
CAPITAL MEDIUM TERM FINANCIAL PLAN, 2006/07 – 2009/10

Responsible Cabinet Member(s) – Councillor John Williams, Leader and all Cabinet Members

Responsible Directors(s) – Corporate Management Team

Purpose of the report

1. The purpose of the report is to agree the Council's 2006/07 Capital Programme and approve the Capital Medium Term Financial Plan (MTFP).

Background Information

2. A detailed report prepared by the Corporate Management Team (CMT) was presented to Cabinet on 1st February 2006. Cabinet agreed the CMT's recommendations and forwarded the report to Resources Scrutiny Committee for consideration.
3. Resources Scrutiny Committee examined the proposed Capital (MTFP) on 8th February 2006 and supported Cabinet's proposals. No alternative proposals or amendments were put forward by any member of the Committee.
4. Cabinet considered the report again, together with the views of Resources Scrutiny Committee, on 1st March, 2006.

Summary

5. The Government has recently announced its capital funding plans for local authorities. This puts in place funding of over £81m over the next four years in addition to schemes previously approved and still in progress. The total capital programme includes almost £30m on schools including a major refurbishment of Hummersknott comprehensive, £11m on the borough's transport infrastructure, £37.5m on housing, together with the completion of the Pedestrian Heart and refurbishment of the Dolphin Centre. There is also external funding for a new school at Cockerton and the refurbishment of Carmel Technology College totalling over £13m. After all this investment totalling £97.7m there is still almost £7.5m of uncommitted capital resources. CMT has constructed a programme of £4m of priority capital investment projects over the next 4 years, leaving £3.5m, which could be prudently reserved at this stage to meet any investment requirements of the Education assets review. In total this will lead to over £100m of capital investment over the next four years in Council services.

Information and Analysis

6. Local Authorities have four main ways of financing capital expenditure: -
 - (a) borrowing (and other forms of credit), either supported through the Single Pot/Ringfenced (Supported Capital Expenditure – Revenue) or unsupported through the Prudential Code.
 - (b) capital grants - cash support usually direct from the government which tend to be for specific purposes (Supported Capital Expenditure – Capital).
 - (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).
7. 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).
8. The capital investment requirements of Housing, Transport and Children's Services are largely funded by government programmes, which typically have a system of formula and/or assessments. Adult Services and all other services rely heavily on borrowing and a share of the Council's capital receipts.

2006/07 Capital Settlement – Supported Borrowing and Capital Grants

9. The Council is now in receipt of most of the information from the Government on the 2006/07 Capital Settlement which informs the Council of its allocations of supported borrowing and capital grants.
10. **Table 1** below compares Supported Capital Expenditure (Revenue) - SCE(R) - between 2005/06 and 2006/07.
11. Under the Single Capital Pot, some of the amounts within the blocks shown in **Table 1** below 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 Housing, Transport, Children's Services and Adult Services Mental health are passported through to those services as in previous years. This will leave £0.051m free to add to other capital resources to fund other Council priorities, which are discussed later in the report.

Table 1.

Supported Capital Expenditure Revenue – SCE(R)		2005/06	2006/07	Suggested Treatment
		£m	£m	
1.	Housing	1.213	0.000	
2.	Transport	3.062	2.769	Passport
3.	Children’s Services	0.454	1.344	Passport
4.	Adult Services PSS	0.051	0.051	Corporate Pot
5.	Adult Services Mental Health (Ring fenced)	0.078	0.079	Passport
Total		4.858	4.243	

12. The significant changes are noted below:

Housing (Line 1) – 2006/07 is the first year that SCE(R) will be distributed regionally on a needs basis. This funding stream is now given through capital grant, see table 2 line3

Transport (Line 2) – This decrease in resources is as expected from guideline allocations received in previous years. However, within these figures there is a 5% increase in Integrated Transport Block following the annual progress report for the Local Transport Plan, which was assessed as ‘good’.

Children’s Services (Line 3) - The DFES has changed the method of funding for part of their Modernisation stream, this increase is directly offset by a decrease in capital grant Table 2 line 4.

13. The Council’s Supported Capital Expenditure (Capital) SCE(C) is shown in **Table 2** and compares 2005/06 and 2006/07. The allocations are normally programme specific and not part of the Single Capital Pot and, therefore, it is suggested that they are all passported for purpose for which they were allocated.

Table 2

Supported Capital Expenditure Capital – SCE(C)		2005/06	2006/07	Suggested Treatment
		£m	£m	
	Housing			
1.	Major Repairs Allowance	3.414	3.453	Passport
2.	Disabled Facilities Grant	0.218	*0.293	Passport
3.	Private Sector Renewal		*0.776	Passport
	Children’s Services			
4.	Devolved Capital	1.365	1.349	Passport
5.	Modernisation Funding	1.227	0.558	Passport
6.	Targeted Capital – Hummersknott		1.000	Passport
7.	Integrated Children’s Service IT		0.027	Passport
	Regeneration			
8.	Single Programme	2.143	1.500	Passport
9.	Safer Stronger Communities		0.970	Passport
	Adults Services			
10.	Improving Information Management	0.077	0.078	Passport
	Community Services			
11.	Youth Capital Fund		0.040	Passport
12.	Total	8.444	10.044	

* Denotes indicative figures

14. The significant changes are noted below:

Private Sector Renewal (Line 3) - This funding is now distributed regionally and subject to finalisation the authority has been awarded £0.776 for use as renovation grants for the private sector.

Targeted Capital (Line 6) - This now includes grant for the first stage of Hummersknott refurbishment.

Single Programme (Line 8) - This reduction is in line with expectations, funding for Faverdale East Business Park has ceased and only funding for the Pedestrian Heart remains.

Stronger Safer Communities (Line 9) - New grant stream see comments in paragraph 16 e (ii).

15. Reports will be brought before Members in early April 2006 to seek approval for the detailed plans relating to the supported capital expenditure contained in **Tables 1 and 2**.

Total Available Resources

16. Capital Receipts are the main method of financing Council priorities other than those funded by Government Programmes. This is supplemented by the residue of Supported Capital Expenditure –Revenue, (£0.051m for 2005/06 see paragraph 11 above). 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.

17. **Appendix 1** considers all of the capital resources available to the Council over the duration of the Capital MTFP. Rows 1-9 shows a summary of resources including the Supported Capital Expenditure as discussed in paragraphs 6-12 and the capital receipts discussed in paragraph 16. From the total resources (row 10) are deducted the expenditure proposals (row 15). These spending plans are dealt with more fully in paragraph 19.
18. After taking into account the expenditure proposals at row 15 there are resources of £7.415m available over the medium term, which are subject to consideration later in this report.

Capital Expenditure Proposals for Earmarked Capital Funding

19. **Appendix 2** shows the allocation of the earmarked capital funding which it is proposed are passported to services in line with previous practice and government guidelines. As with all capital schemes, the final detailed implementation will be subject to reports to Cabinet during the financial year, however, set out in the following paragraphs is an overview of the type of work that is likely to be undertaken. **Appendix 2** shows estimated additional expenditure of c£81m over the next 4 years. In addition, to this there is to be a further £3.2m for the replacement of Cockerton Primary School and £10.1m for the refurbishment of Carmel Technology College. All of this plus the unallocated resources of over £7.415m takes the total new spend in the Borough to over £100m during the next 4 years. In addition, should the Academy go ahead, there would be further investment of £25m for a new secondary school.

(a) Children's Services

- (i) During 2006/07 major works are planned within education premises in a number of locations. Following the announcement of successful bids under the DfES Targeted Capital Fund (TCF) initiative, work will begin to address immediate condition based needs at Hummersknott School and Language College and also to support a Diocesan TCF bid by Carmel Technology College to provide investment to refurbish and renew existing accommodation. The projects are expected to commence in April 2006 and the funding is profiled over a three-year period.
- (ii) In relation to physical works, the construction of the Education Village at Haughton is scheduled to be completed and fully operational during April 2006. Likewise the replacement of the Voluntary Aided School at Middleton St George is expected to be completed and the building works to replace the Voluntary Aided School at Cockerton should commence.
- (iii) Other major works consist of disabled access and inclusion projects, asbestos removal, fire stopping works to roof and ceiling voids and various surveying works.
- (iv) The detail of other works is subject to finalisation as part of a review of the schools estate in light of recent successful capital funding bids.

(b) Housing

- (i) During 2006/07, 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, insulation, and security lighting to approximately 450 dwellings, located throughout the borough. Where small blocks of flats are included, the specifications will include works to the communal areas including upgrading the lighting, flooring, and new TV aerials.
- (iii) A programme of internal remodelling and refurbishments will continue on blocks of flats at Dinsdale Crescent, Sherbourne House, and Mount Pleasant House, and will begin at Stockmoor Close, Copley House, and Rockcliffe House.
- (iv) Approximately 270 dwellings throughout the Borough will benefit from new central heating systems.
- (v) Environmental improvements are planned for 5 streets at Firthmoor, which includes the provision of new fencing, pavement crossings and vehicle hardstandings where appropriate, and a further £624,000 will be spent on fencing and footpath renewals in a variety of locations across the Borough.
- (vi) Work to sheltered housing schemes will continue, starting with Rosemary Court in April 2006, which is being upgraded and extended in partnership with Hanover Housing Association
- (vii) From 2006/07 onwards, private sector funding becomes 100% discretionary, and subject to a bidding process with the Regional Housing Board. Bids have been submitted in partnership with other Tees Valley local authorities for a variety of work in the private sector. Subject to finalisation by the ODPM the borough has been allocated £0.776m for 2006/07 and £0.801m for 2007/08. In order to utilise this funding more efficiently new financial assistance packages for homeowners have been drafted and will be considered by Cabinet shortly.
- (viii) The essential work of carrying out a Private Sector Stock Condition Survey in 2006/07 to provide new information about decent homes and the new Housing Health and Safety Rating System within the sector has also been allowed for in the Capital Programme.
- (ix) A five year plan for investment in all Housing Capital Programme areas is currently being finalised, and this information will be available in early 2006.

(c) Transport

- (i) In relation to the Transport Capital Programme, finalised detailed financial projections are not currently available for 2006/07. These projections are in the process of being finalised as an integral part of the production of the Final Second Local Transport Plan, due for submission to the Department for Transport in March 2006. Members will be provided with a full financial update

of the 2006/07 Transport Capital Programme when the programme is formally presented to Cabinet in April 2006.

- (ii) However, the following works are anticipated to be implemented within 2006/07:-
 - (a) A full range of schemes targeting road safety, school travel plans, traffic management and traffic calming. This will include urban and rural 20mph zones and schemes to include CCTV and improved street lighting.
 - (b) Junction improvements will be undertaken to address issues raised in the congestion study.
 - (c) Encouraging the use of public transport will be addressed by the roll out of real time passenger information at bus stops, improving bus shelters, raising kerb heights and addressing bus delays through bus priority measures.
 - (d) Work will continue on the development of the cycle route network, in particular links to schools and employment areas, as well as routes into the town centre. A contribution to the cycle/foot bridge on Haughton Road will ensure that access between the new college site and the town centre is improved. Matched funding will be provided through Cycling England to accelerate the delivery of the cycle network.
 - (e) 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.
 - (f) A feasibility study will be undertaken to investigate a potential business model for park and ride.
 - (g) Car parks will be improved, in particular additional provision for motorcyclists. A major verge-hardening scheme on Yarm Road will provide improved residents parking and associated road space reallocation.
 - (h) Preparatory works for the introduction of decriminalised parking will also be undertaken, including signs and lining works.
 - (i) 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. A programme of footway maintenance schemes will be delivered and cycle paths will be added to the maintenance inspection and repair regime to ensure that cycle routes are maintained to the same high standards as the rest of the highway network. In addition to this it is proposed that a number of bridge strengthening and structural maintenance schemes 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.
- (ii) From 2006/07 funding will be mainly used for the Town Centre Pedestrian Heart and associated works (£1.425m during 2006/07), also corporate funding of £1.250m was agreed in 2005/06 to support this project (as shown in **Appendix 1**). A further £0.075m has been assigned to Darlington for capital projects from the single programme, but as yet this is uncommitted to any scheme. The development of Central Park at Haughton 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) **Adult Services - Improving Information Management (£0.078m)** - This funding will be used to tackle the ever-growing information agenda with the goal of improving the quality of client records through the better use of information and information technology.
- (ii) **Safer Stronger Communities Fund** The Government have created a Safer and Stronger Communities Fund (SSCF), which is split into two elements:
 - Neighbourhood Element
 - Cleaner, Safer, Greener Element

Whilst the Neighbourhood element relates to revenue funding, Darlington will receive £2.1m of capital funding from ODPM over the next two financial years through the Cleaner, Safer Greener element. Further information on schemes relating to this funding will be given in a report to Cabinet during April 2006.

Capital Bids for Unallocated Resources

20. Attached at **Appendix 3** is a schedule of the bids received from departments. Detailed bids have previously been circulated to all Members with Cabinet papers. 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.
21. 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.

22. **Appendix 4** shows the schemes which CMT recommend to proceed. Within the Capital Bids there are is an issue which requires more detailed explanation and this is expanded upon below:
- (a) **Capitalised Repairs to Education Premises (Ranking No.9)**. A provisional allocation of £0.250m has been included within CMT's recommendations pending a complete strategy review of Children's Services needs for future capital investment in education premises.
23. CMT's recommendations for allocation are shown at **Appendix 4** in the last 5 columns to the right of the appendix. The shaded schemes denote capital bids that CMT is suggesting are released now for 2006/07. Members will note that if CMT's recommendations for 2007/08 to 2009/10 are agreed at a later date then there will still be £3.513m of capital resources over the four years from 2006/07-2009/10. At this stage, it would be prudent not to commit these resources or indeed any funds beyond 2006/07 until the review of Education assets is completed, as there is undoubtedly a potential for a significant investment requirement.

Outcome of Consultation

24. Consultation has taken place with employees, Trade Unions, Headteachers and the Darlington Partnership. The Capital MTFP also takes account of citizens priorities through the community survey. The issues contained in this report were discussed at Resources Scrutiny Committee at their meeting on 8th February 2006 and their comments were considered at the special meeting of Cabinet on 1st March 2006.

Legal Implications

25. 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

26. 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 considered that the contents of this report actively support meeting the Council's responsibilities in this regard.

Council Policy Framework

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

Conclusion

28. The Council has new capital resources of over £81m in addition to on-going schemes such as the Pedestrian Heart and Dolphin Centre. There remains unallocated capital resources of £7.415m over the period 2006/07-2009/10.

Recommendation

29. Council are requested to:-

- (a) Approve the allocation of Supported Capital Expenditure in Tables 1 and 2.
- (b) Approve the Capital spending plans 2006/07-2009/10 as set out in Appendix 2.
- (c) Approve the capital priorities as submitted by CMT totalling £1.540m in Appendix 4 for 2006/07.
- (d) Approve the Asset Disposal Programme as agreed by Cabinet.

Reasons

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

Corporate Management Team

Background Papers

- (i) ODPM Housing Capital Allocations 2006/07
- (ii) GONE Letter Local Transport Capital settlement 14/12/2005
- (iii) DFES Letter Capital Allocations 20/12/2005
- (iv) DOH Letter Adults Personal Social Services Capital Allocation 5/12/2005
- (v) Capital Bid Forms
- (vi) Accounting Records

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