

CAPITAL STRATEGY

Submitted by: Head of Finance

Portfolio: Finance and Resources

Wards Affected: All

Purpose of the Report

To consider the Capital Strategy 2015 to 2019.

Recommendation

- a) That the Capital Strategy be agreed and forwarded to Council with a recommendation for approval.

Reason

The Capital Strategy sets out how the Council proposes to deploy its capital resources in order to assist it to achieve its corporate and service objectives.

1. Background

- 1.1 The previous Capital Strategy was approved by the Cabinet on 15 January 2014 and Full Council on 26 February 2014. It covered the period 2014 to 2018. When Full Council considered revised Financial Regulations on 25 February 2009 it resolved that following discussion by the Cabinet the Capital Strategy be approved by Full Council.
- 1.2 The purpose of the Capital Strategy is to set out how the Council proposes to deploy its capital resources in order to assist it to achieve its corporate and service objectives. It takes into account other relevant Council strategies, policies and plans and the views of partners and stakeholders with whom the Council is involved. It also takes account of the resources which are likely to be available to the Council to fund capital investment and the effect of that investment on the Council's revenue budget. It covers the period 2015 to 2019. It will serve as a useful point of reference when determining or reviewing the Council's Capital Programme.

2. Issues

- 2.1 The 2015 to 2019 Capital Strategy is appended to this report at Appendix 1. It has already been considered by a joint meeting of the Finance, Resources and Partnerships and Economic Development and Enterprise Scrutiny Committees on 16 December 2014.
- 2.2 Following consideration by Cabinet the Strategy will be submitted to Council on 25 February 2015 for approval, incorporating any amendments which you may wish to make.
- 2.3 Two key reports to Cabinet concerning the Newcastle Capital Investment Programme (Cabinet 5 February 2014) and Funding the Council's Capital Investment Programme (Cabinet 15 October 2014) are included as annexes to the Strategy because they provide extensive background in relation to the Council's current and medium term position with regard to the need to make essential capital investment and to fund that

investment. The Cabinet meeting on 12 November considered reports in relation to proposed asset sales as a follow up to the above funding report it approved on 15 October.

2.4 The Newcastle Capital Investment Programme report set out the investment needed over the period spanning 2015/16 to 2018/19 in order to replace or maintain operational assets so that services can continue to be provided in accordance with corporate priorities and to ensure the safety and comfort of customers and staff and to comply with statutory provisions. There is also a need to maintain the stock of investment assets, such as shops and industrial units in order to comply with landlord responsibilities and safeguard future income from these assets. Over the four year period total investment required, grouped into six themed categories, is estimated at £18.859m, as shown in the table below:

Investment Type	2015/16	2016/17	2017/18	2018/19	Totals
	£'000s	£'000s	£'000s	£'000s	£'000s
Improving Housing in the Borough	425	425	425	425	1,700
Investing in community facilities	1,168	835	276	275	2,554
Community centres	314	326	101	208	949
Safeguarding the Borough's heritage	180	578	98	200	1,056
Investing for the future	1,594	1,763	2,342	2,826	8,525
Vehicles and Plant	948	2,302	419	406	4,075
TOTAL	4,629	6,229	3,661	4,340	18,859

The report shows the composition of the totals categorised above by itemising, in separate tables, the individual investment projects needed. It noted that a number of major projected schemes were not included in this estimate, for example the cost of setting up a new waste recycling service through the purchase of vehicles and equipment and alterations to facilities. The addition of some or all of these projects would significantly increase the amount of the investment needed.

2.5 The report highlighted the very significant shortfall in funding available to fund this investment and set out strategies for dealing with this, summarised as follows:

- a) A critical review of all the projected capital expenditure categorising it as essential, desirable, long term etc. and developing a prioritised rating;
- b) Rescheduling of projects being aware of dangers inherent in this such as possibly costing more in the long run, greater likelihood of unexpected breakdown/repairs; perpetuation of inefficiencies, health and safety implications, etc;
- c) Prioritisation of projects;
- d) Looking at opportunities in respect of "invest to save";
- e) Exploring opportunities for alternative service delivery linked in with the revenue budget and the work being undertaken as part of the Newcastle 2020 project;
- f) working with others in line with the co-operative council agenda;
- g) Assessing any requirement for the use of temporary borrowing to cover shortfalls;
- h) Assessing the use of Reserves to cover shortfalls with Reserves being "repaid" when resources become available (limited by available amounts held in reserves)
- i) Creation of rotating or sinking funds to provide for cyclical replacements;

- j) Evaluating options for leasing of items such as vehicles instead of purchase.

Work is currently in progress to develop and implement these strategies, co-ordinated by the Assets Review Group chaired by the Chief Executive.

- 2.6 The Funding the Council's Capital Programme report set out options for funding the capital investment identified in the preceding report. It concluded that the only realistic option to meet investment needs is a systematic programme of surplus land disposal, which will also enable the Council to deliver its policy objective of bringing forward more affordable and social housing by the release of some of its land holdings. The alternative of borrowing to part fund the programme is seen to be a more expensive option owing to the cost of servicing the debt. Accordingly Cabinet resolved:

“That Cabinet agrees with the principle that the Council, as a first resort, will seek to fund its future known capital programme needs through the annual asset management planning process by the identification of land or property in its ownership that is capable of, and appropriate for, disposal”.

3. Financial and Resource Implications

- 3.1 There are none deriving directly from the Strategy.

4. Appendices

Appendix 1: Capital Strategy 2015 to 2019.