
CAPITAL MEDIUM TERM FINANCIAL PLAN - 2007/08 – 2010/11

Responsible Cabinet Members – Councillor John Williams, Leader and all Cabinet Members

Responsible Directors – Corporate Management Team

Purpose of the report

1. To inform Members of the Annual Capital Settlement and to submit for Members' consideration the proposals of the Corporate Management Team (CMT) for the Capital Programme 2007/08 – 2010/11.

Summary

2. The Government has recently announced its capital funding plans for local authorities. This puts in place funding of almost £93.907m over the next four years in addition to schemes previously approved and still in progress. The total capital programme includes over £33.474m on schools including a major refurbishment of Hummersknott comprehensive, £20.366m on the borough's transport infrastructure, including the Darlington Eastern Transport Corridor, £34.794m on Housing, together with the completion of the Pedestrian Heart and other schemes totalling over £5.273m. There is also external funding for a new school at Cockerton and the refurbishment of Carmel Technology College totalling over £13.000m. After all this investment totalling £106.907m there is £5.260m of uncommitted capital resources. CMT has constructed a limited programme of capital investment for 2007/08, which leaves £4.690m prudently reserved at this stage to meet any other investment requirements that may be needed to supplement major schemes. In total this will lead to over £108.395m of capital investment over the next four years in Council services.

Background Information

3. 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).

4. 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.

Information and Analysis

2006/07 Capital Programme

5. One significant change to the previously reported 2006/07 capital programme needs to be considered. The settlement of equal pay claims is expected to be concluded in the current financial year. It would be prudent to set aside up to £1.0m to cover these payments. Permission from the Department for Communities and Local Government to capitalise the payments has been applied for but a decision will not be announced until late January. The general fund capital receipts figure in appendix 1 takes account of this potential £1.0m commitment.

2007/08 Capital Settlement – Supported Borrowing and Capital Grants

6. The Council is now in receipt of most of the information from the Government on the 2007/08 Capital Settlement which informs the Council of its allocations of supported borrowing and capital grants.
7. **Table 1** below compares Supported Capital Expenditure (Revenue) - SCE(R) – between 2006/07 and 2007/08
8. 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 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)		2006/07	2007/08	Suggested Treatment
		£m	£m	
1.	Transport	2.769	1.861	Passport
2.	Children’s Services	1.344	1.505	Passport
3.	Adult Services Mental Health (Single Pot)	0.051	0.051	Corporate
4.	Carefirst Mental Health (Ring fenced)	0.079	0.080	Passport
Total		4.243	3.497	

9. The significant changes are noted below:

Transport (Line 1) – The decrease in resources is due to an element of the funding now due to be paid as grant. However, overall funding for the Local Transport Plan has increased, the Maintenance Block has increased because of the formula, but the Intergrated Transport Block has increased by 3% because of the “good” Local Transport Plan and by a further 12.5% because of “excellent” delivery of our first Local Transport Plan.

Children’s Services (Line 2) – This is a formulaic allocation based on pupils numbers and numbers of schools, the increase between the two years relates to increases in amounts per pupil and amounts per school.

10. The Council’s Supported Capital Expenditure (Capital) SCE(C) is shown in **Table 2** and compares 2006/07 and 2007/08. 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)		2006/07	2007/08	Suggested Treatment
		£m	£m	
Housing				
1.	Major Repairs Allowance	3.453	3.508	Passport
2.	Disabled Facilities Grant	0.250	*0.250	Passport
3.	Sub-Regional Disabled Facilities Grant	0.284	0.284	Passport
4.	Sub-Regional Private Sector Decent Homes	0.776	0.801	Passport
Children's Services				
5.	Devolved Capital	1.349	1.423	Passport
6.	Modernisation Funding	0.558	0.426	Passport
7.	School Travel Plans	0.033	0.033	Passport
8.	E-Learning	0.149	0.096	Passport
9.	Computers for Pupils	0.000	0.140	Passport
10.	Targeted Capital –Hummersknott	1.000	7.724	Passport
11.	Integrated Children's Service IT	0.027	0.000	Passport
12.	Improving Information Management	0.078	0.077	Passport
13.	Sure Start Capital	0.428	0.870	Passport
14.	LSC. Neighbourhood Learning in Deprived Communities	0.037	0.038	Passport
Transport				
15.	Local Transport Plan	0.000	1.102	Passport
16.	Darlington Eastern Transport Corridor	3.000	8.500	Passport
17.	Road Safety Grant	0.000	0.041	Passport
Regeneration				
18.	Single Programme	1.500	*2.500	Passport
19.	Local Area Agreement	0.970	1.130	Passport
20.	Maidendale Ranger Centre	0.000	*0.125	Passport
21.	Railway Centre and Museum	0.297	1.328	Passport
Community Services				
22.	Youth Capital Fund	0.065	0.065	Passport
23.	Total	14.254	30.461	

*Denotes indicative figures

11. The significant changes are noted below:

Line 8 – E-Learning. The reduction in credits is as a result of the DfES gradually phasing out this funding.

Line 9 – Computers for Pupils –This funding from the DfES is aimed at improving the life chances of the most disadvantaged secondary school pupils (and their families) by providing ICT access at home, which should support higher education standards, help develop skills for the 21st century and enable them to better contribute in future to the economy and to society.

Line 10 – Targetted Capital – Hummersknott – In 2006/07 £2.908m was approved by the DfES however only £1.000m was released by cabinet as recognition that the project would require only detailed feasibility and outline design work, therefore not all of the funding will be utilised in 2006/07. As this type of grant has a 17month spending profile the carry forward from 2006/07 of £1.908 and the 2007/08 allocation of £5.816m will be utilised during 2007/08.

Line 13 - Sure Start – The 2007/08 allocation is greater than 2006/07 due to reprofiling by DfES which acknowledges a national difficulty to spend the original 2006/07 allocation.

Line15 - Local Transport Plan – Funding now being received through grant.

Line 16 - Darlington Eastern Transport Corridor- Profiling of funding for the scheme.

Line 18 - Single Programme- Includes indicative funding for Arnold Road Allotments Relocation £0.800m, Houghton Road foot bridge £1.200m and £0.500m for Darlington Gateway Projects.

Line 20 - Maidendale Ranger Centre - Indicative funding only.

Line 21 - Railway Centre and Museum – Profiling of scheme.

12. Reports will be brought before Members in early April 2007 to seek approval for the detailed plans relating to the supported capital expenditure contained in **Tables 1 and 2**.

Available Capital Receipts

13. 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 2007/08 see paragraph 8 above). The Council’s Capital Receipts position is discussed in the Part 3 item on this agenda.

Resources Available for Investment

14. **Appendix 1** considers all of the capital resources available to the Council over the duration of the Capital MTFP. Rows 1-8 shows a summary of resources including the Supported Capital Expenditure as discussed in paragraphs 5-11 and the capital receipts discussed in paragraph 12. From the total resources (row 8) are deducted the expenditure proposals (row 9 to 11). These spending plans are dealt with more fully in paragraph 20.
15. Over the duration of the MTFP there is approximately £5.260m available after providing for the existing planned spend of c£95.200m but this sum is at risk at the current time as it is dependant on sales of c£10.300m in 2007/08 and 2008/09. This level of sales is significant and can be impacted on considerably by: -
 - (a) The amount of Housing Land going on the market at once.
 - (b) The impact on values of the affordable housing requirements.
 - (c) The “slowing-down” of the housing Market.
16. Therefore, committing expenditure against capital receipts with such risks should be limited until there is more certainty.

Future Aspirations not yet built in to the Capital Programme

17. The secondary school strategy identifies the need to provide funds for the remaining secondary schools, which could amount to £5.000m. Therefore it would be appropriate to hold any potential resources for this purpose at the present time.
18. The Academy build at Eastbourne is now to be procured via a new route, which transfers construction risk to the Council. The Council aspirations for the scheme may exceed the external funding available.

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.
20. The ongoing funded Capital Programme remains significant with £95.226m of investment planned over the next four years including:-
 - (a) Hummersknott School
 - (b) North Road Primary
 - (c) Pupil Referral Unit
 - (d) Sure Start
 - (e) Schools Funding
 - (f) Local Transport Plan
 - (g) Darlington Eastern Transport Corridor
 - (h) Housing
 - (i) Local Area Agreement
21. Details of capital programmes are as follows: -
 - (a) Raising Educational Achievement-Children's Services**
 - i) Hummersknott Comprehensive Refurbishment project, the scheme will be put out to tender in April 2007, with physical work anticipated to commence during Summer 2007, with an anticipated completion date of Spring 2009.
 - ii) Abbey Federation Targeted Capital Scheme, this scheme will see the erection of a new hall for the benefit of the schools and the community, with an anticipated completion date of Autumn 2007.
 - iii) In October 2006, Darlington's Expression of Interest to establish a Church of England Academy to replace Eastbourne Secondary School, was approved by Ministers. A feasibility study is now being undertaken by the Sponsors, Diocese of Durham and David and Anne Crossland, together with Darlington Borough Council. This stage of the process will further develop both the vision and mission for inclusion in the Education Brief and will involve full consultation with the local community and all interested parties.

- iv) At the beginning of 2006, the Government announced a primary school capital investment programme which aims to renew or replace 50% of all Primary schools over a 15-year period and will be based on formulaic funding commencing in 2009/10. As part of programme Darlington has been successful in bidding for advanced funding from a limited pilot programme to commence in 2008/09. As one of only 23 local authorities across the country to get a share of the Government's £150.000m Pathfinder initiative, the Council will invest £6.500m in creating a new state of the art facility to replace the existing North Road Primary School.
- v) The designs have now been frozen for the refurbishment of the former Rise Carr Primary School buildings to house the Pupil Referral Unit and Education Other than at School Services. The £2.400m project will see staff and pupils relocated from accommodation currently spread across the town to a more central location with all services operating from a single site. A planning application is currently under consideration, which if successful will allow construction to commence on the scheme in Spring 2007 with completion and the opening expected in January 2008.
- vi) The designs are progressing well for a new Voluntary Aided primary school to replace Cockerton CofE Primary School. It is anticipated that the project may be able to start on site in Spring 2007 with the earliest completion date for the project being early 2008.
- vii) Work has now commenced on site at Carmel Technology College as part of a £10.000m project to remodel and refurbish the school. The work is progressing well with demolition completed and the new build element already started. Completion is anticipated to be in early 2008.
- viii) Sure Start Capital Grant - expenditure during the 2007-2008 period is being directed towards the delivery of the Ten Year Strategy and towards supporting Primary schools to develop extended schools services as set out in the Extended Schools Prospectus. Specifically the funding is being used to continue to develop the network of Children's Centres, Extended Schools, and sustainable early years and childcare provision. (including the three and four year old offer).
- ix) Capitalised repairs major works consist of disabled access improvements and inclusion projects, replacement fire doors and fire stopping works to roof and ceiling voids, electrical rewires, replacement windows and external doors, upgrading of heating and hot water systems, internal remodelling works to improve teaching facilities and various surveying works.
- x) Childrens Services and schools are continuing to work in partnership, to ensure that their Devolved Formula Capital funding is targeted towards projects that have been identified as high priority works in the departmental asset management plan and their particular school needs.

(b) Improving Health and Well-being and Promoting Community Safety - Housing

- (i) During 2007/08, 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 351 dwellings, located predominantly at Firthmoor, Redhall, Harrogate Hill, Cockerton East, Rise Carr, Branksome, and Whinfield. 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 commence at blocks of flats at Kilburn House and Hornby House.
- (iv) Approximately 236 dwellings throughout the Borough will benefit from new central heating systems located predominantly in Firthmoor, Redhall, Branksome, Harrogate Hill and Rise Carr.
- (v) External improvement works are planned for 38 properties at Firthmoor which includes the provision of new fencing, pavement crossings and vehicle hard standing where appropriate.
- (vi) From 2007/08 onwards, a new private sector loans programme becomes operational. The programme will be administered by the Home Improvement Agency, Care and Repair. The range of financial assistance packages provide financial loan assistance for essential emergency repairs and other improvements to bring properties up to the required Decent Homes standards.

(c) Developing an Effective Transport System - Transport and Highways

- (i) With regard to the Transport Capital Programme, finalised detailed financial proposals are not currently available for 2007/08. These proposals are in the process of being finalised and are due for consideration at Cabinet on 20 March 2007 where members will be provided with a full financial update.
- (ii) However, the implementation of the following works is anticipated in accordance with the policy thrust of the Second Local Transport Plan: -
 - (a) A full range of schemes delivering outputs on road safety, school travel plans, traffic management and traffic calming.
 - (b) Further junction improvements to tackle traffic congestion.
 - (c) Year 1 delivery of the Darlington Eastern Transport Corridor (a £12.500m scheme tackling traffic congestion and encouraging economic regeneration with an opening date of 2008).
 - (d) Further encouragement of bus use by continuing to improve bus shelters, raising kerb heights at bus stops and by minimising delays to bus services. Links will be made with the Tees Valley Connect project should funded be secured for this sub-regional proposal.
 - (e) 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. As one of six Cycle Demonstration Towns, matched funding will be provided by Cycling England to accelerate the delivery of the cycle network.

- (f) 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.
- (g) More detailed design work will be undertaken on a Park & Ride scheme should the ongoing feasibility study find that the business case is positive.
- (h) Implementation of further actions designed to improve car parking both on and off street, such as Residents' Parking Zones and preparatory works for the Council's application for Civil Parking Enforcement powers.
- (i) The Council will continue to support community and voluntary transport.
- (j) 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) Other Capital Schemes

Promoting Inclusive Communities and Enhancing the Local Environment

- (i) **Local Area Agreement** – A number of schemes aimed at supporting the LAA Block 5 (No 3) Safer Stronger Communities as outlined in the report to Cabinet on 12th September 2006.
- (ii) **Maidendale Ranger Centre**- the proposed Countryside Rangers Centre at Maidendale Local Nature Reserve is part of the wider project to improve this urban fringe site for people and biodiversity. The development is still undergoing a feasibility study at this stage but if proved to be sustainable, it would be an important addition to the nature reserve and Firth Moor as well as the wider community. The centre would be developed by a community group, not the Council, with external funding.

Stimulating Leisure Activities

- (iii) **Railway Centre and Museum**- Phase 1 of the refurbishment and refitting of the Darlington Railway Centre and Museum as outlined in the Cabinet report of 12th September 2006.

Improving the Local Economy

- (iv) **Darlington Gateway Schemes**- Preliminary expenditure on a new logistics park based at Faverdale.
- (v) **Haughton Road Foot Bridge**- Construction of a pedestrian and cycle bridge adjacent to Haughton Road funding part of Central Park from Tees Valley Regeneration.

- (vi) **Arnold Road Allotment Relocation-** Relocation of the Hundens Lane allotments to a site off Arnold Road to release the Central Park site for development.

Capital Bids for Unallocated Resources

22. Attached at **Appendix 3** is a schedule of the bids received from departments. The schemes are in assessed priority ranking order. 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. CMT have reviewed the schemes in **Appendix 3** and given the details in paragraphs 13 to 19 it is suggested that the only schemes that are approved relate to ongoing business, annual commitments i.e. maintenance and investment required to deliver service efficiencies e.g. ICT.
24. The proposed additional investment for 2007/08 is: -

Table 3

No.	Capital Scheme	Amount £m	Reason for Scheme
1.	CCTV Control Room	0.120	Final phase of digitalisation. Already approved in principle last year
2.	DDA and Fire Regulations	0.050	Legislative
3.	Planned Maintenance to Operation Buildings	0.250	Business requirement
4.	ICT Development	0.150	Maintenance of service delivery
	Total Cost	0.570	

Conclusion

25. The Council has capital resources of over £93.907m in addition to on-going schemes. There remains unallocated capital resources of £5.260m over the period 2007/08-2010/11. It is appropriate that the majority of these monies held are to support the secondary school strategy as indicated in paragraph 16.

Outcome of Consultation

26. 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.

Legal Implications

27. 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

28. 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

29. The issues contained within this report require Council approval and the report will be presented to Council on 8th March, 2007 following consideration by Resources Scrutiny and further consideration by Cabinet.

Decision Deadline

30. For the purpose of the 'call-in' procedure this does not represent an urgent matter. The report will be considered by Resources Scrutiny Committee as part of the budget process.

Key Decision

31. In accordance with this Council's Constitution this item has been advertised in the forward plan as a Key decision as it contains a major financial decision, the Capital Medium Term Financial Plan.

Recommendation

32. It is recommended: -
- (a) That the allocation of up to £1.0m for Equal Pay claims in 2006/07 be agreed (paragraph 5 refers).
 - (b) That the allocation of Supported Capital Expenditure as set out in paragraphs 6 to 12 be agreed.
 - (c) That the Capital spending plans 2007/08- 2010/11 as set out in Appendix 2 be agreed.
 - (d) That the capital priorities as submitted by Corporate Management Team totalling £0.570m in paragraph 24 for 2007/08 be agreed.

Reasons

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

Corporate Management Team

Background Papers

- (i) ODPM Housing Capital Allocations 2007/08
- (ii) GONE Letter Local Transport Capital settlement 18/12/2006
- (iii) DFES Letter Capital Allocations
- (iv) DOH Letter Adults Personal Social Services Capital Allocation 28/11/06
- (v) Capital Bid Forms
- (vi) Accounting Records

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