

**NEWCASTLE CAPITAL INVESTMENT PROGRAMME**

**Submitted by:** Executive Management Team

**Portfolio:** Finance and Resources; Economic Development, Regeneration and Town Centres

**Ward(s) affected:** All

**Purpose of the Report**

To review the projected capital expenditure requirements over the four year period 2015/16 to 2018/19 and the resources likely to be available to finance this expenditure. To develop a number of different strategies to deal with these financial challenges.

**Recommendations**

- (a) That the contents of the report and appendix be noted.**
- (b) That strategies are developed to find solutions to meet the financial challenges in respect of the medium term capital expenditure requirements.**
- (c) That consideration is given to the formulation of a cabinet panel to develop and oversee the process required.**

**Reasons**

The Council needs to be aware of future capital commitments over the medium term and whether it will have the resources available to finance them and to consider all available options in respect of its assets and future liabilities associated with them.

**1. Background**

- 1.1 At its meeting on 15 January 2014 the Cabinet approved the Asset Management Strategy and recommended the Capital Strategy for approval at the full Council meeting on 26 February. This report seeks to bring together the two documents in developing the detailed strategies in delivering the Council's objectives in the medium term. The Council has an ongoing need to incur capital expenditure in order to replace or maintain its 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. It also needs to maintain its stock of investment assets, such as shops and industrial units in order to comply with its landlord responsibilities and safeguard future income from these assets.
- 1.2 There are currently very limited resources available to finance capital expenditure. A part of the annual New Homes Bonus grant (£0.515m in 2014/15) is presently used to finance housing capital activities, principally disabled facilities grants, in excess of other grant funding. With the exception of the ICT Development Fund, which is fully committed to financing ICT development and replacement of essential ICT systems, all of the Council's capital reserves have been used. Capital receipts will, therefore, be the main source of funding for future capital requirements. Following the use of £0.954m of receipts to fund new projects included in the 2014/15 capital programme, there will remain only £0.700m of receipts available for future use and it is prudent to keep this as a contingent sum for emergency situations. Continued capital investment, therefore, is largely dependent upon generating further capital receipts in the quantities, and at the time, required.

## 2. Issues

- 2.1 Based on current information eg service demands, recent stock condition surveys etc. the attached Appendix sets out projected capital expenditure requirements of £18.859m over the period 2015/16 to 2018/19. The expenditure is that which is considered necessary to:
- enable the Council to continue to provide its services in accordance with corporate priorities and/or approved strategies eg. vehicles and plant, repairs to operational buildings;
  - fulfil its environmental and heritage responsibilities;
  - comply with legislation, e.g. health and safety, disabled facilities grants;
  - maintain its income from its investment properties, eg. shops, offices, industrial units
- 2.2 All of this expenditure will have to be financed by the Council itself from its own resources, since it is not anticipated that it will be funded by external bodies, or it is expenditure required over and above any likely external contribution, for example in respect of disabled facilities grants. It should be borne in mind that these estimates represent the minimum amounts that the Council is required to spend – or is likely to have to spend.
- 2.3 With the exception of some of the projects included in the “Investing in Community Facilities” section it does not include the provision of new facilities or other development expenditure, for example, in respect of economic development activities or a modern leisure facility in Kidsgrove (to replace the out-dated facility provided at Clough Hall School). The facility is currently managed by the Borough Council on behalf of Staffordshire County Council and Clough Hall School. An ambitious plan for a comprehensive replacement of the facility has been discussed by both councils which would see the investment of new capital monies to replace the leisure centre. An outline business case has indicated that both councils can reduce their revenue cost liability by investing in a new facility although this will require the necessary capital funding package to be assembled. The current estimates are £4.75m for a refurbishment and £7.75m for a replacement. It is hoped that both the County Council and Sport England will contribute to these costs but any amount that the Borough Council has to fund will be in addition to the £19m of expenditure identified in the attached appendix.
- 2.4 Similarly, if the Council wished to invest in the Museum with a view to it being in a condition where it would be feasible to transfer it to a Trust in 5 years’ time, this could require an investment of around £3.5m. Funding towards this would be sought from the Lottery Fund but any Borough Council funding would again add to the figures already outlined.

## 3. Funding

- 3.1 As highlighted in paragraph 1.2, capital resources are currently very limited. Councils fund capital expenditure in a number of ways. As significant owners and users of land and buildings, councils carry out regular reviews of their assets and make decisions about which are surplus to their needs. The Audit Commission has produced a number of studies on councils’ stewardship of assets and recommends that councils keep their assets under review. In Newcastle a comprehensive asset management system is operated and through the annual Asset Management Strategy land and property is

identified for disposal. The majority of councils fund their capital development requirements through the disposal of surplus assets. Where there is a shortfall of available assets to dispose of, councils will use borrowing as the alternative mechanism for funding capital development. Councils may also use grant funding from a range of sources to supplement their own capital funding for particular schemes.

- 3.2 Cabinet approved the marketing for sale of a number of sites at its meeting on 15 January 2014, which could realise receipts of up to £8.000m. Between now and 31 March 2019 other sites or assets will have to be approved for sale and opportunities may arise to realise receipts from one-off sales. It may take some time for this activity to result in actual receipts being received and in the meantime there may be urgent works which need to be carried out. However, these receipts are essential to fund the items in the Appendix to the benefit of the Borough.
- 3.3 Contributions towards the cost of capital projects may be obtained from partner organisations or from other bodies or via Section 106 Planning payments or, in future, the Community Infrastructure Levy. These are, however, unlikely to be towards the cost of projects concerned with maintaining the operational capability of the Council and any such projects are likely to be additional to those included in the tables contained in the Appendix and funded entirely, or almost so, from such external contributions. It is not anticipated that there will be any significant amount of external funding forthcoming in respect of any of the projects included in the Appendix.

#### **4 Development of Strategies and Actions**

- 4.1 Strategies and actions are required for dealing with the possible shortfall of resources to meet the cost of the projected capital expenditure contained within the Appendix. These should encompass the following:
- A critical review of all the projected capital expenditure detailed in the Appendix categorising expenditure as essential, desirable, long term etc. and developing a prioritised rating;
  - 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;
  - Prioritisation of projects;
  - Looking at opportunities in respect of “invest to save”;
  - Exploring opportunities for alternative service delivery linked in with the revenue budget and the work being undertaken as part of the Newcastle 2020 project;
  - Seeking opportunities of working with others embracing one of the Council’s priorities of a co-operative council;
  - Assessing any requirement for the use of temporary borrowing to cover shortfalls;
  - Assessing any requirement for the use of Reserves to cover shortfalls with Reserves being “repaid” when resources become available (limited by availability of and amounts held in reserves)
  - Creation of rotating or sinking funds to provide for cyclical replacements eg vehicles;
  - Evaluating options for the leasing of items such as vehicles as an alternative to capital purchase.

- 4.2 It is proposed that the Assets Review Group, comprising officers from a variety of asset related disciplines, which is attended by the Cabinet Portfolio Holder for Economic Development, Regeneration and Town Centres, should develop these strategies and that Cabinet gives consideration to the formulation of a Cabinet Panel to develop and oversee the process required.

## **5 Financial and Resource Implications**

- 5.1 These are set out throughout this report and in the attached Appendix.

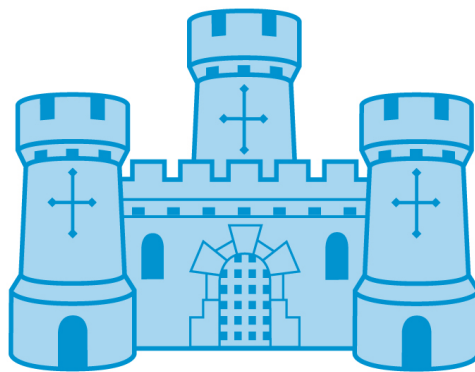
## **6 Major Risks**

- 6.1 The overall risk is that insufficient resources will be available to finance the capital expenditure needed over the period, with a secondary risk that resources, particularly capital receipts, may not match the timing of the expenditure.
- 6.2 If projects set out in the Appendix are not carried out a number of risks may arise, depending upon which projects are concerned:
- Service continuity suffers or service may not be able to be provided at all;
  - Customers, staff and the general public are exposed to unacceptable health and safety risks, e.g from unsafe buildings and structures;
  - Council fails to fulfil its statutory responsibilities;
  - Council fails to meet its legal obligations, e.g. with regard to property leases;
  - Income is lost because commercial properties become unlettable or cannot obtain acceptable rentals.

## **7 List of Appendices**

Appendix - . Newcastle Capital Investment Programme 2015/16 to 2018/19.

# Newcastle Capital Investment Programme 2015/16 – 2018/19



**NEWCASTLE  
UNDER LYME**  
**BOROUGH COUNCIL**

The Council's capital expenditure requirements can be split over a number of different headings, namely:

Improving Housing in the Borough  
 Investing in Community Facilities  
 Community Centres  
 Safeguarding the Borough's Heritage  
 Investing for the Future  
 Vehicles and Plant

### Improving Housing in the Borough

The Council has statutory duties relating to housing provision and management. It has historically allocated significant sums in its capital programme to undertake a range of activities to support these objectives. Over the next five years the council wishes to deliver a range of programmes to continue to deliver affordable housing for people in the Borough, to ensure that private rented stock is maintained in a good condition and that support is provided to the most vulnerable households in the community. This will continue to require support through capital investment to enable the Council to allocate resources to the following areas.

Scheme	Timescale	£'000s
Disabled facilities grants - expenditure in excess of grant from government	£300k each year 2015/16 - 2018/19	1,200
Warm zone affordable warmth	£30k each year 2015/16 - 2018/19	120
Emergency Repair Assistance	£50k each year 2015/16 - 2018/19	200
Empty Homes	£20k each year 2015/16 - 2018/19	80
Home Improvement Agency	£20k each year 2015/16 - 2018/19	80
Landlord Accreditation	£5k each year 2015/16 - 2018/19	20
<b>Total</b>		<b>1,700</b>

### Investing in Community Facilities

The Borough Council manages a large number of parks and open spaces. These facilities are valued greatly by the community and are significant resources for formal and informal recreation. Continuing to invest in the parks and open spaces and the facilities within them makes a considerable demand upon the council's capital programme. Officers have formulated a programme of works – should resources be available - relating to each of the major parks and open spaces which will maintain a good standard of recreational amenity of these facilities.

<b>Parks and Open Spaces</b>	<b>Timescale</b>	<b>£'000s</b>
Footpath Repairs	£75k each year 2015/16 - 2018/19	300
Play Area Refurbishment	£75k each year 2015/16 - 2018/19	300
Railing/Structures Repairs	£50k each year 2015/16 - 2018/19	200
Queen Elizabeth Park/Castle Motte	2015/16	100
Tree Preservation Order	£50k 2015/16, £25k p.a thereafter	125
The Wammy Neighbourhood Park	2015/16	25
Chesterton Park	2015/16	50
Pool Dam LNR	2015/16	25
Lyme Brook Greenway	2015/16	300
Kingsbridge Avenue	2015/16	50
Bradwell Lodge	2015/16	50
Bradwell Woods	2015/16	25
Thistleberry Parkway	2015/16	10
Bateswood LNR	2015/16	10
Westomley Wood	2015/16	50
Westlands Sports Ground	2015/16 - 2016/17	100
Silverdale Park	2015/16	50
Bathpool Park	2015/16	25
Wye Road District Park	2016/17	500
Clough Hall Park	2015/16	50
Memorial Survey	£10k each year 2015/16 - 2018/19	40
Alexandra Road Changing Rooms Wolstanton	2015/16	22
Silverdale Park Pavilion	2016/17	17
Ski Slope car park and path replacements	2015/16	14
Birchenwood Sports Complex - pavilion shower replacement and tiling	2016/17	21
Queen Elizabeth park - door and frame replacements	2016/17	12
Westlands Sports Ground - treatment of bowls pavilion	2015/16	3
Clough Hall Park – Pavilion roof repairs, repointing and path repairs	2017/18 - 2018/19	23
Chesterton Park Pavilion - minor refurb	2018/19	14
Bradwell Park - toilets repairs and minor refurb pavilion	2018/19	12
Westlands Sports Ground - footpath and external works	2017/18	5
Roe lane Pavilion - shower refurb	2018/19	5
Wolstanton Marsh pavilion and changing rooms	2017/18	21
<b>Total</b>		<b>2,554</b>

## Community Centres

The Council's recently completed review of Community Centres has confirmed the significant financial liabilities which exist for these facilities. The council's stock condition survey has identified that these facilities collectively require investment in maintenance and repair works totalling in the region of £870,000 over the next five years. Whilst the condition of individual facilities varies, nonetheless this is a significant maintenance liability.

The review itself has suggested that it is desirable for management committees to take greater responsibility for the running and operation of community centres, recommending Management Committees take on full repairing leases. However, in practical terms where facilities have a significant maintenance backlog it is understandable that Management Committees will be cautious about taking on such liabilities. However, if capital investment could be made in these facilities to bring these up to a good condition, then the option to encourage Management Committees to take full repairing leases could more realistically be pursued.

Community Centre	Timescale	£'000s
Crackley - Major alterations to roof & parapet walls	2015/16 and 2017/18	67
Chesterton	2015/16	168
Wye Road Clayton - Window replacement and major roof replacement	2016/17	35
Clayton - Re-roofing	2016/17	43
Knutton - Roof and Windows	2015/16 and 2017/18	98
Poolfields - Car Park fencing & internal decs	2016/17	26
Silverdale Social	2016/17	153
Silverdale	2017/18 - 2018/19	132
Butt Lane - Brickwork & Roof repairs/repointing	2016/17 - 2017/18	31
Audley - Kitchen & Toilet refurbs	2016/17 and 2018/19	20
Westlands	2016/17	14
Marsh Hall	2016/17 - 2017/18	15
Apedale Rd Wood Lane	2016/17 - 2017/18	17
Ramsey Road Community Centre - internal and external redecoration, boiler replacement and electrical refurb	2016/17 - 2017/18	30
Bradwell Lodge - window replacement and electrical refurb	2018/19	100
<b>Total</b>		<b>949</b>

## Safeguarding the Borough's Heritage

The Borough Council is responsible for a number of key heritage features. Whilst these provide a significant community resource and enrich the area's cultural heritage, by definition these facilities are costly to maintain. It is considered that a prudent level of capital funding spent on these facilities over the coming four years could safeguard these facilities for the future.



Further, such capital funding could help reduce the level of revenue budget demand which these facilities make.

Detail	Timescale	£'000s
Museum	2016/17	83
Audley Churchyard - boundary wall	2016/17	40
St. Giles Churchyard	2015/16	15
Mucklestone Churchyard	2015/16	15
Brampton Aviary	2016/17	15
Newcastle Cemetery - Retaining Wall	2016/17 - 2017/18	60
Newcastle Cemetery - Path & Ground Works	2016/17 - 2017/18	15
Newcastle Cemetery - Chapel - Stonework Repairs	2016/17	75
Cemetery Loomer Road	2016/17	12
Cemetery Knutton	2016/17	12
Guildhall - Re-roofing	2016/17	120
Guildhall - Repairs to brickwork	2016/17	50
Guildhall - Damp treatment	2015/16	30
Victoria Hall/Kidsgrove Town Hall - window replacement and electrical refurb	2015/16 - 2018/19	185
Chesterton Cemetery	2018/19	4
Closed Churchyards: All Saints, Madeley; Attwood St Cemetery; Holy Trinity Chesterton; St Andrews Porthill; St Georges, Brampton; St Lukes, Silverdale; Loomer Rd Cemetery; St Thomas, Mow Cop	2016/17 and 2018/19	75
Public Railings - painting	2015/16 - 2018/19	250
<b>Total</b>		<b>1,056</b>

### Investing for the Future

The Borough Council owns a significant number of buildings. Many of these are let out commercially. A significant part of the council's commercial property estate is managed to support economic regeneration objectives. The council also delivers a significant number of its services through buildings. These, like all properties, need continuous investment to ensure that they remain fit for purpose. A number of the council's primary properties are now reaching a stage in their operational life where they need significant capital investment. The council's property stock condition survey indicates the level of investment required in these buildings. A comprehensive review has been undertaken to assess the options for these premises. In some cases there will be a business case to make capital investment in these buildings in order to give them a longer operational life, for others the analysis will indicate that a particular building should be disposed of as it is no longer economic for it to be retained. As part of this strategy there may be a business case for the council to acquire some additional properties or to build or

rebuild certain facilities. Additionally there may be cases where investment in energy efficiency measures in some buildings would be advisable to not only reduce carbon emissions but help to keep energy costs down (see the Carbon Management Plan).

<b>Property</b>	<b>Timescale</b>	<b>£'000s</b>
Commercial Portfolio	2015/16 - 2018/19	3,476
Civic Offices - window replacement	2016/17	270
Civic Offices - refurbishment	2017/18 - 2018/19	662
Knutton Depot - reroofing, window replacement baling shed/garage, refencing compound	2015/16 - 2017/18	400
Jubilee Baths/Knutton Recreation Centre Site Clearance	2015/16 - 2016/17 (Knutton) 2018/19 (Jubilee)	286
Engineering Structures	2015/16 - 2018/19	2,100
Carbon Management Plan	£100k each year 2015/16 – 2018/19	400
Other	2015/16 - 2018/19	931
<b>Total</b>		<b>8,525</b>

### **Vehicles and Plant**

There will be a need for some items of capital investment to be made in order to ensure continued service delivery. Current indications are that the following investment will be required.

<b>Type of Expenditure</b>	<b>Timescale</b>	<b>£'000s</b>
Streetscene Vehicles	2015/16 - 2018/19	1,436
Waste Vehicles	2015/16 - 2018/19	2,166
Other Vehicles and Plant	2015/16 - 2018/19	73
Waste Bins	2015/16 - 2018/19, £100k p.a.	400
<b>Total</b>		<b>4,075</b>

### **Funding**

Councils fund capital expenditure in a number of ways. As significant owners and users of land and buildings, councils carry out regular reviews of their assets and make decisions about which are surplus to their needs. The Audit Commission has produced a number of studies on council's stewardship of assets and recommends that councils keep their assets under review. In Newcastle a comprehensive asset management system is operated and through the annual Asset Management Strategy, land and property is identified for disposal. The majority of councils fund their capital development requirements through the disposal of assets. Where there is a shortfall of available assets to dispose of, councils will use borrowing as the alternative mechanism for funding capital development. Councils may also use grant funding from a range of sources to supplement their own capital funding for particular schemes. Receipt of funding from Section 106 agreements and other schemes such as the New Homes Bonus may also provide sources of funding for capital expenditure.

The Council's most recent asset management strategy has identified a schedule of surplus land assets which can be disposed of over the medium term and which can be used to fund the capital requirements set out above.

### Timescales

The capital funding requirements set out above indicate the following capital requirements over the next four years:

<b>Investment Type</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>Totals</b>
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
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
<b>TOTAL</b>	<b>4,629</b>	<b>6,229</b>	<b>3,661</b>	<b>4,340</b>	<b>18,859</b>