

Asset Policy Committee

An emerging asset policy

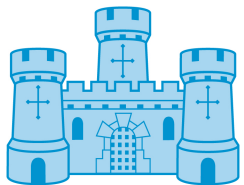
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Why the Council holds assets

- Active service use – playing pitch, community centre, cemetery, public park, depot, office accommodation, car parks
- As a managed portfolio – shops, industrial units
- Future policy objective – to enable development, required for future service use

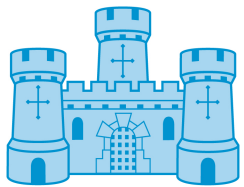
Otherwise the asset is surplus to requirements and should be disposed of to avoid holding costs and liabilities and to recycle the receipt to fund service needs



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The Capital Spend Requirement

- Newcastle Investment Programme – routine capital spend, day to day services
- Strategic capital replacement fund
- Capital purchase fund
- Policy actions (e.g. economic regeneration, K2, museum, match funding)



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Sources of capital funding

- Asset sales
- Prudential borrowing

Capital Strategy Scenarios

Make do and mend

Funding those activities required to maintain the condition of the existing assets

Future-proof

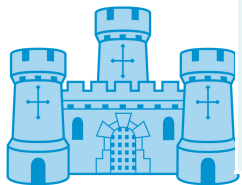
Building a capital fund to meet future major capital expenditure programmes (eg building replacement)

Self-funding

Speculatively purchasing land as part of a portfolio which would give significant capital yield on sale

Place-shaping

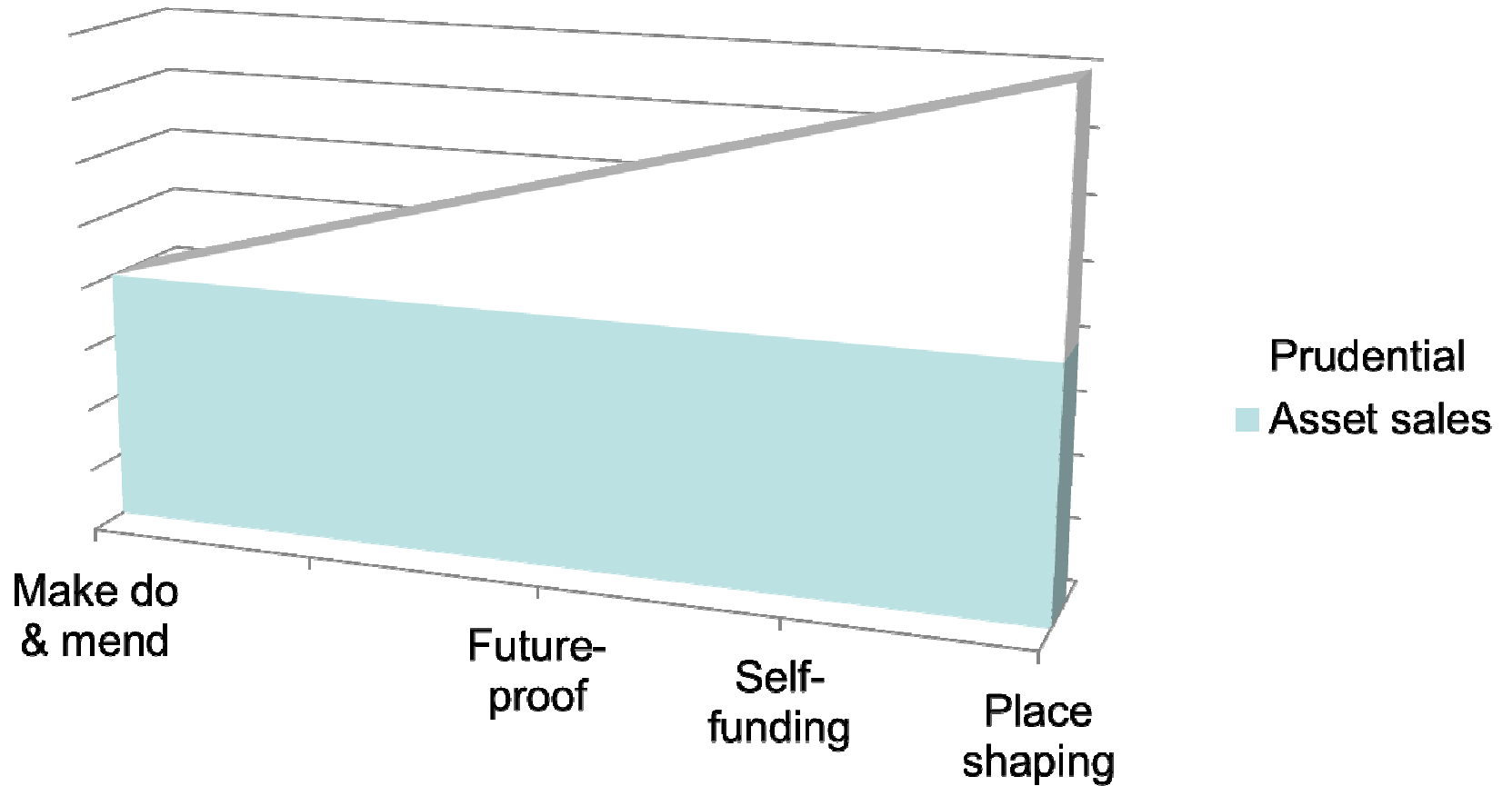
Having sufficient capital funds to enable capital expenditure to support the deliver of policy priorities



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Shifting the capital strategy



An Emerging new Capital Strategy

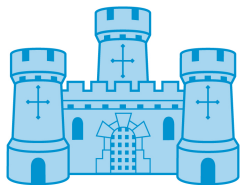
Years 1 and 2

- Sell assets to fund NIP
- Start to create revenue headroom to borrow

An Emerging new Capital Strategy

Years 3, 4 and 5

- Start to use prudential borrowing with revenue headroom
- Sell assets and establish principle of strategic acquisitions
- Continue to build headroom in revenue budget
- Start building capital replacement fund from asset sales



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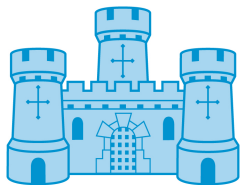
An Emerging new Capital Strategy

Longer term

- Create a managed portfolio with land sales and purchases
- Create an appropriate level of revenue provision to support prudential borrowing
- Create sufficient capital funds to fund NIP, capital replacement and policy objectives

An immediate Capital Strategy for 2016/17 budget

- Continue asset sales programme with non-contentious and approved sites included
- Agree principle of developing headroom in revenue budget to fund a degree of prudential borrowing in the future
- Request Council to continue work of Asset Policy Committee to produce a report on longer term capital strategy and programme of asset sales



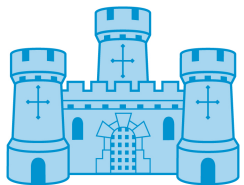
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Asset sales : Force field analysis

Challenges	Responses
The NDP7 learning	Clear and effective consultation but with a decisive action
Delay and duration	Having a clear and defined process for land sales
Public concerns and campaigns	Being clear about what is up for negotiation and what is not
Petitions	Being clear about the role of the council as asset owner and planning authority
Compromise and mitigations	Be clear about what mitigations the Council would be prepared to offer and enshrine these in policy
Community expectation	Having a clear narrative about asset sales
The local Member role	Community advocate and broker of compromise

A draft capital expenditure policy

- The Council will use a balance of borrowing and asset sales to fund capital expenditure
- The Council may have to use temporary borrowing dependent upon the timing of the receipts from asset sales
- The Council will make provision in its revenue budget to fund a level of prudential borrowing
- The Council will bring forward sites for disposal to provide a prudent level of capital resources to be capable of funding known current and future capital expenditure and to hold a sufficient reserve of capital funds in order to be capable of funding a reasonable level of unforeseen expenditure
- The Council will at all times have (until the land bank is exhausted) sufficient sites identified for disposal to fund its known current and future capital expenditure commitments



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A draft asset sales policy

- Achieve best consideration in accordance with the requirements of the Local Government Act 1972 (as amended). All funds generated from the sale of council land will be returned to the Council's capital funds in order to fund public services within the Borough
- Consider the scope for furthering other policy objectives of the Council which may include but not be limited to the provision of affordable and keyworker housing, provide local community facilities or improve play facilities.
- Take account of policy objectives set out in relevant Council strategies, policies and plans.
- Consider any known technical, environmental or other site-specific consideration which may constrain the potential use or development of the subject land.
- Consult with local residents about any proposed sale in accordance with the Council's consultation procedure. All comments received will be considered and will form part of a public report prior to any sale being initiated.
- Consider an indicative layout of any scheme which may arise following the sale of the land and ensure that this promotes high standards of development and in particular which contributes to the amenities and needs of local communities.
- Consider the case to earmark a proportion of the overall capital receipt to invest in local capital projects. Such funds would be in addition to any requirement arising from the Town Planning process (e.g. s106 obligations or similar receipts associated with any a successful planning application) but monies from these two sources could be combined if it were appropriate and there was a case to do so.