Executive summary

**Background to Dudley Town Deal**

Dudley has a rich cultural and industrial heritage and is often referred to as the historic capital of the Black Country. It was once a key industrial town generating wealth from coal and limestone mining, glassmaking and iron and steel and despite a decline in activity since the 1970’s the area has retained manufacturing as a core industry, which today employs 18,000 people and contributes 15% of the economy’s GVA. However, the reliance on manufacturing has resulted in a weakened economy in need of diversification, with lower levels of business enterprise and productivity compared with regional and national averages.

These trends are underpinned by relatively low skills levels and educational attainment amongst Dudley residents. The town struggles to retain higher-skilled workers in the area, as many commute out to Birmingham and the wider West Midlands conurbation. The prevalence of lower value-added jobs within the workforce also presents a further challenge as a greater number of these jobs are at risk of automation in the future. Alongside concentrations of deprivation within the borough where disadvantaged communities are excluded from the labour market, there is a growing need for targeted intervention to ensure that residents can gain the skills and experience needed to enter and progress in the labour market, and businesses are able to attract highly skilled workers to improve their competitiveness.

To address some of these challenges, a structured series of public sector-led interventions have been successfully delivered in the town since 2012 with the aim of re-imagining and regenerating the town centre. These include: £11 million investment for the Castle Hill visitor attractions; construction of the new Dudley and Sandwell Archives building; completion of the Black Country and Marches Institute of Technology; £6 million of investment into connectivity and public realm within the Town Centre; and £5 million investment to improve historic buildings within the town centre Conservation Area.

The rolling programme of investment led by Dudley Council and its partners has kickstarted an exciting new chapter in its history, with ‘Regenerating Dudley’ set to bring £1 billion investment into the borough. Major projects currently on site include the Wednesbury-Brierley Hill Metro Extension, a new Dudley Transport Interchange, construction of the Very Light Rail National Innovation Centre, and the extension of the Black Country Living Museum. These ambitious initiatives have secured funding from a range of sources including West Midlands Combined Authority, Black Country Local Enterprise Partnership; Transport for West Midlands and the National Heritage Lottery Fund.

In September 2019, Dudley was one of 100 places in England invited to develop a proposal for a Town Deal with government. The aim of the Towns Fund is to drive sustainable economic regeneration and deliver long term economic and productivity growth. Dudley Town Deal Board submitted their plan in January 2021, securing approval of £25 million of Town Deal funding in July 2021.

The Town Deal provides Dudley with a unique opportunity to secure resources that will enable partners to complete the current plans for reinvigorating the Town Centre. The investment will drive improvements in skills and productivity, and the attraction of new businesses and enterprise. In doing so, it will enable the town to embrace the Government’s levelling up agenda and realise its potential as an excellent place to live, work and study.

## Health Innovation Dudley

Dudley’s proposed Towns Fund Project - Health Innovation Dudley (‘HID’) - will deliver a new 4,250 m2 University Centre at Castle Hill focused on Health and Life Sciences. Health Innovation Dudley is a key part of Dudley’s regeneration vision and levelling-up journey which will complete the range of learning provision in the town by providing Dudley borough’s only Higher Education facility. The project aims to attract new students to Dudley, provide new technical skills and degree programmes which align with local employment opportunities, and to improve progression rates for local people into higher-skilled employment opportunities. Dudley College of Technology will work in partnership with the University of Worcester to deliver Level 4 and 5, degree and post-graduate programmes from September 2024 onwards.

HID will contribute towards the development of a ‘University Park’ within the Town, which will include the following key partners in the first instance:

* University of Warwick – a key partner in the delivery of the VLRNIC
* University of Wolverhampton – who will be responsible for delivery within the Behavioural Research Facility of the new Institute of Transformative Technology (IoTT), and delivery of L5+ qualifications, alongside other qualifications with Dudley College of Technology
* Resonance (Music Institute) – who have recently established a new HE development in the Brierley Hill Learning Quarter, with Solent University responsible for awarding the higher level music qualifications delivered by the Institute; and
* University of Worcester – who will play a key role in the delivery of the Health and Life Sciences provision at the New University Centre.

The Park will aim to provide a diverse range of learning opportunities and ‘pathways’ for local residents, and prospective students from the wider West Midlands region. This will include progression from school and college through to HE and continuous professional learning. Furthermore, these learning opportunities will be tailored to the needs of local employers, generating jobs for local graduates and facilitating retention of educational benefits within the Town. Local employers will also have a crucial role in the University Park by providing apprenticeship training, sponsorship, student and graduate placements and full time employment opportunities.

The collaboration amongst the University Park partners (e.g. shared services) will also assist in driving excellence and delivering learning opportunities in the most cost efficient manner. At present, the new IOTT is expected to deliver approximately 550 L4/5/6 qualifications p.a. for the next five years, while the UCD will deliver courses for approx. 1,800 learners from year 5 onwards, building up from 300 learners when it opens in 2024.

The new University Centre building itself will also provide a central part of the redevelopment at Castle Hill by delivering a new contemporary gateway into the town centre, opening-up new views to the Grade-I listed scheduled Monument at Dudley Castle, and complementing the wider conservation area with more appropriate massing and active frontages. The proposed location of HID within Castle Hill, and proposed pedestrian flows are shown in the ariel photograph below:

Map

Description automatically generated

Increasing the flow of students between Castle Hill and the Town Centre will increase expenditure in the town centre businesses (shops, restaurants, bars and leisure activities). It will also support the Council’s strategic approach to diversify activities, as the retail core shrinks and residential /town centre living increases.

## Strategic Case Summary

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There are five key challenges and opportunities for growth within the Town Centre that HID is seeking to address. These relate to:

* Building a skilled workforce for the future
* Raising productivity and achieving inclusive growth
* Strengthening the cultural offer and connectivity between Castle Hill and the Town Centre
* Increasing the vibrancy and profile of the Town Centre
* Addressing the impacts of Covid-19

Extensive stakeholder and community engagement activities were conducted as part of the development of the Dudley Town Investment Plan proposals, which took place during a four-week period from 18th November to 16th December 2020. The range of organisations consulted is set out in section 3.3. of the business case. In addition to responding to feedback from major businesses in the healthcare sector, including the Dudley NHS Foundation Trust, the consultation found that the project has strong support from the local community. Key findings included:

* + 77% of respondents were in favour of expanding the learning quarter;
  + 78% agreed with the aims of the centre and encouraging local people to study at home; and
  + 86% of respondents strongly agreed with improving the physical link between Castle Hill and the Town Centre more attractive – which will be achieved through University Centre project.

In addition, the HID project will make a significant contribution towards the achievement of a number of priorities set out in the area’s current policies and plans, described in section 3.4 of the business case. Improving skills and learning opportunities in Dudley aligns with skills plans at the national, regional and local level, whilst also more broadly supporting the area’s levelling up ambitions and Covid-19 recovery.

A theory of change to support the project is outlined in section 3.6 of the business case. This describes the activities that will be delivered to support the following key objectives:

1. Development of a new Higher Education Centre, providing 4,250 sqm of learning space, that will complement existing provision in the University Park
2. Creation of approx. 1,800 learning opportunities per annum (by Year 5), to raise skills levels and provide a workforce that will drive increased productivity within the town
3. Provision of a range of health and life sciences training courses to address skills shortages and the needs of healthcare providers in the Town
4. Improve connectivity between the learning quarter and the Town Centre, through improved public realm and infrastructure improvements
5. Provision of a new contemporary gateway into the Town and enhanced views of the Castle – which will in turn strengthen the Town’s cultural offer
6. Increase footfall and the vibrancy of the Town Centre, through the attraction of new learners into the borough

## Economic Case Summary

The Economic Case has assessed the extent to which the HID project optimises value for money. A qualitative assessment of options has been carried out, to identify a shortlist. A quantitative comparison of the shortlisted options and the Reference Case has also been carried out to identify the preferred option. The assessment of economic benefits has been undertaken in full compliance with the latest HM Treasury Green Book (2020) and relevant Departmental guidance published by (MHCLG). The assumptions that apply to the assessment include:

* all short-listed options have been appraised over a 20-year period, consistent with appraisal guidance for establishment of new assets;
* where Present Value figures are presented, cost and values have been discounted at 3.5%;
* nominal financial costs have been converted to economic costs in line with the Green Book approach
* all monetised costs and benefits have been converted to 2021/22 prices, with general inflation excluded;
* the costs and benefits of the intervention options are presented in net terms and relative to the reference case. Adjustments have also been made for leakage, displacement, and multiplier effects where appropriate; and
* optimism bias has been calculated for each short-listed option using HM Treasury methodology and included in the value for money analysis.

Analysis of the long-listed options resulted in three options being shortlisted for more detailed assessment:

* Option 1: Do Nothing (Reference Case)
* Option 2: New build – reduced footprint providing 1,250 sqm of learning space
* Option 3: New build – preferred option providing 4,250 sqm of learning space

The benefits assessed relate to:

* **Land value uplift**: Analysis of changes in land values which reflect the economic efficiency benefits of converting land into a more productive use. The existing value of the land is subtracted from the value of the more productive use.
* **Wider land value uplift**: Wider placemaking effects resulting from the proposed development of the new University Centre which the funding programme will facilitate have been estimated using Valuation Office Agency (VOA) data for commercial analysis and Council Tax band data for the residential value assessment. A cautious impact area has been used consisting of LSOAs and postcodes within 500 metres of the site.
* **Educational/productivity benefits**: The project will deliver programmes for students on higher degree / apprenticeship level 4+, provider (classroom) based NVQ Level 4+, and undergraduate degrees. Projected student numbers and completions have been provided by the University of Worcester based on the teaching space available and facilities within the new centre. The benefits calculated relate to productivity impacts or wage premiums resulting from skills uplift.
* **Amenity value**: The project would enable between 6,500 sqm of new and improved public realm within the associated development. This will provide enhanced amenity benefits for the local population, using values within the MHCLG Appraisal Guide.
* **Wider and social benefits**: The project will provide a series of wider social and economic benefits arising from associated employment:
  + - **Labour supply benefits**: The project will have benefits associated with employment creation and reduction in barriers to employment for local workers through new high-quality education and research floorspace. The reduced barriers to entry will generate local economic benefits for the area, as calculated through labour supply benefits in line with MHCLG guidance.
    - **Residents into employment**: Wellbeing benefits associated with unemployed residents moving into new jobs arising from the additional employment-generating floorspace of the project.
      * **Distributional analysis** – a key priority of the Towns Fund is to help ‘level-up’ the country – to rebalance activity from London and the South East to deteriorating town centres that have fallen behind. The assessment of benefits has therefore included an economic analysis of this effect within the modelling.

The key results of the Economic Case are summarised in the Appraisal Summary Table ES1. Option 3 has been identified as the preferred option on the basis that it offers the most effective and efficient approach accounting for the known risks associated with each option. This option has an initial BCR of 3.0:1 and an adjusted BCR of 4.7:1 (which incorporates the distributional analysis). These figures demonstrate Option 3 represents ‘good’ or ‘high’ value for money. Sensitivity analysis demonstrates that the preferred option remains robust to changes in key outputs of costs for the delivery of economic benefits and value for money.

**ES Table 1: Appraisal Summary Table**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Option 1 | Option 2 | Option 3 |
| [A] PV of initial benefits (£000) | 0 | £24,466 | £86,050 |
| [B] PV of adjusted benefits (£000) | 0 | £38,149 | £134,175 |
| [C] PV of public sector costs (£000) | 0 | £15,640 | £28,376 |
| [D] PV of Towns Fund-only costs (£000) | 0 | £15,640 | £26,066 |
| [E] PV of project costs (£000) | 0 | £15,640 | £28,376 |
| NPSV (£000) [A-C] | 0 | £8,826 | £57,674 |
| Initial BCR (xx:1) [A/C] | 0 | 1.6 | 3.0 |
| Adjusted BCR (xx:1) [A+B/C] | 0 | 2.4 | 4.7 |
| Total project cost BCR [A/E] | 0 | 1.6 | 3.0 |

## Financial Case Summary

A headline summary of the costs for the construction of the new University Centre ‘Health Innovation Dudley’ are outlined in Table ES2. These costs have been prepared by the appointed design team, which includes Launchpadd Architects and RJK Consulting who are providing quantity surveying and cost consultancy services. The costs have been subject to robust cost comparisons with industry benchmarks and the construction of similar/best practice projects. A more detailed cashflow for the project has been appended to the business case.

**ES Table 2: Summary Town Deal Specific Spend Allocation**

| **Summary costs (£000)** | | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
|  | **2021/22** | **2022/23** | **2023/24** | **2024/25** | **2025/26** | **Total** |
| **Capital costs** | | | | | | |
| Building works and abnormals | 10 | 2,747 | 10,983 | 7,378 | 546 | 21,665 |
| Break out floor slabs | - | 200 | - | - | - | 200 |
| Land Assembly | - | 1,600 | - | - | - | 1,600 |
| Demolition and Asbestos Removal | - | 1,500 | 250 | - | - | 1,750 |
| Connectivity Works | - | - | 1,250 | 750 | - | 2,000 |
| **TOTAL** | **10** | **6,047** | **12,484** | **8,128** | **546** | **27,215** |

The costs of the new build will be met primarily from Towns Funding as shown in Table ES3 below. An application for the remainder of the project costs has been submitted to WMCA. If this funding is not forthcoming, it is envisaged that Dudley Council will seek prudential borrowing to meet the shortfall. In addition, the costs currently exclude specialist fixtures, fittings and equipment. Dudley College of Technology will seek to secure additional private sector funds to cover the costs of this equipment, however if these costs cannot be met in full, the College intend to lease equipment which will be charged on to UoW as part of their Service Level Agreement with the College.

**ES Table 3: Total Project funding including co-funding**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Summary funding (£000)** | | | | | | |
|  | **2021/22** | **2022/23** | **2023/24** | **2024/25** | **2025/26** | **Total** |
| Town Deal | 9 | 5,555 | 11,468 | 7,422 | 546 | 25,000 |
| Other (public) | 1 | 492 | 1,016 | 706 | - | 2,215 |
| **Total** | **10.00** | **6,047** | **12,484** | **8,128** | **546** | **27,215** |

The operational costs of the new University Centre, in terms of academic staff costs; building management and maintenance; utilities etc will be met from income generated via tuition fees. An indication of the breadth of the curriculum is provided in section 4.7of the business case in addition to projected student/learner numbers. The University will deliver a combination of full-time and part-time programmes, including foundation courses, masters and continuous professional learning for approximately 1,800 learners by Year 5. The Centre is expected to generate turnover of £13m by Year 5, based on current tuition fees, with operating costs in excess of £10m. This figure currently excludes costs associated with the lease of the building, central overheads and licence fees which are subject to current contract negotiations.

## Commercial Case Summary

There are a number of key elements of consideration regarding the commercial deliverability of the proposal.

* **Land transfer**: The majority of the proposed site for the new University Centre is already in Council ownership, however the project will require the assembly of third-party interests at 13 and 15 Castle Hill. The Council is currently in negotiation with the owners of these properties with regard to acquisition, however if these discussions do not result in the sale of the properties, the Council will, where appropriate, use their Compulsory Purchase Order (CPO) powers if needed.
* **Planning permission:** The planning application was submitted in August 2021 and approved at the 17th November DC Committee. However, in October the Council were notified that Theatre's Trust had submitted a request for the application to be called-in by the Department of Levelling Up, Housing and Communities (DLUHC). The call- in process allows the Secretary of State to take the decision-making power on a planning application out of the hands of the local planning authority (LPA) by calling it in for his own determination. This means that the decision notice for the application is put on hold until DLUHC officials have reviewed the application and decided if it is of 'more than local' importance and should therefore be determined by the Secretary of State. If this is the case there will be a public inquiry chaired by a planning inspector, who will then make a recommendation to the Secretary of State. The decision on whether the application will be called in, will be confirmed between January and March 2022.
* **Procurement strategy:** In partnership with Dudley College, DMBC will progress the delivery of the HID building using an insurance-backed alliance contract due to the complex nature of the scheme and the multiplicity of stakeholders involved. To use an insurance-backed alliancing contract, the procurement of a contract provider and facilitator is essential. The contract will be procured in two parts (a) for services prior to construction, and (b) for continued services throughout the construction phase. As DMBC do not have experience of facilitating insurance-backed alliancing agreements and Dudley college have previously worked with an extremely limited selection of consultants who are able to provide this service, the Council has decided to tender the opportunity. The Council will use an open, OJEU compliant tender procedure to secure a contractor that can deliver two distinct phases of the contract.
* **Subsidy Control:** In the past, legal advisers have advocated that there is no subsidy being applied for projects that involve a public education organisation within the national education system funded and supervised by the State. This conclusion is based on Section 2.5 of the Notion of State Aid, which is considered to be directly relevant to the definition of subsidy. Whilst this may still be applicable, given the involvement of Dudley College, the University of Worcester is also a key delivery partner. Dudley Council will therefore be seeking specialist Legal Advice to accompany the submission of the business case.
* **Operational strategy:** The new University Centre will be owned by Dudley MBC following the construction of the new build. Dudley MBC intend to lease the building to Dudley College of Technology for a period of 5 years (in the first instance) who will be responsible for the management and maintenance of the new educational facility. A lease agreement between the two parties is currently in the process of being finalised. While Dudley College will be responsible for the management of the new facility, the University of Worcester will be licensed to deliver the curriculum, assessment and certification within the new University Centre and all students will be UoW students and pay tuition fees directly to the University. A further partnership contract is therefore required between Dudley College of Technology and the University of Worcester. At this stage, a Memorandum of Understanding is in place while the formal partnership agreement and details of the licensing arrangements are negotiated. The University will be responsible for paying the College for the delivery of the central services and lease of any specialist equipment. At this stage it is envisaged that a flat annual fee will be provided based on forecast annual charges plus an administration fee paid quarterly in advance.
* **Public sector equality duty:** An equality assessment has been prepared and will be appended to the Business Case. HID will seek to introduce both quantitative and qualitative mechanisms to equality monitor the curriculum reach. Particular attention will be given to ensure that groups that share protected characteristics, are under-represented and excluded from work, are given the appropriate level of additional support needed to help them access learning opportunities.
* **Environmental Impact:** Health Innovation Dudley aims to be a low carbon Higher Education teaching facility which showcases the best in sustainable design techniques, which have been at the forefront of discussions from the outset. Rather than apply a one-size-fits-all approach, the project has developed its own bespoke sustainability framework which places measurable performance outcomes at its core. This is based on the ‘One Planet Living’ framework and pulls together elements of several different sustainability standards including BREEAM, WELL, Design for Performance amongst others. The framework includes targets related to the following areas - energy, construction, indoor environmental quality, water, energy, land and nature, pollution, material use, waste and transport. Robust performance targets have been set against each of these with clear responsibilities allocated throughout the project lifecycle.

## Management Case Summary

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Dudley Town Investment Board will retain overall strategic oversight for the management and delivery of the new HID building, while Dudley MBC as the accountable body for the funding, will ensure that the Towns Fund expenditure is compliant with DLUHC guidelines. During the construction and operational phases, the project’s three key partners - Dudley MBC, Dudley College of Technology, and the University of Worcester - will ensure the successful delivery of the University Centre and high-level skills provision for both Dudley residents and students further afield. These partners all have a strong track record and experience of delivering large-scale capital build projects and delivering education and skills provision.

The roles and responsibilities of the three main partners are set out below:

* Dudley MBC: Will be the Accountable Body for the Towns Fund with responsibilities for - administration of the capital funding; DLUHC claims; monitoring and evaluation; Business case development; Securing planning permission; Delivery of the new University Centre – including management of land assembly; procurement of the IPI provider (and main contractor); demolition and land remediation; main building works; Connectivity and infrastructure works; and negotiation of the lease of the new University Centre to DCoT.
* Dudley College of Technology: Central management and maintenance of the new University Centre - security, reception, cleaning, administration, estates and IT infrastructure maintenance
* University of Worcester: Operation of the University Centre – marketing and promotion; recruitment of students; management of community usage; collection of fees; monitoring and evaluation; delivery of curriculum, assessment and certification

In partnership with Dudley College, DMBC will progress the delivery of the HID building using an insurance-backed alliance contract. The Council will procure an IPI provider who will project manage the construction of the new HE centre. The main contractor, appointed through the IPI procurement process, will provide day to day oversight of the construction of the project. The Senior Responsible Officer (SRO) at Dudley MBC will be responsible for overseeing the IPI provider and ultimately construction of the new University Centre. The experience and competency of the project management team procured will be tested thoroughly through the procurement process to be implemented by the Dudley MBC and partner agencies (Dudley College and the University of Worcester).

To guide the development and delivery of the new University Centre a series of plans have been drawn up by Dudley MBC in conjunction with partners. These include:

* a high-level project delivery plan - which sets out a timeline for the capital build programme, principal workstreams and key decision points, and provides a summary of key milestones
* a detailed risk register – covering the design, procurement, land acquisition and construction phases; followed by risks for the operational phase
* a communications plan – which describes the steps that will be taken to engage the local community and businesses in the design of the new University Centre; and the plans for marketing, promotion and recruitment of students

Prior to the opening and launch of the new University Centre, a new Strategic Board will be established with representatives from DCoT; UoW; Dudley MBC; Chair of the Towns Fund Board; IoTT and potentially CCG; LEP/WMCA; and the VCSE sector subject to funding agreements. This board will primarily be responsible for strategic oversight and governance, to ensure that activities delivered by the new University Centre are in line with the objectives set at the start of the project and the ambitions of the wider University Park. The day-to- day operation of the new centre, will be managed jointly by DCoT and the UoW.

The Dudley Town Deal Project will adhere to the requirements of the ‘Towns Fund Monitoring and Evaluation Guidance’ (April 2021) which clearly identifies the different responsibilities for both Performance Monitoring and Evaluation. The new Programme Management Office (PMO) within Dudley MBC, overseen by the Head of Projects and Delivery, will be responsible for all project management, monitoring, claims and evaluation activities; and reporting on the achievement of the following key outputs and outcomes:

**ES Table 4: Project-specific outputs and outcomes**

|  |  |  |  |
| --- | --- | --- | --- |
| **Key Performance Indicators** | **Outputs** | **Timescales** | **Responsibility /**  **Reporting Lead** |
| Construction of the new University Centre | 4250 sqm | By Sept 2024 | Dudley MBC |
| Public realm improvements | 6,500 sqm | By Sept 2024 | Dudley MBC |
| Learning opportunities | 1,800 | By Sept 2028 | UoW |
| New jobs created in the University Centre | [40-50] | By Sept 2024 - 28 | DCoT; UoW |
| Collaboration with Employers | 200 p.a. | By Sept 2028 | DCoT; UoW |
| Learners gaining relevant experience and being job ready | 90% | By Sept 2024 | UoW |

These project specific indicators are in addition to the mandatory programme level indicators, which are consistent across all Towns Fund areas and relate to:

* Spend on project delivery (either local authority or implementation partners)
* Co-funding spent on project delivery (private and public)
* Co-funding committed (private and public)
* Number of temporary FT jobs supported during project implementation – for example construction of the new University Centre
* Number of full-time equivalent (FTE) permanent jobs created through the projects – this will be the same as the new jobs created in the University Centre set out above as there is only one project within the Dudley Programme
* Number of full-time equivalent (FTE) permanent jobs safeguarded through the projects

Maximising local benefits is a core principle underpinning all activities delivered by Dudley MBC and the project partners that will be involved in delivering and managing the new University Centre Project. Key stakeholders will seek to maximise and realise benefits by ensuring local people benefit from employment and skills opportunities, through ongoing local consultation, and by ensuring effective marketing and promotional activities.