



**Dudley Metropolitan Borough Council
Town's Fund Health Innovation Dudley Project**

**Towns Board Update
16 December 2022**

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1.0 Executive Summary & Introduction

- 1.1 This update provides a high-level summary of progress on the Health Innovation Dudley (HID) project for the Towns Board meeting of the 16 December 2022.
- 1.2 Land Assembly negotiations continue with Authority being sought to commence the CPO process at the Council's 14 December 22 Cabinet meeting.
- 1.3 Recasting of the programme is indicating completion before the 2025 term but is predicated on the CPO process running smoothly and efficiently and in favour of the Council. This risk is removed if a deal can be struck between the parties without the need for the CPO to be completed.
- 1.4 There is no change to the design and overall cost position and the scheme is progressing on the basis of a three-storey option following the NHS discussions failing to illicit further funding at this time.
- 1.5 There has been a significant amount of additional asbestos found in the Hippodrome which does have time and cost implications which are being worked through by the team.
- 1.6 Procurement progresses well with a slight delay on the final appointment of the Alliance team but this does not impact on the critical path.

2.0 Land Assembly

- 2.1 *Dudley Zoo.* No change since last update. Discussions still continue in relation to land access issues and transfer and it is still expected these will be concluded amicably.
- 2.2 *Hippodrome.* Since the last update additional asbestos has been discovered in both the lagging to the pipework in the main auditorium ceiling void as well as below the flooring. Cost and programme implications are being reviewed but current indications are that the asbestos strip won't complete until well into the new 2023 year. At present this is indicated as March 2023. Additional costs will be significant and at the time of this report are looking to be in excess of £500,000. This amount can be contained within the overall project budget albeit leaving no contingency in the land assembly budget.
- 2.3 Tenders have been received for the main demolition works of the Hippodrome and have been evaluated by the Corporate Landlord team with a Company called Elford Demolition being awarded the contract. These works can not be commenced until the asbestos works are completed and as such not likely to commence until Easter 2023. There are also some remaining pre-demolition conditions that need to be addressed before the works can start and the project team are working through these.
- 2.4 The biggest implication of the delay is the potential impact on the use of Zoological Drive for deliveries and removal of debris off site during the Zoo's peak period and discussions on logistics during this period will need careful planning and agreement with the Zoo.
- 2.5 *Banqueting Suite / Martial Arts Buildings.* Negotiations continue with both owners and the team remain cautiously optimistic that a deal could be done without reverting to the CPO process. The plan is to still twin track existing negotiations with the CPO process. The necessary CPO authority paperwork has been progressed by Gately Hamer and the project team and has been submitted for sign off at the Cabinet Meeting on the 14 December 2022.

3.0 Third Parties & Stakeholders

- 3.1 *Dudley College.* Discussions continue with Dudley College with a view to securing formal Heads of Terms for the formal lease required for the new Building. Further meetings have been held since the last update and Heads of Terms are in circulation.
- 3.2 *University of Worcester.* As referred to previously, the University of Worcester will be involved in the Heads of Terms discussions referred to above and the nature of the relationship is still to be agreed.
- 3.3 *Midlands Metro.* No change since the last update. Given the proximity of the proposed WBHE route to the east of the new HID building there will need to be some interface management and the project team have made initial contact to start dialogue with an initial meeting to take place early in the New Year.
- 3.4 The other stakeholders are discussed in the *Land Assembly* section of this update.

4.0 Design

- 4.1 The design of the scheme remains unchanged from the four-storey building submitted for and approved by the Planning Authority and this will be reviewed and challenged by the Alliance team once on board.
- 4.2 Based on the NHS confirming they are unable to commit to any funding in the short term, the CPO process is progressing on the basis of a three-storey scheme which needs revised planning permission. This will be progressed once the Alliance design team is onboard early in the new year.
- 4.3 The Planning Authority are being liaised with and have provided advice on the options available to progress.

5.0 Programme

5.1 ***The current programme is attached and reflects the current position assuming that a CPO is needed to secure the land and that the process can be concluded within 12 months including any Inquiry that is needed.***

5.2 The team will look to improve on this if and where possible and of course if the negotiations can be concluded without the CPO process the programme can be brought forward. We have also gained some time back on the overall programme by showing a start on site of the main construction works overlapping the demolition of the banqueting suite and martial arts club.

5.3 Key critical dates based on the above are reiterated below.

5.3.1 Land Assembly

CPO Cabinet Sign Off	December 2022
Final title acquired	February 2024

5.3.2 Procurement

Alliance Delivery Team Procurement Complete	January 2023
Alliance Contract Signed	January 2023
Commercial Alignment	April 2023
Project Validation / Optioneering	July 2023
Project Solution	August 23 – June 24

5.3.3 Construction Activities

Demolition – Hippodrome *	March 23 – June 23
Demolition – Banqueting Suite	February 24 – May 24
Construction HID	February 24 – August 25

* conflict with Zoo peak period needs further discussion

6.0 Financial

- 6.1 The project budget of £25m is dictated by available Town's Fund Grant. As discussed above, this would limit the size of the building constructed given anticipated cost increases and the extended CPO timeline.
- 6.2 Discussions with the NHS have failed to furnish further funding at this time and as such, in order to maintain programme, the team are progressing with the 'three-storey' smaller scheme which, based on current estimates can be developed within the available £25m.
- 6.3 The Project Team cost review has concluded in relation to the due diligence needed by the Council and further work is now continuing between the Council, College and IPI to fully integrate the budget with know scheme requirements ready for the appointment of the Alliance team to take forward.
- 6.4 As referred to earlier, there are excess costs being anticipated relating to the asbestos removal at the Hippodrome but at this stage this can be contained within the overall budget.

7.0 Risks

- 7.1 ***The current risk register is attached.***
- 7.2 Key issues remain around potential budget shortfall and land assembly issues. These issues are being progressed by the project team with wider support from external legal and CPO specialists.
- 7.3 New items have been added in relation to the Planning status and funding of the three-storey building as well as the risk associated with the CPO process.

8.0 Procurement

HID Building

- 8.1 The Alliance team procurement process has now concluded and final recommendations for the Alliance team members have been made and signed off by the Council's PMG as well as at Member level via a decision sheet. The decision sheet authority is not actionable until the 21 December 2022 at which time the successful firms will be confirmed. This will mean that the Alliance contract signing will now likely be toward the end of January 2023 but this does not affect the critical path of the project.

Hippodrome Demolition

- 8.2 There were 12 tenders returned for the demolition of the Hippodrome and these have been evaluated by the Corporate Landlord and a local company called Elford Demolition have been successful in securing the contract. As referred to earlier, there are a number of conditions that need to be met before the demolition works can commence.

Banqueting Suite Demolition

- 8.3 To be procured during 2023 once clarity has been obtained on the acquisition status.

9.0 Governance

- 9.1 Recent guidance from DLUHC requests that the Towns Board follows standard project governance in line with Council Standing Orders and procedures but that more recognition is given to the Contractual arrangements with the funding body.
- 9.2 The key issue here relates to the signatories to the agreement having been DLUHC (as the funder), DMBC Section 151 Officer and the Town's Board Chair. As such we consider that Council sign off procedures need to ensure the incorporation of the both the latter.
- 9.3 We are undertaking a check of areas that may need review in this regard but don't expect that anything significant has been missed. We will report back on any rectification required at the next Board meeting.
- 9.4 Going forward it is intended to consider and present any Decision Sheets, Decision Memos or Cabinet Reports relevant to the project to be to the Board as an agenda item unless timings won't permit in which case email circulation will be relied upon.
- 9.5 The Towns Board will be asked to confirm or endorse the recommendations which will then be minuted and the normal DMBC process can be followed.
- 9.6 This updated report will also include a summary of the decisions considered previously and have a running log included as an appendix.

Current Risk Register

DMBC TF HID - Risk Register

December 2022

Risk No	Category	Title	Description and impact	Unmitigated Probability	Unmitigated Impact	Unmitigated Risk Rating	Mitigation/ Update	Mitigated Probability	Mitigated Impact	Mitigated Risk Rating	Owners	Risk score direction of travel	Status
BR02	Funding	Current project cost estimates show there is a need for additional gap funding to deliver 4332 sqm building AND for 3618 sqm building	Currently the project budget is estimated to be around £30m for full size building, requirement to reduce project budget or secure gap funding from other sources. UPDATE: Funding issue is now affecting CPO as inspector could see 'impediment' to the scheme being delivered.	4	4	16	Reduce cost of project to fit within £25million budget involves building a smaller building by omitting level 4. Fixtures and fitting to be leased or privately funded. Meanwhile, alternative funding is being sought from NHS and CPO process will be dictated according to the decision made.	4	3	12	VS	No change	Closed
BR03	Legal	There may be subsidy control implications of the final partnership arrangement between DMBC, DCoT and University of Worcester	The council may breach subsidy control legislation by benefiting the university of Worcester in its ability to licence the higher education building from Dudley college. Education institutions are exempt from subsidy control however it is unclear if this applies to research universities.	3	3	9	External legal advice has been sought in relation to the FBC submission and ongoing advice will be sought at each stage of the project in relation to Subsidy Control compliance.	1	3	3	MW	No change	Open
BR05	Site Acquisition	CPO of 15 Castle Hill titles may delay programme	A CPO process for 13 / 15 Castle street may delay the programme until 2025 academic year	5	4	20	Programme now incorporates CPO being made in 2022. Both landowners have appointed valuers in August 22 which may lead to a negotiated solution however the team are proceeding on the basis that a CPO will be required.	3	4	12	TA	Increased	Open
BR06	Construction contract	IPI construction contract is new to local authorities and still in trial phase	IPI Initiatives were successful in a procurement exercise to provide contract services and consultancy. However, costs were higher than expected and the applicability of the IPI model is in doubt	4	4	16	Legal advice from Trowers and Hamlins shows additional client risks are not substantial. Cabinet approval to use the IPI process has been secured and IPI procurement process has commenced. We continue to seek legal advice at key milestones - ongoing for now.	2	2	4	VS	No change	Open
BR07	Demolition	Ability to discharge pre-demolition conditions	Planning pre-demolition condition 24 requires main construction contract not to be let before demolition can commence. This requires the alliance agreement to have been signed by all partners	3	3	9	LPA have agreed to discharge on signature of the alliance contract. Programme currently on target.	3	2	6	VS	No change	Open
BR08	Demolition	If demolition timetable slips beyond Winter 22/23 the next available demolition time will be Winter 23/24 due to need to demolish in Dudley zoo's off season.	Due to an agreement with the zoo, DMBC will not demolish the former hippodrome in Dudley Zoo's spring or summer peak season due to the proximity of the site to visitor walkways.	3	3	9	Requirement clearly communicated between partners and IPI facilitators. Currently demolition procurement and alliance contract programmes are on target.	3	3	9	VS	No Change	Open
BR09	Site Acquisition	Dudley Zoo leasehold interest within development redline which may delay DBMC site acquisition	Dudley zoo is a long leaseholder of land within the redline and disposal must be approved by the Charities commission, causing a delay of unknown severity	4	3	12	Liaising with Dudley Zoo leadership to expediate the process to gain charity commission approval. Land swap proposals tabled and in negotiation. Plan agreed with Derek to regrant longer lease omitting areas required for the scheme	3	3	9	TA	No change	Open
BR10	Site Access	Site Access during demolition/construction may be restricted due to the amount of development in the area	Metro works on zoological drive and castle hill may restrict movement for demolition/construction leading to delays and knock-on impacts on site	4	3	12	Negotiations ongoing with DZG and WMCA Metro teams on programme during construction. Latest discussions indicate a preference from WMCA for demolition/construction to use castle hill. Further meeting to be arranged.	3	2	6	TA	No Change	Open
BR11	Funding	Possibility of ERDF clawbacks from zoo office and public realm works behind the hippodrome	ERDF funded public realm and art works are within the planning redline.	4	2	8	Liaise with Dawn Nicholls to ensure ERDF funding guidance is not broken, provide contingency if it will be breached	3	2	6	VS	No change	Open
BR12	Site Access	Dudley Zoo may not provide access agreements once building is completed to allow access to HE building post construction	If access agreement is not given, access to the HE building will be restricted or will need to be limited to castle hill, building will need to be redesigned to accommodate	5	2	10	Initial conversations have started with the Zoo as referred to earlier. Additionally, formal adoption of the relevant length of ZD is being pursued.	3	2	6	TA/AW	No Change	Open
BR13	Cost	Labour shortages caused by high number of local and regional construction projects including Midland Metro extension and HS2	There is significant regional demand for building services labour which is inflating costs and causing shortages. This will continue into the delivery period.	4	3	12	Collaborative nature of the IPI build contract will enable the construction alliance to problem solve more effectively. However this may involve labour cost inflation	3	3	9	IPI	No change	Open
BR14	Cost	Covid-19, Brexit and/or War in Ukraine worsens inflationary pressures and shortages further	Further shortages may lead delay construction programme or delivery delays and increased costs due shortages and hyperinflation of building supplies. Target cost not yet agreed between IPT members so continued increases in inflation will lead to further cost increases	4	4	16	IPI delivery method will provide more certainty earlier on about project cost when alliance members have agreed outline solution	4	4	16	VS	No change	Open
BR15	Site Acquisition	Challenges and objections from CPO enquiry may prevent the council acquiring the land	CPO enquiry process may result in a decision in favour of landowners, preventing the council from acquiring the site	3	5	15	The council have appointed Browne Jacobson to assist with legal aspects of the CPO, including commissioning a barrister to represent the Council at enquiry.	2	5	10	VS	No change	Open
BR16	Partnership	Project delivery partner withdrawal or insolvency	As there is no formal agreement between the three project partners, there is a substantial risk that the Council will be unable to deliver the project and deliver benefits without education partners in place	2	5	10	The team are working on taking forward the formal arrangements between the partners in order that everyone is clear on their obligations to one another. It is anticipated that this will help solidify understanding and commitment as well as identify risks	2	5	10	HM	No change	Open
BR17	Funding	DLUHC requirement to ensure all funding spent by end of 25/26 financial year.	Risk of project over run meaning that funding could effectively be stopped before the project ends	2	5	10	Regular programme review and reprofiling as needed. Liaison and updating of DLUHC regularly on progress and above all the Alliancing nature of the project procurement will provide a greater degree of certainty over programme management.	1	4	4	AW	No change	Open
BR018	Planning	Problems or delays with acquiring planning permission for the 3-storey building	Delays and additional costs along with the risk of not securing permission	3	5	15	Planners advice sought and a new application would be supported as the revised proposal is smaller than that already granted. Additionally option for a Section 73 approach to the change is being investigated.	2	5	10	AW	New	Open
BR019	Funding	Affordability of the 3-storey option giving concerns on inflation over the course of the delivery of the project	Could potentially cause an issue in scheme deliverability if additional funding not identified	2	4	8	A good robust level of inflation costs has been allowed based on current industry predictions. In addition the method of procurement gives greater level of control over the response of the design to the brief and available budget and waste / unnecessary costs are minimised. Budget monitoring will be on the agenda for all Alliance team members at all stages of the project.	1	3	3	AW	New	Open
BR20	Site Acquisition	The CPO order may be incorrectly formulated	May not include all the rights the council may need to deliver the scheme	3	5	15	The council have been working with Gateley Hamer for over a year to ensure all land, temporary and permanent rights are included in the CPO order. This includes the land and rights required which are currently within Dudley Zoo's lease	1	4	4	AW	New	Open

PROBABILITY (Over next 12 months)	Almost Certain ≥90%	5	Minor (5)	Moderate (10)	Significant (15)	Major (20)	Major (25)
	Likely 50%-90%	4	Minor (4)	Moderate (8)	Significant (12)	Major (16)	Major (20)
	Moderate 30%-50%	3	Insignificant (3)	Minor (6)	Moderate (9)	Significant (12)	Significant (15)
	Unlikely 10%-30%	2	Insignificant (2)	Minor (4)	Minor (6)	Moderate (8)	Moderate (10)
	Rare <10%	1	Insignificant (1)	Insignificant (2)	Insignificant (3)	Minor (4)	Minor (5)
			1 Insignificant	2 Minor	3 Moderate	4 Significant	5 Major

Current Programme

DMBC TF HID - Strategic Master Programme
05 December 2022

