
CAPITAL PROGRAMME

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

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

SUMMARY REPORT

Purpose of the Report

1. To propose a 2017/18 to 2020/21 Capital Programme in relation to Council Financed Schemes to be forwarded to Council for Approval on the 11 May 2017.

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 Council's Capital Programme is funded from government grants and from the Housing Revenue Account (HRA) and these schemes have already been approved by Council at its Special Meeting of 28 February 2017, copy attached at **Appendix 1**.
3. The Council can also supplement Government Capital and funding from its own resources such as capital receipts and borrowing and the main emphasis of this report is on the Council funded schemes; 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.
4. In order to enable investments required to deliver Darlington's ambitions for sustainable economic growth the creation of an Economic Growth Investment Fund (EGIF) is recommended.
5. The proposed Council funded schemes are at **Appendix 2**.

Recommendation

6. It is recommended that the Capital Programme for Council funded schemes be recommended to Council on the 11 May 2017, including;
 - (a) The 2017/18 Capital programme as summarised in Appendix 2.
 - (b) The creation of an Economic Growth Investment Fund.

- (c) The delegation of the approval of schemes within the Economic Growth Investment Fund to Cabinet.
- (d) Ring-fencing the NNDR received from the Enterprise Zone to Central Park.

Reasons

- 7. The recommendation is supported;
 - (a) To provide funding for capital schemes.
 - (b) To assist in the enablement of investments required in order to deliver Darlington's ambitions for sustainable economic growth.
 - (c) To ensure decisions can be made on a timely basis
 - (d) To complete works required at Central Park.

Paul Wildsmith
Director of Neighbourhood Services and Resources

Background Papers

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

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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

8. 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 infrastructure works to facilitate economic expansion.
9. The purpose of this report is to update Council financed schemes that are to be funded predominantly by capital receipts and NNDR or from other sources such as prudential borrowing or income generation.
10. The capital programme for the next 4 years will need to be contained within the funds available wherever possible as due to the current economic climate the ability to fund the capital programme from prudential borrowing is severely limited and therefore it is proposed to utilise the available capital receipts.
11. Attached at Appendix 1 is the existing approved Capital Programme and at Appendix 2 is the additions to be funded from Council resources which will have regular updates as decisions are made and priorities change. The following paragraphs describe the major elements of the programme. Specific Scheme approvals will be subject to detailed reports to Cabinet.

Resources Available

12. Capital Receipts - The risk assessed capital receipts anticipated over the next four years along with receipts already received are anticipated to be in the region of £18m. Of this £9.1m is earmarked for various schemes as highlighted in the 2017/18 to 2020/21 Revenue MTFP leaving £8.923m to fund the capital programme.
13. Prudential borrowing – the Council can borrow for capital schemes however as this has a revenue implication due to repaying the borrowing costs and taking into regard the council's financial position this is not recommended at present. For example to borrow £1m over 20 years would have an annual revenue implication of £0.072m. The proposed programme does not include any further prudential borrowing, however, should schemes be proposed in the future where the borrowing can be financed from income derived from the scheme then these will be brought forward for consideration.

Programme of Essential Works

14. The following schemes have been identified as a priority for the Council and as such are recommended for approval.
15. **Town Hall Boiler Replacement** - £0.235m - This work has been prioritised by several condition surveys as essential work. The boilers are significantly past their renewal cycle and have been patch repaired and re-welded due to structural failure. There are modular boilers available now which are more reliable and more efficient.

16. With the Town Hall now remaining as the principle accommodation asset for the Council it is essential that this a key item to secure business continuity in colder periods of the year.
17. **Adoption of Highways** - £0.250m – There are various roads within the borough that have not yet been adopted and are in a state of disrepair. There is a real risk on the Council of liability for third party damage or injury caused by these disrepairs. The funding is sort to bring these roads up to an adoptable standard and hence reduce the risk of potential liability.
18. **Highway Maintenance – Unclassified Roads** - £1.610m – In the last 5 years the unclassified road condition has started to decline against a previous steady state condition profile. This deterioration is impacting on reactive repairs and revenue costs repairing safety defects. The additional funding is to arrest the steep upward trend and try to reduce pressure on reactive revenue spend. Internal and external sources of funding will be sought to try and reduce and compliment the capital allocations.
19. **Highway Maintenance – Bridge Maintenance** - £1.594m - In developing a robust asset management system for bridge management a gap has been identified relating to an Interim Advice Note (IAN) issued in 2007 relating to the requirement to Assess and possibly upgrade Existing Vehicle Parapets. The IAN introduces a risk ranking tool to assess existing parapets.
20. 11 of the 105 bridge parapets have been inspected to date of which 4 require further investigation to identify, repair, strengthening remedial work or the need for vehicle restraint systems. With the remaining bridges there is a significant likelihood further work will be required and funding is sort to quantify the outstanding risk of failure for existing parapets or from lack of vehicle restraint systems and a provision to address the works required.
21. **Advanced Design Fees** - £0.600m – funding to ensure that resources are available to work up any new schemes brought forward in relation to economic growth including site investigations on development sites, industrial and housing land. This amount has already been released in the 2017/18 – 2020/21 MTFP but is included in this report for completeness.
22. **West Cemetery Extension** - £0.400m – if burials are to continue at West Cemetery, works are required to extend the cemetery. Further work will be undertaken to review alternatives but at this stage a provision is recommended.

Economic Growth Investment Fund

23. The Economic Growth group have an Investment Plan that sets out the programme of investments that are either required or desired in order to deliver Darlington's ambitions for sustainable economic growth over the period 2017 to 2021 and beyond.

24. The Plan has been developed as a means to implement key strategies and to set out what needs to be done in order for the Borough to accelerate sustainable, managed and planned economic growth. It has also been developed in order to provide the structured framework required to ensure that a programme of investments is created that can deliver the strategic ambitions and goals of the Council.
25. The majority of the Plan will be completed in conjunction with the Tees Valley Combined Authority, however the Council will need to pump prime and match fund some of the schemes.
26. Assuming the essential works above are approved the remaining anticipated capital receipts to 2020/21 are £4.234m. Approval is sought to earmark this amount over the life of the capital programme to be used for the Economic Growth Investment Fund. It is anticipated any proceeds from sites which subsequently become operational and sold will be reinvested in the fund for future developments.
27. Specific scheme approvals will be subject to detailed reports to Cabinet to release each scheme as and when they are required.

Central Park Enterprise zone

28. Central Park is one of the Tees Valley's most significant regeneration schemes and is home to the Central Park Enterprise Zone. Central Park is one of Darlington's regeneration and economic growth priorities with huge potential to place Tees Valley at the heart of a national drive to place the UK at the forefront of innovation and process and product commercialisation in the biologics, subsea industries and associated sectors.
29. There are still works to be completed at Central Park including the need to create a car parking solution with minimal land take, a need for installing upgraded utilities and de-contamination.
30. Members will be aware that as an Enterprise Zone 50% of the NNDR will be returned to the Tees Valley Combined Authority (TVCA) with the remaining 50% retained by the Council. It is proposed that this NNDR is ring-fenced to Central Park, and following the development of an Enterprise Zone Implementation Plan, be used to fund any borrowing required for the completion of remediation, utilities and wider infrastructure over and above available TVCA funding