

TITLE OF REPORT: Capital Programme 2017/18 to 2021/22

REPORT OF: Darren Collins, Strategic Director, Corporate Resources

Purpose of the Report

1. Cabinet is asked to recommend that Council approve the proposed capital programme for the next five years to continue to provide significant levels of strategic investment to deliver priority outcomes within the Council Plan and to help deliver the Council's Medium Term Financial Strategy in order to maintain financial sustainability.

Background

2. In line with good practice, the Council continues to set a rolling capital programme with an annual review. The capital programme has been prepared for the next five years to ensure that the financial implications can be incorporated within the Council's Medium Term Financial Strategy (MTFS) and is aligned to the delivery of the outcomes within the Council Plan. Each annual review therefore builds on existing commitments.
3. The Council's existing MTFS, approved by Council in July 2016, maintained a provision to fund sufficient prudential borrowing to support the proposed capital programme. Prudential borrowing remains the only available source of funding for a number of schemes as the opportunity to secure external funding or generate capital receipts continues to be limited.
4. Local authorities are free to invest in General Fund capital schemes so long as their capital spending plans are affordable, prudent, and sustainable. There is an increasingly important link with the revenue budget, especially in the light of the significant reductions in available capital and revenue resources.
5. On 24 January 2017 Cabinet agreed to recommend to Council the Housing Revenue Account (HRA) budget for 2017/18 and a proposed five year capital programme. As part of self-financing, the housing capital programme must be supported from the resources available within the HRA. The position will continue to be reviewed on an annual basis to ensure that the proposed level of capital investment can be supported. Investment within the housing capital programme remains a significant part of the Council's wider capital investment plans.

Proposal

6. The 2017/18 programme totals £95.2m, with £65.9m being funded from the General Fund and £29.3m relating to investment within the Housing Revenue Account and this is proposed to be recommended to Council for approval. Over the five years to 2021/22, the level of capital investment is forecasted to be £310.5m, of which £205.7m relates to General Fund schemes. Despite the current pressure on resources this represents a significant level of strategic investment in the Council's assets.

7. Capital investment has a significant impact on the local economy within Gateshead. The investment in schemes to encourage economic and housing growth in particular are estimated to attract almost £1bn of private investment to Gateshead over the lifetime of the schemes, helping to facilitate the development of up to 5,500 new homes and 250,000m² of commercial floor space with the potential to generate Business Rates and Council Tax of around £40m per annum when the schemes are fully developed.
8. The programme includes projects that are key to delivering the Council Plan and comprises:
 - Projects that enable wider regeneration and generate economic and housing growth within Gateshead;
 - Projects that are considered to be essential from a health and safety or statutory perspective;
 - Projects where the Council has made a previous commitment to fund and the planned investment remains a high priority;
 - Projects that improve the sustainability of the Council's assets and which help to improve energy efficiency and reduce carbon emissions;
 - Projects that attract significant amounts of external funding; and
 - Projects considered essential to deliver revenue savings and facilitate changes to the way that the Council delivers its key services.
9. The capital programme provides a framework for strategic investment and detailed business cases are required for a number of key schemes prior to the commencement of projects. This will ensure that the investments will contribute towards the achievement of budget savings and will not increase pressure on the Council's revenue budget.
10. There may be opportunities to include additional schemes in the capital programme should a business case demonstrate that capital investment will achieve savings to at least meet the associated borrowing costs to satisfy the prudential framework, or in the event that additional external resources, such as capital grants or developer contributions, or capital receipts become available to support capital investment.
11. The proposed capital programme includes all commitments and schemes identified as high priority. The proposed capital programme is included in Appendix 2 and the provisional capital financing is set out in Appendix 3.

Recommendations

12. Cabinet is asked to recommend that Council:
 - (i) Approves the capital programme for 2017/18, and the provisional programmes for 2018/19 to 2021/22, as set out in Appendix 2, subject to external funding approvals being received.
 - (ii) Notes the provisional capital financing for the programme, as set out in Appendix 3, and delegate authority to the Strategic Director, Corporate Resources to enter into prudential borrowing which is consistent with the requirements of the capital programme and the Council's Treasury Management Strategy.
 - (iii) Notes the position in relation to the additional flexibility regarding the application of capital receipts to fund the revenue costs of transformational projects outlined in Appendix 4 and agree to receive further updates to confirm specific investment plans as part of the capital programme monitoring reports during the year.

For the following reasons:

- (i) To continue to provide significant strategic investment to deliver priority outcomes within the Council Plan.
- (ii) To realise the Council's policies and objectives in relation to maximising resources available within its capital programme.
- (iii) To assist with the medium and longer term financial sustainability of the Council.

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Policy Context

1. All Council capital expenditure is consistent with delivery of Vision 2030. The approach, agreed by Cabinet, ensures schemes that make up the capital programme can demonstrate delivery of priority outcomes within the Council Plan. The financial implications of the capital programme are incorporated within the Medium Term Financial Strategy of the Council.

Background

2. Details of potential future capital schemes for the 2017/18 to 2021/22 capital programme were considered alongside the schemes within the existing five-year capital programme. The capital and revenue implications of each proposed scheme were considered to ensure that they were affordable and could be accommodated within the level of revenue support available within the MTFs and HRA.
3. The basic principle of the prudential system is that local authorities are free to borrow so long as their capital spending plans are affordable, prudent and sustainable. There is, therefore, an explicit link with the Council's revenue spending plans which have been considered as part of the MTFs process and setting the 2017/18 revenue budget.
4. The self-financing implications have been considered as part of setting the HRA capital programme, and have been addressed as part of the process to set the HRA budget for 2017/18. The five year capital programme was updated to cover the period 2017/18 to 2021/22 and was agreed by Council on 2 February 2017.

Capital Programme 2017/18 to 2021/22 Scheme Selection

5. The basis for considering the programme for 2017/18 was the current system for prioritising capital investment that gives priority to schemes which:
 - are consistent with the corporate priorities to deliver Vision 2030;
 - generate economic and housing growth within Gateshead;
 - are essential from a health and safety perspective;
 - meet mandatory and/or statutory requirements;
 - relate to commitments from previous years which remain to be high priority;
 - address strategic maintenance needs of existing assets identified within the Council's Asset Management Plan;
 - assist the Council to deliver its core services;
 - maximise the availability of external funding for priority issues to enhance value for money; and
 - achieve efficiencies to assist the Council in meeting the required budget savings.
6. A number of schemes have been identified where delivery is considered to be essential to ensure the sustainability of key services. These have been included within the proposed capital programme and include the following schemes:
 - Delivery of the Council's Technology Plan;
 - Health and Safety schemes;
 - Strategic Maintenance of Council buildings and transport infrastructure; and
 - The replacement of fleet vehicles, including refuse collection vehicles.

7. A number of schemes which have been approved in previous capital programmes have ongoing commitments. All of these commitments have been reviewed in setting the capital programme to ensure they are still required in line with the Council's priorities and that they remain high priority.
8. Commitments include the continuation of significant investment in the following areas:
- **Economic Growth**
Investment of £50m has been identified over the next five years within the Accelerated Development Zone to encourage Economic Growth within Gateshead, helping to facilitate development and generate additional income for the Council in the form of retained business rates. This includes £35m of investment to facilitate the proposed development of Gateshead Quays where the Council is currently working with our development partner Ask Real Estate and Patrizia UK to bring forward a significant mixed use development. The level of investment required will be determined by the development appraisal as the scheme progresses and will be supported by a detailed business case and viability model. In addition potential investment proposals are being progressed at Baltic Business Quarter including a proposal for a £10m Office development and the creation of a Northern Centre for Emerging Technologies which has been awarded £3.25m of ERDF funding and £1m of Local Growth Funding as part of a £7.8m project.
 - **Investing in Decent Homes Improvements**
Investment of over £62m has been set aside within the HRA over the five year period to undertake a rolling programme of improvements to the Council's housing stock in accordance with the decent homes standard. A further £15m of investment is also included over the same period aimed at undertaking general improvements to the housing stock, continuing to invest in heating upgrades, insulation measures and external improvement works. Major works have been identified amounting to almost £24m which are seeking to address long-term sustainability issues, which includes an £11m scheme, part-funded with £4.5m of ERDF capital grant funding, to implement energy efficiency works to tower blocks at Harlow Green and Regent Court.
 - **Housing Regeneration**
The Council continues to invest in assembling and preparing sites for future redevelopment. This includes the continuation of activity to support the delivery of schemes within the Council's Joint Venture, with works now underway in Birtley, Bensham and Saltwell. £3.5m has also been included to support interventions to facilitate additional development of potential sites identified by the Council's Land Development Group as part of the Development Site Preparation allocation. Finally, the programme also includes £5.4m of long-term loans to Keelman Homes and the Gateshead Trading Company to facilitate the development of additional housing within Gateshead which will also benefit from the application of grant funding from the Homes and Communities Agency (HCA).
 - **Carbon Management and Sustainability**
£7m has been included within the capital programme relating to additional infrastructure, such as battery storage systems and network extensions, to support the Gateshead Town Centre Energy Network, which will provide low carbon energy within the Town Centre, Quays and Baltic Business Quarter and encourage redevelopment whilst generating revenue income for the Council. In addition, £4.5m has also been included to complete the Council's Street Lighting upgrade programme, replacing existing lanterns in residential areas with energy efficient LED lanterns.

9. All commitments identified as being high priority and a limited number of new schemes have been included in the proposed capital programme in Appendix 2.
10. The proposed capital programme allows for investment of £95.2m in 2017/18 and £310.5m over the five year programme.

Capital Resources Available

11. The Council continues to maximise the use of external funding where possible and a number of capital grants have been included within the capital programme including:
 - Over £18.9m of Local Transport Plan and Sustainable Transport funding over the next five years in improving the Council's transport infrastructure in accordance with the principles set out in the Council's Highways Asset Management Plan;
 - An estimated £21m of externally funded investment in the Council's Schools, helping to address both condition and capacity issues as part of the Capital Maintenance and Basic Need programmes;
 - Over £8m of European Regional Development Funding to support investment in energy infrastructure along with the development of a Northern Centre for Emerging Technologies.
12. In some cases, the external funding allocations are based upon provisional allocations and the detailed investment plans will be reviewed following confirmation of the specific external funding award to ensure that the proposed investment can be delivered within the available resources.
13. The Council has the ability to fund schemes through prudential borrowing. This allows the Council more flexibility to fund capital projects, however in practice this is limited by pressures on revenue budgets and the need to generate budget savings. An allowance has been made in the revenue budget for the costs associated with the level of prudential borrowing required to support the capital programme set out in Appendix 2.
14. The development of detailed business cases to support capital investment helps to ensure that the proposed capital schemes do not add to the existing funding gap. It is important to identify a guaranteed income stream or sufficient revenue savings to support the costs associated with prudential borrowing.
15. Capital investment within the Accelerated Development Zone area can be supported from the retention of all business rates arising as a result of the generation of economic growth. Work is ongoing with our development partner, Ask Real Estate, to help develop schemes to ensure that the Council can maximise the revenue income stream resulting from the planned capital investment in Gateshead Quays.
16. The final source of funding currently available to support the capital programme is through the use of capital receipts received from the sale of Council land and buildings. The Council has a five year rolling programme of disposals which is used to identify the level of receipts available however a degree of uncertainty remains over when the receipts can be realised and on the final amounts that will be received. The difficulty in disposing of properties for their full market value and the reduced demand for development land is likely to continue in the medium term. In order to mitigate the volatility of capital receipts, the full amount of the projected capital receipt income is not included as an available capital resource at this stage. Upon confirmation of the amounts and timing of receipts, these will then be included within the capital

programme, displacing planned borrowing or enabling the introduction of additional capital projects.

17. Following the November 2015 Spending Review, the Government announced that it would introduce additional flexibility for the period of the Spending Review to enable Local Authorities to use capital receipts from the sale of non-housing assets to fund the up-front revenue costs of service reform and transformation provided there is a clear link to the generation of future ongoing revenue savings. Further information regarding the Council's ability to utilise this flexibility is set out in Appendix 4. In developing the capital programme and setting the revenue budget, potential schemes that may benefit from this flexibility have been considered to determine whether they are likely to include qualifying expenditure. At this stage this includes the revenue costs associated with the proposed investment in the Digital Gateshead project, which is subject to the development of the detailed business cases for specific projects, and additional invest to save schemes may emerge for consideration during the financial year.

Proposed Capital Programme 2017/18 – 2021/22

18. Along with existing commitments, which account for around 90% of the planned investment, a number of additional projects have been proposed which are considered to be high priority. The following additional projects are recommended for inclusion within the capital programme:

- **Loans to Facilitate Additional Housing Development**

Additional loans amounting to £5m have been included within the proposed programme to support the delivery of additional housing within Gateshead. These primarily relate to loans to Keelman Homes to fund the delivery of 30 affordable homes at Bleach Green and 56 affordable homes as part of a propose bungalow build scheme but also include a proposed loan to the Gateshead Trading Company to support the provision of 22 apartments at Derwentside.

- **Infrastructure Upgrades at Follingsby**

A £10m scheme has been included to undertake infrastructure improvements at Follingsby to facilitate its expansion. This investment will be funded via NELEP as part of an Enterprise Zone. The development has the potential to generate 1,500 jobs and develop 90,000m² of industrial and distribution space, with an expected development value in excess of £75m.

- **Leisure Facility Improvements**

Investment amounting to almost £1.3m has been included in the Council's Leisure Facilities aimed at improving the commercial offer and generating additional revenue income to support service delivery. This includes the installation of a Clip 'n Climb facility at Gateshead Leisure Centre as well as upgrades to the outdoor sports provision at Blaydon Leisure Centre.

- **Highways Infrastructure**

An additional £5m has been included within the programme to supplement the projected Local Transport Plan resources to support the delivery of highway maintenance and road safety improvements in accordance with the Council's Highways Asset Management Plan (HAMP) principles. This includes a proposed contribution towards a major project to upgrade Heworth Roundabout, where additional external funding may need to be secured to facilitate delivery, along with a proposal to replace the Vehicle Restraint System on Felling Bypass and to invest in a rolling programme of replacing obsolete traffic signals throughout Gateshead.

19. The proposed capital programme is shown in Appendix 2 and the proposed financing of programme is detailed in Appendix 3.
20. Additional schemes may be added to the programme throughout the year if business cases can be made to justify invest to save schemes or if additional resources become available through external funding opportunities. The ability to fund any additional schemes will also be considered in light of any in-year slippage of expenditure and an assessment of the Council's ability to generate additional capital receipts. The availability of additional resources will be reviewed throughout 2017/18 as part of the capital monitoring process.

Conclusion

21. There continues to be significant pressure on the resources available to support capital projects. The planned investment of £95.2m in 2017/18 has been set at a level which is considered to be sustainable and the impact of this has been included within the Council's revenue budget and HRA. This level of capital programme represents a significant investment in the local economy and forms a key part of the delivery of Vision 2030.
22. Capital investment has a significant impact on the local economy within Gateshead. The investment in schemes to encourage economic and housing growth in particular are estimated to attract almost £1bn of private investment to Gateshead over the lifetime of the schemes, helping to facilitate the development of up to 5,500 new homes and 250,000m² of commercial floor space with the potential to generate Business Rates and Council Tax of around £40m per annum when the schemes are fully developed.
23. The benefits associated with investment in capital projects are ultimately reflected in individual service budgets. Over the medium term the benefits are expected to include:
 - Projected additional revenue income of rising to almost £1m per annum by 2020/21 through investment in energy infrastructure and improving the commercial offer in the Council's Leisure facilities;
 - Projected business rate income of over £1m per annum by 2020/21 as a result of the additional development activity, with a further £2.5m per annum expected to be generated in future years as a result of the planned investment in the Accelerated Development Zone;
 - Additional Council Tax income of £1m per annum by 2020/21 as a result of additional investment in preparing sites for housing development and including potential schemes for delivery as part of the Council's Housing Joint Venture.
24. The limitations on both revenue and capital resources mean that whilst the current commitments within the capital programme can be supported, there are still a number of capital projects that cannot be fully supported as part of the proposed capital programme. Work will continue to progress additional schemes and source alternative funding or consider alternative delivery models where appropriate.
25. Additional schemes may be added to the capital programme following the completion of a detailed business case provided that they generate sufficient revenue savings to satisfy the prudential framework, or utilise available external funding, and do not add additional pressure on the revenue budget. Specifically, work is ongoing as to the viability of a direct Property Investment framework and fund to complement the existing approach to investment through the capital programme.

Consultation

26. The development of detailed project proposals arising from this report will involve consultations with all stakeholders.

Alternative Options

27. No alternative options were considered.

Implications of Recommended Option

28. Resources:

- a) **Financial Implications** -The Strategic Director, Corporate Resources confirms that the financial implications are set out in the report and appendices. The proposed capital programme can be accommodated from within the provision currently included within the Council's MTFS.
- b) **Human Resources Implications** – Capital projects require project management resources to ensure that the planned investment is successfully delivered. In accordance with accounting regulations, where it can be demonstrated that a project management resource is integral to the delivery of major capital investment this cost can be capitalised and funded as part of the specific project. The human resources implications of individual schemes are considered prior to implementing a project.
- c) **Property Implications** - Capital investment optimises the use of property assets to support the delivery of Council Plan priority outcomes. The property implications of individual schemes will be considered and reported separately.

29. **Risk Management Implication** - There is a risk that resources identified to fund the proposed programme are not realised. The impact of this will be managed through the monitoring process and reported to Cabinet on a quarterly basis.

30. **Equality and Diversity Implications** - The framework for the Equalities Impact Assessment of the Council's spending plans is based on legislative and policy priorities of the Council which include:

- The Equality Act 2010;
- The Local Government Improvement and Development Equalities Framework;
- The Council Plan.

The Equality and Diversity implications will be considered for each individual scheme within the capital programme.

31. **Crime and Disorder Implications** - There are no direct crime and disorder implications arising directly from this report.

32. **Health Implications** - There are no health implications arising directly from this report.

33. **Sustainability Implications** - The capital programme will provide a framework for ensuring a sustainable financial position over the medium and longer term. The proposed works will help to deliver high standards of environmental sustainability through the delivery of energy efficiency measures and the use of more energy efficient

materials and practices in the refurbishment of existing Council buildings and the construction of new buildings. Projects will strictly follow the Council's Sustainable Construction policy.

34. **Human Rights Implications** - There may be interference or disturbance to tenants and residents while works are carried out. However, such interference or disturbance will be kept to a minimum and the works will result in benefits to tenants and residents.
35. **Area and Ward Implications** - The proposals will have implications for all areas and wards in Gateshead.
36. **Background Information** - The following background papers have been used in preparing this report:
 - (i) Report for Cabinet, 24 January 2017 – Capital Programme 2016/17 – Third Quarter Review
 - (ii) Report for Cabinet, 24 January 2017 – Housing Revenue Account and Housing Capital Programme
 - (iii) Report for Cabinet, 12 July 2016 – Medium Term Financial Strategy
 - (iv) Report for Cabinet, 23 February 2016 – Capital Programme 2016/17 to 2020/21

Appendix 2 – Capital Programme 2017/18 TO 2021/22

| CAPITAL INVESTMENT | BRIEF DESCRIPTION | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 |
|---|---|------------------|------------------|------------------|------------------|------------------|
| GENERAL FUND CAPITAL PROGRAMME | | | | | | |
| Asset Sustainability | | | | | | |
| Chase Park Restoration | Investment in the restoration of Chase Park as part of a £1m Heritage Lottery Funded project. | 657 | 0 | 0 | 0 | 0 |
| Flood Alleviation Investment | Investment to create sustainable surface water management schemes to reduce the risk of flooding in Gateshead. | 601 | 197 | 152 | 145 | 0 |
| Gateshead Millennium Bridge Strategic Maintenance | Replacement of key components within the bridge in accordance with lifecycle requirements. | 98 | 325 | 0 | 0 | 0 |
| Strategic Maintenance - Council Buildings | Planned improvement works to the Council's operational buildings. | 1,000 | 750 | 750 | 750 | 750 |
| Heworth Roundabout Upgrade | Investment in structural works and junction upgrades to improve traffic flow. | 2,600 | 1,000 | 0 | 0 | 0 |
| Sage Gateshead - Capital Development | Capital contribution towards redeveloping seating, LED signage and audio upgrades aimed at improving sustainability, increasing and diversifying the use of the asset. | 0 | 25 | 0 | 0 | 0 |
| Total Asset Sustainability | | 4,956 | 2,297 | 902 | 895 | 750 |
| Core Service Delivery | | | | | | |
| Replacement of Fleet and Horticultural Equipment | Continuation of the ongoing replacement programme for the Council's vehicle assets and horticultural equipment according to their expected life and operational requirements. | 2,950 | 2,500 | 1,350 | 1,750 | 1,750 |
| Technology Plan: Infrastructure | Ongoing replacement of desktop equipment, network infrastructure and the refresh of desktop software and multi-year licence arrangements. | 2,385 | 2,570 | 2,200 | 2,150 | 3,000 |

| CAPITAL INVESTMENT | BRIEF DESCRIPTION | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 |
|--|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Technology Plan: Transformation Through Technology | Investing in the increased use of mobile devices and the associated infrastructure to increase efficiency within the Council. | 850 | 375 | 275 | 275 | 275 |
| Civic Centre Workspace Strategy | Completion of the Civic Centre workspace scheme by refurbishing the public areas, helping to improve service delivery and accessibility. | 1,400 | 0 | 0 | 0 | 0 |
| Total Core Service Delivery | | 7,585 | 5,445 | 3,825 | 4,175 | 5,025 |
| Economic Growth | | | | | | |
| ADZ Investment – BBQ Emerging Technology Centre | Acquisition of a building and its subsequent extension to create specialist R&D facilities to enable the clustering of high growth technology businesses. | 5,034 | 0 | 0 | 0 | 0 |
| ADZ Investment - Gateshead Quays | Investment within the Council's ADZ area to provide infrastructure to support the proposed mixed use development at Gateshead Quays and generate additional business rate income for the Council. | 200 | 15,000 | 17,500 | 2,500 | 0 |
| Broadband Delivery UK | Investment in the provision of high speed broadband to rural areas as part of the Broadband Delivery UK Project, a key part of the Governments Digital agenda. | 235 | 345 | 20 | 0 | 0 |
| Coatsworth Road Regeneration - THI | The continuation of a Townscape Heritage Initiative (THI) scheme using Heritage Lottery Funding which will improve the public realm and restore architectural features along Coatsworth Road. | 890 | 170 | 0 | 0 | 0 |
| Cycle City Ambition Fund - Hill Street | Sustainable transport improvements as part of an externally funded scheme. | 630 | 0 | 0 | 0 | 0 |
| Empty Property Programme 2015/18 | Investment in bringing long term privately owned empty properties back into use, utilising grant funding from the HCA. | 145 | 0 | 0 | 0 | 0 |
| Housing JV - Brandling | The completion of the final site assembly to facilitate future redevelopment by the Housing Joint Venture. | 350 | 0 | 0 | 0 | 0 |

| CAPITAL INVESTMENT | BRIEF DESCRIPTION | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 |
|---|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Keelman Homes - Affordable Housing Development | A loan facility to support the development of affordable housing at West Park as part of the HCA 2015-18 Affordable Homes Programme. | 1,750 | 0 | 0 | 0 | 0 |
| Land of Oak and Iron | A contribution towards a £3m HLF Landscape Partnership to develop a range of natural, cultural and Heritage projects in the Derwent Valley. | 51 | 0 | 0 | 0 | 0 |
| Local Transport Plan - Integrated Transport | Externally funded investment in improving sustainable transport infrastructure, traffic management and road safety. | 1,034 | 1,250 | 1,350 | 1,350 | 1,350 |
| Major Projects - Project Management Costs | Investment to support the delivery of strategic major capital projects within the Council. | 240 | 240 | 240 | 240 | 240 |
| Metrogreen | Development of the Delivery Strategy and Area Action Plan for Metrogreen. | 350 | 200 | 50 | 0 | 0 |
| Team Valley Flood Alleviation | Contribution to a proposed scheme with the Environment Agency to develop flood infrastructure and reduce the risk of flooding at Team Valley. | 100 | 0 | 0 | 0 | 0 |
| Urban Core - Exemplar Neighbourhood | Continuing the property acquisitions programme within High St South and undertaking technical studies to facilitate the future redevelopment. | 330 | 0 | 0 | 0 | 0 |
| ADZ Investment – BBQ Spec Build | Proposed investment in Office development within BBQ to encourage economic growth and generate additional business rate income for the Council. | 5,000 | 5,275 | 0 | 0 | 0 |
| Bus Based Major Transport Scheme | Provision of a proposed park and ride scheme at Eighton Lodge to support growth in the urban core, part funded from Local Growth Fund. | 3,150 | 4,860 | 0 | 0 | 0 |
| Development Site Preparation Works | Investment to facilitate and accelerate development activity within Gateshead. | 500 | 750 | 750 | 750 | 750 |
| Bleach Green Affordable Housing - Loan to Keelman Homes | A loan facility to support the development of affordable housing at Bleach Green. | 330 | 340 | 330 | 0 | 0 |

| CAPITAL INVESTMENT | BRIEF DESCRIPTION | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 |
|--|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| SME Bungalow Build - Loan to Keelman Homes | A loan facility to support the development of affordable housing in Gateshead as part of a proposed £5.6m project. | 0 | 1,450 | 1,450 | 0 | 0 |
| Derwentside House Building - Loan to GTC | A loan facility to Gateshead Trading Company to support the development of additional housing in Gateshead. | 1,500 | 0 | 0 | 0 | 0 |
| Follingsby Infrastructure Upgrades | Upgrade to the high voltage network and other infrastructure supporting Follingsby Industrial Park to enable further development. This scheme is being delivered with NELEP as part of an Enterprise Zone. | 3,650 | 4,850 | 1,500 | 0 | 0 |
| Total Economic Growth | | 25,469 | 34,730 | 23,190 | 4,840 | 2,340 |
| Health & Safety | | | | | | |
| Health & Safety | Works to address health and safety related issues in Council land/buildings. | 500 | 500 | 500 | 500 | 500 |
| Street Lighting Column Replacement | Phased replacement of the Council's concrete lighting columns with galvanised steel columns. | 1,750 | 700 | 250 | 250 | 250 |
| Falls Prevention | Extending the existing programme of works to undertake improvements to prevent falls in and around the home. | 100 | 0 | 0 | 0 | 0 |
| Traffic Signal Renewal - Borough Wide | Investment to replace obsolete traffic signal equipment throughout Gateshead. | 450 | 450 | 450 | 450 | 450 |
| Vehicle Restraint System - Felling Bypass | Introduction of a tension corrugated barrier system to improve road safety along with replacement of signs, traffic signals and street lighting where necessary. | 1,250 | 0 | 0 | 0 | 0 |
| Total Health & Safety | | 4,050 | 1,650 | 1,200 | 1,200 | 1,200 |
| Revenue Income Generation | | | | | | |
| Battery Storage System - District Energy Network | Investment in energy infrastructure as part of the District Energy Network to store electricity for release at peak periods, helping to ensure the network is resilient and generating additional revenue income. | 1,500 | 0 | 0 | 0 | 0 |

| CAPITAL INVESTMENT | BRIEF DESCRIPTION | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 |
|---|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Energy Network Extension - Trinity Square | Extension of the Council's Energy Network to encourage potential regeneration, support existing businesses and reduce carbon emissions. | 800 | 0 | 0 | 0 | 0 |
| Gateshead Town Centre District Energy Network | Investment in the extension of the Energy Network to support the Council's objectives around regeneration, the environment, health and fuel poverty. | 2,300 | 0 | 0 | 0 | 0 |
| Bereavement Services | Provision of suitable facilities within Saltwell Park which will then be leased to a Council owned trading company to provide a bereavement service. | 375 | 0 | 0 | 0 | 0 |
| Blaydon Leisure Centre Outdoor Sports Provision | Pitch conversion and upgrade along with the provision of a compact athletics facility to improve the facilities and generate additional income for the Council. | 765 | 0 | 0 | 0 | 0 |
| Gateshead Leisure Centre Improvements | Conversion of hall one to provide a Clip 'n Climb facility and soft play to increase and diversify the usage of the facility and generate additional revenue income. | 500 | 0 | 0 | 0 | 0 |
| Prince Consort Road Redevelopment | Proposed loan to Gateshead Health Foundation Trust to facilitate the development of facilities at Prince Consort Road. | 2,500 | 0 | 0 | 0 | 0 |
| Professional kitchen at St Mary's Heritage Centre | Improvements to the existing facilities to meet catering regulations and service needs, seeking to attract additional business and improve the capacity to generate income. | 15 | 0 | 0 | 0 | 0 |
| Registrars Internal and External Public Spaces | Refurbishment, modernisation and landscaping of public areas, seeking to reduce maintenance requirements and attract additional business. | 250 | 0 | 0 | 0 | 0 |
| Trade Waste Service Expansion | Investment to expand upon the existing Trade Waste service within Gateshead, with a particular focus on SME customers. | 245 | 25 | 25 | 25 | 25 |
| Total Revenue Income Generation | | 9,250 | 25 | 25 | 25 | 25 |

| CAPITAL INVESTMENT | BRIEF DESCRIPTION | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 |
|---|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Revenue Savings | | | | | | |
| Digital Gateshead | Investment in the development of the Council's Digital Platform to improve the delivery of Digital services in Gateshead. | 500 | 445 | 350 | 200 | 100 |
| Energy Network Extension - Gateshead Leisure Centre | Extension of the Council's District Energy Network to serve the Leisure Centre and surrounding Council buildings. | 2,376 | 0 | 0 | 0 | 0 |
| Non Operational Portfolio - Strategic Investment Plan | Ongoing investment targeted at the Council's tenanted non-operational portfolio, seeking to enhance the performance of the portfolio and address urgent building condition and energy efficiency needs. | 300 | 300 | 0 | 0 | 0 |
| Public Realm Improvement | A rolling programme to improve street furniture such as public seating, fencing, signage, bins and recycling banks. | 50 | 50 | 50 | 50 | 50 |
| Salix Energy Efficiency Works | Ongoing energy improvement works to deliver revenue savings with schemes typically having up to a 5 year payback period. | 250 | 250 | 250 | 250 | 250 |
| Street Lighting Phase 3 LED Lanterns | Completes the existing £9m investment programme to replace street lighting in residential areas. | 250 | 0 | 0 | 0 | 0 |
| Telecare Equipment | Provision of telecare equipment to clients over 75 helping to preserve their independence. | 75 | 75 | 75 | 75 | 75 |
| Street Lighting LED Replacement - Phase 4 | Investment to replace 10,000 existing lanterns with latest generation LED lanterns to reduce energy consumption and carbon emissions. | 1,000 | 1,850 | 1,440 | 0 | 0 |
| Library Service Review | Investment to support the relocation of existing libraries and replacement of the existing mobile library. | 200 | 100 | 0 | 0 | 0 |
| Total Revenue Savings | | 5,001 | 3,070 | 2,165 | 575 | 475 |

| CAPITAL INVESTMENT | BRIEF DESCRIPTION | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 |
|--|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Statutory Requirements | | | | | | |
| Additional Childcare Provision | Funding to develop additional capacity for childcare provision within the borough. | 66 | 0 | 0 | 0 | 0 |
| Birtley Cemetery Extension | Investment to provide additional burial space in the Birtley area. | 140 | 240 | 400 | 400 | 400 |
| Disabled Facilities Grants (DFGs) | Grants to private individuals to facilitate adaptations to their homes, helping to ensure people can live independently in their own homes. | 1,750 | 1,750 | 1,750 | 1,750 | 1,750 |
| Local Transport Plan - Planned Maintenance | Primarily externally funded investment in improving the Borough's transport network, including highway maintenance, improvement and road safety to support the delivery of the Council's Highways Asset Management Plan (HAMP). | 2,245 | 2,550 | 3,200 | 3,200 | 3,200 |
| Ravensworth Terrace Primary School | Completion of the construction of a new 2 form entry Primary School at Birtley to address capacity issues. | 2,575 | 0 | 0 | 0 | 0 |
| Saltwell Cemetery Extension | Investment to extend the existing cemetery to provide additional burial space in Saltwell. | 130 | 100 | 275 | 200 | 220 |
| School Capacity Improvements | External funding awarded to address capacity issues within Gateshead Schools. | 748 | 5,500 | 5,426 | 0 | 0 |
| School Condition Investment | Externally funded investment programme to address condition issues within the Council's Schools. | 1,529 | 1,500 | 1,500 | 1,500 | 1,500 |
| Schools Devolved Formula Funding | Externally funded investment to provide equipment and contributions towards construction works within the Council's Schools. | 250 | 250 | 250 | 250 | 250 |
| Replacement Bins | Investment in waste management infrastructure. | 125 | 125 | 125 | 125 | 125 |
| Total Statutory Requirements | | 9,558 | 12,015 | 12,926 | 7,425 | 7,445 |
| TOTAL GENERAL FUND CAPITAL INVESTMENT | | 65,869 | 59,232 | 44,233 | 19,135 | 17,260 |

| CAPITAL INVESTMENT | BRIEF DESCRIPTION | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 |
|--|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| HOUSING REVENUE ACCOUNT | | | | | | |
| Improvement Works | | | | | | |
| Lift Replacement/Refurbishment | Planned works to replace lifts within the Council's housing stock in accordance with their lifecycle requirements. | 500 | 500 | 500 | 500 | 500 |
| Replacement of Communal Electrics | Essential works to upgrade communal electrics circuits and services in accordance with stock condition needs. | 250 | 250 | 250 | 250 | 250 |
| External Wall Insulation Works to Non-Traditional Properties | Investment in upgrading the fabric of the Council's housing stock to improve energy efficiency, including enveloping works and insulation measures. | 210 | 0 | 400 | 0 | 0 |
| T-Fall Insulation | Targeted insulation works to reduce the risk of condensation. | 150 | 120 | 0 | 0 | 0 |
| Warden Call Renewal | Replacement of equipment to utilise Gateshead Council's Care Call scheme, an emergency service which supports older, disabled and vulnerable people allowing them to live safely and independently in their home. | 250 | 250 | 250 | 250 | 250 |
| Door Entry System Upgrades | Investment in upgrading door entry systems in low rise properties. | 250 | 250 | 250 | 250 | 250 |
| Timber Replacements | Planned timber renewals/replacement identified through the prior to painting programme. | 100 | 100 | 100 | 100 | 100 |
| Adaptations | To carry out identified adaptations to Council Dwellings to enable people to live safely and independently within their home. | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Total Improvement Works | | 3,210 | 2,970 | 3,250 | 2,850 | 2,850 |
| Exceptional Extensive Works | | | | | | |
| Equality Act Works - Multi Storey Flats | Includes improvements to ensure the Council's Multi Storey Flats comply with the provisions in the Equality Act 2010. | 250 | 250 | 250 | 250 | 250 |
| Equality Act Works - Communal Lounges | Includes improvements to ensure the Council's communal areas comply with the Equality Act 2010. | 50 | 50 | 50 | 50 | 50 |

| CAPITAL INVESTMENT | BRIEF DESCRIPTION | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 |
|--|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Fire Safety Works - General | Works to address required fire safety improvements in response to ongoing risk assessments. | 100 | 100 | 100 | 100 | 100 |
| Tower Block Energy Efficiency Improvements (Fell, Lough & Beacon) | Energy efficiency and fabric improvements at Fell, Lough and Beacon Court as part of a scheme delivered in partnership with Warm Up North. | 530 | 0 | 0 | 0 | 0 |
| Tower Block Energy Efficiency Improvements (HEIGHTS - Harlow Green & Regent Court) | Provision of energy efficiency improvements and low carbon heating systems at Harlow Green and Regent Court, utilising £4.3m of ERDF funding. | 7,000 | 4,140 | 0 | 0 | 0 |
| Tower Block Energy Efficiency Improvements (Harlow Green Windows) | Proposed window replacement at Harlow Green alongside the delivery of the HEIGHTS scheme. | 1,900 | 1,200 | 0 | 0 | 0 |
| Regent Court Façade Replacement | Investment to replace the existing façade at Regent Court. | 1,500 | 2,500 | 0 | 0 | 0 |
| Regent Court Window Replacement | Proposed replacement of the windows at Regent Court alongside the delivery of the façade replacement. | 500 | 800 | 0 | 0 | 0 |
| Risers (Services) | Refurbishment and renewal of communal services such as risers, ventilation and water hygiene in tower blocks. | 0 | 400 | 400 | 400 | 400 |
| Total Exceptional Extensive Works | | 11,830 | 9,440 | 800 | 800 | 800 |
| Major Future Works | | | | | | |
| Decent Homes - Investment Programme | Continuation of the planned estate based improvement work to the Council's housing stock in accordance with Decent Homes principles and prioritised using stock condition data. | 6,500 | 6,750 | 7,000 | 7,500 | 8,000 |
| Decent Homes – Backlog/Ad-hoc Works | Improvement works to specific properties in accordance with the Decent Homes standard. | 300 | 300 | 350 | 350 | 400 |
| Stock Condition Surveys and Scheme Design | Continuation of the rolling programme of condition surveys to enable effective asset management and investment in scheme design to help accelerate the delivery of schemes in future years. | 400 | 400 | 400 | 400 | 400 |

| CAPITAL INVESTMENT | BRIEF DESCRIPTION | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 |
|---|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Boiler Replacements | Replacement of failed and obsolete boilers, upgrading them with more efficient solutions to help address fuel poverty issues. | 1,000 | 1,000 | 1,000 | 1,000 | 750 |
| Programme Management | The allocation is used to fund the programme management costs and associated fees relating to the delivery of all capital schemes within the Housing Capital Programme. | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Strategic Maintenance | This scheme carries out significant capital works identified by the repairs and maintenance contractor, undertaking improvements to help reduce the level of responsive repairs. | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 |
| Estate Based Window Replacement | Continuation of the estate based window replacement programme to replace existing single glazed windows with double glazing. | 750 | 750 | 750 | 500 | 500 |
| Major Future Works | | 11,950 | 12,200 | 12,500 | 12,750 | 13,050 |
| Estate Works | | | | | | |
| Estate Regeneration | Completion of the decommissioning, demolition and site preparation works as part of the regeneration of Bleach Green, Clasper and Dunston. | 750 | 0 | 0 | 0 | 0 |
| New Build Investment | Investment to provide additional dwellings within the Council's HRA as part of an Assisted Living scheme. | 1,600 | 1,200 | 0 | 0 | 0 |
| Total Estate Works | | 2,350 | 1,200 | 0 | 0 | 0 |
| TOTAL HRA CAPITAL INVESTMENT | | 29,340 | 25,810 | 16,550 | 16,400 | 16,700 |
| TOTAL COUNCIL CAPITAL INVESTMENT | | 95,209 | 85,042 | 60,783 | 35,535 | 33,960 |

Appendix 3 – Capital Programme Financing 2017/18 TO 2021/22

| PROJECTED CAPITAL FUNDING | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Council Resources | | | | | |
| Prudential Borrowing | 46,507 | 36,720 | 30,128 | 10,440 | 10,710 |
| Projected Capital Receipts | 2,000 | 7,500 | 2,000 | 2,000 | 0 |
| Confirmed Capital Grant Funding | | | | | |
| Local Transport Plan | 4,054 | 0 | 0 | 0 | 0 |
| School Capital Grant Funding | 3,383 | 7,250 | 7,176 | 0 | 0 |
| Local Growth Fund | 2,320 | 2,670 | 0 | 0 | 0 |
| ERDF | 3,442 | 0 | 0 | 0 | 0 |
| Heritage Lottery Fund | 1,312 | 120 | 0 | 0 | 0 |
| Sustainable Transport Funding | 630 | 0 | 0 | 0 | 0 |
| Anticipated Capital Grant Funding | | | | | |
| Better Care Fund | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 |
| Environment Agency Funding | 526 | 172 | 129 | 145 | 0 |
| Local Transport Plan | 0 | 3,550 | 3,550 | 3,550 | 3,550 |
| School Capital Grant Funding | 0 | 0 | 0 | 1,750 | 1,750 |
| Other External Funding | 445 | 0 | 0 | 0 | 0 |
| TOTAL GENERAL FUND CAPITAL FUNDING | 65,869 | 59,232 | 44,233 | 19,135 | 17,260 |
| Housing Revenue Account Resources | | | | | |
| Major Repairs Reserve Contribution (HRA) | 19,250 | 20,440 | 16,550 | 16,400 | 16,700 |
| HRA Capital Receipts | 6,878 | 3,700 | 0 | 0 | 0 |
| Confirmed Capital Grant Funding | | | | | |
| ERDF | 3,212 | 1,670 | 0 | 0 | 0 |
| TOTAL HRA CAPITAL FUNDING | 29,340 | 25,810 | 16,550 | 16,400 | 16,700 |
| TOTAL CAPITAL FUNDING | 95,209 | 85,042 | 60,783 | 35,535 | 33,960 |

Appendix 4 – Additional Flexibility Regarding the Application of Capital Receipts

1. In the Spending Review 2015, the Government announced that Local Authorities could use capital receipts (excluding housing receipts) to meet the revenue costs associated with the delivery of transformational and reform projects. The key criteria is that the expenditure must generate ongoing savings to the Council's net service expenditure.
2. The guidance suggests that:
 - The Council can only use capital receipts generated from the sale of property, plant and equipment in the years in which the flexibility is offered and any existing capital receipts cannot be used to finance the revenue costs of service reform;
 - Qualifying expenditure is considered to be up-front revenue costs that will generate future ongoing savings and transform service delivery. This includes initial set up and implementation costs but excludes any ongoing revenue costs of the new processes;
 - In applying the flexibility, the Council must have regard to the requirements of the Prudential Code and CIPFA Local Authority Code of Practice; and
 - The Council must confirm the plans for the proposed use of this flexibility for the relevant financial year and provide details of the expected costs, funding sources and benefits associated with specific projects and the impact on the Prudential Indicators.
3. Examples of types of qualifying expenditure include:
 - Driving a digital approach to the delivery of more efficient public services;
 - Funding the cost of service reconfiguration or rationalisation where this leads to ongoing efficiency savings or service transformation;
 - Setting up commercial or alternative delivery models to deliver services more efficiently and generate revenue income;
 - Integrating service delivery with other public sector bodies to generate savings; and
 - Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy.

2017/18 Investment

4. At this stage it is envisaged that this additional flexibility may be useful to support the Council's investment in delivering the Digital Gateshead Strategy which is seeking to:
 - Transform how, where and when services are delivered;
 - Change the way that our councillors and employees work; and
 - Facilitate new ways of working with partners.
5. In addition to the proposed investment in the Digital Gateshead capital project which includes resources to fund the acquisition of additional equipment and software, there are estimated to be revenue costs associated with redesigning business processes as part of the delivery of the scheme which include staff resources, marketing and content development. This flexibility provides a potential additional funding source which could be used to help meet this cost if this is considered to be the most beneficial option for the Council from a financial perspective.
6. Following the acquisition of a new Digital Platform in 2016/17, the detailed business case and specific investment plans are now being developed and this will confirm the potential future revenue savings as well as the initial resource requirement. The aim is to develop Digital services as the preferred way to request information and services, with a target of 80% of transactions being carried out online via a digital service by 2020.

7. The specific investment plans and use of the additional flexibility will be confirmed during the financial year as part of the ongoing monitoring of the capital programme and revenue budget and will be subject to the availability of resources.
8. The ongoing monitoring process will also include any amendments to the Council's Prudential Indicators that may arise as a result of an investment decision. The Council must balance the availability of receipts for this purpose with the assumptions that have already made around their application to support existing capital investment within the Medium Term Financial Strategy to ensure the capital investment plans remain affordable and that the benefit arising from the available resources is maximised for the Council.
9. Additional invest to save opportunities may emerge during the year and the use of this flexibility will be considered, provided they can satisfy the required criteria to benefit from using this additional flexibility and that sufficient eligible capital receipts are generated.