
CAPITAL MEDIUM TERM FINANCIAL PLAN, 2005/06 – 2008/09

Responsible Cabinet Member(s) - Councillor Don Bristow
Resource Management Portfolio

Responsible Director(s) – Corporate Management Team

Purpose of Report

1. The purpose of the report is to agree the Council's 2005/06 Capital Programme and approve the Capital Medium Term Financial Plan (MTFP).

Background Information

2. A report detailing the proposed Capital (MTFP) 2005/06 – 2008/09 was prepared by the Corporate Management Team (CMT) and presented to Cabinet on 3rd February 2005. Cabinet agreed CMT's recommendations and forwarded the report to Resources Scrutiny Committee for consideration.
3. Resources Scrutiny Committee examined the proposed Capital (MTFP) on 10th February 2005 and supported Cabinet's proposals.
4. Cabinet considered the report again, together with the views of Resources Scrutiny Committee, on 1st March 2005. Cabinet reaffirmed the approval of schemes suggested by CMT and no further amendments were proposed at the meeting.

Information and Analysis

5. Local Authorities have four main ways of financing capital expenditure: -
 - (a) borrowing (and other forms of credit), either supported through the Single Pot/Ringfenced or unsupported through the Prudential Code.
 - (b) capital grants (cash support usually direct from the government which tend to be for specific purposes).
 - (c) "usable" capital receipts (from asset disposals).
 - (d) revenue (no limit in theory, but governed by Council Tax levels for General Fund Services and rent levels for the Housing Revenue Account).
6. Local authorities' new freedoms in capital investment and borrowing came into force on 1 April 2004. The main change under the new system is that councils are able to borrow subject to affordability and prudent limits (Prudential Borrowing).

7. The Local Government Act 2003 abolished credit approvals and one of the consequences of that change is that capital allocations for 2005/06 and future years are expressed in a different way. Central Government support for capital investment is described as either Supported Capital Expenditure (Revenue) known as SCE(R) or Supported Capital Expenditure (Capital Grant) known as SCE(C). SCE(R) and SCE(C) can be further classified as either Single Pot or ringfenced. The support for SCE(R) comes annually via the Revenue Support Grant and is intended to largely fund the loan servicing costs. Support for SCE(C) comes by way of up-front cash grant.
8. The capital investment requirements of Housing, Transport and Education services are largely funded by government programmes, which typically have a system of bids and/or assessments. Social Services and all other services rely heavily on borrowing and a share of the Council's capital receipts.

Information and Analysis

2005/06 Capital Settlement

9. The Council is now in receipt of most of the information from the Government on the 2005/06 Capital Settlement.
10. **Table 1** below compares Supported Capital Expenditure (Revenue) - SCE(R) - between 2004/05 and 2005/06. Although the mechanism for support has changed the amounts are still directly comparable.

Table 1.

Supported Capital Expenditure Revenue – SCE(R)		2004/05	2005/06	Suggested Treatment
		£m	£m	
1.	Housing	1.182	1.213	Passport
2.	Transport	3.746	3.062	Passport
3.	Education	1.205	1.454	Passport
4.	Social Services	0.068	*0.068	Corporate Pot
5.	Total	6.201	5.797	

* Denotes indicative allocations

11. The significant changes are noted below:

Housing (Line 1) – The small increase of £0.031m (3%) is in line with the projection received for 2005/06 in 2004/05.

Transport (Line 2) – The decrease of £0.684m (18%) is largely in line with a national reduction in resources allocated to Transport.

Education (Line 3) – The increase of £0.249m is due to an additional Targeted Capital approval of £1.000m. Off setting this increase is a decrease of £0.751m relating to Education Modernisation funding which is now being financed via SCE(C).

12. **Table 2** below compares Supported Capital Expenditure (Capital Grant) – SCE(C) – between 2004/05 and 2005/06.

Table 2

Supported Capital Expenditure Capital – SCE(C)		2004/05	2005/06	Suggested Treatment
		£m	£m	
	Housing			
1.	Major Repairs Allowance	3.356	3.414	Passport
2.	Disabled Facilities Grant	0.162	0.176	Passport
	Education			
3.	Devolved Capital	1.339	1.365	Passport
4.	Modernisation Funding	0.409	1.227	Passport
5.	Seed Challenge	0.157	0.000	Passport
	Regeneration			
6.	Single Programme/ERDF	0.998	2.143	Passport
	I.C.T.			
7.	Implementing E:Government	0.200	0.150	Passport
8.	Improving Information Management	0.077	0.077	Passport
9.	Total	6.698	8.552	

13. The significant changes are noted below:

Line 4 -Education Modernisation Funding the increase of £0.818m is due to this funding stream now being financed via SCE (C). As described above in 2004/05 this funding stream was partially funded via SCE (R).

Line 5 – Education Seed Challenge this funding was used to lever in private sector match funding to allow Capital investment to occur within Educational Premises. However, this funding stream lifespan was from 2000/01 to 2004/05. No further Seed Challenge grant is to be received.

Line 6 – Single Programme/ERDF this funding is allocated on a bid basis. The £2.143m secured relates to £1.500m for the Town Centre Pedestrian Heart and £0.500m relating to Faverdale Industrial Estate, both being funded from the Single Programme. Additionally £0.143m of ERDF funding has been secured in relation to Faverdale Industrial Estate.

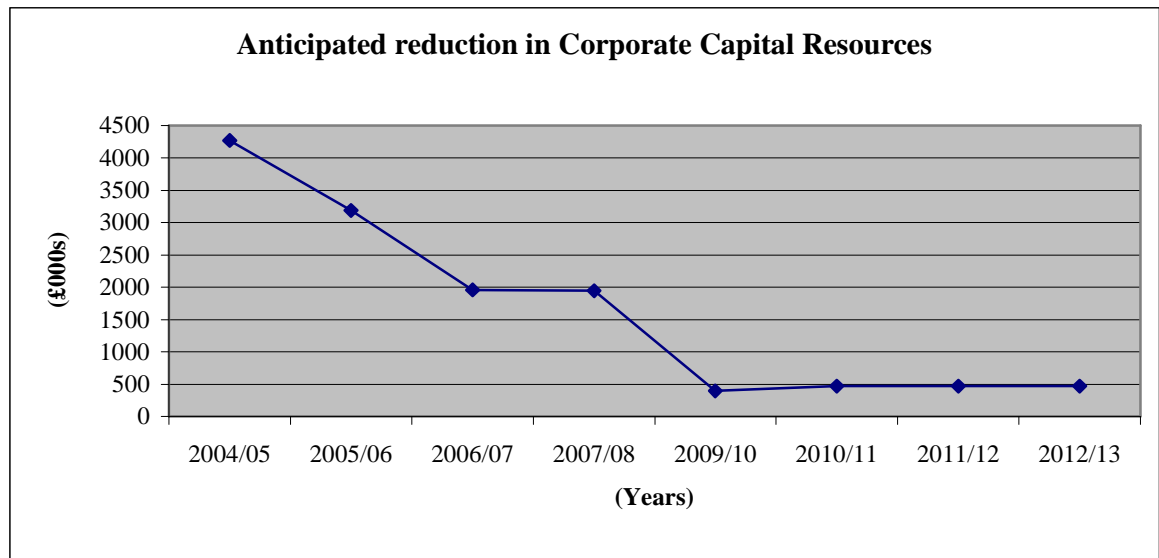
Distribution of the Supported Capital Expenditure

14. Under the Single Capital Pot, some of the amounts within the blocks shown in **Table 1** above in theory have complete flexibility and can be used to support a corporate programme, which may not match the profile of the allocations. However the major contributors, Government Departments, expect that the amounts identified will result in spending set at those levels. In many ways the Single Capital Pot is a misnomer as there are strong signals to spend the money in a particular way. It is therefore suggested that the SCE(R)'s for Education, Housing and Transport are passported through to those services. This will leave £0.068m free to add to other capital resources to fund other Council priorities, which are discussed later in the report.

15. The Council's Supported Capital Expenditure (Capital) is shown in **Table 2**. The allocations are normally programme specific and not part of the Single Capital Pot and, therefore, it is suggested that they be passported for purpose for which they were allocated.
16. A report will be brought before Cabinet on 15th March 2005 to seek approval for the detailed plans relating to the supported capital expenditure contained in **Tables 1 and 2**.

Resources Available

17. Capital Receipts are the main method of supplementing the residue of Supported Capital Expenditure – Revenue (£0.068 for 2005/06 see paragraph 14 above) to fund Council priorities other than those funded by Government Programmes. The Council's Capital Receipts position together with a schedule of asset disposals has been considered by Cabinet and Resources Scrutiny in the restricted parts of the agendas. This information has been made available to all Members of the Council.
18. **Appendix 1** considers all of the capital resources available to the Council over the duration of the Capital MTFP. Rows 1-13 details a summary of resources including the Supported Capital Expenditure as discussed in paragraphs 9-16 and the capital receipts discussed in paragraph 17. From the total resources (row 14) are deducted the expenditure commitments (row 15). These expenditure commitments are dealt with more fully in paragraph 21
19. The lower part of the table considers the use of the £8m remaining resources - rows 17-21. Row 20 details resources available for other Capital Priorities. After allowing for all other programmes and commitments this row represents unallocated capital resources of c£8m phased over the life of the Capital MTFP. The £8m of unallocated capital resources includes £2m of the £2.4m previously earmarked for the Commercial Street development. The recent tendering exercise for the disposal of the Council's interest in this development has demonstrated that a Council financial input is unlikely to be required.
20. Turning to the medium term, the graph below shows the forecasted reduction in corporate capital resources over the next 5 years or so. The anticipated reduction is due to the level of identified capital receipts reducing, and no further prudential borrowing built in beyond the current Revenue MTFP. It is apparent that without any additional capital receipts, corporate resources of only c£0.500m per annum will be available from 2009/10 onwards. On past trends £0.500m will not be sufficient to maintain the Council estate (excluding those areas that attract direct Government funding) or fund Council development priorities. Therefore, a review is needed to critically examine the Council's estate holding together with the ability to generate funds to support it.



Capital Funding Already in Place

21. **Appendix 2** shows the capital funding already in place for the duration of the Capital MTFP (2005/06 – 2008/09). This shows estimated additional expenditure of c£66m over the next 4 years. In addition to this there is to be £35m of capital investment for the Education Village at Haughton & Harrowgate Hill, and £4m for the new Voluntary Aided School at Middleton St George and a further £4m for the replacement of Cockerton Primary School. All of this plus the unallocated resources of over £8m takes the total spend in the Borough to c£120m during the next 4 years.

The funding already in place is discussed in the following paragraphs:

(a) Education

- (i) During 2005/06 major works are planned within Educational Premises in a number of locations. Following the introduction of Building Schools for the Future (BSF) the amount of funding available to the Authority has decreased significantly, however it is anticipated that a programme of capital works is still possible.
- (ii) In relation to BSF, the Authority has not been included within the first three waves of the programme. However, the DFES has confirmed that it is anticipated that during the next full parliament 60% of all authorities will have started in the BSF programme or else be given resources to renew at least one secondary school. At present it is unclear how Darlington will benefit from BSF and officers are seeking an early meeting with the DFES to gain a better understanding of the situation.
- (iii) In relation to physical works the construction of the Education Village at Haughton and the Harrowgate Hill replacement school are scheduled to be completed and the buildings fully operational during 2005/06. Likewise the replacement of the existing Skerne Park Primary School and the Voluntary Aided School at Middleton St George are expected to be completed and the

building works to replace the Voluntary Aided School at Cockerton should be under way.

- (iv) Phased rewiring works that commenced during the previous financial year at Abbey Infant, Mowden Junior, Gurney Pease Primary, Heathfield Primary, Hurworth Primary and Mount Pleasant Primary Schools are scheduled to be completed during 2005/06. It is also proposed that fire alarm and emergency lighting systems should be renewed at Bishopton/ Redmarshall Primary, North Road Primary, Redhall Primary and Hurworth Comprehensive schools.
- (v) The replacement of old heating installations/heating distribution pipework and associated ancillary works are proposed at Abbey Infant, Mowden Infant, Mowden Junior, Abbey Junior and Gurney Pease Primary schools. Similarly, extensive physical adaptations begun during 2004/05 to existing teaching areas and associated facilities at Corporation Road Primary, Heathfield Primary and North Road Primary schools are scheduled to be completed.
- (vi) Other major works consist of disabled access and inclusion projects, asbestos removal and various surveying works.

(b) Housing

- (i) During 2005/06, major works are planned within the council housing stock of the borough, in a number of locations.
- (ii) The Council plans to carry out internal planned maintenance, including electrical rewiring, replacement kitchens and bathrooms, in addition to security work to approximately 250 dwellings, located in Albert Hill, Bishopton, Cockerton, Harrogate Hill, Hundens, Lascelles, Middleton St George, and Rise Carr areas.
- (iii) A programme of internal remodelling and refurbishments will continue on blocks of flats at Dinsdale Crescent and begin at Sherbourne House, Coxwold House, and Mount Pleasant House.
- (iv) Approximately 310 dwellings throughout the Borough will benefit from new central heating systems.
- (v) External improvements are planned to approximately 92 properties at Firthmoor, which includes the provision of new fencing, pavement crossings and vehicle hardstandings.
- (vi) A major programme of upgrading existing facilities and providing Extra Care facilities to sheltered housing schemes will continue at Oban Court and will be completed during 2005/06.
- (vii) In the private sector, over £1.3m will be spent in various locations, to tackle accommodation that is poor condition, or will enable disabled people to maintain independent living through improved facilities and the provision of adaptations. However from 2006/07 onwards private sector funding is not known, because this allocation from there forward becomes 100% discretionary from the Regional Housing Board.

(c) Transport

- (i) In relation to the Transport Capital Programme, finalised detailed financial projections are not currently available for 2005/06. These projections are in the process of being finalised and Members will be provided with a full financial update of the 2005/06 Transport Capital Programme when the programme is formally released by Cabinet in March 2005.
- (ii) However, the following works are anticipated to be implemented within 2005/06, including works implementing the Yarm Road Corridor of Certainty and work will start on Houghton Road to improve access to the College and Central Park site. Work will also start on the Pedestrian Heart scheme to improve the town centre. A full range of schemes targeting road safety, school travel plans, traffic management, traffic calming and traffic regulation orders will also be carried out. Encouraging the use of public transport will be addressed by the roll out of real time passenger information at bus stops, improving bus shelters, providing CCTV and solar powered lighting at rural bus stops, raising kerb heights and addressing bus delays. Work will continue on the development of the cycle route network, in particular links to schools and employment areas, as well as signed rural routes. Improved walking routes will be implemented including better signs, plus more dropped kerbs, tactile paving and other facilities will be introduced to assist the less able bodied. The Council will continue to support community and voluntary transport.
- (iii) A programme of reconstruction/resurfacing and general maintenance schemes will be implemented to ensure the improvement of the Principal and Non-Principal roads. In addition to this it is proposed that a number of bridge strengthening and structural maintenance schemes plus remedial works to road over rail bridges be carried out.

(d) Single Programme/Regeneration

- (i) Funding has been secured through One North East's Single Programme for a number of projects to be delivered from 2002/03 to 2007/08. As the projects are based around development sites, this funding should also lever in significant amounts of private sector funding during this period.
- (ii) From 2005/06 funding will be utilised for the development of Faverdale East Business Park (£0.500m) and the Town Centre pedestrianisation and associated works (£3.000m over the medium term). The development of Central Park at Houghton Road will also be funded through a share of £8 million per year awarded to the Tees Valley Regeneration Company who are delivering the project.
- (iii) As the funding is made available to deliver the Regional Economic Strategy at a local level, the outputs and outcomes to be achieved are associated with attracting private investment in the area and creating jobs in the long term, ensuring that Single Programme funding makes a significant long term contribution to the Darlington economy.

(e) **Other Capital Schemes**

- (i) **E:Government/Web Site** – It is anticipated that a further £0.150m will be allocated under Implementing E Government Phase 4. This funding is to be used to further develop electronic facilities to assist the citizens of Darlington, such as improved access to services, more website facilities and improved business processes.
- (ii) **Improving Information Management** - It is anticipated that a further £0.077m will be allocated under Improving Information Management. This funding will be used to tackle the ever-growing information agenda with the goal of improving the quality of social care through the better use of information and information technology.

Capital Bids

- 22. Attached at **Appendix 3** is a schedule of the bids received from departments. Copies of the detailed bids have previously been circulated to all Members with Cabinet papers. The schemes are in assessed priority ranking order as per the approved assessment criteria. The scoring system is fundamentally the same as used last year, however it has been updated to include the latest Community Survey findings. The scoring system can be no more than a guide to prioritising capital schemes and other factors such as health and safety, service pressures, urgency, lack of alternative funding all need to be taken into consideration when allocating the spare resources.
- 23. The Asset Planning Group/CMT have reviewed the schemes in Appendix 3 in the light of the likely level of capital resources available and the scope for prudential borrowing. Within the Capital Bids there a number of major issues which require more detailed explanation and these are expanded upon in the following paragraphs.
- 24. **Dolphin Centre Refurbishment (Ranking No.4)**. A report detailing the Dolphin Centre Refurbishment business plan is attached at **Appendix 4**. It is proposed that this scheme is financed by a combination of Corporate Resources (which have already been approved in previous years) and additional prudential borrowing, with the repayments being met from the increased income and reduced running costs at the Dolphin Centre.
- 25. **Capitalised Repairs to Secondary School Buildings (Ranking No.5) (See Appendix 5)**
- 26. **Town Centre Pedestrian Heart (Ranking No.8)**. Cabinet has received reports on 16 November 2004 and 18 January 2005 seeking approval for this scheme. The reports highlighted an estimated total cost of £6.926m, with £2.5m required from Council resources.
- 27. **Prudential borrowing - Highway Maintenance (Ranking No. 11)**. The citizen survey highlighted the need for further investment in highway and pavement maintenance. This has been examined in some detail and much of the concerns are in respect of uneven flagged pavements and residential streets that only receive a limited amount of maintenance, primarily pothole repairing. In recognition of this dissatisfaction £250,000 was allocated to the highway maintenance revenue budget last year and with a continuing commitment to allocate this additional funding in future years. Prudential borrowing would enable a significant sum to be spent on addressing the worst parts of the town that are affected by cracked and uneven pavements and poor quality residential streets. The £2.5 million that

would be borrowed to enable the maintenance programme to be accelerated is not sufficient to put right all of the pavements and roads that cause dissatisfaction, but it will certainly go a long way to addressing the worst parts of the town where pavements and roads are in need of significant improvement. It is intended to undertake the work over a two year period and more detail on the precise nature of works to be undertaken will be provided in reports to Cabinet in early April 2005.

28. **Appendix 3** shows the schemes which CMT recommend to proceed, following the comments detailed in paragraphs 22-27. The shaded schemes denote Capital Bids which CMT is suggesting are released now for 2005/06 and 2006/07. Members will note from **Appendix 2** that there is a substantial capital programme already in place of £20m for 2005/06 with a total of c£66m covering the period 2005/06-2008/09.

Outcome of Consultation

29. Although no formal consultation has taken place the issues contained in this report were discussed at Resources Scrutiny Committee at their meeting on 10th February 2005 their comments were then considered at the special meeting of Cabinet on 1st March 2005.

Legal Implications

30. This report has been considered by the Borough Solicitor for legal implications in accordance with the Council's approved procedures. There are no issues which the Borough Solicitor considers need to be brought to the specific attention of Members, other than those highlighted in the report.

Section 17 of the Crime and Disorder Act 1998

31. The contents of this report have been considered in the context of the requirements placed on the Council by Section 17 of the Crime and Disorder Act 1998, namely, the duty on the Council to exercise its functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area. It is not considered that the contents of this report have any such effect.

Council Policy Framework

32. The issues contained within this report do not represent a change to Council Policy.

Conclusion

33. The Council has £8m of unallocated capital resources over the period 2005/06-2008/09 together with the ability to prudentially borrow a further £5.2m, and in total is likely to have around £120m of capital investment in the Borough over the next 4 years.

Recommendation

34. Council are requested to:-
- (a) Approve that capital resources be passported to services as identified in Tables 1 and 2 in the report.

- (b) Approve the resources summary/spending plan (2005/06 – 2008/09) as set out in appendix 2 of the report.
- (c) Approve the capital priorities as submitted by CMT totalling £10.5m in Appendix 3 (including unsupported borrowing of £5.2m in relation to the Dolphin Centre and Highway Maintenance).
- (d) Approve the Asset Disposal Programme as agreed by Cabinet

Reasons

- 35. The recommendations are supported to approve the allocation of capital resources to specific programmes.

Corporate Management Team

Background Papers

- (i) ODPM Letter Housing Capital Allocations 05/01/2005
- (ii) GONE Letter Local Transport Capital Settlement 02/12/2004
- (iii) DFES Letter Capital Allocations 02/12/2004
- (iv) DOH Letter Adults Personal Social Services Capital Allocation 2005/06
- (v) Capital Bid Forms
- (vi) Accounting Records

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