



Northumberland County Council

CABINET

12 MAY 2020

Summary of New Capital Proposals considered by Officer Capital Strategy Group

Report of: Neil Bradley, Service Director, Strategic Commissioning and Finance

Cabinet Member: Councillor Peter Jackson, Leader of the Council

1. Purpose of report

The following report summarises proposed amendments to the Capital Programme considered by the officer Capital Strategy Group via email on 03 April 2020.

2. Recommendations

Cabinet is recommended to:

2.1. Highways Maintenance Challenge Fund – Steel Bridges:

- note that the Council has been successful in their funding bid for the DfT Highway Maintenance Challenge Fund Tranche 2B and accept the grant award of £3.700 million; and,
- approve the re-profiling of spend from 2020-21 to 2021-22 of £2.400 million – as outlined in paragraph 6.10.

2.2. Flood and Coastal Erosion Risk Management Programme 2020-21:

- accept the new grant awards from the Environment Agency for Cramlington Sports Club, Loansdean and Spittal Quay, as outlined in paragraph 7.10; and,
- approve the commencement of pre-construction activities in 2020 for Lynemouth Bay Landfill up to the value of £0.500 million – to be met from the existing provision within the approved capital programme – plus note the revised anticipated expenditure profile for the project.

2.3. Former Lindisfarne Middle School Site – Solar PV and Ground Source Heat Pump:

- approve the capital budget requirements totalling £730,392 (£34,067 for Solar PV and £696,325 for GSHP) to be met from the Renewable Energy provision in the approved capital programme; and,
- approve the associated revenue implication of the of ground source heat pump project of around £6,000 per annum – to be met from existing Property Services budgets.

3. Links to Corporate Plan

The Council's Capital Programme is consistent with the priorities in the Corporate Plan 2018-2021; in particular the 'Living', 'Enjoying' and 'Thriving' priorities.

4. Key Issues

The report outlines proposed amendments to the previously approved Medium Term Capital Programme.

5. Background

The Medium Term Financial Plan and Capital Programme for 2020-21 to 2022-23 were approved by Council on 19 February 2020.

This paper summarises reports considered by the officer Capital Strategy Group on proposed amendments to the Plan.

SUMMARY OF NEW CAPITAL PROPOSALS CONSIDERED BY OFFICER CAPITAL STRATEGY GROUP VIA EMAIL ON 03 APRIL 2020

6. HIGHWAYS MAINTENANCE CHALLENGE FUND – STEEL BRIDGES

6.1. The Group received a report seeking approval to accept funding from the Department for Transport Highway Maintenance Challenge Fund Tranche 2B following a successful bid application.

Challenge Fund

6.2. The Department for Transport (DfT) launched its initiative for Highway Maintenance Challenge Funding in 2014. The purpose of the Fund is to enable local highways authorities in England to bid for major maintenance projects that are otherwise difficult to fund through the normal needs element allocations that they receive.

6.3. The Challenge Fund has now been distributed three times. The releases were:

- tranche 1 in 2015
- tranche 2A in summer 2017
- tranche 2B Feb 2020

6.4. The Council was successful in tranche 1 and secured £5.625 million of funding towards a £6.700 million project to repair 130 masonry arch bridges across the county. It later secured £5.000 million in tranche 2A toward a £6.500 million scheme to repair roads vital to the local economy including timber, quarrying, agriculture and tourism. Both schemes were successfully completed on time and within their budget allocation.

6.5. The invitation to bid for Tranche 2B funding was sent to all English Authorities in late 2019, with potential bids capped at £5.000 million and required to be submitted by 31 October 2019.

6.6. A bid for Tranche 2B funding was submitted to DfT for painting and repairs to eight high value steel bridges carrying the Resilient Road network or other important routes.

6.7. The bridges that are included within the bid are as follows:

- C172 Alwinton Bridge - spans the River Coquet and serves the remote Coquet Valley community; there is no alternative route available should the structure become unserviceable. This bridge is on our Resilient Road Network.
- B6319 Haydon Bridge - located within the heart of the village and on an important diversion route for the A69 Newcastle to Carlisle Trunk road.
- B6341 Hepple Bridge - a large steel girder beam structure located on the edge of the Northumberland National Park and spanning the River Coquet. The bridge is a little south of Hepple village on the B6341 Alnwick to Otterburn road. This bridge is on our Resilient Road Network.

- A1068 Lesbury Bridge - Spanning the River Aln on the strategically important A1068 coastal route in North Northumberland. This bridge is on our Resilient Road Network.
- C202 Redesmouth Bridge - A bridge across the River Rede in the Bellingham area, just above its confluence with the River North Tyne. This route is important when alternatives suffer from flooding.
- A697 Weldon River Bridge - Spanning the River Coquet on the A697 primary route linking Morpeth and Longhorsley with Longframlington, Wooler and Coldstream. This bridge is on our Resilient Road Network.
- B6461 Whiteadder Bridge - A modern bridge that crosses the River Whiteadder at Canty's Brig, near Paxton. The bridge is on a key cross border route to Scotland.
- C254 Wylam River Tyne Bridge - Spanning the River Tyne on a key route linking the residential areas north of the Tyne including: North Wylam; Heddon-on-the-Wall and Horsley; with their local railway station and communities in west Gateshead, including Ryton and Crawcrook.

- 6.8. In February 2020 Ministers provided their formal approval to the proposal submitted by the Council. DfT confirmed that it will provide a maximum funding contribution of £3.7000 million to be paid in 2019-20 towards a total scheme cost of £4.800 million, with the remaining £1.100 million being funded by the Council. DfT also confirmed that the grant could be carried forward to future years.
- 6.9. Activities during the spring period are expected to include design, securing required permits and procurement of key contractors. The works will be carried out by specialist painting contractors acting as Principal Contractors with support from Technical Services Delivery including the provision of traffic management and minor civil engineering works. A combination of existing frameworks and tender exercises are to be used to secure the necessary contractors.
- 6.10. The overall profile of expenditure on the project is expected to be £2.400 million in 2020-21 and £2.400 million in 2021-22 as the works will have to be phased taking into account environmental and ecological constraints and the availability of specialist contractors. This will require a reprofiling of the Medium Term Capital Programme, outlined below, as originally the expenditure was estimated to be spent in 2019-20 and 2020-21. However it should also be noted that spend profile may be affected by the COVID-19 outbreak.

EXISTING EXPENDITURE PROFILE	DFT	NCC	TOTAL
	£	£	£
2020-21*	3,700,000	1,100,000	4,800,000
Total Capital Cost / Funding	3,700,000	1,100,000	4,800,000

* including assumed year end reprofiling from 2019-20 of £0.250 million DfT grant and £0.750 million NCC

REVISED EXPENDITURE PROFILE	DFT	NCC	TOTAL
	£	£	£
2020-21	2,400,000	-	2,400,000
2021-22	1,300,000	1,100,000	2,400,000
Total Capital Cost / Funding	3,700,000	1,100,000	4,800,000

REPROFILING	DFT	NCC	TOTAL
	£	£	£
2020-21	- 1,300,000	- 1,100,000	- 2,400,000
2021-22	+ 1,300,000	+ 1,100,000	+ 2,400,000
Total Capital Cost / Funding	0	0	0

CSG Recommendation:

- 6.11. The group accepted the report and recommends Cabinet to
- note that the Council has been successful in its funding bid to the DfT Highway Maintenance Challenge Fund Tranche 2B and accept the grant award of £3.700 million; and,
 - approve the re-profiling of spend from 2020-21 to 2021-22 of £2.400 million – as outlined above.

7. FLOOD AND COASTAL EROSION RISK MANAGEMENT PROGRAMME 2020-21

- 7.1. The Group received a report seeking approval for the Council's Medium Term capital programme to be updated to reflect the Environment Agency's latest programme of flood and coastal erosion works, and include details of additional projects which have come into the programme.

Scheme Details

Cramlington Sports Club Surface Water Flood Alleviation Scheme

- 7.2. The scheme will significantly reduce flood risk to 10 properties. At present, residents of Latton Close, Lamonby Way and Longhirst Drive, Cramlington are regularly experiencing flooding issues caused by overland flow from the Sporting Club playing field to the north of their properties. Options are being evaluated and being discussed with the Environment Agency (EA) and residents. The current preferred option is to construct an impermeable bund along the edge of the field to retain overland flows within the field.
- 7.3. The overall scheme budget is £0.065 million, to be funded wholly by EA grant. Works are expected to begin during the summer of 2020.

Loansdean Surface Water Flood Alleviation Scheme

- 7.4. The scheme will significantly reduce flood risk to 9 properties. At present, residents of the Chip and Fairway within Loansdean, Morpeth are regularly experiencing flooding issues caused by overland flow from an area of green space locally known as Herons Field. Options are being evaluated and being discussed with the Environment Agency and residents. The current preferred option is to construct an impermeable bund along the edge of the field to retain flooding within the field.
- 7.5. The overall scheme budget is £0.045 million, to be funded wholly by EA grant. Works are expected to begin during the summer of 2020.

Spittal Quay Flood Gate

- 7.6. The scheme will significantly reduce flood risk to three properties and the highway. At present, residents of the West End area of Tweedmouth are regularly experiencing flooding issues caused by ingress of tidal waters from the Tweed Estuary via an existing slipway. The proposed scheme involves installation of a flood gate across the mouth of the slipway.
- 7.7. The overall scheme budget is £0.025 million, to be funded wholly by EA grant. Works are expected to begin during the summer of 2020.

Lynemouth Bay Landfill

- 7.8. Between 1934 and 2005 the beaches at Lynemouth Bay experienced extensive colliery spoil tipping and illegal waste disposal, artificially extending the coastline towards the sea. The colliery spoil beaches and cliffs are now being actively eroded resulting in waste and hazardous material being exposed, raising concerns for public health and ecology. A waste management scheme is being developed to address the issue.

7.9. There is already provision within the Council's capital programme for the scheme, therefore, approval is sought to progress pre-construction activities in 2020 up to the value of £0.500 million. This will enable environmental reporting, design and ground investigation works to progress in order to secure the necessary consents required to undertake the main works in 2021. The pre-construction activities will be funded wholly by NCC. Additional sources of funding are being sought to support the main works, and a subsequent report will follow early in 2021 to provide further details of the funding package secured for construction and seek approval for construction spend.

7.10. Summary of Anticipated Funding Profile:

2020-21	EA	NCC	TOTAL
	£	£	£
Cramlington Sports Club Surface Water	65,000	-	65,000
Loansdean Surface Water	45,000	-	45,000
Spittal Quay Flood Gate	25,000	-	25,000
Lynemouth Bay Landfill		1,250,000	1,250,000
Total 2020-21	135,000	1,250,000	1,385,000

2021-21		£	£
Lynemouth Bay Landfill		1,250,000	1,250,000

CSG Recommendation:

7.11. The Group accepted the proposal and recommends Cabinet to

- accept the new grants awards from the Environment Agency for Cramlington Sports Club, Loansdean and Spittal Quay; and,
- approve the commencement of pre-construction activities in 2020 for Lynemouth Bay Landfill up to the value of £0.500 million – to be met from the existing provision within the approved capital programme – plus note the revised anticipated expenditure profile for the project.

8. FOMER LINDISFARNE MIDDLE SCHOOLS SITE – SOLAR PV AND GROUND SOURCE HEAT PUMP

8.1. The Group received business cases on the proposed installation of solar photovoltaic (PV) panels and a ground source heap pump (GSHP) at the former Lindisfarne Middle School Site.

- 8.2. The former Lindisfarne Middle School site is currently being refurbished to be utilised as an adult learning facility and community hub.

Solar PV

- 8.3. Details of the solar PV proposals are summarised in the following table:

Description	Value
Capital Cost (£)	£34,067
PV Output (KW)	19.38
KWH	19.99
% Used Directly by the Building	85%
Energy Saved (KWH)	16,994
% of Building Demand Supplied by Solar	10%
£/KW	£1,757
Revenue Savings (Energy) - Lifetime (£)	(£69,436)
Revenue Costs (incl. cost of capital) - Lifetime (£)	£59,420
Net (Saving) / Cost - Lifetime (£)	(£10,016)
Direct Carbon Saving year 1 - tCO2	2.32
Direct Carbon Saving Full Project - tCO2	28.48

- 8.4. It should be noted that a Feed in Tariff is no longer available for solar installations. As such the business case for each site is predicated purely on the savings gained against grid connected electricity. The estimates for the site indicate that the savings achieved over the assumed 25 year life of the assets will more than offset the cost of the initial capital outlay (including interest) – in cash terms they are estimated to produce net savings of more than £0.010 million (over their lifetime).
- 8.5. The business cases also take into account the need for maintenance over the 25 year life, as well as expected upgrade cost in year 15 to replace the inverter.
- 8.6. Construction for the solar panels is expected to begin in September 2020 and be completed by November 2020.

Ground Source Heat Pump

- 8.7. GSHP is a technology that works by utilising the ground's natural heat to warm water which can then be used to heat a building. It is a recognised renewable energy technology which can replace the current heating system, increase the general temperature level to comfortable conditions and improve the energy efficiency of the building. This also supports the Council's strategy to reduce reliance on fossil fuels.
- 8.8. Commercial GSHPs attract the Non-Domestic Renewable Heat Incentive (RHI). This is a Government environmental programme that provides financial incentives to increase the uptake of renewable heat by businesses, the public sector and non-

profit organisations. Eligible installations receive quarterly payments over 20 years based on the amount of heat generated.

- 8.9. The running of a GSHP will directly support the climate emergency declaration goals by using sustainable technologies rather than directly burning fossil fuels. The Council is responsible for this building and as such this will benefit the 2025 and 2030 carbon targets.
- 8.10. The estimated capital cost of the installation is £696,325, including cost of the wet system of £372,258, professional fees of £60,550 and contingency of £30,275.
- 8.11. At present the system design is not fully developed, the contractors have provided a worst case scenario price, it is expected that once the full design is completed the capital cost should drop, particularly on the wet system side. The project has not been taken to full design stage as this cost is £21,800 which would be an abortive cost (and chargeable to revenue) if the business case is not approved. However this cost is included within the total capital expenditure figure above. It is also expected that the full amounts for contingency and professional fees will not be required hence it is highly likely the project will be completed within budget.
- 8.12. A like for like gas replacement has been offset in the business case assumptions, as the heating system will need replacing as part of the current refurbishment.
- 8.13. The revenue implications for the proposal are summarised in the following table:

REVENUE IMPLICATIONS	Year 1	Year 2	Year 3	Year 4-20	TOTAL
	£	£	£	£	£
Cost of Capital (incl. Interest)	48,990	48,990	48,990	832,900	979,870
Other revenue costs (R&M, additional energy etc.)	3,420	3,530	3,910	109,780	120,640
GSHP RHI Income	(11,300)	(11,580)	(11,870)	(253,870)	(288,620)
Other avoided costs / savings	(34,630)	(34,780)	(34,950)	(623,170)	(727,530)
NET REVENUE COST / (SAVING)	6,480	6,160	6,080	65,640	84,360

- 8.14. The net cash loss over the term of the project is £84,360. The Net Present Value (NPV) of that loss is £65,960. It should be noted that both the gas and GSHP systems have been evaluated over a 20 year period. However while the GSHP has a design life of 20 years the gas boiler only has a design life of 15 years.
- 8.15. The additional revenue cost of the project of around £6,000 per annum can be accommodated within existing Property Services budgets for the site.
- 8.16. Most importantly from a climate emergency standpoint is the carbon savings over the asset life. This business case is being developed in parallel with the solar PV business case, but it has been assumed that all of the power to run the GSHP will be directly supplied from the grid to simplify the calculations. This will therefore be showing slightly lower carbon savings than will likely be achieved. The carbon

savings will increase year on year as the national grid decarbonises due to increased renewable energy, nuclear and the subsequent decommissioning of coal and gas power stations over time. In year 1 the carbon savings are expected to be, 23.79 tCO₂. With a 20 year saving of 529.64 tCO₂. This carbon saving will directly support both the 2025 and 2030 carbon reduction targets.

CSG Recommendation:

8.17. The Group accepted the proposals recommends Cabinet to approve the:

- capital budget requirements totalling £730,392 (£34,067 for Solar PV and £696,325 for GSHP) to be met from the Renewable Energy provision in the approved capital programme; and,
- associated revenue implications of the of ground source heat project of around £6,000 per annum – to be met from existing Property Services budgets.

Implications

Policy	The capital programme is part of the Medium Term Financial Plan 2020-2021. The plan supports the Corporate Plan.
Finance and value for money	The report outlines proposed amendments to the previously approved Capital programme. The financial implications of these proposals are outlined in the main body of the report.
Legal	There are no direct legal implications.
Procurement	In line with all other capital expenditure, the additional spend will be subject to the Council's recognised procurement procedures.
Human Resources	Not applicable.
Property	The properties affected by the proposals are identified in the main body of the report.
Equalities (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	Not applicable.
Risk Assessment	The risks associated with the proposals are regarded as acceptable but these risks will continue to be reviewed up to and during implementation of the proposals.
Crime & Disorder	There are no Crime and Disorder implications.
Customer Consideration	There are no Customer Considerations.
Carbon reduction	Please see section 8 within this report.
Health & Wellbeing	There are no Health and Wellbeing implications.
Wards	All wards

Background papers:

Medium Term Financial Plan 2020-2021 and Budget 2020-2021 - County Council 19 February 2020.

Report sign off.

Authors must ensure that officers and members have agreed the content of the report:

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