining work. The Crestwood School needed a larger amount of work, so it was agreed that the school are continuing with the refurbishment work in the main school building and Construction & Design are completing the works to the new science block and the remaining external works. Both projects still have a small amount of work to be completed.

Numbers for both primary and secondary school places continue to be closely monitored and processes are in place to recommend capital projects to address any projected growth across both sectors.

### Special Educational Needs and Disability (SEND) Projects

We are continuing the process of re-profiling our special school and mainstream provision to bring it more closely in line with the current SEND pupil cohort and the special provision capital funding is a key component in this process.

The SEND Special Provision Fund capital grant conditions were previously relaxed due to the coronavirus pandemic allowing us to carry forward unspent grant into the 2021/22 financial year. This grant funding has now been allocated in its entirety to the following projects:

- A new 12 place base for primary pupils with Social, Emotional and Mental Health (SEMH) needs at Hawbush primary school – completed and operational.
- Creation of designated care rooms at Summerhill secondary school and the Glynne primary school to promote the inclusion of children with SEND that include physical disabilities and specific personal care needs – completed.
- Expansion of Woodsetton Special School through a new mobile specifically designed to cater for the needs of children with SEND and to provide the additional



- space the school requires to meet the needs of an increasingly complex cohort of pupils – this was completed last year and has been in use since September 2021.
- Various capital works at Halesbury School in response to independent Accessibility Study – in progress.

In addition to this carry forward, we have received a further allocation of capital funding for SEND. Projects to be funded are still being scoped with the need for detailed feasibility studies to be undertaken but is likely to include further expansion within our maintained special schools. A tender process has now been completed to establish a further primary SEMH base. This tender has now been concluded and the base will be established at Caslon primary school. The base is now operational and work continues to create an outside play area exclusively for the base.

#### Pens Meadow Special School – Acquisition of Land and Buildings

Negotiations are close to completion and will be sent to legal representatives for both parties shortly, for completion.

## CIPFA Prudential Indicators

The indicators set out below are specified in the CIPFA *Prudential Code for Capital Finance in Local Authorities* (“the Code”), which is required to be complied with as “proper practice” by Regulations issued consequent to the Local Government Act 2003. They are required to be set and revised through the process established for the setting and revising of the budget, i.e. by full Council following recommendation by the Cabinet. Indicators for the forthcoming and following years must be set before the beginning of the forthcoming year, but may be revised at any time following due process.

The first group of indicators (1-4) are essentially concerned with the prudence and affordability of the Council’s capital expenditure and borrowing plans in the light of resource constraints. The remaining indicator (5) is primarily concerned with day-to-day borrowing and treasury management activity.

The proposed figures for each indicator have been developed in the light of the Council’s overall resource position and medium term financial strategy and have regard to the following matters as required by the Code:

- Service Objectives;
- Stewardship of Assets;
- Value for Money;
- Prudence and Sustainability;
- Affordability;
- Practicality.

Affordability and prudence are specifically addressed by the indicators set out below. The other matters listed form a fundamental part of the Council’s budget setting, management and monitoring procedures - as summarised in the Financial Management Regime (FMR) which forms part of the Constitution - and with particular relevance to capital expenditure, set out in more detail in the Council’s Capital Strategy.

Appropriate procedures have been established for proper management, monitoring and reporting in respect of all the indicators, and the risks associated therewith.

Indicators set for 2021/22, 2022/23 and 2023/24 this time last year have been reviewed and where necessary are proposed to be updated to reflect latest forecasts.

### 1. Estimated and Actual Capital Expenditure

This indicator forms the background to all the other indicators, given that the overall rationale of the prudential system is to provide flexibility for borrowing to fund capital investment. Estimated capital expenditure is required to be calculated for the next 3 financial years, and actual expenditure stated for the previous financial year, with totals split between HRA and non-HRA capital expenditure.



Subject to the other proposals in this report being agreed, together with those contained in reports elsewhere on the agenda, the proposed indicators are as follows.

	<b>2020/21</b> <b>£m</b> <b>Actual</b>	<b>2021/22</b> <b>£m</b> <b>Revised</b> <b>Estimate</b>	<b>2022/23</b> <b>£m</b> <b>Revised</b> <b>Estimate</b>	<b>2023/24</b> <b>£m</b> <b>Revised</b> <b>Estimate</b>	<b>2024/25</b> <b>£m</b> <b>Estimate</b>
Non - HRA	54.9	78.8	68.8	28.8	7.4
HRA	34.2	46.2	70.0	73.7	72.3
<b>Total</b>	<b>89.1</b>	<b>125.0</b>	<b>138.8</b>	<b>102.5</b>	<b>79.7</b>

## 2. Estimated and Actual Capital Financing Requirement (CFR)

The Capital Financing Requirement is a measure of the Council's underlying need to borrow to fund its capital expenditure once other sources of funding - grants, capital receipts and revenue - have been taken into account. The CFR increases when expenditure is incurred, and reduces when provision is made to repay debt.

The proposed indicators consistent with the level of capital expenditure set out above are as follows.

	<b>2020/21</b> <b>£m</b> <b>Actual</b>	<b>2021/22</b> <b>£m</b> <b>Revised</b> <b>Estimate</b>	<b>2022/23</b> <b>£m</b> <b>Revised</b> <b>Estimate</b>	<b>2023/24</b> <b>£m</b> <b>Revised</b> <b>Estimate</b>	<b>2024/25</b> <b>£m</b> <b>Estimate</b>
Non - HRA	260.9	286.5	318.8	325.3	313.2
HRA	470.2	470.2	482.9	514.7	543.9
<b>Total</b>	<b>731.1</b>	<b>756.7</b>	<b>801.7</b>	<b>840.0</b>	<b>857.1</b>

## 3. Gross Debt and the Capital Financing Requirement.

In order to ensure that in the medium term, debt can be incurred only for capital purposes, this indicator requires that gross external debt does not (except in the short term) exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years. Note that debt for this purpose excludes ex West Midlands County Council debt managed on behalf of other authorities.

It is anticipated that this requirement will be met for the years 2021/22 to 2024/25.

#### 4. Estimated and Actual Ratio of Capital Financing Costs to Net Revenue Stream

This indicator is intended to demonstrate the affordability of capital investment decisions in terms of the ratio of capital financing costs to overall resources, expressed as a percentage. The proposed indicators consistent with the level of capital expenditure set out above are as follows.

	2020/21 %	2021/22 %	2022/23 %	2023/24 %	2024/25 %
	Actual	Revised Estimate	Revised Estimate	Revised Estimate	Estimate
Non - HRA	8.6	8.6	8.9	9.9	10.0
HRA	45.9	47.0	45.9	45.4	46.5

#### 5. The Authorised Limit, Operational Boundary, and Actual External Debt

These indicators are intended to ensure that levels of external borrowing are affordable, prudent and sustainable. The Authorised Limit for external debt is a statutory limit (as per section 3 of the Local Government Act 2003) that should not be breached under any circumstances. The proposed limits set out below have been calculated to take account of the Council's capital expenditure and financing plans and allowing for the possibility of unusual cash movements. If this limit is likely to be breached, it will be necessary for the Council to determine if it is prudent to raise the limit, or to instigate procedures to ensure that such a breach does not occur.

The Operational Boundary for external debt is a management tool for day-to day monitoring, and has also been calculated with regard to the Council's capital expenditure and financing plans allowing for the most likely, prudent, but not worst case scenario for cash flow. Temporary breaches of the operational boundary, due to variations in cash flow, will not be regarded as significant.

Both the Authorised Limit and the Operational Boundary are split between conventional borrowing and "other long term liabilities" such as leases and other capital financing arrangements which would result in the related assets appearing on the Council's Balance Sheet. Such arrangements would include for example finance leases for the procurement of vehicles. Provided that the total Authorised Limit and Operational Boundary are not exceeded, the Director of Finance and Legal may authorise movement between the constituent elements within each total so long as such changes are reported to the next appropriate meeting of the Cabinet and Council.

Note that debt for these purposes includes ex West Midlands County Council debt managed on behalf of other authorities.

	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>Actual</b>	<b>Revised</b>	<b>Revised</b>	<b>Revised</b>	
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Authorised limit for external debt:</b>					
Borrowing	n/a	876	933	922	931
Other long term liabilities	n/a	15	12	12	11
<b>Total</b>	<b>n/a</b>	<b>891</b>	<b>945</b>	<b>934</b>	<b>942</b>
<b>Operational boundary:</b>					
Borrowing	n/a	805	818	830	865
other long term liabilities	n/a	15	12	12	11
<b>Total</b>	<b>n/a</b>	<b>820</b>	<b>830</b>	<b>842</b>	<b>876</b>
<b>Actual External Debt:</b>					
Borrowing	766.6	n/a	n/a	n/a	n/a
Other long term liabilities	17.0	n/a	n/a	n/a	n/a
<b>Total</b>	<b>783.6</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

## Dudley MBC Capital Strategy

### Background - The CIPFA Prudential Code for Capital Finance in Local Authorities

1. The Local Government Act 2003 introduced a system of “Prudential Borrowing” which allows councils to set their own borrowing limits subject to criteria of prudence, affordability, and sustainability. The CIPFA Prudential Code sets out the indicators that authorities must use, and the factors they must take into account, to demonstrate that they have fulfilled this objective.
2. The recently updated Code requires that: “In order to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, authorities should have in place a Capital Strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.”
3. The Strategy will be updated and approved by Full Council at least annually, along with the indicators required by the Prudential Code.

### Capital Expenditure

4. A simple definition of Capital Expenditure is that expenditure which gives a future benefit or service potential to the Council for a period of more than one year. It is accounted for separately from revenue (day-to-day) expenditure, and funded from different sources from revenue expenditure.
5. More specifically, expenditure that can be capitalised includes:
  - purchase, reclamation, enhancement or laying out of land;
  - purchase, construction, preparation, enhancement or replacement of roads, buildings and other structures;
  - purchase of plant, machinery, vehicles, furniture & equipment (including ICT hardware);
  - purchase of ICT software programmes;
  - other expenditure defined as capital by the capital grant awarding body financing that expenditure
  - grants (and some loans) to third parties for any of the above.
6. During its life, an asset may pass through up to four basic stages:
  - a. Acquisition or construction;
  - b. Ongoing management and maintenance;
  - c. Major enhancement;
  - d. Obsolescence, decommissioning and disposal.
 Phases (a) and (c) may necessitate capital expenditure.

7. Capital expenditure extends further than direct acquisition and expenditure on assets by the Council. It also includes property and equipment that is leased for a significant part of its useful life or where the lease payments amount to a significant part of its value. Entering into such leases, and other similar credit arrangements, will therefore form part of the Council's capital expenditure and must be authorised by Council and included in the Capital Programme (see process below) *before* any lease is entered into.

## Strategic Context

8. Dudley Council has clear ambitions and plans, focussed on delivering priority outcomes for our communities and committed to ensuring that we build a Council which is fit for the future. The Council Plan sets out four priorities. The first three priorities:

- Stronger and safer communities;
- A cleaner greener place; and
- Growing the economy and creating jobs,

reflect the challenge in balancing the needs of vulnerable people, the core universal services that all residents depend on and investment in the economy of the borough to secure the future. The fourth priority "One Council, building an effective and dynamic organisation" ensures we have the organisation we need to deliver the first three priorities.

9. The Council Plan is supported by Director plans that provide more detailed information on the service actions we are taking to deliver our priorities. The plans are reviewed annually in support of the Council Plan.
10. The Capital Strategy is one of the means by which the priorities of the Council Plan will be achieved. We recognise that to accomplish our goals, best possible use needs to be made of existing public sector assets, while resources available for new investment must be deployed as efficiently and effectively as possible.

## Links to other Strategies and Plans

11. The Capital Strategy is consistent with the Council's other strategies and plans. Of particular relevance is the Corporate Estate Strategy 2017-22 which reflects the key Council Plan aims, recognising that good asset management should help the Council to
- Empower communities and engender civic pride;
  - Improve the economic wellbeing of an area;
  - Increase co-location, partnership working and the sharing of knowledge;
  - Reduce carbon emissions and improve environmental sustainability;
  - Prioritise and align resources with the Customer Connect initiative to deliver exceptional services for citizens of and visitors to Dudley.



12. The Estate Strategy comprises 3 main parts:
- The current position of the Council's estate;
  - Its desired future position;
  - How we propose to deliver it.

### **Partnership and External Funding**

13. The Strategy not only covers all aspects of Capital expenditure within the Council, but also those areas where the Council works in partnership – for example using its own resources as matchfunding to maximise the overall resources available for its own and its partners' priorities.
14. It also informs the bidding for additional capital resources (e.g. from Central Government and other sources of external grant funding).

### **Capital Priorities**

15. The Council's current capital investment priorities, including those where it is working in partnership, are as follows.

### Public Sector Housing

16. Priorities:
- Planned programmes of expenditure to keep our homes in good order by providing efficient investment in key building components such as roofs, electrics, kitchens and bathrooms;
  - Ensuring that as many of the Council's homes as are economically viable are available for occupation to a reasonable standard;
  - Improving fuel poverty and energy efficiency for residents and contributing towards decarbonisation and the climate change emergency;
  - Delivering social care programmes in residents' homes and improvements in sheltered schemes which increase the ability for residents to live independently in their own homes;
  - Delivering regeneration, environmental and community safety improvements to our estates;
  - Strategic stock investment and de-investment programmes in accordance with the Housing Asset Management Strategy 2019 – 2029 and providing necessary investment at affordable levels for communal facilities in flatted developments;
  - Providing new affordable social housing within the borough;
  - Providing an efficient repair service to undertake all statutory and compliance responsibilities, cyclical and routine maintenance.

## Private Sector Housing

### 17. Priorities:

- Continued use of loan, grant and other forms of financial solutions to assist vulnerable occupiers living in the private sector to remain independent in their homes through property repair, improvement and adaptation;
- Winter Warmth / Energy Advice Service providing advice, practical support, equipment and repairs to ensure all vulnerable occupiers keep warm, healthy and heat their homes efficiently;
- Continued use of loan, grant and other forms of financial solutions to bring long term empty private properties back into use;
- Sustaining our improved performance in delivering adaptations for disabled persons through use of Mandatory Disabled Facilities Grants;
- Provision of rent deposit guarantees / loans to private sector landlords / potential tenants to facilitate access to accommodation for persons in need;
- Developing homes for private sale.

## Highways and Transport

18. The Transport Capital Programme supports maintenance and improvement works on the Council's highway infrastructure and its associated assets, including street lighting, the repair and maintenance of pavements and public rights of way, structures, bridges and retaining walls.

19. Through effective asset management, the Council will continue to maximise opportunities offered by new technology using innovative ways of maintaining and improving its highway network.

20. By working with the Department for Transport, Transport for the West Midlands and the wider Combined Authority, West Midlands partners, local partners and the community, external funds will continue to be sought for existing and new projects. We will also, using Government Grants, continue to invest and improve the Borough's transport networks to ensure their safety, efficiency and minimise their environmental impact particularly associated with traffic congestion and air quality. A key component of this investment will be the new 5 year City Regions Sustainable Transport Settlement (CRSTS) which is currently in negotiation between Transport for the West Midlands and the Department for Transport.

### 21. Current priorities:

- Delivery of the Highway Maintenance Programme for roads, footways and footpaths;
- Investment in the Street Lighting and Traffic Signal Infrastructure (to generate greater energy efficiency);
- Works on highway structures, bridges and retaining walls;
- Integrated Transport (minor schemes designed to improve the safety and efficiency of our transport networks, encourage sustainable modes of travel and support wider air quality and public health objectives);
- Completion of major and minor highway schemes and support other transport and regeneration projects.

## Economic Regeneration

22. External funds are maximised to support the delivery of key economic regeneration projects and initiatives. This includes the Heritage Lottery Fund, European Regional Development Fund (ERDF), Growing Places, Local Growth Fund, Get Building, Future High Streets Fund Towns Fund and the Levelling Up Fund, and funding accessible via the West Midlands Combined Authority.
23. In Dudley external funding has already been secured to support the regeneration of Dudley Town Centre through the Townscape Heritage Initiative and the Towns Fund for a new university building on Castle Hill. Brierley Hill has been equally successful securing both Future High Street Funding and Heritage Action Zone.
24. The Council will seek to maximise the use of external funds through its engagement in the preparation and delivery of the Black Country Strategic Economic Plan, Black Country European Union Structural and Investment Fund Strategy and the West Midlands Combined Authority Strategic Economic Plan for key strategic projects.
25. The Metro Extension through Dudley to Brierley Hill is potentially an economic regeneration game changer for Dudley. It will help to realise the following key benefits:
  - Support our housing regeneration priorities through improved connectivity to areas of housing development opportunity;
  - Support economic regeneration by improving accessibility to major employment sites including Castle Hill; Dudley Town Centre; our emerging DY5 Enterprise Zone; the Merry Hill Centre; Brierley Hill Town Centre as well as improving access to key visitor attractions such as the Black Country Living Museum and Dudley Zoological Gardens ;
  - Encourage modal shift from private car by delivering a high quality and reliable public transport service;
  - Support an integrated transport network through providing seamless interchange

The Council is working with Transport for West Midlands (TfWM) to facilitate delivery of the Metro and this may also involve capital expenditure on Urban Realm and Highways measures to complement the Metro

26. TfWM is also proposing the creation of a new Transport Interchange for Dudley Town Centre which will replace the existing Bus station and link with Metro and potentially Sprint. A planning application has been submitted and TfWM are seeking financial support through the West Midland Combined Authority Transforming Cities, the Black Country LEP and the Council.



27. A recurring budget funded mainly by borrowing will be used for structural maintenance of Council buildings which cannot be met from other resources. Projects arising from the Council's Estate Strategy, including those in pursuance of the "One Public Estate" strand of the Council's Transformation agenda will also be progressed subject to value for money assessment.

### Environmental Services

28. Current priorities are:

- redevelopment of the Lister Road Depot;
- possible alternative sites for the Household Waste Recycling Centre;
- ongoing programme for replacement of vehicles used to deliver services including exploring wider use of electric vehicles;
- delivery of the Green Spaces Asset Management Plan;
- promote and develop our open spaces and nature reserves through Geopark status and accreditation;
- develop a new sustainable Waste Strategy that is compliant with the emerging national picture.

### Cultural

29. Current priorities are:

- replacement of Dudley Leisure Centre and major upgrading of Halesowen and Stourbridge Leisure Centres;
- refurbishment of Dudley Town Hall.

### Schools

30. The key investment priorities for the use of available capital resources (mainly funded by a number of Government grants) are:

- Maximise the efficient and effective use of resources in collaboration with partners to improve service delivery.
- To work in joint partnership with schools to target available resources in accordance with the asset management programme.
- To address the backlog of urgent repairs and maintenance identified by condition surveys for all schools using fair and transparent prioritisation processes.
- To continue to address the issues of Basic Need requirements ensuring sufficient school places across the primary and secondary schools sector (maintained and non-maintained) through effective place planning processes.
- To continue to develop the infrastructure required to improve the Special Educational Needs (SEN) provision including the issues of Basic Need requirements ensuring sufficient school places for Special Schools in line with the SEND Strategy.
- To continue to maximise bidding opportunities for external funding to replace or upgrade those school buildings with the most urgent need as identified by the principles of Asset Management Planning.

- To continue addressing issues regarding access for disabled persons to all buildings and to ensure appropriate Accessibility Plans are in place for all schools in line with latest regulations.
- To ensure the continuing delivery of the Directorate's asset management plan in accordance with DfE requirements especially for the collation of robust data on school places and condition.
- To ensure revisions to regulations and guidance for school buildings are adhered to and complied with.
- To address effectively issues relating to health and safety, including fire risk, asbestos, legionella and site security.

### Social Care, Health and Well Being

31. Working in partnership to address the Borough's Extra Care Housing needs.

### Commercial and Customer Services

32. Ongoing programme for replacement and upgrading of ICT infrastructure used to deliver services.

### Capital Programme

33. The detailed Capital Programme for the Council's own expenditure on acquisition, development and maintenance of the assets required to deliver service outcomes will be updated on an ongoing basis in accordance with the Governance processes set out below. Taking into account the Council's capital grant allocations, together with affordable levels of "prudential" borrowing and locally generated capital resources in the form of capital receipts and contributions from revenue budgets, the Capital Programme currently being proposed is as follows:

	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Public Sector Housing</b>	46,232	70,047	73,675	72,335
<b>Private Sector Housing</b>	6,049	5,527	4,145	1,483
<b>Environment</b>	6,002	13,934	5,000	3,000
<b>Transport</b>	10,149	8,032	2,000	2,000
<b>Regeneration</b>	26,395	25,170	9,931	636
<b>Cultural</b>	17,415	3,392	0	0
<b>Schools</b>	11,472	11,126	7,000	0
<b>Social Care, Health &amp; Well Being</b>	418	829	0	0
<b>Commercial and Customer Services</b>	781	738	738	268
<b>TOTAL</b>	<b>124,913</b>	<b>138,795</b>	<b>102,489</b>	<b>79,722</b>

## Property Investment

34. The Council will incur capital expenditure on acquisition or development of property only where the primary purpose is service delivery and/or regeneration, and in the case of the latter then only where a development would not happen without Council involvement, and the potential regeneration gain justifies any financial or other risks. It will not invest in property for the sole or primary purpose of revenue income or other financial return.

## **Sources of Funding**

### Grants & Contributions

35. These are mainly provided by Central Government Departments or other Public Sector Agencies and are usually to fund specific projects or broader categories of spend, in line with the funder's priorities. They may be received in response to specific bids, or on a formula allocation basis. They may also require matchfunding from the Council's other capital resources, or from other local partners or spending beneficiaries.
36. To a lesser extent, contributions may be available in the form of "Section 106" planning agreements, Community Infrastructure Levy, or otherwise from local business partners.
37. Some Government capital grant funding is scheme specific to the extent that it cannot be used for anything else ("ringfenced") but is often only notionally allocated to specific areas of spend. Thus it can be spent at the Council's discretion, the only real condition usually being that it must be spent on capital rather than revenue items. However the Council has generally followed a process where such resources are (internally) earmarked to the relevant service area.

### Revenue & Reserves

38. To the extent that revenue resources and reserves are available once day-to-day spending needs have been covered, these may be used to fund capital expenditure.

### Borrowing (commonly known as Prudential Borrowing)

39. The Council can borrow to fund capital expenditure so long as it has sufficient revenue resources to service the resulting debt charges – principal and interest.
40. Any proposals to fund capital expenditure from borrowing where the revenue costs can be met from existing resources (e.g. "spend to save" type initiatives) are considered by Cabinet and Council in the same way as any other capital projects.
41. Any proposals to fund capital expenditure from borrowing where the revenue costs cannot be met from existing resources must be considered along with other revenue budget pressures as part of the annual revenue budget setting and MTFs review process in the light of overall revenue resource availability.

## Capital Receipts

42. Assets (usually land and buildings) no longer required for the provision of services may be declared “surplus to requirements” and sold. The detailed disposal process is set out in the Corporate Estate Strategy.
43. Proceeds from disposals of General Fund assets do not constitute available capital resources, but generate revenue savings by repaying existing borrowing or as a substitute for new borrowing (see above) that would otherwise be required. Proceeds from Right to Buy sales and other Public Sector Housing disposals are currently earmarked for Housing investment.

## **Budget and Medium Term Financial Strategy**

44. As set out above, any proposals to fund capital expenditure from borrowing where the revenue costs cannot be met from existing resources must be considered along with other revenue budget pressures as part of the annual revenue budget setting and MTFs review process in the light of overall revenue resource availability.
45. Likewise capital projects generating net savings may be brought forward, along with other savings proposals, as part of the overall budget and MTFs review process.
46. All forecast debt charges and other revenue costs arising from approved new capital spend (together with debt charges arising from past expenditure funded from borrowing, and the revenue costs of ongoing maintenance of existing assets) will be included in the revenue budget and MTFs of the General Fund or HRA as appropriate.

## **Treasury Management Strategy**

47. Long term borrowing requirements to fund overall capital expenditure not met from other means - the “Capital Financing Requirement” (including the extent to which this can be met internally rather than from external borrowing) and short term cashflow requirements in respect of the Capital Programme and funding, are taken into account in the Council’s Treasury Management Strategy. At 31<sup>st</sup> March 2021, long term borrowing and similar liabilities for the Council’s own purposes (i.e. excluding debt managed on behalf of other authorities), amounted to £610m. This compared with long term assets held to the value of £1,691m.

## **Affordability and Risk**

48. The Capital Strategy sets out the framework within which individual capital projects are approved for inclusion in the Capital Programme and does not in itself authorise any capital expenditure. Affordability and risks are considered when proposals are brought forward for such inclusion. This will include risks relating to the capital expenditure itself, funding of that expenditure (e.g. grant availability and conditions), and ongoing revenue costs and/or income.

49. Risks relating to (treasury) management of borrowing to fund capital expenditure and overall revenue resource availability to fund debt charges and other revenue costs arising from capital expenditure are explicitly recognised in the Treasury Management Strategy and the overall MTFs (General Fund and HRA) as appropriate.

## **Governance**

### Inclusion of projects in the Capital Programme

50. All proposals to include projects in the Capital Programme must be approved by full Council following recommendation by Cabinet. This applies regardless of the source(s) of funding for the project.
51. The only exceptions to the requirement that all capital projects be approved by full Council are:
- i. In cases of urgency, a project may be included in the Capital Programme by Cabinet alone (if the decision cannot wait until the next meeting of Full Council).
  - ii. In cases of urgency, a project may be included in the Capital Programme by the Leader of the Council in consultation with the Chief Officer, Finance and Legal - using the Decision Sheet process (if the decision cannot wait until the next meeting of Cabinet). The Decision Sheet will need to cover the same issues as would be required for reporting to Cabinet (see below) and must also include an explanation of why the normal processes cannot be followed. If the degree of urgency is such that the normal requirements of the Constitution with regard to public notice and “call-in” would prejudice the delivery of the project, approval of the Chair of the appropriate Scrutiny Committee (to waive notice) and Mayor (to waive call-in) will also be required.

*Note however that these “urgency” procedures are intended to be used only in exceptional circumstances and are not intended as a substitute for proper project planning. Use of the procedures is reported to the next available Council, or Cabinet & Council meetings as appropriate.*

- iii. Other specific standing authorisations have been given to include particular categories of expenditure in the Capital Programme without individual Cabinet approval. These include:
  - Schools projects funded wholly from delegated budgets or fundraising activities (subject to prior approval by the Director of Children’s Services & the Director of Finance and Legal);
  - Various categories of project funded by s106 monies;
  - Regeneration projects in certain areas subject to availability of external funding;
  - Parks & Open Spaces projects funded as a result of “Friends” bids;
  - ICT Strategy projects;
  - Projects funded from a number of regular Government funding allocations
  - Community Infrastructure (CIL) funded projects approved by Cabinet.

## Responsible Officers

52. Directors will identify a Responsible (Lead) Officer for each project who will take overall responsibility for coordinating all aspects of the project from initial proposal through to post completion review.
53. The Responsible Officer role is key to the efficient operation of the Council's Capital Programme. Responsible Officer details will be held on the Council's financial systems, and any change must be notified to the relevant accountant so that these can be amended.

## Justification

54. Prior to the inclusion of *any* project in the Capital Programme, each proposal must be justified against the following criteria:
- i. contributes towards the delivery of the Council's strategic objectives, e.g. as set out in the Council Plan;
  - ii. contributes towards the achievement of a specific priority/objective(s) as set out in a Directorate Service Plan, and/or arises from agreed capital strategies e.g. Housing Investment Programme, Local Transport Plan, and/or assists the Council to meet its statutory objectives or respond to new legislative requirements, and/or contributes to the achievement of Best Value;
  - iii. can be supported by a coherent funding strategy; will minimise use of the Council's own resources;
  - iv. has a clear and well thought out brief which defines the objectives of the project and specifies any issues which are time critical; is otherwise achievable within the financial year concerned;
  - v. has been fully evaluated against alternative methods of achieving the same objectives, and alternative funding sources. (See Option Appraisal section below.)

### Option Appraisal

55. Every capital project must be evaluated against alternative methods of achieving the same objectives.
56. Options appraisal must be an integral part of the decision-making process and the scale and nature of a project will determine the level of options appraisal detail needed to make a decision.

## Prioritisation

57. In order that the limited resources available for capital investment are used in the most effective way, it is essential that robust and consistent prioritisation processes are used to determine which projects proceed.



58. In theory, it would be possible devise a methodology for prioritising *all* potential capital projects against the resources available - to maximise the total benefit of the Council's capital Investment as a whole. In reality however, this would pose major problems, not least the difficulty in devising a prioritisation methodology which could fairly compare and score bids for schemes of all magnitudes and degrees of complexity across the whole range of Council services.
59. Some Government capital grant funding is scheme specific to the extent that it cannot be used for anything else ("ringfenced") but is usually only notionally allocated to specific areas of spend. Thus it can be spent at the Council's discretion, the only real condition usually being that it must be spent on capital rather than revenue items.
60. However the Council has generally followed a process where such resources are (internally) earmarked to the relevant service area, but with an emphasis on demonstrating appropriate prioritisation *within* service programmes, and *within* spend headings.
61. It is the responsibility of the relevant Directors to make sure that such prioritisation is robust and stands up to scrutiny. Prioritisation should include formal scoring mechanisms or other objective methods wherever possible and appropriate.

Where a project relies on council resources prioritisation is achieved by including the revenue costs in the budget pressures process for consideration against other pressures in light of the overall resource position.

62. It should in particular be noted that even where capital resources are earmarked to particular spend areas, there is usually still a large degree of flexibility concerning allocation to specific projects. Likewise, where resources are being bid for (see below) there will usually be discretion over which particular projects are submitted. In such circumstances it is just as important in gaining best value from available resources to ensure that robust prioritisation is undertaken before bids are submitted.
63. Note that prioritisation and option appraisal are not the same – but are two distinct elements of the overall project selection process. Option appraisal is concerned with choosing the best way of achieving an objective, e.g. how to increase safety on a particular road. Prioritisation is concerned with which projects go ahead within limited resources, e.g. which road safety projects should proceed first.

### Reporting

64. At the initial stage of project development, an Asset Decision Proforma (ADP) - see Appendix 1 – is completed in conjunction with Corporate Landlord Services (CLS) to capture key project information. Note that this proforma, and the requirement for CLS input relates to all major property decisions and is not restricted to capital programme approvals. Any issues must be resolved before proceeding to the next stage of the process.

65. Each meeting of the Cabinet receives a Capital Monitoring Report which includes the details of proposals to include projects in the Capital Programme. (Exceptionally there may be a stand-alone report where a major project / service area is involved. In such cases a Proforma should still be completed and submitted as above.)
66. If following receipt of tenders, it is clear that costs will exceed the approved budget - or if any other circumstances change that materially affect the scheme as approved by Cabinet and Council - it will be necessary to report back to Cabinet & Council, in order for the budget to be amended, or any other changes approved.

### **Project Management & Monitoring**

67. Capital expenditure must be in compliance with all relevant Standing Orders, Financial Regulations and Codes of Practice. Directors must ensure that all Responsible Officers are aware of these requirements, and that Responsible Officers are competent in Project Management skills.
68. Expenditure on and progress of each project will be monitored regularly.

### **Project Review**

69. A post completion review of each major capital project should be undertaken by the appropriate Director to ensure all lessons learned are documented and shared with relevant officers.

## ASSET DECISION PROFORMA

### Key Data

Directorate:	Division:
Lead (Responsible) Officer:	Phone:
<i>Asset (include address, accurate site plan and photos as necessary):</i>	
<i>Brief description of project (i.e. acquisition via purchase or lease; alteration; extension; major refurbishment; change of use / relocation; disposal via sale or lease):</i>	

### Outcomes

<i>Benefits to service delivery (quantified hard and soft benefits to the Council anticipated from project, including benefits to customers and partners, e.g. shared use):</i>
<i>Link to Strategic Objectives (refer to specific Community / Council Plan objectives):</i>
<i>Link to Directorate Asset Plan (refer to specific action / objective):</i>
<i>Confirmation of consideration of ensuring improved energy efficiency for the asset by planned works (Yes/no - describe outcome)</i>
<i>(For alteration and refurbishment) impact on Asset (i.e. value, useful life, flexibility of use):</i>

### Background Processes

Provide details of scoring mechanism or other process used to prioritise this project:
<i>Provide details of option appraisal undertaken in accordance with Standing Orders (including consideration of alternative sites and alternative delivery methods, together with costs/benefits of each):</i>
Results of Feasibility Study:
Results of Risk Assessment <i>(including identification of key risks):</i>

Results of Consultation:
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### Financial

<i>(For acquisition, alteration, refurbishment)</i> - capital cost: £'000 - to be funded from £'000
Financial year(s) of proposed spend:
<i>(For disposal)</i> - expected proceeds: £'000 - costs of disposal: £'000
<i>(For all proposals)</i> implications for revenue expenditure <i>(and if net cost, how funded)</i> : - costs: £'000 - savings: £'000

Signed: _____ (Responsible Officer)	Date: _____
Signed: _____ (Accountant)	Date: _____
Signed: _____ (on behalf of Corporate Landlord Services)	Date: _____
Signed: _____ (Director)	Date: _____