

**SPECIAL COUNCIL  
17 FEBRUARY 2022**

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**DARLINGTON RAIL HERITAGE QUARTER**

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**Responsible Cabinet Member -  
Councillor Andy Keir, Local Services Portfolio**

**Responsible Director - Dave Winstanley, Group Director of Services**

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**SUMMARY REPORT**

**Purpose of the Report**

1. To request that Council release funding as detailed in the recommendations to enable the delivery of Darlington Rail Heritage Quarter.

**Summary**

2. Darlington Rail Heritage Quarter is a major project that invests in our rail heritage ahead of the bicentennial anniversary in 2025 to create a national visitor destination in Darlington. Heritage and cultural regeneration are now recognised as a key ingredient in economic growth and the DRHQ will complement the economic growth ambition of the Borough.
3. The development will transform the DRHQ into a major visitor attraction by 2024 so that it can be a central part of the bicentenary events of the Stockton and Darlington Railway (S&DR) in 2025. Essential improvements will be undertaken to a number of significantly historic buildings on the site, linking them together to create a cluster of attractions including the Skerne Bridge, the oldest working railway bridge in the world. Digital and technological investment will bring history to life and there will be a new immersive ride experience only seen at theme parks. The DRHQ will have a café and shop, themed play area, show field a new live engineering building, temporary exhibition space, archive and extended car parking, all of which attract all generations to visit for years to come.
4. The site will be a key venue for the 2025 bicentenary anniversary events, which will put Darlington and the wider region on the world map and build strong foundations for the new DRHQ, demonstrating the Council's commitment to valuing our heritage and culture.
5. Members last considered a report on the DRHQ in January 2020 which released circa £20m of funding secured from the Tees Valley Combined Authority and since then work has progressed with a number of presentations to Scrutiny Committees outlining the direction of travel. This report provides an update on:
  - (a) The background and strategic case for the project
  - (b) The project objectives
  - (c) What is included in the project
  - (d) An update on approvals, leases, and acquisitions to deliver the project

- (e) The delivery timetable and financial strategy
- 6. The project is now at a position for Cabinet and Council to consider the approvals required for the delivery of the project. DRHQ will be a new transformational national standard attraction for Darlington and contribute to the economic growth ambition. It can be delivered and operated for the same cost that Head of Steam currently costs and be delivered in time for the bicentennial anniversary.
- 7. On 8 February 2022 Cabinet considered a similar report and approved the recommendations to move forward to Council for consideration and decision.

### **Recommendation**

- 8. It is recommended that Council approve and release of funding for Darlington Rail Heritage Quarter as follows:
  - (a) Approve and release £0.54m funded from grants and contributions from external bodies.
  - (b) Approve and release £2.2m from the Indigenous Growth Fund and note the use of £4.6m from the Towns Fund.
  - (c) Approve and release £5.11m of capital funding that will be financed through prudential borrowing from within the existing MTFP resources allocated for the Head of Steam.
  - (d) Approve and release £1.6m of capital funding from the National Lottery Heritage Fund (NLHF) & £0.3m from the Arts Council England (ACE) subject to successful applications. In the unlikely event the bids are not successful then agree to underwrite the £1.9m of funding.
  - (e) Release and underwrite a further £1m if the current project costs cannot be reduced further by value engineering.

### **Reasons**

- 9. The recommendations are supported by the following reasons:
  - (a) To enable DRHQ to move forward to delivery, ensuring it is completed in time for the 2025 celebrations of 200 years of the Stockton and Darlington Railway.
  - (b) DRHQ has strong links to the Council vision contributing to the economic growth of the town, and Northgate in particular, and will be a key venue for 2025 celebrations, which will put Darlington and the wider region on the world map being a place to be truly proud of, demonstrating the Council's commitment to valuing our heritage and culture.

**Dave Winstanley**  
**Group Director of Services**

## Background Papers

- (i) Rail Heritage Quarter Report (Cabinet, 7 January 2020)
- (ii) Rail Heritage Presentation (Communities & Local Services Scrutiny Committee, 22 October 2020)
- (iii) DRHQ Presentation (Communities & Local Services Scrutiny Committee, 21 October 2021)

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S17 Crime and Disorder	The project will regenerate the museum and surrounding area, which will have a positive impact on crime and disorder.
Health and Wellbeing	There will be a positive impact on health and well being of the local community by improving the site and providing significant outdoor play opportunities.
Carbon Impact and Climate Change	Where possible, measures to reduce the overall impact of climate change will be introduced.
Diversity	There is no impact on diversity as a result of this project.
Wards Affected	Northgate
Groups Affected	No particular group is affected as a result of this project.
Budget and Policy Framework	Funding for the project sits outside of the Council Budget Frameworks and will therefore have to be reported to Full Council for their approval.
Key Decision	Yes
Urgent Decision	No
Council Plan	DRHQ contributes to the Council Plan Vision and numerous Portfolio priorities, providing a significant new visitor attraction and putting in place the foundations for 2025 celebrations.
Efficiency	There is no impact on the Council's efficiency agenda as a result of this project.
Impact on Looked After Children and Care Leavers	There will be a positive impact on LAC and care leavers through the programme of activities at DRHQ which will provide opportunities for all young people particular with LAC and the more vulnerable.

## MAIN REPORT

### Background and Strategic Case

10. Darlington Rail Heritage Quarter (DRHQ) is a project that will invest in our rail heritage and assets ahead of the bicentennial anniversary in 2025 that will create a national visitor destination in Darlington. The Vision for DRHQ is:

*“By 2024, Darlington is recognised as the world’s most historic railway town with the Railway Heritage Quarter becoming a major visitor attraction showcasing internationally significant heritage in the Tees Valley, which will be central to the Stockton and Darlington Railway’s bicentennial celebrations in 2025. This project will reveal the story of Darlington and its communities that saw an opportunity and seized it, connecting, and transforming the world in the process. Our unique and authentic heritage will be reimagined with a strong narrative, varied interpretation, reimagined spaces, and new experiences to engage a wider audience, including local residents, businesses and visitors from around the globe. This site will act as a catalyst for heritage-led regeneration and social cohesion, empowering our communities and businesses to be part of the next transformational change.”*

11. The Council Plan Delivering Success for Darlington 2020 – 2023 sets the vision and priorities for the Council and the Rail Heritage Quarter delivers towards the vision and priorities. The creation of a nationally significant heritage visitor attraction in Darlington contributes to the vision that *“Darlington is a place where people want to live and businesses want to relocate, where the economy continues to grow, where people are happy and proud of the borough and where everyone has the opportunity to maximise their potential.”*
12. The Rail Heritage Project also delivers against several the Council’s Priorities to:
- (a) Grow Darlington’s economy*
  - (b) Maximise the potential of our young people*
  - (c) Support the most vulnerable in the Borough*
  - (d) Working with communities to maximise their potential*
13. Heritage and cultural regeneration are now recognised as a key ingredient in delivering economic growth. The DRHQ will add to the economic growth story of the town, and Northgate in particular, and will be a key venue for 2025 bi-centenary anniversary events, which will put Darlington and the wider region on the world map being a place to be truly proud of, demonstrating the Council’s commitment to valuing our heritage and culture.
14. DRHQ will contribute to the development of young people through a heritage educational experience in a fun environment, creating a community hub for the local area and offering opportunities for all residents and visitors to explore Darlington’s role in the birthplace of modern passenger rail. There are strong links and synergy with the wider developments at Darlington Station, Central Park and the town centre. The DRHQ will be a key visitor attraction within walking distance of the town centre, helping attract people to live in Darlington, visit Darlington and enjoy all that Darlington has to offer. DRHQ will be connected to the town centre via the linear park along the River Skerne; providing an

accessible and attractive route will encourage visitors to not only go to DRHQ but also explore the town centre where they will contribute to the wider local economy.

### **Project Objectives**

15. Members last considered a report on DRHQ in January 2020 and since then the project has continued to progress over the last two years despite the impact of the pandemic and is now at a position for Cabinet and Council to consider the approvals for delivery of the project.
16. Darlington Rail Heritage Quarter (DRHQ) is the working title for the project, which may well change following a detailed branding review that will feed into the overall marketing and website strategy.
17. The objectives remain the same for the project and have helped guide the development over the last two years and are documented below to set the context for Members.
18. The objectives are:
  - (a) **Heritage** – to reveal, conserve, protect and promote aspects of the heritage on site and secure its long-term future. The project will remove the Goods Shed from the Historic England Buildings at Risk register and will conserve and interpret the rest of the site attracting around 369,000 visits to the site each year. This restoration, development and interpretation of the heritage will act as a key element in the bicentenary celebrations which will remind the world of Darlington’s impact.
  - (b) **Engineering** – retain live engineering on site through developing third sector capacity and providing opportunities for the wider community through skills, learning and volunteering.
  - (c) **Innovation** – use past, current and future innovation to inspire, engage and motivate visitors and communities to raise aspirations and instil pride in the area.
  - (d) **Play** – through bespoke play, engage the local community and improve the wider visitor experience across the whole site.
  - (e) **Events and Activities** – develop an events and activity programme with an extended and engaging plan to increase the range and number of site users and audiences.
  - (f) **Skills and Learning** – deliver an educational programme for local and regional schools alongside more formal and informal skills and training opportunities in partnership with on-site partners and other interested relevant education bodies.
  - (g) **Community** – be a vehicle for improved health and well-being through increased activity and volunteering opportunities that provide positive social, health and quality of life benefits.
  - (h) **Interpretation** – engage a diverse audience including those that do not normally visit, and interpretation helps to do that by being exciting, creative and immersive

through the telling of the story to keep the site fresh and vibrant.

- (i) **Economy** – the site will act as a catalyst for economic growth by attracting local, national and international visitors, investment and spend, and creating employment and enterprise opportunities for the local community.
- (j) **Heritage Action Zone** – act as one of the key orientation points along the 26 miles of the Stockton & Darlington Railway, providing a hub for visitors to not only access the site but also the S&DR walking and cycling route, and wider interpretation.
- (k) **Commercial** – applying a commercial approach, demonstrating heritage and tourism as a viable sector for private investment.
- (l) **Sustainability** – proposals will work towards contributing to the overall climate change 2050 target.

### What is planned for the Rail Heritage Quarter

- 19. The development will transform DRHQ into a major visitor attraction and museum by 2024 so that it can be a central part of the bicentenary events of the Stockton and Darlington Railway (S&DR) in 2025. Essential improvements will be undertaken to a number of significantly historic buildings on the site linking them together to create cluster attractions including the Skerne Bridge, the oldest working railway bridge in the world. Digital and technological investment will bring history to life into and there will be a new immersive ride experience only seen at theme parks. The DRHQ will have a café and shop, themed play area, a new live engineering building, temporary exhibition space and extended car parking all of which attract all generations to visit.
- 20. There are a number of elements to the overall site. Attached at **Appendix 1** is the site layout and below more detail on each element:
  - (a) **The Goods Shed** – Currently occupied by Darlington Rail Preservation Society (DRPS), this Grade II\* Listed building will be repaired and restored (removing it from the Historic Buildings at Risk register). This will be the entry/admission point to DRHQ café and will have an immersive visitor digital media experience and a Hologauze projection of locomotives.
  - (b) **North Road Station Building** - A Grade II Listed building on a 200-year lease from Network Rail to Darlington Borough Council that houses the Head of Steam Museum. The refreshed museum will offer a rich visitor experience, immersed and engaged in the S&DR story and Darlington's place within it. Visitors will learn about where they are standing – the station itself – through its beautifully preserved original space, enticing visuals, and accounts drawn from archival ephemera – that will draw them back to the site repeatedly. There will be a number of exciting augmented and virtual reality installations that the visitor can engage with alongside traditional interpretation. The most memorable encounter of all within the museum is likely to be the Black Box experience, an extraordinarily vivid immersion into passenger rail travel from 1825 to the present day (if not also the future), and the extraordinary impact it had across societies and cultures around the world. The detail of the black box experience is under development, it is

proposed that it will include a 9 or 12 seat 4D cinema type experience where the hydraulic cinema seat moves in different directions given the feeling of movement. The design will be capable of delivering the heritage experience but will also be such that different shows can be easily added for different times of the year to stimulate repeat visit. The museum will be free (which removes the financial barrier to heritage allowing improved access to local deprived neighbourhoods) with the Black Box generating income through being a charged for experience.

- (c) **The Carriage Works** - Currently occupied by the A1 Steam Locomotive Trust (A1SLT) and North East Locomotion Preservation Group (NELPG). Within the carriage works a new archive store, study centre, reading rooms and open store on one side and temporary exhibition on the other, will be created. This will attract touring exhibitions improving local access to national collections and exhibitions. Initially for 2025, the whole of the carriage works will be used to house an exhibition of early locomotives from around the world as part of the 200-year celebrations. The archive, open store and study centre will be installed following this exhibition.
- (d) **External Play Area** - The development of a must-see play area designed to fit with the heritage story of the S&DR. Provides a new attraction and activity for locals and visitors that will increase the overall visitors to DRHQ, generating increased secondary spend opportunities at the café and shop.
- (e) **New Build Engineering Shed** - Creation of new engineering shed to house A1SLT with public visitor access via a bridge across the main line into a viewing gallery. The element of DRHQ creates the space for ongoing new build locomotives adding to the authenticity of the site, drawing in additional visitors.
- (f) **Footbridge Link** – A footbridge link from DRHQ site, over live operational rail track to the new live steam engineering building – providing safe and accessible access to this aspect of the visitor attraction.
- (g) **1861 Shed** – The 1861 Shed and surrounding land have been purchased to be part of the DRHQ with the restoration of the building to provide space to relocate DRPS into one half and the other half used for storage and garaging of locomotives. The outside spaces will provide the connection to the wider site with the cycling and walking route coming through this space as well as the private rail siding.
- (h) **Private Siding and Turntable** – The private siding linking the mainline to the site will allow locomotives to arrive on site by rail and provide the opportunity to run steam train rides as part of the events programme through the year. The cost of providing and laying and maintaining the private siding is the responsibility of A1SLT with support from DRPS. The turntable currently is aspirational and subject to further funding applications.
- (i) **The Lime Cells** – A building recently acquired by Darlington Borough Council is derelict and in poor condition. The Lime Cells will be repaired and will become an office for Friends of S&DR to support the continued work of the Heritage Action Zone (HAZ) and provide focus for an extensive programme of community engagement activity in relation to HAZ and supported by the National Lottery Heritage Fund (NLHF). Subject to a successful Round 2 application to NLHF (a first-

round pass was granted in December 2021) this development will enable the Friends organisation to recruit and train more volunteers to take part in management of the HAZ.

- (j) **Car Park** – Whilst we would anticipate some visitors will arrive by train to North Road Station, and over time hopefully this will increase, there is still a requirement to provide a car park which is placed purposefully close to the iconic Grade I listed Skerne Bridge, the oldest operating railway bridge in the world and a key player in the First Day, 27 September 1825. It is also famous for its illustration on the five-pound note. Close to the car park will be points of interpretation, all of which will convey a top-level introduction to the significance of the site in which they stand.
- (k) **External Works** - This includes entrance works, pedestrian areas on McNay Street, coach drop off, pedestrian crossing for North Road, highways work, drainage, bus stops, cycleways and landscaping.

### Interpretive Approach

21. The unique selling point of the DRHQ is the site itself, the cluster of heritage buildings and its proximity to the historic Skerne Bridge are assets only Darlington can seize upon. However, the interpretation of the site is key to making it a success and this has been developed in tandem with the physical aspects of the project.
22. The investment in interpretation and bringing the experience to life will create an awe-inspiring, memorable 'sense of place' and the realisation that 'it happened here'. The site will provide accessible entry points to the main themes of the Stockton & Darlington Railway story and Darlington's key role within it. The main themes are:
  - (a) **A global innovation** - The birth of the modern railway happened here in Darlington and was an innovation that changed the world forever.
  - (b) **The First Day** - Over 10,000 people witnessed the first ride of the first passenger steam train here in Darlington on 27 September 1825.
  - (c) **Darlington then and now** - The railway heritage of Darlington is all around us, and innovation continues to thrive in Darlington today.
23. The latest technologies offer opportunities for the rich heritage of the site to be brought alive for visitors, where using immersive, multi-sensory approaches, they can experience the sights and sounds of Victorian Darlington.
24. Once visitors have experienced the DRHQ, they will fully appreciate just how much the S&DR transformed the town and its fortunes forever. It will be a place where local heritage will lead to sustainable regional regeneration, investment and the transfer of new knowledge and skills to local communities. With a strong narrative, varied interpretation, reimagined spaces, and the creation of new experiences, it will explore the S&DR's enduring influence on the people, development and identity of Darlington and the region – past, present and future.



25. It will tell the story of a place, a time and range of people that brought together unique combinations of existing ideas and technologies and new solutions that combined the ingenuity and determination of engineers, entrepreneurs, financiers, surveyors, builders, navies, and countless unnamed individuals who gave their knowledge, expertise and faith to a great, world-changing endeavours.
26. Alongside all of this, the DRHQ will showcase and inspire the innovation and invention currently going on in the region – in industry, universities, entrepreneurial start-ups, and established companies – and build connections with knowledge, technology and heritage communities around the world through the interpretation of the collection and the site.
27. The interpretation will appeal to a wide range of audiences, both formal and informal learners, and is fundamentally visitor-focussed in its approach. Interpretation across the site ensures that there are engaging opportunities for a range of ages and preferences. The digital ‘black box’ experience is balanced with beautifully lit, iconic star objects such as Derwent, the celebrated Hackwork engine of 1845. Hands-on, interactive exhibits are included as well as a playful use of audio. The printed word will be clear and accessible, and an engaging use of existing archival material – newspapers, illustrations, photos, letters and diary entries – will provide authentic insights for all visitors. Provision for the under 5’s is integrated throughout the interpretation and through bespoke play spaces.
28. The approach adopted to interpretation will be:
  - (a) Welcoming, friendly and informed
  - (b) Presenting a sense of place
  - (c) Inclusive
  - (d) A playful approach
  - (e) Content delivered through themes and stories
  - (f) Digital ‘wows’
  - (g) Interactive, hands-on experiences
  - (h) Intellectually accessible and engaging
  - (i) Physically accessible
  - (j) Participative
  - (k) Environmentally responsible
  - (l) A vibrant programme of activities and events
  - (m) Attracting repeat visits

### **Approvals, Acquisitions and Lease Update**

29. A number of land acquisitions have taken place to bring the site together. All of the land parcels are secured or nearing completion. Negotiations have taken place on one particular piece of land and it is expected to transfer by the end of February. However, discussions have been slow and protracted. In the event the acquisition by agreement does not progress, approval is being sought for authority to use compulsory purchase as a reserve position.
30. There are a number of occupants on the site and negotiations in relation to leases and future direction of the Rail Heritage Quarter have been taking place over a number of years. Most of these are resolved but some need to be concluded but these do not impact on the delivery of the project.

31. Planning approvals associated with the project were approved in January 2022.
32. Further detail and information on approvals, acquisition and leases are included at **Appendix 2.**

### **Delivery Timetable**

33. Subject to Cabinet and Council approval the proposed delivery timetable is as below:
  - (a) Cabinet and Council approval February 2022
  - (b) Phase 1 construction mobilisation March 2022
  - (c) Phase 1 construction completion March 2023
  - (d) Phase 2 construction mobilisation January 2023
  - (e) Phase 2 construction completion April 2024
34. Phase 1 works will include the new build shed, refurbishment of the 1861 Shed, landscaping and preparation for private siding as well as external landscaping on McNay Street up to the goods shed.
35. Phase 2 works will include goods shed, museum, carriage works, bridge link, installation of interpretation, play park external works, lime cells (subject to funding) and car park.

### **Financial Implications**

36. A robust business case for the project has been developed with the support of external specialist advisors. In addition, the business case has been subject to sensitivity testing and independent challenge including by TVCA. Visitor numbers will increase from 40,000 per year to 369,000 per year.
37. The project is proposed to be delivered on a Design & Build basis to manage the risk on the project. The designers have undertaken significant investigation works and had early contractor involvement in developing the project costs. In summary, the maximum price for the project is between £34.14m to £35.14m, the lower costs includes £1m of value engineering which does not impact on the overall vision for DRHQ and there is a high degree of confidence that the costs will be at the lower end of this range prior to committing to contract. There is £27.13m secured funding for the project from various sources and a further £1.9m in advanced stages of funding bids. There is a high degree of confidence that the bids are progressing well and coming to a final determination in the coming months.
38. Therefore, the total funding available is between £27.13m and £29.03m with the costs being between £34.14m and £35,14m leaving a minimum funding gap of £5.11m based on achieving £29.03m funding and the final cost of £34.14m, which there is a high degree of confidence this will be the case. Other areas of funding will continue to be pursued including trusts, potential sponsorships and naming rights which will further reduce the funding gap. There may also be an opportunity for contributions from a bid to the Leveling Up Fund, however this is likely to be for added value including increased interpretation, turntable, enhanced play area, enhancements to buildings, contribution to cycling and walking route and other site enhancements.

39. The current 2024/25 MTFP revenue requirement for the Head of Steam is £363K. The new business model maintains the same level of investment however, the new model enables the MTFP allocation to not only fund operational costs but also create a sinking fund to enable the DRHQ to be maintained and refreshed ensuring our heritage assets and new facilities have strong business foundations. £207k of the current MTFP allocation will also enable prudential borrowing of £5.11m over a 40-year term to contribute to the funding of the project. The Council will continue to seek opportunities and continually review the business model to seek to reduce the revenue contributions and increase capital contributions to the DRHQ.
40. It is therefore proposed that the funding gap will be funded from prudential borrowing from the reduced subsidy generated through the new operating model for DRHQ as opposed to the existing costs for the Head of Steam. Based on 2024/25 the level of funding in the MTFP is as follows:
- (a) **Head of Steam**  
Current resource allocation from MTFP 2024/25 is **£363K**

(b) **Darlington Rail Heritage Quarter**

Resource allocation required from MTFP in 2024/25, including sinking fund.	£156K
Cost of borrowing £5m over 40 years per annum	£207K
DRHQ total resource allocation from MTFP	<b><u>£363K</u></b>

41. There are £1.9m funding applications still to be secured. However, the risk is low that this won't be delivered. The outcome of the ACE bid will be known in April and the NLHF in December. Whilst confidence is high that these two risks won't materialise it is necessary for Council to underwrite this risk of £1.9m until the outcome is known. Similarly, Council to underwrite the £1m of value engineering. Funding of which will be based on the best financial option available at the time such as the use of capital receipts or prudential borrowing.
42. In conclusion, the new DRHQ, will deliver a new transformational national standard attraction for Darlington and contributing to the economic growth ambition of the Council. It can be delivered and operated for the same cost that Head of Steam currently costs and be delivered in time for the bi-centennial anniversary.
43. The funding for the bicentennial anniversary is covered within the Medium Term Financial Plan report and this will complement the launch and set the foundations for the Darlington Rail Heritage Quarter Project.
44. Further details on the business model, project costs and funding sources are included in **Appendix 3**.

### **Legal Implications**

45. This report sets out thoughts on a future work programme and consultation plans, and legal implications will depend on the development of specific schemes.
46. Property acquisition and disposals will be subject to legal due diligence and further Cabinet approvals on and subject to the terms and method of acquisition. Grant funding schemes will need to be provided on an accessible basis ensuring the funding delivers required outcomes and ensures prudent use of funds and does not give rise to subsidy control. It is anticipated that further Cabinet reports detailing the funding sources will cover these issues and further detail on legal implications as required.

### **HR Implications**

47. It is anticipated that the Head of Steam will close in December 2022, reopening in Spring 2024. There will be a reduced staffing structure in place during the closure period and full consultation will be entered into with unions and employees in the Summer of 2022.

### **Procurement Advice**

48. Cabinet previously agreed in January 2020 that the procurement of works and services should be designated as a strategic procurement which under the Contract Procedure

Rules entails contract award decisions being made through the Procurement Board with Cabinet being updated via the procurement plan reports and these reports.

### **Equalities Considerations**

49. DRHQ has been designed in a way to make it as inclusive and accessible as possible for all residents and visitors, ensuring everyone receives a warm welcome and can participate in the experience through the interpretation, activities and events to the limit of their ability or willingness to be involved.

### **Consultation**

50. As reported in the previous Cabinet report, a significant amount of consultation has taken place as part of the production of the Master Plan and the Grand Narrative Interpretation Strategy for the S&DR. Pre-planning consultation was carried out in February and March 2020. A summary of the consultation is included at **Appendix 4**.