
SINGLE PROGRAMME – ADDITIONAL 2009/10 PROJECTS

Responsible Cabinet Member – Councillor John Williams, Economy Portfolio

Responsible Director – Richard Alty, Assistant Chief Executive (Regeneration)

SUMMARY REPORT

Purpose of the Report

1. To seek agreement to release Single Programme Funding for 2009/10 and to seek agreement to release Single Programme Funding for 2009/10 and approve the delegations as set out below (paragraph 28).

Summary

2. In September 2009, Tees Valley Unlimited Programme Group concluded that the 2009/10 Single Programme Investment Plan was unlikely to hit performance targets which highlighted the need to identify new activities that could be brought forward for 2009/10. A request was made to all Boroughs to identify new activities that could be delivered in 2009/10.
3. In Darlington 4 projects met one or more of the criteria set and were invited to develop a full Project Initiation and Planning document (PIP) and Business Case for each project. The proposed Darlington projects bring forward existing priorities set out in *Taking Forward the Darlington Gateway* research and *One Darlington: Perfectly Placed* and are as follows
 - (a) Feasibility work for Darlington Business Incubator (£250,000)
 - (b) Green Street Site Acquisitions and Demolition (The sum is given in **Appendix 1** to avoid prejudicing negotiations)
 - (c) Tees Valley Metro Appraisal Exercise (£80,000)
 - (d) Darlington Creative Hub
4. Darlington Borough Council is the proposed Project Sponsor for (a), (b) and (c) as above. Humantics is the Project Sponsor for (d) and this project is included in this report for information purposes only.

5. Each project is currently at a different stage within the Tees Valley approval process, however, if and when approval is secured, there will be a need for each project to commence immediately to ensure maximum progress and spend by the end of the financial year. It is therefore essential to secure Cabinet approval to release this funding, in some cases prior to them being formally approved, in order to ensure these projects can deliver and the wider economic and community benefit to Darlington can be realised.
6. That power is delegated to the Director of Corporate Services to acquire any land required for the development of the Business Incubator project, including the demolition of any properties on the land that has been acquired, subject to the financial limitation as set out in Appendix 1.

Recommendation

7. It is recommended that Cabinet agrees the release of Single Programme Funding as detailed in the report.
8. It is recommended that Cabinet approves the delegations for the ‘Green Street Site acquisitions’ as per paragraph 28.

Reasons

9. The recommendation is supported by the following reasons :-
 - (a) To enhance the environmental, social and economic well-being of the Borough.
 - (b) It builds upon significant Single Programme investment such as through Central Park, Town Centre Fringe, Pedestrian Heart and the Connections Study. These projects will add value to these projects and will increase their positive impact in terms of job creation/safe-guarding, improving transport infrastructure and attracting inward investment into Darlington.
 - (c) Maximise this unique opportunity to bring forward projects of strategic significance in enhancing Darlington’s economic prosperity – including the positive impacts these projects will bring for the residents and business community of Darlington and the wider Tees Valley.

Richard Alty
Assistant Chief Executive (Regeneration)

Background Papers

No background papers were used in the preparation of this report.

K McGready : Extension 2680

S17 Crime and Disorder	All projects strive to contribute to a safer Darlington and where appropriate will link in the safer Darlington theme of the SCS.
Health and Well Being	The regeneration of Darlington will have a positive impact upon areas of multiple deprivation such as improved connectivity through the Tees Valley Metro which will increase opportunities for healthy transport choice.
Sustainability	Through all projects there will be sustainable development opportunities.
Diversity	All 4 projects are within some of the more deprived wards in Darlington. All work strives to improve the prospects for all of those who live within and around the area as well as creating the conditions for high quality employment and leisure.
Wards Affected	All 4 projects will allow strategic change across these deprived wards, improving infrastructure, physical environment and quality of life. Projects are based within the Town Centre Fringe area which is made up of 3 wards: * Central ward – which is within the top 3% most deprived wards in the Country (IMD 2007). * Northgate ward – which is within the top 7% most deprived wards in the Country (IMD 2007). * Bank Top ward – which is within the top 7% most deprived wards in the Country (IMD 2007)
Groups Affected	NA
Budget and Policy Framework	This report does not represent a change to the budget and policy framework.
Key Decision	This report is not a Key Decision
Urgent Decision	No
One Darlington: Perfectly Placed	ONE DARLINGTON: <ul style="list-style-type: none"> Tackling deprivation wherever it exists, narrowing the gaps in life chances across the borough and focusing on reducing inequality for the most deprived and disadvantaged (all projects). PERFECTLY PLACED: <ul style="list-style-type: none"> Encouraging employment opportunities in the Town Centre/Town Centre Fringe (Incubator Feasibility) Exploit Darlington's location, accessibility and quality of life to help businesses to grow and attract new ones into the Borough – by providing employment sites/spaces that meet business needed – and to attract high quality jobs and increase average pay levels (Tees Valley Metro, Incubator Feasibility, Green Street) Making the most of Darlington's excellent transport links, both outwards into the region, the rest of the country and Europe, and within the borough to provide good accessibility, travel safety and choice of transport modes for everyone (Tees Valley Metro)

Efficiency	<p>By providing a clear framework for the development of the area the Development Management process will potentially be streamlined, saving costs to the Council</p> <p>Although Darlington Borough Council is acting as Project Sponsor for all projects – Tees Valley Regeneration (TVR) is Project Managing the Incubator Feasibility and Darlington Metro. This therefore reduces the time costs and associated expenditure of Darlington Borough Council acting as Project Manager, and offers an efficiency saving to the Council.</p>
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MAIN REPORT

Information and Analysis

10. Single Programme is the funding available from One North East for the delivery of economic regeneration in the North East. As from 1 April 2009, responsibility for administering the programme for all Single Programme projects up to £2.5m in value was delegated to Tees Valley Unlimited (TVU). This was one of the measures requested in developing the Tees Valley Multi-Area Agreement and request for formal City Region status.
11. Darlington's original submission into the Tees Valley Single Programme Business Plan included a range of new projects that were identified in the *Taking Forward the Darlington Gateway* research and which are considered as the next phases of the Darlington Gateway Strategy which has underpinned Darlington's Economic Regeneration Strategy for the last 6 years. The underlying assumption in the Gateway Research was that the then "current" projects would be completed and that the next raft of projects could be taken forward as the "next steps".
12. The economic downturn has impacted significantly on existing projects and spending elsewhere in Tees Valley. As a consequence, it has necessitated a radical review of all current and prospective projects. As much as there has been a greater need for public sector support in economic regeneration, the credit crunch and tightening of public sector budgets has meant that Central Government has less funding than anticipated to make available to some of its major capital programmes.
13. A consequence of this is that many of the projects originally envisaged to move forward in 2009/10 have either not started or stalled, predominately as a result of reduced economic viability and lack of available investment funds. This also has meant that the Tees Valley Single Programme is significantly behind its spend and performance targets.
14. In September 2009, the TVU Programme Group commissioned a review of Single Programme project progress. All Boroughs were asked to review all of their projects and to provide a realistic assessment of their deliverability. The result of this work was to highlight that the 2009/10 programme was unlikely to hit all of its performance targets without immediate intervention. It was also concluded that there was an immediate need to identify new activities that could be brought forward into the 2009/10 programme to replace those lost. A request was also made to all Boroughs to identify new activities that could be delivered in 2009/10. Local Authorities were asked to submit a project mandate for each of the new projects identified. The Programme Group then undertook a prioritisation exercise based on the following criteria:
 - (a) Deliverability
 - (b) Delivery of Business Outcomes
 - (c) Private Sector Leverage
 - (d) Continuing to progress Tees Valley Strategic Priorities
 - (e) New Strategic Priorities

15. Projects that met one or more of the criteria were asked to provide more detailed information in the form of Project Initiation and Planning document (PIP) and Business Case. Agreement was obtained for five Darlington projects to submit these documents. The proposed Darlington projects bring forward existing priorities set out in *Taking Forward the Darlington Gateway* research and *One Darlington: Perfectly Placed*. These 5 projects are as follows
 - (a) Feasibility work for Darlington Business Incubator (£250,000)
 - (b) Green Street Site Acquisitions and Demolitions
 - (c) Tees Valley Metro Appraisal Exercise (£80,000)
 - (d) Darlington Creative Hub
16. Darlington Borough Council is the proposed Project Sponsor for projects (a)-(d). Humanities is the Project Sponsor for project (e); this project is therefore not included in this report but is identified for information purposes.
17. Each project is at a different stage within the Tees Valley approval stages, but once approved the Project Boards will need to commence the projects immediately to ensure full spend by the end of the financial year. Receiving approval to release this funding, in some cases prior to them being formally approved, is therefore vital in ensuring these projects can deliver and the wider economic and community benefit to Darlington can be realised. Details of the individual projects are set out in para.s 16-34 below:

Darlington Business Incubator Feasibility

18. The *Taking Forward the Darlington Gateway Research* identified that Darlington experiences a relatively low level of new business start up and relatively poor survival rates. One of the reasons for this is the lack of availability of accommodation specifically designed to meet the needs of new businesses. Darlington currently has no dedicated business incubation space.
19. The Darlington Business Incubator Feasibility is a proposal to undertake detailed feasibility into the creation of a business incubator facility in Darlington at Yarm Road (located adjacent to Bank Top Station on the entrance to Central Park) and provide management services. The intention is for Darlington Borough Council (DBC) to procure the incubator building in this key location adjacent to the main line railway station, and seek an incubator operator to manage the delivery of the incubator services by way of a management agreement/lease of the building.
20. The wider project seeks to provide small business incubation space, which is not currently provided in the Darlington area creating new jobs and additional Gross Value Added. This focuses on the creation of space for the development of new-start businesses which will be nurtured and supported through the “make or break” first months and years to support growth.

21. The creation of a Business Incubator will also complement the existing and future developments on Central Park, a major area mixed use regeneration project on a site of 30 ha to the North East of Darlington Town Centre. It supports the aspiration to create a flagship mixed-use development site which includes proposals for a 4 star hotel, which will provide facilities for business accommodation. The Incubator could also stimulate further interest in Central Park from other investors and will link to the University and College regarding support for innovation and business.
22. At present there is no commitment by the Council to deliver this project, however before any decision can be made, a detailed feasibility is required to confirm the need for the project. Single Programme funding for £250,000 has been sourced in order to undertake this work. Confirmation of funding approval is expected early December 2009.
23. This preliminary work includes:
 - (a) Economic appraisal and production of Business Case
 - (b) Options appraisal and procurement of an operator;
 - (c) Acquisitions strategy
 - (d) Design of scheme
 - (e) Highways design
 - (f) Planning advice / consultation
 - (g) Impact Assessments
 - (h) Legal advice on procurement

Green Street Site Acquisitions

24. Through discussions between the Council and One North East (ONE), it has been identified that the most appropriate location for the new Business Incubator would be as close to Central Park as possible. Although not the only location – it is thought that the most logical site is at the Yarm Road entrance (which is already earmarked for commercial and leisure development) and as close to Darlington Bank Top Station as feasibly possible.
25. The site is already partly in the ownership of DBC and ONE; however additional acquisitions are required to complete site assembly. This will increase the certainty of development commencing and the commissioning of the associated highway works. The project will deliver the additional benefit of opening up the Yarm Road entrance to Central Park.
26. Single Programme funding has been secured for the acquisition of key properties and property demolition (where it is financially viable and in line with current market rates and valuations). This project will focus on site assembly via acquiring strategically located properties off Yarm Road/ Green Street. If deemed appropriate through the Feasibility work as set out in paragraphs 16-21, this site could possibly be used to deliver the Business Incubator project.

27. A sum of £300,000 has been included within the project for the demolition of all properties being acquired through this project plus additional properties already held by DBC and ONE. This figure includes a contingency allowance for unforeseen conditions, and for resolution of maintenance/management issues that are expected prior to demolition.
28. That power be delegated to the Director of Corporate Services to acquire any land under the 'Green Street Site Acquisitions' project, including the demolition of any properties on the land that has been acquired, subject to the financial limitation as set out in Appendix 1.
29. It is proposed that Single Programme meets 100% of the acquisition and demolition costs as the funding is currently available. It is understood from Sanderson Wetherall, that all of the property owners/occupiers are willing to sell at this point in time. Sanderson Wetherall (SW) have valued the acquisition costs to secure vacant possession.

Darlington Metro Appraisal Exercise

30. Tees Valley Metro is a flagship project that will project to upgrade the Tees Valley rail network to provide a faster and more frequent service. Significant progress has been made in securing funding for works including prospective funding for the development of a new platform at Darlington Bank Top Station.
31. The process of developing the scheme has exposed a number of key issues that need to be addressed before further progress can be made. The wider Tees Valley Metro project is currently going through the GRIP 4 process (Guide to Railway Infrastructure Projects) and is being project managed through Tees Valley Unlimited. This work has now been commissioned and focuses on the engineering and technical issues to develop a new Metro platform and associated track at Bank Top Station.
32. This work will focus solely on the delivery of physical infrastructure for the Metro (station and track), but will not consider the wider implications which need to be assessed and resolved prior to the works being undertaken. Single Programme funding of £80,000 is therefore being sought to address implications, and to avoid any potential barriers which may jeopardise the Tees Valley Metro. The work is to address the following 3 objectives:
 - (a) Objective 1 - To develop a local options appraisal to overcome car parking requirements and other transport links.
 - (b) Objective 2 - To undertake economic appraisal and assessment.
 - (c) Objective 3 - to determine project management roles.

Finance

33. Each project has different finance requirements as set out below:-
Table 1:

	Total Match	Funding Status
Preliminary work for Darlington Business Incubator	£0	Awaiting approval – decision expected early December '09
Green Street Site Acquisitions	£0	Approved

Beaumont House Site Acquisition	£0	Developing PIP and Business Case – decision expected December '09
Tees Valley Metro Appraisal Exercise	£11,000 (£5,400 DBC in-kind £5,600 TVR in-kind)	PIP and Business Case submitted – decision expected 09.12.09

Resource Implications

34. Each project has a different Project Management structure and therefore has different resource needs/implications.

Table 2:

	Project Sponsor	Project Manager	DBC Resources Required
Green Street Site Acquisitions	DBC	DBC	This project is being project managed through the Council's Estates Team with support from External Funding. This project has been agreed with appropriate line managers and included within Officers work plans – therefore requiring no match for this project.
Preliminary work for Darlington Business Incubator	DBC	TVR	The project is being managed though TVR and therefore reduces the Council's requirements in terms of resources. Various Officers from Economic Regeneration, Estates and External Funding will sit on the Project Team and will be allocated tasks to undertake and will report to the Project Manager on a monthly basis. These tasks have been agreed with appropriate line managers and included within Officers work plans – therefore requiring no additional resources. There is no DBC requirement for match for this project.
Tees Valley Metro Appraisal Exercise	DBC	TVR	The project is being managed through TVR and therefore reduces the Council's requirements in terms of resources. Officers from Transport Policy and External Funding will sit on the Project Team along with the JSU – and will be allocated task to undertake and will report to the Project Manager on a monthly basis. These tasks have been agreed with appropriate line managers and included within Officers work plans – therefore requiring no additional resources. There is £5,600 in-kind match from the Council in terms of Officer's time in undertaking these tasks – there are therefore no cash resource implications for this project.

35. All Single Programme funding will be subject to quarterly claims and monitoring. The Project Manager will be lead and supported through this process by the External Funding and Strategy Team of Darlington Borough Council. All Project Managers will also be given a briefing on the Council's procurement requirements and project handling framework.

Risks

36. Potential risks in delivering these projects are kept to a minimum through monthly updating of project risk/issue logs – however identified potential risks are as follows:
- (a) Timescales – Full spend is needed by the end of the financial year which is a medium risk. Two out of the three projects are profiled to fully spend this financial year, these projects (Incubator Feasibility and Tees Valley Metro) are small and manageable within the timescales given, and strong project/programme management resources have

been dedicated to ensure that they deliver in the timescales given. Although we aim to deliver 100% of the funding for Green Street Site Acquisitions this year, the actual profile is split between 2009/10 and 2010/11 to minimise this risk.

- (b) Capacity – Project planning through the Council’s project management processes is in place. Where possible TVR are being used as well as external consultants.
- (c) Procurement – there is a risk that all work may not be procured in time to enable the projects to deliver within tight timescales. Work on preparing all the tender documents is already in hand to minimise the risk.
- (d) Acquisition timescales – site acquisition can sometimes be a lengthy process, however this is minimised for the Green Street acquisitions. Sanderson Weatheralls have already completed much of the work in order to take forward the Green Street acquisitions – this minimises risks of there not being enough time to complete. The costs of valuations are at a minimum (0.4% of total project costs) due to the vast majority of work already being completed. The costs of undertaken these valuations have been done to cover all 6 sites to achieve value for money and therefore, if some sites do not progress then there is minimal expenditure incurred for the sites individually- minimising this risk.
- (e) Demolition timescales – funding for acquisitions include funding for demolitions and other management costs such as securing site etc. Once the funding is secured, and agreed through cabinet – demolition works (and appropriate planning permissions) will be tendered/applied for to ensure funding can be spent within given timescales. However, as detailed in 33a – the actual profile of Green Street site acquisitions is split between 2009/10 and 2010/11 – so the cost of demolition can be spread amongst the 2 years, dependant on when the sites are bought and whether or not it is feasible to demolish before the end of the 2009/10 financial year. This cost is only 13% of total project cost and therefore this cost is minimal. The costs of tendering demolition contractors will cover all 6 sites to achieve value for money and therefore, if some sites do not progress then there is minimal expenditure incurred for the sites individually- again minimising this risk. Demolition costs will be ascertained as a matter of priority and have been placed in the funding bid based on the Council's past experience and costings of tendering for a similar exercise (and are therefore felt to be realistic). This ensures costs of demolition will be known early enough to allow the project and the cost of the actual acquisitions to remain within the budget of the funding available.
- (f) Overspend – proposed project costs have a contingency within them to account for overspend. For the Tees Valley Metro and Incubator Feasibility this is a low risk, as dedicated pieces of work will be tendered for – and costs will be set out in contracts/tender specifications – with a clause that they can not claim for additional amounts. For site acquisitions, the amounts are based on valuations and are therefore within market value range and therefore low risk of costs going outside of the 10% contingency. Before any acquisitions go ahead, it is the role of the Project Manager to ensure it is within budget – and if it is not feasible and leaves the Council at risk, the acquisitions will not go ahead.
- (g) Unforeseen events/risks – as the scheme is site acquisitions and demolition, there may be unforeseen circumstances such as asbestos, which will need to be included in the

project costings. These circumstances may not be known until the surveys/demolitions commence – however the project manager will ensure that full risk assessments will be undertaken at regular intervals to highlight such risks and use effective contingencies to the effect that they may have on the project both in times of cost and time. Thorough investigations will be undertaken where appropriate prior to acquisition to ascertain risks such as asbestos, and the final price will reflect the need to put in place mitigation action and any potential costs associated with these.

Conclusion

37. All the projects set out in the above paragraphs are considered strategic and will make a significant contribution not only to the delivery of the Tees Valley City Region Investment Plan but also Darlington's Sustainable Community Strategy.
38. The key to delivering the projects is securing an early start and ensuring that sufficient resources are allocated to their delivery. Single Programme funding is to invest in projects for the Borough including strategic site acquisitions, preliminary work for the Darlington Incubator Project and vital appraisal work around the Tees Valley Metro project. This funding builds upon existing Single Programme investment/projects – and provides Darlington with a unique opportunity to attract funding to allow regeneration priorities to push ahead through strategically important areas of Central Park and the Town Centre Fringe. As all of these projects are to be delivered within a limited timescale, approval for the release of funding is required in order to allow these projects to commence as soon as funding is secured.