

FINAL DRAFT

# Capital Strategy 2005/06





# Introduction

The Capital Strategy is designed to ensure that all our capital assets are utilised as effectively as possible to address the priorities for Darlington as set out in the Community Strategy.

The Capital Strategy sets out the Council's key priorities and shows how the Planning Framework translates those priorities into strategies and plans. It sets out our capital spending priorities over both the medium and long term and our approach to how those spending priorities will be funded. It also sets out how we will use Partnership working to help us to achieve our objectives. Finally it looks at how the Capital Programme will be set, managed and monitored.

## The Councils Key Priorities

'Where quality comes to life' – A Community Strategy for the future of Darlington was adopted by the Council and Local Strategic Partnership in March 2003. The Council shares with its partners the vision adopted as part of that process. There are four themed visionary goals that together our community will expect and strive to achieve, they are:

- ▲ An area creating and sharing prosperity - enhancing our economy and sharing the benefits with all our community.
- ▲ a location for learning, achievement and leisure – raising aspirations and attainment, promoting creativity and leisure.
- ▲ a place for living safely and well – reducing crime, making people feel safer and improving health.
- ▲ a high quality environment with excellent communication links – making the most of our heritage, market town appeal and location.

The key priorities of the Council and its partners in working towards this vision is through eight connecting themes these are:

- ▲ Improving the local economy
- ▲ Promoting inclusive communities
- ▲ Raising educational achievement
- ▲ Stimulating leisure activities
- ▲ Promoting community safety

- ▲ Improving health and well being
- ▲ Enhancing the environment
- ▲ Developing an effective transport system

Whilst it is intended to move forward in all areas the adopted shared priorities are

- ▲ Improving the local economy
- ▲ Raising educational achievement
- ▲ Promoting inclusive communities

Efforts will be targeted specifically on three important groups of residents; children and young people, older people and those living in the most deprived wards.

## Darlington's Planning Framework

Darlington's plans have been developed through a combination of top-down and bottom up planning. The former identifying the 4 visionary goals set out above. The bottom up approach involving 24 broad service areas each considering their drivers for change such as Government Policy, local factors, performance levels and customer views etc.

The Capital Strategy exists within a framework and hierarchy of plans and strategies

The **Community Strategy** at the highest level articulates the vision and sets out the shared aspirations of all partners in securing outcomes for Darlington communities. This was produced by the Darlington Local Strategic Partnership (LSP).

The **Corporate and Best Value Performance Plan** provides the link between the Community Strategy and how the Council as a service provider contributes to the longer term, social, economic and environmental well being of the area. It provides an annual assessment of our performance against our aims, priorities and targets at a corporate level and our contribution to the Community Strategy goals.

**Statutory Plans** and **Strategies**, of which this is one, reflect the breadth of services the Council provides or has involvement in, and which are developed to translate aims into specific spending programmes, targets and actions.

**Departmental and Service Plans** are created annually to convert spending programmes into operational business plans for individual services. They provide a coherent framework of planned activity against objectives and allowing for the appraisal of staff against agreed team goals and individual targets.

## Consultation

All of the plans and strategies above have been subject to widespread public consultation which includes partners, local people, businesses and service users. The key methods of consultation include focus groups, stakeholder conferences, participatory appraisal exercises, Citizens' Panel questionnaire, public meetings, advertising features, reply slips, flyers and postcards. These arrangements are reinforced by service led consultation on specific issues, Best Value Review Consultation programmes and our detailed links with partners. Information on all of these sources is fed into the Capital Planning process via programme bids. Capital Spending on CCTV and Parks and Cemeteries are examples of projects prioritised by community and stakeholder views.

This Strategy has been developed within a planning framework in which stakeholders have a strong investment. The LSP and Community Strategy gives greater breadth and depth to stakeholder and community involvement. This is reflected in our capital planning as an integral component of the

framework. These arrangements support both input and feedback, so we are confident that now, and in the future, there is widespread understanding within the community of our financial constraints and the impact on the community wishes. Through a statistically representative annual community survey the authority checks that citizens see progress being made against priority areas and charts their satisfaction with individual services. The Capital Strategy itself is exposed to public examination through the Resources Scrutiny Committee.

## Capital Spending Priorities

The Capital Strategy covers all areas of the Council's capital programme, which in total for 2005/06 is around £44.4m. Approximately 24% is allocated for housing, 27% for education, 15% for transport, 8% for regeneration and 26% for social services, disabled access and leisure. The service priorities that frame the main areas of capital expenditure, developed within the overall framework of community and corporate priorities, are set out below. In addition to the core capital programme, capital resources are secured from external sources, primarily the Regional Single Programme, to contribute to the funding of regeneration and other spending programmes.

**Housing** - maintaining Council housing, including works to ensure properties meet the 'Decent Homes Standard', requires investment of £104.7m over 30 years and £27.3m over the next 5 years; maintaining the external fabric of Council houses requires investment of £16.3m over 30 years and £9.8m over the next 5 years; tackling unfitness in private sector housing and providing disabled facilities requires investment of £34.3m over 30 years and £7.5m over the next 5 years; and improving the environment of estates and communities requires investment of £9.5m over 30 years and £2.2m over the next 5 years. Finally, in order to deliver disabled adaptations for council tenants, we will need to invest £8.3m over 30 years and £1.4m over the next 5 years. Further details of capital investment in housing can be obtained from the Housing Business Plan.

**Children's Services** capital spending is directed towards providing accommodation that meets the needs of pupils, teachers and the national curriculum and supports improvement of educational achievement. The key driver for capital spending decisions in education being to raise educational standards by delivering modernisation projects through joining up available funding streams from a variety of sources, thereby offering best value. To this end a five-year programme of capital works has been drawn up, focused on 10 DfES funding priorities and informed by condition surveys carried out by IPF CIPFA in 2003. This programme requires investment of £14m.

The Council has secured £3.8m to provide a replacement school for Skerne Park Primary. A new Voluntary Aided primary school will also be provided for the rural east of Darlington at Middleton-St-George, which is due for completion in 2006; and it is also intended that a new Voluntary Aided school be built in Cockerton, to replace the existing building, the earliest completion date being 2007. In addition, a PFI contract of £37.3m has been developed to replace Beaumont Hill Special School, Haughton Comprehensive and Springfield Primary with a Full Service School/ Educational Village together with a replacement school for Harrowgate Hill Infant and Junior Schools, due to be completed in 2005. A capital bid has been submitted to the DfES for a potential £15m refurbishment and partial rebuild project at Hummersknott Comprehensive, for the period 2006-2008, and an announcement is due Autumn 2005. An additional capital bid has been submitted for Carmel Technology College for a £10m project to remodel and refurbish the school.

The DfES currently intends to provide substantial funding over the next 10-15 year period to "provide all secondary schools with 21st century facilities", which is generally expected to result in new replacement schools. Although further details are awaited, it is anticipated that Darlington will not benefit until the end of the programme period. Further details of required capital Investment can be found in the current Childrens Services asset management plan, as identified in the 'Statement of Priorities 2004-2009'.

**Transport** - Transport capital spending addresses both national and local transport policies, in support of the Council's Local Transport Plan.

For 2005/06 the Department for Transport has awarded the sum of £3.062m, split into two categories:

- ▲ intergrated transport - £1.867m to cover investment in road safety, public transport, walking, cycling and traffic management.
- ▲ Maintenance - £1.195m to cover investment in the physical infrastructure of the highway road and bridge network.

In addition to the above, Prudential borrowing of £2.63m is available for the 2005/6 programme, as referred to in Section 7 of the Asset Management Plan. Priorities for this year include the completion of the North Road and Yarm Road Corridors of Certainty, including bus lanes; real time information for bus services; transport improvements to support the implementation of the Town Centre Access Study (Pedestrian Heart); local road safety schemes including Safer Routes to School and 20mph zones; and further development of the cycling network.

Further details can be found in the Local Transport Plan and the Annual Progress Reports.

**Social Services** – Any capital spending must link to service development and configuration needs as identified in service plans. These developments will be progressed in partnership with other agencies (particularly Health Agencies) to provide services which enable, integrated, flexible and person-centred care to best meet the needs of service users. The priority for 2005/06 and beyond is the continued reconfiguration of the day care services for people with a learning disability (£0.500m over 3 years which commenced in 2004/05). This is a time of significant change for Social Services and it is possible that priorities may change dependant upon service reconfiguration proposals and changing models of care. The priorities will therefore continue to be reviewed annually.

**Regeneration** - The regeneration scheme Darlington Gateway has 4 main elements

- ▲ **Employment Generators** - Development of key employment sites to provide modern accommodation capable of attracting new businesses to the Tees Valley and space for indigenous businesses looking to expand. These include sites at Central Park (Haughton Road), Morton Palms and Faverdale East Business Park.
- ▲ **Improving the Visitor Experience** - Providing a first class environment capable of attracting visitors and investment, with a range of quality retail and cultural opportunities. The development of a high quality environment will be crucial in supporting the range of planned site developments. The key element of this will be the extensive town centre works carried out under the Pedestrian Heart scheme.
- ▲ **Physical Gateways** - Environmental improvements to the key entry and exit points to the western end of the Tees Valley, to ensure a high quality physical gateway including improvements to radial routes, key corridors and entry points to Darlington.
- ▲ **Tourism and Heritage** – Development of key assets in Darlington to preserve and enhance the unique visitor experience and increase the economic impact of tourism, including the development of the Darlington Railway Centre and Museum, railway heritage tourism packages and coordinated programme of cultural events.

**Other Priorities** – These include cross cutting priorities such as Implementing Electronic Government and the development of a call centre to service the needs of the local community as well as a major refurbishment of leisure facilities. Details of other priorities can be found in the Asset Management Plan.

## Funding Sources

The vast majority of the Capital Programme is financed from earmarked resources direct from central government and these are generally in the form of supported borrowing or government grants. These resources are targeted at specific services principally Housing, Education and Transport. Before the introduction of the prudential capital regime the level of discretion that the Borough Council has had in determining its capital priorities has been limited to projects funded from capital receipts and any areas of the single capital pot which do not relate to housing, education and transport.

The introduction of the prudential capital regime on 1st April 2004 has allowed the Council to borrow without approval from central government. The Capital Medium Term Financial Plan approved in March 2005 includes £4.5m of prudential borrowing over the next 3 years to supplement the Council's own Capital Programme. However, the repayments are not supported by central government through the Revenue Support Grant and must be borne by the Council Tax payers.

The introduction of the prudential capital regime has also enabled the Council to commence a number of 'Invest to Save' schemes such as the refurbishment of the Dolphin Centre which, in addition to creating more income to cover the financing costs of the scheme, will also contribute to Gershon efficiency savings in future years. Further details are given in Section 1 of the Asset Management Plan.

The Borough Council where possible seeks to access funding from other sources for capital projects. In recent years it has been successful in obtaining capital monies from a number of sources both in the form of capital grants and other contributions including the National Lottery, Regional Single Programme, Education Targeted Capital, European Union Grants and contributions from developers.

The authority's recently launched External Funding Guide aims to improve the Council's approach to external funding by promoting good practice, outlining new procedures and raising awareness of possible funding streams. It will also eliminate competing bids being developed.

The Borough Council will continue to consider public private partnerships including the Private Finance Initiatives (PFI). The new Educational Village at Haughton is being financed through a PFI with our partners in the project Kajima.

The Council recognises the changing pattern of service delivery and limitations on traditional capital investment and looks to innovative solutions in the future. The Council is currently in negotiations with a major national retailer to redevelop a town centre site. In addition to additional retail space the development will also provide the Council with new office accommodation. Other innovate schemes like this have been a feature in the Council's capital programme in the recent past, such as, the Council's decision to close it's homes for the elderly, as the capital investment required was too great to bring the homes up to the required standard, and work with the private sector. The Council has now gone into partnership with two care home providers to provide care home accommodation for the elderly on sites previously owned by the council. This involved the authority specifying the number of beds required over a period of years and the cost the authority was willing to pay through revenue funding.

The authority has negotiated a Public Service Agreement to secure additional funds, including an unsupported credit approval of £1 million for highways, to support service improvements linked to the delivery of the Government's PSA targets.

## Partnership Working

Darlington Partnership is the Local Strategic Partnership (LSP). The Council has established a Community Partnerships Section within the Community Services Department. The team is developing partnerships work at a local level, with residents, tenants associations and community partnerships, promoting capacity building to support regeneration initiatives. This level of work is supported by the consultative arrangements and forums established by the Council and discussed on page 15 of the Community Strategy. Secretariat arrangements for the LSP have been strengthened through the appointment of a chief executive and extended team.

The Council continues to work with partner agencies covering the Darlington and Co. Durham area. Significant areas of work include Youth Offending and Community Safety, Health and Social Services initiatives, Waste Disposal, and components of Education and Highways services. Partnership work has also entailed undertaking joint Best Value reviews.

Youth Offending and Community Safety is a partnership service with staff and resources from the Council, Police, Probation and Health services. Similarly Social Services and the Primary Care NHS Trust provide an Integrated Service with pooled budgets for Learning Disability. Community Mental Health now operates as an Integrated Service and has had formal status from 2002.

The Council's principle sub-regional orientation, however, is now towards the Tees Valley. The five Tees Valley authorities are statutorily linked as structure planning authorities. They sponsor the Tees Valley Joint Strategy Unit to deliver structure planning and provide research and information. They jointly sponsor the Tees Valley Urban Regeneration Company to spearhead inward investment. This company was set up, with One North East and English Partnerships, to facilitate major regeneration and economic development projects. In Darlington these developments include Haughton Road. The work of these various joint arrangements is being co-ordinated by a multi-sector Tees Valley Partnership and will be guided by a long-term strategy for the sub-region prepared by the Partnership, the 'Tees Valley Vision'. Other joint ventures with One Northeast include Morton Palms and Faverdale East Business Park.



## Procurement

Council adopted a revised Corporate Procurement Strategy in September 2004. The new strategy promotes a more co-ordinated approach to procurement, improved management information and tighter contract management. It sets out a framework for the evaluation and appraisal of all possible options for service delivery. The recent Gershon Efficiency Review tasks local authorities to make 2.5% savings year on year for the next three years, the Corporate Procurement Function will contribute to this by leading on a number of initiatives to improve business processes, which are expected to deliver both cashable and non-cashable efficiency gains. We will work with the Regional Centres of Excellence and with our Tees Valley partners to realise the benefits from collaborative working. In relation to capital procurement projects, the approach is one that accords with Sir John Egan's 'Rethinking Construction' principles. The key performance indicators for the construction industry are welcomed in principle. Implementation of the Corporate Procurement Strategy will ensure that Darlington Borough Council meets the targets of the National Procurement Strategy for Local Government.

## Managing and Monitoring the Capital Programme

### Role of the Asset Planning Group

The Asset Planning Group (APG) co-ordinates the Capital Strategy as well as the Asset Management Plan (AMP), Accommodation Plan and Land & Property Strategy (deals with surplus assets). The group is chaired by a member of the Corporate Management Team (CMT) and includes senior managers at Assistant Director level from all departments. The group reports routinely to CMT. It approves external funding bids to proceed to other processes. It also recommends capital spending proposals, reports progress and outputs from the Capital Programme and any significant issues on programme variations or slippage, through CMT to Cabinet.

The group's capital planning role includes assessing capital projects and recommending a prioritised programme to CMT and Cabinet, and monitoring the delivery of projects in terms of both outcomes and performance. This role embraces all capital spending including the service - specific funding programmes.

The APG is responsible for co-ordinating capital spending proposals with the high level view of needs and resources and working with the Corporate Management Team, Resources Scrutiny Committee and consultees before submitting recommendations to Cabinet.

### Setting the Capital Programme

This Strategy sets out the Council's overall approach to capital planning. The Medium Term Financial Plan for Capital (MTFPC) sits alongside the strategy to provide the mechanism for planning capital needs over a 3-5 year period, prioritises spending proposals and dovetails with the AMP. The Council has also adopted a medium term planning framework for revenue. Both the MTFPC and the Medium Term Financial Plan for Revenue are updated on an annual basis.

Medium term capital spending needs are identified by departments from service and operational plans. However, the multi-year scope of the MTFPC also allows a high level view of capital requirements arising from the Community Strategy and the Council's corporate objectives to be compared with medium term projections of capital resources.

The planning cycle sets out the process for prioritising options and proposals. High level assessment includes consideration of whether the need for investment is great enough to justify outsourcing, PFI, joint working or other forms of procurement, and analysis of the available options (including doing nothing). A scoring system for detailed assessment and prioritisation of capital projects has been developed to reflect our capital strategy. This has been further refined to include recognition of the Council's Strategic Priorities areas as included in the Corporate and Best Value Performance Plan 2005-06.

Bids arising from services for additional capital funding are referred to the Asset Planning Group for assessment in relation to community and corporate priorities, capital needs, and implications for our existing capital as well as revenue resources.

In prioritising spending proposals the scoring mechanism gives due weighting to proposals which trigger or influence financial or other inputs by partners, funding bodies or other agencies in support of corporate and community objectives. Community Safety Partnership provides an example of spending that influences partners.

The revenue implications of capital schemes are assessed as part of the scoring/assessment process and in accordance with the Revenue MTFP. Management plans are required for all short-listed schemes, summarising the running costs to be financed through revenue budgets. The costs to be covered include management and staffing, utilities, insurance, telephones, maintenance, cleaning and general running costs. The Asset Planning Group may require comparisons with similar previous schemes within the authority, and elsewhere in other authorities and the private sector.

In future Whole Life Costing and Option Appraisal implications are to be incorporated into the capital bidding process so the Council can consider not only the initial capital costs but the operational costs for the lifespan of a project.

The Council's capital assets are valued at £240 million. A key strand of the Capital Strategy is to ensure that these assets are kept in good repair and fit for their purpose. Where this requires capital expenditure, the Asset Planning Group assesses proposals as a component of the capital programme cycle.

### **Monitoring of the Capital Programme**

The Asset Planning Group (APG) is responsible for monitoring and reporting to Corporate Management Team (CMT) and Members on the overall management of the capital programme. Monthly monitoring reports are submitted to CMT and bi-monthly reports are submitted to Cabinet.

Spending profiles are required for all prioritised schemes and a sponsoring officer is appointed. The officer reports progress to departments involved in the project and the APG. Any deviation from the projected spending profile can then be addressed.

Completed projects are monitored and evaluated approximately six months after completion by the project team and the client services to check conformity with the original brief and the relevance of the brief to delivery of the desired outcomes.

In the longer term, and within the framework of the AMP, the APG will monitor and review the use of capital assets, including operational accommodation, and assess current usage against the operational needs identified by services. Where it is clear that an asset is not being used efficiently, effectively or economically, the group may recommend alternative uses or disposal in accordance with the Land & Property Strategy to generate a capital receipt.

## Performance Management

Asset Management was the subject of a Best Value Review that started in July 2001. The review took a comprehensive approach to the development of asset and property performance indicators, within the corporate Performance Management Framework (PMF). The current state of development of measures, data and comparisons, and the way in which the PMF delivers regular monitoring and reporting of performance at all levels of our planning hierarchy is documented in the Asset Management Plan.

Performance monitoring of some buildings and assets has led to schemes being placed in the Capital Programme. This is particularly the case when considering the energy efficiency of buildings e.g. school boiler replacement following these works unexpected schools closures in the winter have been dramatically reduced. Performance management data is also used in the Local Transport Plan directing funding to schemes that will reduce accident statistics. Performance management of our assets is reported to stakeholders via Cabinet on an annual basis. This ongoing development of our performance management arrangements will include measures for the delivery of capital projects to underpin the appraisal process. The local measures of suitability and sustainability introduced in the Asset Management Plan will, once fully established, be applied specifically to new building projects, as will the local stakeholder/user satisfaction measures, as part of the appraisal process.

With regard to property benchmarking, the Council is a member of the National Best Value Benchmarking Scheme for property and design, the Association of Chief Estates Officers property benchmarking group. and an asset planning benchmarking family group co-ordinated by Swindon Borough Council. The Council is also a member of the IPF Property benchmarking group. The Council is committed to participating in benchmarking groups in order to provide a comprehensive range of comparisons of its capital projects and property performance.

The Council's Education Asset Management Team has pioneered the use of

LAMPAs – Local Asset Management Planning Agreements – to provide medium-term prioritised programmes for school improvement, agreed between heads/governors and the Education Service, and incorporating agreed objectives, outcomes and performance measures for the improvement of the school. This mechanism ensures the best use of overall resources available and avoids undertaking work on schemes that are not seen as priorities, simply to utilise specific funding schemes. The feasibility of adopting this approach for corporate operational assets, incorporating performance measures tailored to the individual asset/service unit, is being considered.

## Summary

The Borough Council aims to manage the capital programme effectively so as to ensure that the people of Darlington achieve maximum benefit from capital investment.

The extent to which progress is made against priorities set out in the Capital Strategy will ultimately depend on affordability. The availability of capital grants, supported borrowing and other sources of finance including the affordability of prudential borrowing will be critical.

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