

Meeting of the Cabinet – 20th March 2019

Joint Report of the Chief Executive and Chief Officer Finance and Legal Services

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.

Recommendations

3. That the Council be recommended:
 - That progress with the 2018/19 Capital Programme, as set out in Appendix A be noted.
 - That expenditure to be funded from the 2019/20 Disabled Facilities Grant allocation and any future annual or in-year allocations be included in the Capital Programme, as set out in paragraph 6.
 - That the Heritage Wall restoration project at Wollescote Park be approved and included in the Capital Programme, as set out in paragraph 7.
 - That the Integrated Transport Funding 2019/20 allocation be noted and the associated expenditure together with expenditure to be funded from any future Integrated Transport allocations, be included in the Capital Programme, as set out in paragraph 8.
 - That the additional resource of £38,000 be added to the Bridges and Retaining Walls Capital Programme for 2019/20, and that the Strategic Director Place be authorised in consultation with the Cabinet Member for Highways and Environment to allocate the funding to a specific priority project in due course, as set out in paragraph 9.
 - That the project to provide a new public reception area at the Corbyn Road building be approved and included in the Capital Programme, as set out in paragraph 10.
 - That the project to install a heat pump at the Crystal Leisure Centre be approved and included in the Capital Programme, as set out in paragraph 11.
 - That the additional 2018/19 Schools' Devolved Formula Capital allocation be noted, and the associated expenditure, together with expenditure to be funded from any future Devolved Formula Capital allocations, be included in the Capital Programme, as set out in paragraph 12.

- That the revised Special Educational Needs and Disabilities (SEND) allocation be noted and the associated expenditure together with expenditure to be funded from any future SEND capital allocations, be included in the Capital Programme, as set out in paragraph 13.
- That the scheme for enhancement and development at Sycamore Adventure to include soft play facilities be approved and included in the Capital Programme, as set out in paragraph 14.

Background

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

	2018/19	2019/20	2020/21
	£'000	£'000	£'000
Public Sector Housing	39,610	41,368	38,900
Private Sector Housing	12,407	4,108	350
Environment	2,399	12,710	8,652
Transport	12,552	9,420	4,816
Regeneration	2,612	8,389	3,727
Cultural	779	18,275	6,500
Schools	14,445	16,899	5,758
Social Care, Health and Well Being	882	1,040	0
Chief Executive's	435	0	0
Total spend	86,121	112,209	68,703
Revenue	7,442	2,333	4,564
Major Repairs Reserve (Housing)	23,215	23,431	23,900
Capital receipts	12,029	33,589	15,945
Grants and contributions	32,675	11,522	8,828
Capital Financing Requirement	10,760	41,334	15,466
Total funding	86,121	112,209	68,703

Note that the capital programme for future years is in particular subject to government grant allocations, some of which have not yet been announced.

5. An update on progress with the Council's most significant capital schemes is shown in Appendix A. It is proposed that the current position be noted.

Private Sector Housing

6. Disabled Facilities Grants 2019/20

The Council receives an annual funding allocation to provide Disabled Facilities Grants (DFGs) to support elderly and disabled residents remaining in their own homes. Dudley MBC's initial 2018/19 allocation was £5.263m with an additional £0.661m awarded in-year. Individual authority allocations for 2019/20 have not yet been notified, but nationally the allocation is expected to be at least £500m, an increase on the £468m initial allocation in 2018/19.

It is proposed that expenditure to be funded from the 2019/20 allocation together with that to be funded from any future annual or in-year allocations be included in the Capital Programme in due course.

Environment

7. Heritage Wall restoration at Wollescote Park

The grade 2 listed curtilage walls at Wollescote Park have suffered considerably over the last four years. In 2015 a large section of wall collapsed and in January 2018 a further section of wall collapsed close to the bowling green. Anti-social behaviour at the site has increased considerably as a result of this damage. Funding for repairing and replacing the wall next to the bowling green at an estimated cost of £70,000 has been obtained through a bid to Enovert and a request to the Ernest Stevens Trust.

It is proposed that the project be approved and included in the Capital Programme.

Transport

Integrated Transport Funding 2019/20

8. The allocation of the above to individual authorities has been undertaken, with Dudley's share being £1,449,000. The distribution between specific programmes will be determined in due course in accordance with agreed procedures in consultation with the Cabinet Member for Highways and Environment. It is proposed that the allocation be noted and the associated expenditure together with expenditure to be funded from any future Integrated Transport allocations, be included in the Capital Programme.

Bridges and Retaining Walls

9. Network Rail has agreed to make a retrospective contribution of £38,000 to the completed Worcester Lane (Road over Rail) scheme within the Bridges and Retaining Walls Capital Programme, following negotiations regarding the benefit to their rail line of the work undertaken.

It is proposed that this additional resource be added to the Bridges and Retaining Walls Capital Programme for 2019/20, and that the Strategic Director Place be authorised in consultation with the Cabinet Member for Highways and Environment to allocate the funding to a specific priority project in due course.

Regeneration

Corbyn Road Public Reception Area

10. A project for the infill of a courtyard at the Corbyn Road building to allow additional office accommodation at an estimated cost of £500,000 was approved by Cabinet in June 2018 and is already included in the Capital Programme. This project will ensure that other key teams from Children's Services can occupy the building to complement the work ongoing there.

The use of the Corbyn Road building has meant that it is increasingly becoming the main focal point for Children's Services, which has also seen an increasing use by members of the public. To ensure ongoing accessibility and to address safeguarding there is a requirement for a fit for purpose public reception area. An additional scheme has been designed that would address this requirement. It is the intention that this work is procured through the main courtyard contract, therefore offering better value for money.

The cost of £50,000 can be funded from remaining 14-19 Diplomas, SEN and Disabilities Capital Grant. It is proposed that the project be approved and included in the Capital Programme.

Cultural

Crystal Leisure Centre Heat Pump

11. The heating requirements of Crystal Leisure Centre are currently met by a Combined Heat and Power Unit (CHP), and ageing gas boilers. The CHP unit is operated under a Power Purchase Agreement with Centrica which will expire 31st March 2021. The centre has two banks of gas boilers, one of which has been out of order for a considerable time. The boilers are past the point of economical repair and a new heating solution is required. Evaluation of different options has highlighted an open-loop heat pump as offering the most cost effective solution, when considering capital and life-time running costs. Heat pumps take energy from the ground, air, or water and 'upgrade' it to higher temperatures by using electricity. An open-loop system is proposed, whereby water would be extracted through a bore-hole and pass over the heat pump before being returned to the ground. Such systems typically have a Coefficient Of Performance (COP) of between 4 and 5, meaning that for each kWh of electricity used, they are able to produce four or five kWhs of heat. The technology is low-carbon and will help the Council achieve its ambition of becoming a "cleaner, greener place".

The overall cost of the project is estimated at £600,000. However, the Council will receive a subsidy payment (the Renewable Heat Incentive) for each unit of heat that is generated worth an estimated £126,000 per year. In addition, gas usage savings are estimated to be £48,000 per year, but with a forecast increase in electricity usage of £88,000. The net saving to the Council per annum is therefore estimated to be £86,000.

The capital cost can be financed by prudential borrowing with the consequent debt charges being funded by the net saving detailed above. It is therefore proposed that the project is approved and included in the Capital Programme.

Schools

Additional 2018/19 Devolved Formula Capital

12. Dudley's share of the additional Devolved Formula Capital (DFC) funding allocation announced in the Chancellor's Autumn Budget is £982,000. Individual schools' allocations are prescribed by the Department for Education (DfE) and their utilisation will be monitored and supported by the Council in line with existing processes to ensure compliance with DFC grant funding conditions. The additional funding can be spent on capital projects to meet schools' own priorities and it is expected this is likely to be in the form of improvements rather than towards major capital projects.

It is proposed that the funding allocation be noted and the associated expenditure together with expenditure to be funded from any future Devolved Formula Capital allocations, be included in the Capital Programme.

Special Educational Needs and Disabilities (SEND) Capital Allocation

13. As reported to Cabinet in June 2017, original funding allocations were announced in March 2017 for expenditure in 2018/19 - 2020/21. The allocation formula was based principally on projected population growth for those aged 2-18 over this period, with location factors applied to allow for variations in building costs. Dudley's original allocation totalled £732,000.

Further announcements in May and December 2018 increased the total funding available by £170,000 and £340,000 respectively, bringing Dudley's current total allocation to £1,242,000.

The funding is allocated to invest in improving the quality and range of provision for children and young people with SEN and disabilities aged 0-25. The allocation can be utilised to enhance facilities and number of places available to young people with complex needs. Planning of specific projects and consultation in line with grant funding conditions are currently being developed.

It is proposed that the revised allocation be noted and the associated expenditure together with expenditure to be funded from any future SEND capital allocations, be included in the Capital Programme.

Sycamore Adventure

14. A scheme has been drawn up for enhancement and development at Sycamore Adventure to include soft play facilities. The estimated cost of £50,000 can be funded from Troubled Families resources.

It is proposed that the project be approved and included in the Capital Programme.

Finance

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

Law

16. 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.

Equality Impact

17. These proposals comply with the Council's policy on Equality and Diversity.
18. 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.

Human Resources / Transformation

19. The proposals in this report do not have any direct Human Resources / Transformation implications.

Commercial Implications

20. The proposals in this report do not have any direct Commercial implications.



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List of Background Papers

Relevant resource allocation notifications.

Progress with Major Capital Schemes

Public Sector Housing

New Council Housing

Works commenced on site March 2017, completing in phases by 2019/20, for 130 new homes in a mixed tenure development at Middlepark Road, Russells Hall of which 42 will be new Council homes. The first 10 Council owned homes were completed March 2018. The remaining 32 Council homes are all now completed and the private sale scheme will complete late Summer 2019.

Work commenced in October 2017 for 16 apartments at Beech Road, Kingswinford, initially with the demolition of the existing structure. The scheme was completed November 2018.

Work commenced in October 2017 for 12 one bedroom apartments at Wolverhampton St, Dudley, as part of the Wolverhampton St regeneration corridor. Completion due April 2019.

Work commenced in March 2018 for 12 bungalows at Crowle Drive, Stourbridge. Completion due March 2019.

Work commenced in March 2018 for 10 new houses at Wychbury Rd, Stourbridge. Completion due April 2019.

Planning approval has been received for the following 39 units across 5 schemes with starts on site Q1 2019:

- 14 houses at Stewarts Rd, Halesowen -
- 6 new Council houses at Uplands, Dudley, (a revised scheme to address parking concerns following refusal of planning permission in April 2018)
- 8 houses at Portway Close, Kingswinford
- 3 new houses at Kinfare Rise
- 8 houses and 2 bungalows at Worcester Rd, Netherton (site of former Darby End Estate Office)

Planning applications are in progress for a number of schemes, including: Feasibility work is ongoing for other infill sites across the borough and discussions are ongoing with Planning and Highways.

Other Public Sector Housing

There has also been good progress with other major capital investment programmes, notably this financial year:

- Over 5,000 existing homes have had some form of capital improvement :
 - 200 bathrooms
 - Over 250 kitchens
 - Almost 500 electrical improvements
 - 200 new roofs
 - 1,400 new windows to 365 homes
 - Over 2,000 new external doors
 - The Fuel Poverty budget is expected to spend to target and almost 1,000 new modern efficient boilers were installed up to end Q3 (Dec 31st 2018). The average SAP rating of the council's housing stock has increased to 71.
- The independent living programme is projected to spend to budget, with 195 homes adapted for persons with a disability, with 241 commenced in the year.

Private Sector Housing

Homes for Sale

This will deliver 59 homes for sale at market prices and 20 affordable homes (25% of the homes being developed) for rent by the HRA.

Planning approval has been received for all four schemes.

Work has now completed at:

- Wenlock Gate (Wrens Nest Road) – a development of 8 new homes with 4 for private sale (all 4 sold).

Work has commenced at:

- Red House Mews (King William St / Brettell Lane Amblecote) – a development of 20 new homes with 16 for private sale. Completion due Autumn 2019 (10 plots reserved or sold off plan as at February 2019)
- Mill Grange (Mere Road, Norton) – a development of 18 homes with 14 for private sale. Completion due Winter 2019 and whilst not yet released for sale, there is high interest.
- Castle Court (Beechwood Rd, Dudley) development of 33 homes with 25 for private sale. Completion due Spring 2020

Disabled Facilities Grants

The budget is projected to be fully expended at year end, including the additional £661,000 approved in December 2018. So far this financial year, at end Q3 288 schemes have been approved, 264 have commenced and 194 completed.

Environment

Lister Road Depot Redevelopment

Following feedback received from the initial planning application, the designs of the development have been reviewed and amended to address these concerns. The full planning application has been approved at Development Control Committee. Procurement options for the construction works are currently being considered and enabling works are due to commence by March 2019.

Stevens Park, Quarry Bank

The Round 2 Heritage Lottery award was announced at the end of December 2018, and the funding agreements signed at the end of January. The recruitment of Project Manager and Design Team is now underway to finish the detailed project designs and start the process of tendering for the contract. The building work is due to be complete by the end of 2020 and Emily Jordan Foundation Projects is due to lease the building from the Council from this point. It will be delivering horticultural training, cycle repairs and metal recycling plus a community café for people with learning difficulties.

Transport

Street Lighting (Invest to Save)

Almost 3,600 street lighting lantern conversions to LED technology on main roads have been completed. This is approximately 55% of the total works. The programme will continue to progress during the remainder of 2018/19 and throughout 2019/20. In addition, almost 1000 lanterns have been purchased, ready to be installed over the next few months. New columns and lanterns will be programmed for installation during this year and next. In addition, external contractors have installed around 160 of over 370 12 metre columns forming part of this project.

Regeneration

Dudley Townscape Heritage Initiative

The Townscape Heritage (TH) programme is funded through the Heritage Lottery 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, which is operating with a grant budget of £1.178m from the HLF and £300,000 matchfunding from the Council, commenced in February 2017. It will run for 4 years and focuses on buildings in the town centre's historic core.

The work at 203/204 Wolverhampton Street has been completed. Grant offers for neighbouring properties at 208 and 209 Wolverhampton Street have been confirmed and work is now expected to commence in spring. Other projects identified as priorities within the bid include 204a Wolverhampton Street (planning application submitted), 216 Wolverhampton Street (planning application has been submitted) and 14 New Street (planning approval obtained and detailed plans are currently being drawn up). These projects are being progressed with the private owners with a view to work being undertaken this year. Other projects in discussion with owners include Fountain Arcade and Plaza Mall, but are in the early stages of development.

Activities are also being progressed and developed in conjunction with teams in Adult and Community Learning, Museums and Communications and Public Affairs, with events such as the Heritage Open Day held in September and the continued development of the volunteer training programme. We are also liaising with Dudley College to facilitate training in conservation skills. The TH programme is being progressed in line with the Action Plan.

One Public Estate

Following the Police previously based at Dudley Police Station having successfully taken up occupation at 7 St James Road, work is in progress with regard to the Police taking a lease at Market Street, Stourbridge, (building previously occupied by Citizens Advice).

In relation to assets considered surplus to operational requirements, work continues to dispose of them by the most beneficial method including on the open market and via Community Asset Transfer. Some £4.0m of (General Fund) capital receipts have been realised since 1st April 2017 with approximately £1.5m (General Fund) sold subject to contract or under offer. Where necessary, to increase value or to make a sale more viable, some site remediation is being considered prior to future disposal.

Corbyn Road Extension

Tenders are about to be sent out following detailed design work. Building work is planned to start in March 2019 with completion anticipated in late September 2019.

Low Carbon Place Strategy

Although the Council was originally awarded £2.5m of European Regional Development Funding (ERDF), a late condition placed on that award significantly reduced deliverability. As a result the project has been re-designed with an increased focus on improving the energy efficiency of council housing stock by installing new gas boilers and smart heating controls. Funding is also being sought to improve the energy efficiency of heating and lighting in corporate buildings. The total value of the grant remains at £2.5m, with £2.5m of match funding to be met from existing Housing Revenue Account (HRA) budgets. The project is being reassessed by the Ministry for Homes and Local Government (MHCLG) for eligibility with a decision expected during the 2018/19 financial year.

Very Light Rail (VLR)

Two Very Light Rail test tracks are to be installed between Castle Hill Bridge and Cinder Bank with a test passenger platform located at the Cinder Bank end of the tracks. Full track length will be approximately 2km. The eastern track will be bedded on stone ballast and western track bedded on concrete track form system, the western track to form a later phase of work. The existing use of the track-way is a disused freight track-way which is subject to lease terms on the land which will be shared with the landowner (Network Rail) and the test track operator WMG. A planning application was submitted on 10th November 2017 and determined with reserved matters on 25th January 2018.

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 12th December 2017 and determined with conditions to be discharged on 2nd March 2018.

Building regulations conditional notification was received on 22nd February 2018 and Conditional Approval received on 25th May 2018.

Phase 1 advance enabling site works and surveys commenced in December 2017 and are now complete albeit additional minor surveys may be undertaken if scheme design development dictates.

The Phase 1 main works (including Metro Retaining Wall, see below) are due to commence after contract award and are forecast to complete in Spring of 2021.

The Council has been formally advised that the ERDF bid for £5.35m was rejected by the MHCLG on grounds of two key issues – state aid advice did not adequately demonstrate that the scheme was State Aid compliant and the business plan did not give the assurance that there would be sufficient return on investment.

The next call for “Priority 1” ERDF funding took place in October 2018 and an outline application was submitted on the 23 November 2018. The team has taken legal advice (from both our advisors and those recommended by the ERDF team) and is confident that the resubmission will now adequately demonstrate compliance with State Aid. Similarly, the business plan has been amended and expanded upon to overcome MHCLG reservations and now provides a robust plan for the required term of 15 years. The scheme has received approval of the outline submission and the full formal submission has until the end of May 2019 to be prepared. The project team do, however, intend to submit before this time to maintain the project programme.

The latest cost plan is indicating cost exceeding the budget slightly and the project team is still reviewing a number of savings to ensure the scheme can be delivered within the budget.

Metro Retaining Wall

The West Midlands Combined Authority approved funding of £4,335,000 on 27th November 2017. It is estimated that this will be expended between November 2017 and April 2020.

The design works stage commenced in October 2017 and is currently under review based on recent changes made to the alignment of the new metro line and the Station Road Tram Stop. Approval of the revised design by the CA is expected in April 2019.

The Metro Retaining Wall construction is due to commence in the summer of 2019 and is forecast to complete in Spring of 2020. Current estimates are indicating the wall costs breaching the available budget and an exercise is currently underway providing further refinement to the design to enable the budget to be maintained.

Cultural

Leisure Centres

RIBA Stage 2 has now been completed on the Leisure Centre project to deliver one new leisure centre in Dudley and refurbish Crystal and Halesowen Leisure Centres. This has involved progressing more detailed design works and budget costings for all three centres. In accordance with the agreed project timetable the Strategic Project Board has now been instructed to progress the development of a new Dudley Leisure Centre. A workshop is taking place involving the appropriate technical officers from Dudley and Alliance Leisure to ensure that a detailed brief, including budget, building aesthetics and programming of works in alignment within the wider town centre regeneration programme, is clearly defined. Alliance Leisure will then progress the Dudley Leisure Centre development through to completion of RIBA Stage 4.

Stourbridge Crematorium

The upgrade of the cremators and enhancement works to the chapel at Stourbridge Crematorium are now scheduled to commence in the autumn of 2019. The start date has been pushed back due to a redesign of the area where the cremators are to be installed. The contract will be awarded shortly. The spend is forecast to be within budget.

Schools

Schools Basic Need Projects

The identification of 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. Statutory consultations for both proposals are imminent and subject to a satisfactory outcome, the plan is to expand both Wordsley and Crestwood Secondary Schools to meet projected growth by 2020 with an additional 300 pupil places for each school.

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

Priority Schools Building Programme

As reported previously, the Council has received formal confirmation from the Education Skills Funding Agency (ESFA) of a revised grant allocation of £2,515,000 for the rebuild of the Key Stage 1 block at Huntingtree Primary School. The project has commenced on-site and is progressing well.

Healthy Pupil Capital Fund

As reported previously, the Council has been allocated £226,000 from the Healthy Pupils Capital Fund (HPCF) to improve children's and young people's physical and mental health by improving and increasing availability to facilities for physical activity, healthy eating, mental health and wellbeing and medical conditions. Funding is provided from the Soft Drinks Industry Levy, also known as the "Sugar Tax".

Officers have assessed options on how best to disseminate the funding with the integration of a deprivation factor across the maintained school estate to address areas with most need. Community, foundation and voluntary controlled schools have been informed of the grant allocation and have been asked to apply to the Council for funding towards a project that they believe meets the fund criteria. Bids will be assessed to ensure that they comply with the bidding criteria before schools are informed of the outcome.

Social Care, Health and Wellbeing

Social Care ICT

Engagement with the supplier is underway. Timescales are subject to detailed project planning. The overall project (revenue and capital) is now estimated to cost £3.5m which can be funded from the one-off revenue allocation in 2017/18 and the use of earmarked reserves.