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**CAPITAL PROGRAMME**

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**Responsible Cabinet Member - Councillor Stephen Harker  
Efficiency and Resources Portfolio**

**Responsible Director - Paul Wildsmith,  
Director of Neighbourhood Services and Resources**

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**SUMMARY REPORT**

**Purpose of the Report**

1. To approve the 2015/16 Capital Programme.

**Summary**

2. Capital Expenditure is significant, one off expenditure used to purchase or improve assets to enable the Council to deliver its priorities. The majority of the funding for capital expenditure for Schools and Transport is received from government grants and for Housing improvements from the Housing Revenue Account (HRA). The allocation of spending on these three priorities is subject to on-going programmes and agreed outcomes, for example the Local Transport Plan
3. The Council can also supplement Government Capital funding from its own resources such as capital receipts and borrowing; however in the current economic climate the ability to fund from the Council's resources is severely limited. There is a need however to maintain the buildings and assets which the Council owns and provision for this needs to be made within the Council's overall financial strategy.

**Recommendation**

4. Council are asked to;
  - (a) Approve the 2015/16 Capital programme as summarised in **Appendix 1**.
  - (b) Approve a delegation for Cabinet to vary the Capital Budget for 2015/16 by up to £0.500m without further Council approval.

**Reasons**

5. The recommendation is supported to provide funding for capital schemes.

**Paul Wildsmith**  
**Director of Neighbourhood Services and Resources**

**Background Papers**

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

Elizabeth Davison : Extension 2601

S17 Crime and Disorder	There are no specific proposals that impact on the Council's Crime and Disorder responsibilities
Health and Well Being	The report contains proposals to continue to allocate resources in support of the Council's Health and Well Being responsibilities
Carbon Impact	The proposals in the report seek to continue to support the Council's responsibilities and ambitions to reduce carbon impact in the Council and the Borough.
Diversity	There are no specific proposals that impact on diversity issues.
Wards Affected	All wards are affected
Groups Affected	There are no proposals that impact on specific groups.
Budget and Policy Framework	The Capital Programme must be decided by full Council
Key Decision	The Capital Programme must be decided by full Council
Urgent Decision	The Capital Programme must be decided by full Council
One Darlington: Perfectly Placed	The proposed Capital Programme does not make any changes to policy or service levels.
Efficiency	Capital expenditure on the Council's asset will improve efficiency and reduce revenue costs in some areas.

## MAIN REPORT

### Information and Analysis

6. Capital Expenditure is significant, one off expenditure used to purchase or improve assets to enable the Council to deliver its priorities, for example purchasing land to enable road improvements or investing in modernising school buildings and housing. With regards to schools and transport the vast majority of the funding for capital expenditure is received from the government, mainly to match national priorities such as Education and Transport. The Housing programme is funded from the Housing Revenue Account. The allocation of spending on these three priorities is subject to on-going programmes and agreed outcomes, for example the Local Transport Plan.

### External Investment

7. Whilst the main purpose of this report is to propose a capital programme for consultation with regard to council funding, it is worth noting the significant private sector capital investment the Borough continues to attract. HCA and council investment in previous years to pump prime the Central Park site is now realising benefits as the residential development is progressing and has facilitated investment in other areas. In regard to this year over £86m is currently being invested in projects. This includes £30m in a cinema and town centre hotel, £38m investment by CPI in the establishment of the National Biologics Facility, £6m Housing and Communities Agency and European investment in the Business Central Enterprise, £9m to facilitate the DFE office relocation and £3.7m for the inner ring road.
8. Looking forward the private sector investment pipeline is healthy with over £18m investment under consideration in retail, with a further £5m for hotel and Industrial property. We have also been successful in bidding for Heritage Lottery funding for the Civic Theatre restoration and Theatre Hullaballoon from the Arts Council.

## Internal Investment

9. Set out below are details of the levels of Government funding available for investment by the Council in 2015/16.

	2015/16 £000's
<b>Children's Services</b>	
Basic Need	1,517
Capital Maintenance LA Maintained	245
LCVAP for VA Schools	50
DFC LA Maintained	70
DFC for VA Schools	15
<b>Housing</b>	
Disabled Facilities Grants	437
<b>Transport</b>	
Local Transport Plan	2,624
Local Growth Fund	2,500
<b>Other Capital Programmes</b>	
Adults Personal Social Services	279
Better Care Fund	104

10. **Appendix 1** sets out the proposed capital programme with regard to applying the resources allocated to the Council, the programmes include on-going schemes for previous years. The following paragraphs describe the major elements of the programme. Specific scheme approvals will be subject to detailed reports to Cabinet.

### Children's Services

#### Basic Needs Funding

11. In March 2013 the local authority was allocated £1,519,760 as a two year allocation (13/14 and 14/15) to deliver additional school places (Basic Need Funding). A consultation process was undertaken with schools throughout the autumn term 2013 and a School Organisation Plan (SOP) for the period 2013-2017 was developed. In addition to approving the SOP, Cabinet approved the release of £90,000 for feasibility projects to be undertaken to finalise the next wave of addition school place projects. The following schools were identified as having the potential to meet the demand for primary places on the East side of Darlington:

- (a) Red Hall Primary - PAN 30 to PAN 45 a total increase of 105 places
- (b) Heathfield Primary - PAN 60 to PAN 90 a total increase of 210 places
- (c) The Rydal Academy - PAN 75 to PAN 90 a total increase of 105 places

12. Planned Admission Number (PAN) = number of places available in each admission year. There are 7 admission years in each primary school from Reception to Year 6.
13. During the summer (2014) a decision was reached not to continue the feasibility option for The Rydal Academy, as the proposed housing developments are unlikely to require an increased number of places in this area. The feasibility work for the other two projects is on-going. A further round of consultation is due to take place with Schools again during the autumn term 2014 with a view to submitting final proposals to Cabinet in early 2015.
14. In 2015 the School Organisation Plan will be reviewed to consider the longer term pupil projections beyond 2018 and the potential impact of housing developments across the Borough. The LA would be looking to future DfE allocations to fund developments required at primary school and potentially at secondary phase to provide for the large primary cohorts moving through. Future year's funding allocations for Basic Need are projected at £1,516,959 2015/2016 and £1,592,807 for 2016/2017 but these figures are not confirmed.

### **School Condition Allocation**

15. The Local Authority receives Capital Maintenance funding (now called School Condition allocation) for Community Maintained Schools. Maintenance funding for Academies is available through other routes. This capital maintenance funding received by the Local Authority will be spent in line with key priorities identified with each maintained school through the locally agreed asset management planning (LAMP) process. There are no strict spend deadlines for these small scale condition related projects which are prioritised and completed as funding becomes available. Devolved formula capital (DFC) is a formula based grant provided to all maintained schools to help support the capital need of their buildings. It is initially allocated to the LA on a formulaic basis, the LA then allocates the funding directly to schools. As a rule this funding should be invested in the priorities identified through the LAMP process.

### **LCVAP**

16. Locally Co-Ordinated Voluntary Aided Programme (LCVAP) is coordinated by the Council in consultation with the Diocese of Hexham and Newcastle and the Dioceses of Durham and Newcastle. In Darlington any priorities generated from the Local Asset Management Plan agreement process are shared with the Dioceses. The outline lists of projects are submitted for approval to the Department for Education and if approved the funding goes direct to the Diocese. Devolved Formula Capital funding for VA schools is paid directly to each Diocese, unlike LCVAP there is no requirement to seek approval from Department for Education. The LA is kept informed of works so that asset management plan information can be kept up to date.

## Housing

17. The priorities identified through the Housing Business Plan to be funded from the estimated capital resources for 2015/16 include:-

- (a) Adaptations – £300,000 budget is to deliver adaptations within the Council's housing stock to enable tenants with a disability to remain in their own home and live independently across the Borough.
- (b) Heating Replacement - £1,300,000 to fund new condensing boiler and central heating upgrades. This work will predominantly be completed in the following wards: Central, Eastbourne, Lingfield, Lascelles, Park East and North Road. There will also be some miscellaneous properties which will be included in the programme and we will be running a "just in time" programme of replacement for those boilers that fail before their due replacement date within the financial year.
- (c) Structural Repairs - £140,000 has been set aside to address any structural issues that may be identified within the year.
- (d) Lifeline Services - £80,000 is set aside to continue to provide upgrades to Lifeline equipment. There will also be investment to replace the existing telecommunications equipment to improve the level of service that can be provided to residents.
- (e) Repairs before Painting - £100,000 will be invested in joinery repair works in anticipation of the cyclical external painting programme in areas throughout the Borough.
- (f) Roofing – £400,000 for the replacement of roofs, fascia's, soffits and rainwater goods alongside the top-up of loft insulation where appropriate. The programme will be to complete ongoing works from 2014-15 in Lingfield and address a number of older roofs in Harrogate Hill.
- (g) Garages - £75,000 will be invested in improvements to the Council's garage blocks in areas to be determined.
- (h) External Works - £500,000 will be used to provide new rear dividing fences and new footpaths to Council properties across the Red Hall estate as part of the wider regeneration of Red Hall.
- (i) Smoke Detectors - £50,000 is required to replace existing hard wired smoke and heat detectors where systems are now 10 years old and reached the end of their recommended lifespan.
- (j) Pavement Crossings - £25,000 has been identified to fund pavement crossings across the Borough.

- (k) Energy Efficiency - £1,100,000 is required for the replacement PVCu windows and the installation of composite doors to Council properties across the Red Hall estate as part of the wider regeneration of Red Hall.
- (l) Replacement Door Programme - £250,000 will be used to develop a planned programme to replace existing timber doors with new PVC doors. The programme has yet to be identified but will be based on an analysis of the geographical trends for door repairs and unplanned door replacements.
- (m) Door Entry Systems - £80,000 will be used to replace failing door entry systems and communal doors in Rise Carr.
- (n) Internal planned maintenance – £2,100,000 for the replacement of kitchens and bathrooms, rewiring of electrical systems and heating system upgrades where required. This work will predominantly be completed in the following wards: Park East, Lascelles and Cockerton West. There will also be some miscellaneous properties which will be included in the programme and we will incorporate additions to the programme when void properties which have been omitted from previous year's programmes become available.
- (o) Communal Works - £100,000 will be spent on the upgrade and improvement of flooring within communal areas across the borough and provide secure post boxes for flats with communal entrances.
- (p) Lifts - £23,000 to complete any unplanned major works to passenger lifts within sheltered and extra care schemes.
- (q) Red Hall - £2,265,000 is required to deliver a range of improvements as part of the wider regeneration of Red Hall. Measures will include the provision of external wall insulation to all council properties where appropriate and to a small number of owner occupier properties within the courts. The budget will also be used for the reconfiguration of Aintree and Anfield Court and alterations to improve traffic flows within each of the courts.
- (r) New Build - £4,020,000 will be spent developing 66 new build council housing units. The budget will also be used to complete site investigations to explore the opportunities for the development of a further 75 new build council housing units.

## **Transport and Highways**

18. The following works are proposed for delivery in 2015/16 and include the Third Local Transport Plan and the Local Growth Fund.

### **Local Transport Plan**

19. The Local Transport plan is funded by the Department of Transport and is split into two areas; the Integrated Block and Highways Capital Maintenance. During 2015/16 £886,000 has been allocated for the Integrated Block and will fund schemes including speed management initiatives, road safety schemes, safer routes to schools and bus stop improvements. The Department for Transport has announced that the funding allocations for the Highways Capital Maintenance block

for 2015/16 will be £1.738M. It will be used to fund highway maintenance programmes including the reconstruction of roads, as well as resurfacing and general structural maintenance. Priorities for this work will be based on the annual condition survey data. Bridge maintenance schemes are also identified from condition survey and a priority list has been compiled.

## **Local Growth Fund**

20. In July 2014 the Government announced funding agreements for the Local Growth Fund. Funding has been agreed to provide projects at Central Park including a road junction on Yarm Road to provide southern access into Central Park and a spine road linking this junction to the existing development at the north end of the site which includes Teesside University, Darlington College and the initial housing phase. The design includes bus passenger facilities, walking and cycling routes and links between Central Park and Bank Top railway station. Funding will also be used to commission a study at Bank Top. The objective of the study is to remodel the railway station in order to improve connectivity and transport interchange; improve journey times and develop a business model for the commercial development of the railway station. A further element of funding is for sustainable transport across the Tees Valley including improving cycling and walking routes and improving passenger facilities for those using local bus services. The schemes will aim to improve sustainable transport to employment and housing sites, as well as transport hubs. This will support people into employment as well as support the local economy.

## **Council Funded Schemes**

21. The Council can and has supplemented Government Capital funding from its own resources such as capital receipts and borrowing; however in the current economic climate the ability to fund from the council's resources is severely limited. There are a number of competing pressures and uncertainty around future funding which should become clearer next year once the new government's capital spending intentions are known.
22. The risk assessed capital receipts anticipated over the next four years along with receipts already received could be in the region of £16.2m. Of this £7.5m has already been earmarked against the Multi Storey Car Park and £2m allocated to the Dolphin Centre as per the 2014/15 programme. There are also provisions required which Council have previously agreed in regard to the Civic Theatre fund raising of £1.6m and the Theatre Hullabaloon £0.660m.
23. There is also the ability to use capital receipts to repay debt and due to the significant revenue pressures the Council is facing it would be prudent to earmark some capital receipts for this purpose to increase flexibility.
24. There will be many competing priorities against the available resources for both regeneration and refurbishment and these schemes will emerge over the coming year. However as capital receipts are not guaranteed and potentially receipts may be needed to assist with the revenue MTFP, availability for capital investment will be limited therefore at this stage members are requested to make capital provision



for 3 schemes which will be subject to full reports to Cabinet in due course, these are:-

- (a) Dolphin Centre - £0.750m – £2m has already been allocated to this scheme and work is ongoing to finalise the extent of works required to ensure the Centre can continue to operate in the future. Existing Plant and Equipment if not replaced would lead to the Centre having to close at a future date. The extent and cost of the works required are likely to be greater than first estimated and a full scheme is in development and like all capital schemes will be subject to a detailed report to Cabinet but given what officers are already aware of from work done to date it would be prudent at this time to set aside a further £0.750m to ensure there are sufficient funds to undertake the required works.
- (b) Indoor Market - £0.500m. The Market hall requires a significant level of repairs and given the market is integral to the Town Centre and an income earning asset for the Council, investment is recommended in the short term rather than deferring the investment to a later period. The scheme is not yet fully worked up but is likely to cover repairs to Electrics, roofing, fire alarm system, extraction system and redecoration.
- (c) Advanced Design Fees - £0.150m. - Darlington has a significant amount of land with evidenced potential for commercial or housing development. Much of the land is in Council ownership and benefits from appropriate designation in the Local Plan; however the current level of detailed understanding in relation to key development issues and infrastructure requirements is very limited. The majority of employment sites are in close proximity to either the A66 and or A1, which make them attractive however the ability to develop the sites quickly is constrained by site and wider infrastructure. Until 2009, any feasibility or advanced design works for capital projects could be funded from the Single Regeneration Programme operated by One North East. There are currently no sources of funding for speculative feasibility work; which means that in order to enable Darlington to access current funding programmes, projects need to be developed to a point whereby the issues, costs and outline scope and designs of works need to be in place i.e. feasibility has been undertaken. There are four key benefits to Council investment:
  - (i) It will demonstrate the Council's commitment to schemes and projects for which it is seeking support from funders.
  - (ii) The Council will improve its competitiveness in securing external funding for either on or off-site infrastructure (particularly from Tees Valley Unlimited but also Homes and Communities Agency) as well as other funders. The majority of funding "calls" in recent times have been for "shovel-ready" projects.
  - (iii) The Council will be in a better, more informed position to promptly respond to inward investment enquiries.
  - (iv) The sites will become more attractive to the market and the investment will pave the way for future capital receipts.

## **Loans to Registered Social Landlords**

25. In addition to the Capital Programme proposed above, officers are exploring the possibility of offering Loans to Registered Social Landlords (RSLs) either to build new properties or as rescheduling for existing loans. RSLs are unable to access borrowing from the Public Works Loans Board (PWLB) at lower rates as the PWLB will only lend to particular types of Public Bodies. However, under the Local Government Act 2003 Local Authorities can prudentially borrow and offer loans to the RSL's.
26. Loans would be linked to the appropriate PWLB interest rate and offered to RSL's with an additional percentage dependant on understood risk and State Aid considerations. All loans would be secured on the property of the RSL and would be subject to due diligence tests. It is envisaged that a maximum of £50m could be lent during 2015/16.