



Northumberland

County Council

Cabinet

Tuesday, 13 February 2024

Summary of New Capital Proposals considered by Officer Capital Strategy Group

Report of Councillor Richard Wearmouth, Deputy Leader and Cabinet Member for Corporate Resources

Responsible Officer: Jan Willis, Executive Director for Resources & Transformation (S151)

1. **Link to Key Priorities of the Corporate Plan**

The Council's Capital Programme is consistent with all of the priorities in the Corporate Plan 2023-2026, being 'Achieving Value for Money', 'Tackling Inequalities' and 'Driving Economic Growth'.

2. **Purpose of report**

This report summarises proposed amendments to the Capital Programme considered by the Capital Strategy Group.

3. **Recommendations**

3.1 Cabinet is recommended to:

3.2 **Energising Blyth Programme – Culture Hub and Market Place**

- a) Approve the amended budget, shown in table 6.16, for inclusion in the Capital Programme of £16.546 million including £6.135 million from the Energising Blyth Project Delivery Support budget which is included in the Medium-Term Financial Plan.
- b) Delegate authority to the Executive Director for Place and Regeneration to enter into the main construction contract relating to the project, subject to the appropriate procurement processes being followed.
- c) Subject to approval by North East Mayoral Combined Authority (NEMCA) of the £2.5m Business Case that this is added to the Culture Hub & Market Place budget

within the Medium-Term Financial Plan. Approve the associated financial profiles as set out in the report.

- d) Approve the transfer of funding of £0.388 million from the 2024-25 Climate Change Fund to the Culture Hub Project.

3.3 **Gilesgate Structural Works**

- a) Approve the spend of £0.100 million to undertake the structural works at 2 Gilesgate, Hexham. This spend will be funded from the Property Stewardship budget within the Capital Programme.
- b) Approve the amendment to the Capital Programme to reallocate the funding from the Property Stewardship budget to the 2 Gilesgate, Hexham project.

3.4 **Broadband Connectivity and Oracle Upgrade**

- a) Note the receipt of a Gainshare payment from BT of £3.707 million.
- b) Approve the payment of a portion of the Gainshare receipt of £1.723 million to BDUK as per the terms of the funding agreement. Approve the allocation of the remaining Gainshare receipt of £1.984 million to the Community Broadband project in the Capital Programme. The £1.984 million will be profiled with £0.044 million in 2023-24 and the remaining £1.940 million in 2024-25.
- c) Approve the spend of £0.088 million for the implementation of new functionality in the Oracle system. This will be funded as follows:
- A reallocation of £0.044 million from the Community Broadband project in 2023-24.
 - A reallocation of £0.042 million from the Microsoft 365 project in 2024-25.
 - A reallocation of £0.002 million from the Computer Hardware project in 2024-25.
- d) Approve the amendments to the capital programme as per the above.

4. **Forward plan date and reason for urgency if applicable**

The date this report was added to the forward plan was 8 January 2024.

5. **Background**

- 5.1 This paper summarises reports considered by the Officer Capital Strategy Group on the allocation of funding within the Medium-Term Financial Plan to specific projects. The amendments to the Programme were considered by the officer Capital Strategy Group (CSG) on 20 December 2023.

Summary of New Capital Proposals Considered by Officer Capital Strategy Group on 20 December 2023

6. Energising Blyth Programme – Culture Hub and Market Place

- 6.1 CSG was asked to consider an amendment to the Capital Programme as per table 6.16 for the Energising Blyth Programme Culture Hub and Market Place, along with a reallocation of £0.388 million from the Climate Change Capital fund.
- 6.2 The Council and its partners have been successful in attracting Future High Streets Fund, Town Deal and Levelling Up Deep Dive funding to transform Blyth town centre. This substantial funding will stimulate confidence and further investment, create new jobs, bolster economic growth and transform the town ensuring it realises its full potential. This significant programme of renewal is underpinned by creative engagement with the community of Blyth demonstrating demand and support for positive change.
- 6.3 The Culture Hub & Market Place is a key project in the £90m Energising Blyth Programme. The Council's Cabinet have:
 - a) agreed NCC allocations for Future High Streets Fund (FHSF) projects on 9th June 2020.
 - b) at the meeting on 13th July 2021, agreed to establish the Energising Blyth Programme noting the identified funding allocations in the Medium-Term Financial Plan (MTFP) for the combined FHSF and Town Deal programme and agreed that individual project business cases will be approved by Cabinet.
 - c) at the meeting on 9th May 2023, approved the Outline Business Case for the Culture Hub & Market Place to enable the project to proceed to Full Business Case. Cabinet approved a revised budget in the Capital Programme of £14.706 million.
- 6.4 Following approval of the OBC in May 2023, approval via Delegated Decision was granted by the Executive Director of Transformation & Resources (S151 Officer) in consultation with the Portfolio Holder for Supporting Business & Opportunities to enter into a Pre-Service Contract Award (PCSA) with Kier Group. This included expenditure of £0.994 million ahead of Cabinet determination of the FBC, to allow enabling works to commence.
- 6.5 The enabling works package includes demolition of existing structures and street furniture, diversion of NWL sewer, uplifting of paving to enable construction of the new building with new drainage and services, and additional site investigation to investigate unknown ground conditions. In addition, there is significant pressure to spend FHSF grant by 31st March 2024 (awaiting approval of extension to 30th September 2024), therefore the early works have enabled a site presence during a Value Engineering process whilst maintaining momentum as the Yorkstone paving, which was removed in September 2023 by NCC Highways team for use on Bridge Street, another FHSF scheme adjacent to the Market Place. As a result of this paving uplift, permanent hoardings were required to professionally establish the site to minimise negative public relations and any potential Health & Safety risks.
- 6.6 The Council is the project lead, with overall responsibility for delivery of the Culture Hub and Market Place project. Advance Northumberland will provide technical project management support services, on behalf of the Council. The Council's Programme

Board and the Energising Blyth Town Deal Board will have overall responsibility for the Project. They will provide strategic decision-making and are the formal decision-making bodies for the project.

- 6.7 The Culture Hub Project Board involving representation from key teams within the Council, meet on a monthly basis. The Project Board have overall responsibility for managing the Culture Hub, including reviewing performance against key delivery milestones, spend and output targets, reviewing and updating the programme risk register, identifying any issues or areas of concern, and agreeing any corrective or remedial action to be undertaken. The Project Board will report to, and be accountable to the Councils' Programme Board, and the Town Deal Board.
- 6.8 The procurement process to appoint a contractor for the project is complete, with Kier Group being selected as the preferred contractor in July 2023 via a two-stage tender process. The Design Team will be novated to the main contractor during the detailed design and delivery phase following approval of the FBC and execution of the main contract between the Council and Kier Group.
- 6.9 Over the past 9 months a considerable amount of work has been undertaken to finalise the Business Case, including work with the preferred contractor and Design Team to finalise drawings, specifications and costs, completing a tender evaluation report and carrying out Value Engineering in order to minimise cost increases.
- 6.10 The overall cost of the project as reported at OBC and approved by Cabinet has increased from £14.706 million to £16.546 million, this is based on the selected contractor's (Kier Group) proposed contract sum and includes all works completed via the PCSA agreement.
- 6.11 The Full Business Case is being finalised and will be internally appraised, approval will be requested from Energising Blyth Programme Board. Early engagement with DLUHC has taken place and a Project Adjustment Request (PAR) will be submitted to DLUHC in January 2024 to reflect the changes to project costs.
- 6.12 The key milestones of the project are as follows:

Project milestone	Target date
OBC approved by Cabinet	May 2023
Preferred contractor selected	July 2023
Planning permission granted	July 2023
Enabling works	October 2023 – February 2024
Stage 4 Designs and Tender Report	December 2023
FBC complete	December 2023
Project Board Approval	January 2024
Programme Board Approval	January 2024
Cabinet Approval	February 2024
Construction starts on site	February 2024
Practical completion	August 2025
Handover	August 2025

- 6.13 The confirmed total cost of the project is £16.546 million. This is an increase of £1.840 million to the estimated pre-tendered costs approved by Cabinet at OBC. The breakdown of the costs is as follows:

Culture Hub & Market Place			
Item	OBC Budget approved by Cabinet £ million	FBC Revised Budget £ million	Change £ million
Capital			
Design Fees	1.005	0.846	(0.159)
PM Fees (Advance)	0.119	-	(0.119)
Stat Fees	0.073	0.073	-
Surveys	0.065	0.065	-
Pre-Construction Services Agreement	0.136	0.136	-
Building works and landscaping	12.419	14.906	2.487
Contingency	0.450	0.250	(0.200)
FF&E	0.050	-	(0.050)
Complimentary Projects	0.275	-	(0.275)
Sub Total	14.592	16.276	1.684
PM Fees (including AN PM Fees)	0.114	0.270	0.156
Total	14.706	16.546	1.840
Funded by			
Item	OBC funding approved by Cabinet £ million	FBC funding subject to Cabinet approval £ million	Change £ million
Future High Street Fund Grant	7.190	7.253	0.063
NCC Capital Allocation	7.402	6.135	(1.267)
NCC Climate Change Capital Fund	-	0.388	0.388
NEMCA	-	2.500	2.500
Sub Total Funding	14,592	16.276	1.684
FHSF Programme Management Fees (including AN PM Fees)	0.063	0.150	0.087
NCC Programme Management Fees (including AN PM Fees)	0.051	0.120	0.069
Total Funding	14.706	16.546	1.840

- 6.14 This report seeks to secure the additional capital funding by accepting an award of £2.500 million from NEMCA (grant application submitted with award expected in Q4 2023-24). This will reduce the approved £7.453 million (including PMO fees) NCC contribution to £6.643 million (inclusive of Climate Change Capital Fund contribution). The remaining £1.198 million will be transferred back to the Energising Blyth Project Delivery Support Budget which is already within the Medium-Term Financial Plan.

Should this be agreed, the full funding package will be in place to enable commencement of the main contract in February 2024 as planned.

- 6.15 A comprehensive value engineering exercise undertaken over several months by Gleeds Consultants (Quantity Surveyor and Employers Agent) and has formed an integral part of the second stage tender process. This had the objective of moderating project costs as much as possible without compromising on project scope. This exercise has successfully identified a saving of £2.112 m. The tender report and cost plan will be reported to the Culture Workstream Project Board on 15th December 2023 and Energising Blyth Programme Board in January 2024 with a recommendation to approve the final contract sum.
- 6.16 The financial profile of anticipated spend and subsequent drawdown from the various funding sources is detailed below:

Expenditure	2021-22 £ million	2022-23 £ million	2023-24 £ million	2024-25 £ million	2025-26 £ million	2026-27 £ million	Total £ million
Design Fees	-	0.505	0.269	0.052	0.021	-	0.847
Stat Fees	-	0.032	0.035	0.004	0.002	-	0.073
Surveys	-	0.065	-	-	-	-	0.065
Pre-Construction Services Agreement	-	-	0.136	-	-	-	0.136
Building works and landscaping	-	-	0.994	11.514	1.976	0.421	14.905
Contingency	-	-	-	0.200	0.050	-	0.250
FF&E	-	-	-	-	-	-	-
Complementary Projects	-	-	-	-	-	-	-
Sub Total	-	0.602	1.434	11.770	2.049	0.421	16.276
PM Fees (including AN PM Fees)	0.010	0.091	0.141	0.028	-	-	0.270
Total	0.010	0.693	1.575	11.798	2.049	0.421	16.546
Income	2021-22 £ million	2022-23 £ million	2023-24 £ million	2024-25 £ million	2025-26 £ million	2026-27 £ million	Total £ million
FHSF	-	0.517	1.434	5.302	-	-	7.253
NCC	-	0.085	-	3.580	2.049	0.421	6.135
NCC Climate Change Team	-	-	-	0.388	-	-	0.388
NEMCA	-	-	-	2.500	-	-	2.500
Sub Total	-	0.602	1,434	11.770	2.049	0.421	16.276
FHSF Programme Management Fees (including AN PM Fees)	0.010	0.049	0.081	0.010	-	-	0.150
NCC Programme Management Fees (including AN PM Fees)	-	0.042	0.060	0.018	-	-	0.120
Total	0.010	0.693	1.575	11.798	2.049	0.421	16.546

- 6.17 The key risks relating to the project are as follows:
- a) Loss of external funding if the project is not completed; £7.253 million Future High Street funding needs to be defrayed by 30th September 2024 (pending approval of six-month extension from DLUHC) and £2.500 million NEMCA funding would also be lost.
 - b) A Project Adjustment Request (PAR) still needs to be submitted to DLUHC. Until the PAR is approved by DLUHC, the Council would be proceeding at risk. The PAR requirement has been discussed with DLUHC who receive regular updates. NCC have agreed with DLUHC that the PAR will be submitted In January 2024 along with an updated Delivery Plan. A previous PAR outlining pre-tender costs of £14.706 million has been verbally approved. An official announcement will not be made now in lieu of the additional PAR requirement.
 - c) Reputational risk to the Council if works on Blyth Market Place are paused or delayed between the enabling works completion and the start of the main contract. It will not be financially viable to remove hoardings and erect again a later date.
 - d) Should the FBC not be approved, the project will not progress, and any costs incurred would revert to revenue (£1.007 million up to 30th November 2023).
 - e) The contract sum submitted by the preferred contractor is held for 90 days. Any agreement after this date could be subject to an increase in price.
 - f) NEMCA £2.5 million funding is still to be confirmed. However, the project has been added to the NEMCA pipeline to receive funding which is due to be reported by the Investment Panel in January 2024 .
 - g) Should the NEMCA funding not be granted, there is sufficient capital remaining in the MTFP (Acquisitions and Project Delivery Support Budget) to cover the costs of the Project which will result in an increase in the NCC contribution by £2.5 million.
 - h) There is a risk to the critical path and Programme if the Council do not instruct piling and associated groundworks costs by 12th January 2024 or in advance of Cabinet approval. Works on site would pause for a significant period between completion of the enabling works and commencement of the main construction contract.

7. 2 Gilesgate Structural Works

- 7.1 CSG was asked to consider capital spend of £0.100 million to undertake the structural works at 2 Gilesgate Hexham. This spend will be funded from the existing Property Stewardship budget within the capital programme.
- 7.2 Following concerns raised over the gable end of 2 Gilesgate, an inspection of the gable end found there has been noticeable movement above the gable end windows and door.
- 7.3 The Structural Engineer advised that the outer leaf of the building fabric is pulling away from the internal leaf causing cracking and bulging on the gable end, this movement has also affected the roof line, along with persistence water ingress.



2 **Left. Existing**
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- 7.4 The area has been cordoned off as a precaution, however there are health and safety concerns over the integrity of the gable end and the requirement to undertaken urgent refurbishment works to external fabric of 2 Gilesgate.
- 7.5 2 Gilesgate is the adjacent property to Hexham House, located in Hexham town centre, Northumberland, the property is a Council owned asset.
- 7.6 The proposal is to undertake an external refurbishment scheme of the building fabric elements, which will see the gable end wall dropped and rebuilt, along with the following works:
- Replacement of the flat roof to rear of the property.
 - Replacement timber windows and doors
 - Major overhaul of the pitched roof.



7.7 Listed building consent has been applied and granted for the works proposed.

7.8 The future of the property is yet to be decided however a feasibility study has been undertaken to develop the building as an extension to the offering at Hexham House as a further holiday let.

7.9 The profile of the proposed capital spend is as follows:

LIFT REPLACEMENT CAPITAL COST	2023-24 £ million	2024-25 £ million	Total £ million
Schedule of works	0.020	0.052	0.072
Prelim costs	-	0.010	0.010
Contingency	-	0.010	0.010
Design Fees and Survey	0.005	0.003	0.008
Total Capital Cost	0.025	0.075	0.100
CAPITAL FINANCING	2023-24 £ million	2024-25 £ million	Total £ million
Other (<i>Property Stewardship Fund</i>)	0.025	0.075	0.100
Total Capital Financing	0.025	0.075	0.100

7.10 If the cost of the scheme overruns there is current availability in the Property Stewardship budget to cover the Structural Works, the project also has built in contingencies to cover any unforeseen items.

7.11 Works are planned to start on site once approval is received on 13 February 2024 with the works planned to commence on site end of March 2024 and complete early in the next financial year 2024-25.

7.12 The risks below should be considered if the scheme does not proceed:

- a) The gable end will continue to deteriorate and move, with a potential for collapse, which could endanger the public and/or staff in the area at the time.
- b) There is potential that the adjoining building may also be structural effected by the movement which is privately owned.

- c) Currently the courtyard between Hexham House and Gilesgate is closed for H&S concerns, which is having an impact on the reputation of Hexham House as a holiday let and impacting how the cleaning and maintenance of the property is undertaken, along with manual handling concerns.
- d) It is in the best interest for NCC to works on securing the funding, to make safe and prolonging the life expectancy of this grade listed building.

8. Broadband Connectivity and Oracle Upgrade

Broadband Connectivity

- 8.1 CSG was asked to consider capital spend of £0.088 million (£0.044 million in 2023-24 and £0.044 million in 2024-25) to support the implementation of new functionality in the Oracle system. This would be funded by reallocations from other projects in the Capital Programme. CSG was also asked to consider a payment of £1.723 million to BDUK for a proportion of the gainshare payment as per the terms of the funding agreement.
- 8.2 Broadband connectivity received central government funding from BDUK, commercial funding from BT and a matched funding payment from the Council.
- 8.3 As part of the terms of the agreement, if take up of superfast broadband exceeded the contractual levels of 20% then BT would be asked to repay public funds. This payment is referred to as a 'gainshare' payment.
- 8.4 These funds were to be allocated back to both central government and the Council. The Council have achieved some of the highest take up rates in the UK and therefore are continuing to receive gainshare payments from BT in line with the contract terms.
- 8.5 The gainshare funding is a contractual payment which BT pays the Council due to over subsidy of public funds. This is a result of the high take up of superfast broadband. The public funding subsidy was based on 20% but BT has exceeded this in Northumberland with average take up being 75%. This is due to the local engagement and demand stimulation led by the iNorthumberland team.
- 8.6 The gainshare payment breakdown has been calculated as follows:

	Received from BT £ million	BDUK Amount (%) £ million	NCC Amount (%) £ million
Contract 1	(3.057)	1.410 (46.11%)	1.647 (53.89%)
Contract 2	(0.650)	0.313 (48.2%)	0.337 (51.8%)
Total	(3.707)	1.723	1.984

- 8.7 This gainshare funding allows the Council to support further connectivity across Northumberland as part of a Community Broadband Scheme. A 'top-up' scheme is being explored to enable residents and businesses to access additional funding to enable them to be connected to broadband when they live in a hard to connect area. Uses of this Community Broadband Scheme will be subject to further governance and cabinet approval.

- 8.8 Despite commercial rollout of broadband and grant funded schemes such as Superfast and Local Full Fibre Network, there are still premises in Northumberland that do not have access to suitable broadband connectivity. The Community Broadband scheme was set up to provide funding to help connect the hardest to reach properties. The Council will achieve this by providing a “top-up” voucher that is added to a BDUK Gigabit voucher. This will provide funding of up to £7,000 per property.
- 8.9 In December 2022 £1.500 million was transferred from the Gainshare Capital Scheme into the Community Broadband scheme to fund a voucher top-up fund. This was a scheme that would allow the Council to provide additional funding, on top of the national BDUK vouchers, to help provide broadband connectivity to harder to reach properties. The vouchers are issued to Suppliers with a proposed project that includes eligible properties.
- 8.10 BDUK paused the voucher scheme when they launched Project Gigabit. This is a national procurement that set out to accelerate rollout of broadband, by moving to larger scale procurements. The pause was to avoid vouchers being issued for premises that may have been connected via the larger procurements.
- 8.11 BDUK resumed vouchers in January 2024 with Gigabit voucher value of £4,500 for business and residential premises. The Council’s top-up value is proposed at £2,500 to provide a total of up to £7,000 funding per property.
- 8.12 Over 8,000 premises in Northumberland have been released on the “Go List” by BDUK. This list is used by suppliers to identify properties which are eligible for Gigabit vouchers. The list is not finalised so it is anticipated that numbers will increase. Of the 8,000 properties in Northumberland it is estimated that there are 1,738 premises eligible for top-up vouchers.
- 8.13 One supplier B4RN will use £0.250 million in top-up vouchers for the Barrasford project they are currently working on. A further £0.445 million has been requested for the Kirkwhelpington project which was recently approved. Suppliers are working with BDUK to agree further projects and this will include top-up vouchers. It is unknown what the final figure will be as the build detail is yet to be confirmed.

Oracle Upgrade

- 8.14 There is a statutory obligation to provide information to Teachers Pension. This is currently provided via Monthly Data Collection (MDC). Teachers' Pension implemented a requirement to move to a Monthly Contributions Reconciliation (MCR). This is an amalgamation of the Monthly Data Collection, Monthly Contributions Breakdown and Enrolment processes. This has been introduced to give greater assurance that the information submitted is accurate and helps to reduce the risk of variances between service and contributions. Originally the council was due to onboard with MCR April 2020. This was deferred due to multiple authorities not being able to provide the information from their current software.
- 8.15 The custom solution currently in place within Oracle relating to processing absences, leave and pensions will be out of support in August 24. No patches or fixes will be applied by the supplier after this date. Due to custom code, this is not something that can be effectively managed in house moving forward.
- 8.16 As a result, there is a risk that a failure within the unsupported solution could result in breakdown of current automation of absence across the board leading to manual completion of absence calculations and severely impact any payroll processes

relating to absences with a requirement to employ additional 1.5 FTE to complete manual work. Additionally, any errors linked to manual processing could lead to staff dissatisfaction and reputational impact.

- 8.17 This proposal is looking to remove this risk and effectively enable the payroll team to continue completion of their business-as-usual tasks though implementation of supported seeded functionality within Oracle. This proposal is also looking to introduce efficiencies linked with removal of manual workarounds for current and future requirements such as MCR which will also be derived from implementation of the recommended seeded functionality.
- 8.18 The total costs of the work are £0.088 million (excluding VAT). £0.044 million will be spent in 2023-24 and the remaining £0.044 million will be spent in 2024-25. In order to fund the capital spend the following reallocations are required:
- a) £0.044 million from the Community Broadband project in 2023-24.
 - b) £0.042 million from the Microsoft 365 project in 2024-25.
 - c) £0.002 million from the Computer Hardware project in 2024-25.

9. Implications

Policy	The schemes identified in the report support all of the priorities within the Corporate Plan 2023-26.
Finance and value for money	The report outlines proposed project allocations and amendments to the approved Capital programme 2023-24, 2024-25 and 2025-26. The financial implications of these proposals are outlined in the main body of the report. The projects and the proposals identified in the report will be funded from either external funding or existing funding in the Capital Programme.
Legal	The Local Authorities (Functions and Responsibilities) (England) Regulations 2000 confirm that the matters within this report are not functions reserved to Full Council
Procurement	Procurement will follow the Council's standard procedures and financial rules. The Corporate Procurement team will be consulted as appropriate.
Human resources	Not applicable
Property	Not applicable
The Equalities Act: is a full impact assessment	No – Not required at this point EIA is not applicable to the subject of this report.

required and attached?	
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 and disorder	There are no specific crime and disorder implications within this report.
Customer considerations	The proposals will carefully consider the impact upon both customers and residents of Northumberland.
Carbon reduction	Carbon Reduction measures have been considered within the proposals.
Health and wellbeing	The Council's Capital budget is founded on the principle of promotion inclusivity.
Wards	(All Wards);

10. Background papers

Not applicable

11. Links to other key reports already published

Not applicable

12. Author and Contact Details

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