

Meeting of the Cabinet – 27th June 2018

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, including the 2017/18 outturn position.
2. To propose amendments to the Capital Programme.

Recommendations

3. That the Council be recommended:
 - That the outturn position for 2017/18, as set out in paragraph 3 and Appendix A be noted.
 - That current progress with the most significant capital schemes, as set out in Appendix B be noted.
 - That the Strategic Director, Place, be authorised to submit bids to Heritage Lottery Fund (HLF) in respect of the Sedgley Beacon improvements, and that subject to full funding being secured the project be approved and included in the Capital Programme, as set out in paragraph 6.
 - That the Capital Programme be amended to reflect the updated estimated cost of the Lister Road Depot redevelopment, as set out in paragraph 7.
 - That the Highways Incentive Fund 2018/19 allocation be noted and the associated expenditure be included in the Capital Programme; and that expenditure which can be funded from future allocations of this nature also be included in the Capital Programme in due course, as set out in paragraph 8.
 - That the project to extend the Corbyn Road building be approved and included in the Capital Programme, as set out in paragraph 9.
 - That the One Public Estate capital budget be increased by £40,000, as set out in paragraph 10.
 - That the Schools Condition allocation 2018/19 of £2,511,000 be noted and the associated expenditure included in the Capital Programme, as set out in paragraph 11.

- That the Healthy Schools Capital Fund allocation 2018/19 of £226,000 be noted and the associated expenditure included in the Capital Programme, as set out in paragraph 12.
- That the expenditure of £190,000 on Library Self Service Kiosks be approved and included in the Capital Programme, as set out in paragraph 13.
- That the Urgent Amendments to the Capital Programme, as set out in paragraph 14-15, be noted.

Background

Capital Spending and Financing 2017/18

3. The Council's capital expenditure in the year totalled £82.916m, as follows. A comparison with budget is shown in Appendix A.

	£'000
Public Sector Housing	44,221
Private Sector Housing	6,191
Environment	1,535
Highways and Transport	11,856
Regeneration and Cultural	7,626
Schools	10,321
Social Care, Health and Well Being	513
Chief Executive's	653
Total Expenditure	82,916
Revenue	14,351
Major Repairs Reserve (Housing)	23,260
Capital Receipts	13,404
Grants and Contributions	28,069
Capital Financing Requirement	3,832
Total Financing	82,916

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	38,354	36,528	37,732
Private Sector Housing	13,654	2,450	450
Environment	8,031	11,156	3,000
Transport	12,730	5,516	4,816
Regeneration & Cultural	7,674	18,431	7,136
Schools	22,079	5,589	244
Social Care, Health and Well Being	1,064	0	0
Chief Executive's	2,285	0	0
Total spend	105,871	79,670	53,378
Revenue	8,426	2,931	4,037
Major Repairs Reserve (Housing)	23,113	23,451	23,920
Capital receipts	19,640	26,071	11,897
Grants and contributions	31,040	4,904	2,687
Capital Financing Requirement	23,652	22,313	10,837
Total funding	105,871	79,670	53,378

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. Monitoring of progress with the 2018/19 Programme indicates that forecast spend is in line with budget. 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,

Environment

6. Sedgley Beacon

In March 2017, Cabinet authorised the Strategic Director Place to submit bids to Heritage Lottery Fund (HLF), and that subject to full funding (including 10% required match funding) being secured a project to improve the Sedgley Beacon Tower and its surrounding landscape be approved and included in the Capital Programme. Expected development costs at the time were £45,000 and delivery (capital costs) £772,000.

Largely as a result of car park siting issues and the need for some extra works, development costs are now estimated to be £80,000 and delivery costs £1,450,000. Match funding of 10% of development costs can be met from Section 106 receipts and a contribution from The Wildlife Trust. Match funding of 10% of delivery costs is anticipated to be secured during the development phase. A bid to HLF for the development phase is intended to be submitted in August 2018.

It is proposed that the Strategic Director, Place, be authorised to submit the relevant bids to HLF on the basis of latest estimated costs, and that subject to full funding being secured the project be approved and included in the Capital Programme.

7. Lister Road Depot Redevelopment

The Capital Programme currently includes a budget of £5m (approved by Cabinet in December 2016) for the repair and partial redevelopment of the Lister Road Depot. The project has been reviewed and as a result of further investigations, revisions and construction inflation, the estimated cost is now £6.2m. This can be financed by prudential borrowing over 30 years, with the resulting debt repayments being met from existing accommodation revenue budgets, including an appropriate contribution from the Housing Revenue Account (HRA) in relation to the use of the building by housing staff. It is proposed that the Capital Programme be amended to reflect the updated estimated cost.

Transport

8. Highways Incentive Fund 2018/19

The Council has been allocated £513,000 based on a self-assessment submitted to the Department of Transport relating to the management of highway assets. The funding will be used for highway resurfacing and repair, together with further improvement of the asset management regime already established. It is proposed that this allocation be noted and the associated expenditure be included in the Capital Programme; and that expenditure which can be funded from future allocations of this nature also be included in the Capital Programme in due course.

Regeneration and Cultural

9. Corbyn Road

Corbyn Road is the former site of a school that relocated to a new site a few years ago. It is used by Children's Services and is home to a Multi-Agency Safeguarding Hub (MASH) and a Single Point of Access (SPA) allowing multi-agency working. The building also allows the co-location of staff from services aimed at supporting the most vulnerable people in Dudley with the provision for safeguarding conferencing and a public interface from the building.

Following an inspection in January 2016 Ofsted reported that the accommodation occupied at Studley Court, Mary Stevens Park, Stourbridge (MSP), was not conducive to improving the services offered by Children's related services based there. A commitment was given by Children's Services to move key staff from MSP to Corbyn Road. A business case was prepared and it is agreed that the option of extending the existing building by infilling the courtyard area at Corbyn Road would be the best solution.

The estimated cost is £500,000 which can be financed from Prudential Borrowing. The resulting debt charges can be met from existing Treasury budgets. It is proposed that the project be approved and included in the Capital Programme.

10. One Public Estate - Dudley North Family Centre

Following the acquisition of the clinic site adjacent to Coseley Children's Centre, Bayer St, Coseley the building is being refurbished to enable it to be used as a Family Centre for the Dudley North Area. This will provide office based and frontline accommodation both for Council staff and partner agencies such as the Police and the voluntary sector. The estimated cost of the works is £135,000 which are being funded from the One Public Estate (OPE) capital budget. However, £40,000 from the Troubled Families budget held within the People Directorate is available towards this project, the use of which would thereby free up resources for other OPE capital projects.

It is proposed that the OPE capital budget be increased by £40,000 accordingly.

Schools

11. School Condition Allocation 2018/19

The Council has been notified of its Schools Condition allocation for 2018/19 of £2,511,000. The funding is based on condition data collected by the Department for Education (DfE) via the Property Data Survey. This will be allocated on the basis of priorities determined through asset management data including health and safety issues, building condition surveys and access needs.

It is proposed that this allocation be noted and the associated expenditure included in the Capital Programme.

12. Healthy Schools Capital Fund Allocation

The Council has been notified of a Healthy Schools Capital Fund (HSCF) allocation of £226,000 for improving access to facilities for physical activity, healthy eating, mental health and wellbeing and medical conditions (such as kitchens, dining facilities, changing rooms, playgrounds and sports facilities), being money raised from the sugar tax levy on the soft drinks industry. This will be allocated on the basis of priorities determined through asset management data including health and safety issues, building condition surveys and in line with the HSCF guidance issued by the DfE.

It is proposed that this allocation be noted and the associated expenditure included in the Capital Programme.

Health and Well Being

13. Library Self Service Kiosks

The library self- service kiosks allow members of the library services to take out, return books and pay for fines and charges. The current self-service kiosk estate was purchased and implemented in 2012 but by March 2019 the units will no longer be supported through the existing agreement, incurring additional call out costs, materials and fees. Replacement units are required which are also compatible with the new Library Management System which was implemented in December 2017. The units are crucial to the delivery of service in all branches and library links across the Borough.

From 1st December 2017 Dudley library Service transferred to a mutual arrangement, with the service being delivered by Greenwich Leisure Ltd (GLL). As part of the contractual agreement between Dudley MBC and GLL it was agreed that Dudley MBC would fund the capital cost of the replacement of the Library kiosks.

Estimated cost of the replacement kiosks is £190,000. This can be funded from unspent resources from previous Adults Personal Social Services Community Capacity Grant allocations

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

Urgent Amendments to the Capital Programme

Very Light Railway (VLR)

14. The VLR project will create a world-class research, development and educational centre focussed on the creation of innovative very light rail vehicles on land at Castle Hill. Working in partnership with Warwick Manufacturing Group (Warwick University), other higher education bodies, transport suppliers and other neighbouring local authorities, the centre will lead on the development of the vehicles, associated infrastructure and training for the next generation of public transport solutions.

Phase 1 covers the construction of the main innovation centre and the test track. Following an EU compliant procurement exercise, Bouygues have been awarded the contract for this phase.

In order to facilitate progress with the scheme, a decision (ref. PLA/19/2018) was made by the Leader of the Council in consultation with the Cabinet Member for Regeneration and Enterprise, the Chief Officer, Finance and Legal Services and the Strategic Director, Place on 6th June 2018 to approve expenditure of £130,000 expenditure on the Very Light Railway – Advance Works, Design Fees and Statutory Authorities in advance of the full funding package for Phase 1 of the project being formally approved, and to underwrite Bouygues pre-construction costs for the scheme up to a maximum of £91,750.

Starter Homes

15. In 2015, the Homes and Communities Agency (HCA) launched the New Starter Homes initiative. This was designed to provide new starter homes for first time buyers between the ages of 24 and 39, at a 20% discount on market price and with restrictions on future sale for a number of years.

The Council successfully bid for and received funding of £625,000 from the HCA (now Homes England) under this scheme to demolish and clear four sites in preparation for the development of new starter homes. These sites were:

- former Mere Centre, Stourbridge;
- former care home at Amblecote House, Brettell Lane;
- Turner House, Wrens Nest;
- former St Thomas' Network, Beechwood Road.

Cabinet on 8th March 2017 approved a scheme to develop 62 starter homes and 17 homes for sale at market prices. However, the Government has not passed the required legislation with the detailed regulations for the Starter Homes scheme and pressures on the legislative timetable indicated that it was unlikely that the legislation would be put before Parliament, so the Starter Homes programme and, hence, the Council's Starter Homes scheme, would not progress.

Homes England advice was to replace starter homes with alternative schemes that comply with local planning conditions. In Dudley, this means including 25% affordable homes. Homes England indicated that there would be no clawback of grant for such schemes.

It was therefore proposed to replace the planned Starter Homes with 59 homes for sale at market rates and 20 affordable homes for rent through the Housing Revenue Account (HRA) on the four sites. This achieves the 25% affordable homes requirement and will result in the same number and types of new homes as originally planned.

As all four sites were held within the General Fund, it was necessary to appropriate the relevant proportion of each site to the HRA.

Brownfield Land Grant awarded of £1.2m will address abnormal ground conditions of which £0.9m will support the General Fund build and £0.3m the HRA build.

The revised cost of the homes for sale is £9.7m which can be funded from £0.9m Brownfield Land Grant and prudential borrowing of £8.8m pending receipt of a projected £11m income from the sales of the completed properties. The 20 affordable homes for rent will be funded through existing resources within the HRA Public Sector Housing Capital Programme.

In order to facilitate progress with the scheme, a decision (ref. PLA/17/2018) was made by the Leader of the Council in consultation with the Chief Officer, Finance and Legal Services on 22nd May 2018 to:

- re-designate the Starter Homes scheme as Homes for Sale;
- provide 59 homes for sale at market prices and 20 affordable homes for rent by the HRA;
- appropriate the relevant parts of the sites from the General Fund to the HRA;
- amend the General Fund capital budget for the scheme.

Finance

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

Law

17. 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

18. These proposals comply with the Council's policy on Equality and Diversity.
19. 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

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



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List of Background Papers

Relevant resource allocation notifications.

2017/18 Capital Outturn

Service	Budget*	Outturn Spend	Variance	Comments
	£'000	£'000	£'000	
Public Sector Housing	44,221	44,221	0	
Private Sector Housing	6,291	6,191	-100	See note 1
Environment	1,559	1,535	-24	See note 2
Transport	11,856	11,856	0	
Regeneration & Cultural	7,631	7,626	-5	See note 3
Schools	10,321	10,321	0	
Social Care, Health and Well Being	513	513	0	
Resources and Transformation	653	653	0	
Total	83,045	82,916	-129	

* Updated where appropriate to reflect latest scheme spending profiles

1. Reduction in Housing Assistance Grant spend to generate revenue savings.
2. Contingency not required on Sedgley Hall Brook Scheme and other minor savings on scheme completion.
3. Minor outturn saving on Fountain Arcade Townscape Heritage Initiative scheme.

Progress with Major Capital Schemes

Public Sector Housing

New Council Housing

Work commenced November 2015 for the development of 157 homes at the former Dudley Guest site, with the Council taking 39 of the homes. All 39 Council owned affordable homes are now completed. Overall scheme completion expected in 2019.

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. Work is progressing well for the remaining 32 Council homes, all due for completion 2018/19.

Works on 4 new bungalows at Moat Drive, Halesowen was completed April 2018.

Work commenced in October 2017 for 16 apartments at Beech Road, Kingswinford, initially with the demotion of the existing structure. Completion due 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 February 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 March 2019.

Feasibility studies and planning applications are in progress for a number of schemes, including:

- 14 houses at Stewarts Rd, Halesowen
- 14-16 bungalows, off The Broadway, Norton, Stourbridge
- 8 units (type to be determined based on feasibility) at Portway Close, Kingswinford

A scheme for 6 new Council houses at Uplands, Dudley was refused planning permission in April 2018, but alternative options are being explored.

Feasibility work is ongoing for other infill sites across the borough and discussions are ongoing with Planning and Highways.

Private Sector Housing

Homes for Sale

As set out in paragraph 13 above, the Starter Homes programme has been redesignated as Homes for Sale and will deliver 59 homes for sale at market prices and 20 affordable homes for rent by the HRA.

Planning approval has been received for all four schemes (79 new homes). Work has now commenced at Wrens Nest, with completion due in December 2018. Works will commence on the remaining schemes in summer 2018, with programme completion in 2019/20.

Environment

Household Waste Recycling Centre

The future location of the HWRC site will be considered within the Council's overall Waste Strategy review during 2018/19.

Dell 3G Pitch

The construction of the floodlit 3G artificial grass pitch at the Dell Stadium is now complete with the facility now open. The scheme was delivered within budget and the expectation is that increased usage will deliver an increased level of income generation at the site.

Homer Hill Park Changing Rooms

Contractors have now completed the Multi Use Games Area and are on track to complete the Community building with changing facilities by September for the new football season.

Stourbridge Cremator

The upgrade of the cremators at Stourbridge Crematorium is scheduled to start in February 2019 with building alterations necessary for the work to go ahead commencing this autumn. The contract will be awarded shortly. Spend is forecast to be within budget.

Transport

A4101 High Street, Pensnett Highway Improvement

Work commenced on site in May 2017 and the main highway elements of the scheme are nearing completion. The new road layout should be operational in early July. Spend is forecast to be within budget.

A459 Dudley Road / Coombs Road, Halesowen – Junction Improvement

Work commenced on site in January 2017 and phase 1 which involved civil engineering works to the main junction was completed in May 2017. Phase 2 which involved alterations to statutory undertakers' apparatus and completion of the remaining civil engineering works commenced in June and was completed in early 2018. Final spend was within budget.

Street Lighting (Invest to Save)

Phases 1 and 2 of the replacement programme have been completed, totalling around 1800 street lighting lantern conversions to LED technology on main roads. This is approximately 30% of the total works. The programme will continue to progress during 2018/19 and 2019/20.

Regeneration and Cultural

Dudley Townscape Heritage Initiative

The Townscape Heritage (TH) programme is funded through the Heritage Lottery Fund (HLF) 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 £1,178,000 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 is close to completion and it is expected that the new owners will be operating from the refurbished premises from July. Grant offers for neighbouring properties at 208 and 209 Wolverhampton Street have been confirmed and work is expected to be carried out during the summer months. Other projects identified as priorities within the bid, including 207 Wolverhampton Street, Fountain Arcade, 204a Wolverhampton Street and 14 New Street, are being progressed with the private owners with a view to work being undertaken in years two and three. The 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 and the volunteer training programme launched. The volunteer programme is developing and volunteer assistance is being sought for forthcoming events and projects, such as September's Heritage Open Day. The TH programme is being progressed in line with the Action Plan.

One Public Estate

The Council's Estate Strategy 2017–2022 was approved by Cabinet in December 2017 and is now a live document. Issues meriting specific reference include the refurbishment of the former Health Centre in Bayer Street, Coseley following its acquisition. This will enable Children's Services to develop their Early Help strategy for the north of the borough through a Family Centre supporting children and young people aged 0-18, (up to 25 years for those who have a learning difficulty/disability). The refurbishment is due to complete in early July.

Minor alteration work to 4 Ednam Road is now complete. Corporate Landlord Services staff have moved from Ward House Himley and Saltwells EDC, Netherton freeing up space at those sites as part of their planned decant. Legal Services have also relocated to the ground floor freeing up space in the Council House.

Work has been completed at 7 St James's Road / 8 Parsons Street with officers from West Midlands Police currently based at Dudley Police Station due to take occupation as soon as the lease has been completed.

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 £3.8m of (general fund) capital receipts have been realised since 1st April 2017 with approximately £2.3m 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.

Low Carbon Place Strategy

The Council has been successful in its bid for £2.5m of European Regional Development Funding for the installation of a number of energy efficiency improvements, including 'A' rated gas boilers in some council homes, LED lighting in communal areas of council housing and various measures to improve the efficiency of targeted corporate buildings. Match funding of £2.5m can be met from existing HRA budgets.

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.

Stage 1 of the 3 stage main contractor procurement process commenced at the end of August 2017 and finished in December 2017. Stage 2, the project Financial Closure period started January 2018 and is now forecast to complete in July 2018. The final third stage, contract award and mobilisation, is expected to take place between August and October 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 stage 3 contract award, in October 2018, and are forecast to complete in July 2020.

Current spend is forecast to be within budget.

Metro Retaining Wall

The West Midlands Combined Authority approved funding of £4,335,000 on 27th November 2017. Of this a total of £294,000 has currently been instructed for the design (£207,000) and management (£87,000) of the Metro Retaining Wall projected. It is estimated that this will be expended between November 2017 and June 2019.

The design works stage commenced in October 2017 and is now complete and being reviewed by the West Midlands Combined Authority.

The Metro Retaining Wall construction is due to commence in November 2018 and is forecast to complete in June 2019. 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.

Leisure Centres

Officers have tested the leisure market to identify the most cost effective procurement options to deliver one new leisure centre in Dudley and refurbish Crystal and Halesowen leisure centres. Two project groups reporting to the Strategic Project Board are to be set up (Technical & Operational) involving in-house professionals, managers and the external specialist who will now move the project to the next stage of the process which includes detailed design works and budget costs.

Schools

Schools Basic Need Projects

The identification of the next phase of projects to be funded from Basic Need capital grant is progressing well.

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 for 2019 onwards to address projected growth mainly at Secondary School level across the school estate.

Priority Schools Building Programme

The Council has received formal confirmation from the Education Skills Funding Agency (ESFA) of a grant allocation of £2,220,000 for the rebuild of the Key Stage 1 block at Huntingtree Primary School. Procurement processes are underway for project delivery.

Transformation

Social Care ICT

The supplier for the new Social Care ICT system will be Liquid Logic, with the contract signed on 21st March 2018. Engagement with the supplier has begun and initial meetings are underway. Timescales are subject to detailed project planning which has now commenced.