



# Northumberland

## County Council

### CABINET

11 JUNE 2019

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### Summary of New Capital Proposals considered by Officer Capital Strategy Group

Report of: Neil Bradley, Service Director, Strategic Commissioning and Finance, Northumbria Healthcare

Cabinet Member: Councillor Peter Jackson, Leader of the Council

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#### 1. Purpose of report

The following report summarises proposed amendments to the Capital Programme considered by the officer Capital Strategy Group at its meeting held on 10 May 2019.

#### 2. Recommendations

Cabinet is recommended to:

##### 2.1. HRA Capital Delivery:

- Approve the development of proposals of up to £10 million in 2019-20 to pursue and support the broad range of capital activities set out above,
- note that should the actual spend exceed the £2 million currently identified in the approved 2019-20 capital programme there would need to be a re-profiling of future years' budgets and they would receive a further report; and,
- approve the proposed scheme of delegation for spend approvals relating to the delivery of these plans.

##### 2.2. Alnwick Lindisfarne Site: Approve the associated budget requirement of £1,191,735 for the consolidation of the site and refurbishment of the annex building, to be met from the Property Stewardship provision with the current Capital programme.

##### 2.3. Special Provision Capital Fund and Collingwood Special School: Approve an increase in the Council's Capital programme to include the grant award as detailed in paragraph 8.1 of £848,837 from the DfE for the Special Provisions Capital Fund, and approve an allocation of £200,000 in 2019-20 to refurbish the former Children's Centre and Collingwood Special School.

**3. Links to Corporate Plan**

The Council's Capital Programme is consistent with the priorities in the Corporate Plan 2018-2021; in particular the 'Living', 'Enjoying' and 'Thriving' priorities.

**4. Key Issues**

The report outlines proposed amendments to the previously approved Medium Term Capital Programme.

**5. Background**

The Medium Term Financial Plan and Capital Programme for 2019-20 to 2021-22 were approved by Council on 20 February 2019.

This paper summarises reports considered by the officer Capital Strategy Group on proposed amendments to the Plan.

## **SUMMARY OF NEW CAPITAL PROPOSALS CONSIDERED BY OFFICER CAPITAL STRATEGY GROUP MEETING HELD ON 10 MAY 2019**

- 6.1. The Group received a report requesting the release of the £10 million budget provision within the Capital programme to support the policy commitment of the Administration to deliver up to 1,000 council owned properties for rent.

### **Background**

- 6.2. The Council has made a commitment to deliver up to 1,000 new council homes for rent.
- 6.3. The overall balance in the Housing Revenue Account (HRA) reserve has grown since Homes for Northumberland joined the Council in 2015 and totals £30.8 million at 31 March 2019.
- 6.4. The HRA MTFP shows that over the next 5 years £22.5 million could be made available to fund a Housing Investment Programme, whilst retaining a level of reserves of approximately £15 million to meet potential pressures on the budget beyond 6 years. The current Capital programme also includes an approved allocation of £14.6 million between 2019-20 and 2021-22 to support 'HRA Re-provision, Re-modelling and new build', including £2 million for 2019-20. Should more than £2m be required in 2019-20, due to opportunities coming to fruition earlier than expected, there would need to be a re-profiling of future years' budgets.
- 6.5. The Prime Minister announced on 3 October 2018 that the HRA borrowing cap for councils will be removed in order that they can build more council homes. The Regulations have now been published and borrowing caps were removed on 29 October 2018.
- 6.6. The Housing Investment Programme will require a package of funding which will include utilising HRA reserves, additional borrowing within affordable levels and available grant funding.

### **Proposals**

- 6.7. Aligned with the proposed Devolution deal, is the desire to develop and deliver, an ambitious rural housing programme to accelerate delivery of housing of all tenure, including, working with Adult Social Care the provision of extra care facilities, through direct delivery funded by the HRA and by working with a range of partners and the community.
- 6.8. Through the HRA MTFP the opportunity exists to utilise a £22.5 million to fund a housing investment programme. The programme will include a variety of proposals, which will be informed by the Strategic Asset Management Plan that is currently being developed and due to be completed in December.. Although the detail of

individual schemes is to be finalised, areas under development for possible inclusion in the programme include:

- Building new affordable homes.
- Demolition and re-provision of a block of flats in Cramlington.
- Remodelling of six former sheltered housing wardens accommodation to provide housing for people with care needs.
- Provision of new sheltered and extra care housing to reflect the objectives set out within the Extra Care and Supported Housing Strategy, to meet the current and future needs of Northumberland residents.
- Remodelling of existing blocks of maisonette flats, for which there is no or very little demand, the impact of which is reduced rent and increased council tax charges.
- Acquisition of former right to buy and market housing.
- Acquisition of S.106 properties.

- 6.9. Whilst larger scale developments and the planning of work utilising assets and land owned by NCC/HRA will be subject to full option appraisal, the nature of the programme is such that flexibility is required to respond to opportunities to acquire land and buildings which may become available and to respond and exercise the council's "right of first refusal" as part of the right to buy process.
- 6.10. To do so, requires capital funding to be in place, which, due to the need for expediency, cannot be considered and assessed through the existing Capital Strategy Group and Cabinet approval process.
- 6.11. Subject to available funding, opportunities to look at broader aspects of regeneration to improve overall housing across Northumberland will be explored. In developing a housing investment programme, the Council would seek to explore all opportunities including working with partners and accessing external sources of funding which will be key to delivery.
- 6.12. It would be anticipated that current funding administered by Homes England, including the "Shared Ownership Affordable Housing Programme" (SOAHP); and, recent Government announcements to support a new generation of council and housing association homes, with funding for affordable homes, increased by a further £2 billion to more than £9 billion nationally; will provide the main source of grant funding.
- 6.13. The nature of the programme is such that flexibility is required to respond to opportunities to acquire land and buildings which may become available and to respond and exercise the council's "right of first refusal" as part of the right to buy process.

### **Options Appraisal and Funding Approval**

- 6.14. The Housing and Public Protection Service will be responsible for the overall management of the agreed budget, which will include business processes to assess value for money, scheme appraisal and viability commensurate with the nature of the project and amount of funding required.
- 6.15. Although processes may vary subject to the nature and value of the capital project, it is proposed that delegated limits for approval of expenditure (within the project budget) be introduced to allow for expedient decision making where required and more detailed scrutiny and appraisal of schemes as follows:
- **Up to £150,000** - Head of Housing and Public Protection in consultation with the Executive Director of Place:  
  
To enable preparatory works to support development, remodelling of existing accommodation and the acquisition of capital assets (land and houses) through the open market or where the council is invited to exercise the option of “right of first refusal” and an expedient decision is required to meet the requirements of the Housing Act 2004. Such decisions shall be subject to “light touch” appraisal having regard to the MHCLG Appraisal Tool, or an assessment will be made of anticipated purchase costs, projected long term revenue/capital maintenance costs and projected rental income to ensure value for money.
  - **£150,001 to £500,000** – Chief Executive in consultation with the Portfolio Holder for Planning, Housing and Resilience:  
  
To enable, in addition to the above, small scale developments, generally undertaken in-house, utilising existing NCC/HRA land and assets, including demolition and re-provision and acquisition of land for future development.
  - **£500,001 and above** - Capital Strategy Group and Cabinet:  
  
Schemes of this value would include the development of NCC/HRA land and assets, which would be subject to full development appraisal to reflect the approach advocated by MHCLG in the Development Appraisal Tool V.4.05, January 2019.
- 6.16. A quarterly report will be taken to Cabinet advising on the funds approved under £500,000.
- 6.17. The above limits are broadly in-line with the principles recently approved in respect of the regeneration reserve commitments; albeit the lower threshold for the regeneration reserve was set at £100,000. £150,000 is considered more practical in this case as a lower limit would potentially negate the purpose of the delegation in the first place - namely to provide the ability to react quickly - on the basis that the value of many properties may well exceed £100,000.

#### **CSG Recommendation:**

6.18. The Group accepted the proposals and recommends Cabinet to

- approve the development of proposals of up to £10 million in 2019-20 to pursue and support the broad range of capital activities set out above,
- note that should the actual spend exceed the £2 million currently identified in the approved 2019-20 capital programme there would need to be a re-profiling of future years' budgets and they would receive a further report; and,
- approve the proposed scheme of delegation for spend approvals relating to the delivery of these plans.

## **7. ALNWICK LINDISFARNE SITE**

7.1. The Group received details of a proposal to refurbish the Annexe buildings on the former Lindisfarne school site in Alnwick to create a fit for purpose facility to accommodate the Adult Learning Centre and a Community hub for local residents.

### **Background**

- 7.2. Prior to the formation of the current Administration in May 2017, the Lindisfarne Middle School and Sports Hall had been approved for demolition with a view to selling the whole site for housing. However, there was strong opposition from the local community and therefore when the new Administration was formed, officers were asked to shelve the demolition plans and retain the site.
- 7.3. Consultation over the future of the site has continued with the local community through the Alnwick Forum. To date the Council has committed to retaining the school playing fields as green space as identified in the local neighbourhood plan. Through the Forum, the Council has also established a user group to explore the viability of transferring the Sports Hall to the Town Council to run it for the benefit of local clubs and community groups.
- 7.4. Feedback for potential uses for the remainder of the site overwhelmingly favoured the development of a Community Hub anchored by the Council's Northumberland Adult Learning Service (NALS) operation who are already operating from the site, albeit in poor quality facilities.

### **Proposal**

- 7.5. It is proposed that the NALS operation and the existing community activities are consolidated into the more robust Annexe buildings which will be fully refurbished. The Annexe will provide 1,900m<sup>2</sup> of space which will enable NALS to continue to offer their current range of courses and provide sufficient space for a community hub. This would include existing organisations already operating from the site such as the Citizens Advice Bureau and the Alnwick food bank. The Annexe also contains a multi-purpose hall that can be let out on a casual use basis for a variety of local community activities.

- 7.6. The remaining 3,500m2 of old school buildings will be demolished to reduce ongoing running costs. Initially the space created can be utilised for on-site parking with the potential for an appropriate new build development at some point in the future.

Description of Works	Cost (£)
Rainwater goods replacement	£35,000
Slate roof repairs and replacement where necessary	£150,000
Flat roof replacement	£50,000
Window replacement	£100,000
General brickwork repair and forming of gable end.	£20,000
DDA External Access	£15,000
DDA Toilet Provision	£8,000
Toilet Refurbishment	£15,000
Installation of new boiler and heating distribution.	£150,000
Relocation of the electricity meter and provision of new supply <sup>*7</sup>	£30,000
Rewire	£40,000
Fire alarm and intruder alarm reconfiguration.	£5,000
Internally remodelling and refurbishment <sup>*8</sup>	£100,000
Asbestos Works	£75,000
<b>Sub Total</b>	<b>£793,000</b>
Preliminaries 15%	£118,950
<b>Sub Total</b>	<b>£911,950</b>
Contingencies 10%	£91,195
<b>Sub Total</b>	<b>£1,003,145</b>
Design Risk 8%	£80,251
<b>Sub Total</b>	<b>£1,083,396</b>
Fees 10%	£108,339
<b>TOTAL</b>	<b>£1,191,735</b>

- 7.7. The total refurbishment cost of around £1.2m compares favourably with an equivalent new build cost of £4m for the same space.
- 7.8. It is proposed the project is fund from the Property Stewardship budget provision within the existing Capital programme.

### **Revenue Implications**

- 7.9. Annual building running costs for the refurbished area are estimated at £60,000 pa excluding rates. This cost will be met by NALS who will fund £40,000 through their own resources and £20,000 by letting out community space through flexible tenancy agreements and short term hire arrangements. This provides a significant saving compared to the current net budget requirement of around £190,000 pa.

<b>Net Revenue Impact</b>	<b>Annual Impact (£)</b>
Revised Annual Running Costs	£60,000
Annual Business Rates for Annex	£18,000
Annual Cost of Capital Investment [£1.2m @ 3% over 25 years]	£69,000
Rent Payable by NALS	(£40,000)
Lettings / Room Hire Income	(£20,000)
<b>Net Revised Total Annual Cost</b>	<b>£87,000</b>
Less : Current Annual Running Costs	(£190,000)
<b>Net Revenue Impact (Saving)</b>	<b>(£103,000)</b>

### **Options Appraisal**

#### **Option 1- Demolish all buildings on site and sell off for development**

- 7.10. This was the original proposal for the site under the previous administration. However despite extensive searches, an alternative viable site for the NALS operation has not been identified in the Alnwick area. Furthermore there is considerable local opposition against such an outcome with strong support for retaining a community facility. In addition there is a covenant on the site held by Northumberland Estates that it must be used for Education purposes.

#### **Option 2- Retain all buildings on site**

- 7.11. The cost of backlog maintenance and the inherent inefficiencies in the old school buildings would leave the Council with a significant ongoing revenue cost estimated at £150,000 p.a. as any third party rental income would not be sufficient to cover the building running costs. In addition backlog maintenance would cost in excess of



£3.2m plus any internal alteration costs to subdivide and provide appropriate facilities for third party tenants.

### **Option 3 -Retain the annexe and demolish the remaining buildings**

- 7.12. This option will enable NALS to remain on site as the anchor tenant and will also meet the needs of the local residents by providing a community hub for use by a variety of local voluntary organisations and community groups. The refurbished building will operate efficiently and the running costs can be recovered on a sustainable basis. The refurbishment cost of £1.2m compares favourably with an equivalent new build cost of £4m. Although there would be an initial rates subsidy of £18,000 pa, this is considerably less than the current revenue cost.

### **Conclusion**

- 7.13. Option 3 is the preferred option on the basis that it meets the needs of the local community and is supported by the Town Council and Alnwick Forum. Furthermore it generates a considerable annual saving of £103,000 when compared to the current cost of retaining the site.

### **Key Milestones**

- June 19 - Cabinet Approval to progress the project
- June 19 - October 19 - Design work and Contractor Procurement
- October 19 - Alnwick Playhouse move out of front annexe and NALS temporarily relocate out of rear annexe buildings into old school buildings.
- November 19 - Refurbishment work commences
- May 20 - Refurbishment work completed and NALS and other community organisations move into newly refurbished Annexe Buildings.
- June 20 - Demolition of old school buildings commences
- July 20 - Project complete

### **CSG Recommendation:**

- 7.14. The Group accepted the proposal and recommends Cabinet to approve the associated budget requirement of £1,191,735 (£700,000 2019-20 and £491,735 2020-21), to be met from the Property Stewardship provision with the current Capital programme.
- 7.15. It should be noted that the project will utilise a significant proportion of current 2019-20 Property Stewardship budget provision of £785,013. As a result, there may be a need to review the profiling of the Property Stewardship budget in future; subject to future reports coming through the Group and Cabinet.

## **8. SPECIAL PROVISION CAPITAL FUND AND COLLINGWOOD SPECIAL SCHOOL**

- 8.1. The Group received information on a new capital grant allocation of £848,837 from the Department for Education (DfE), and the proposed use of part of this allocation to provide additional Special Educational Needs (SEN) capacity at Collingwood Special School. The Cabinet is recommended to approve an increase in the capital programme to reflect the grant award in accordance with the Chapter 2 Budget & Policy Framework, Paragraph 5 (1) a – In year changes, which allow for variations to the budget for fully funded schemes from external sources.
- 8.2. The Special Provision Capital Fund is provided by the DfE to help local authorities to make capital investments in provision for pupils with special educational needs and disabilities. Local authorities can use the funding to invest in new places and improvements to facilities for pupils with education, health and care (EHC) plans in mainstream and special schools, nurseries, colleges and other provision. The funding is not ring-fenced or time bound.
- 8.3. Northumberland's total allocation is £848,837 for 2018 – 2021. £166,667 of the award was received in 2018-19 and has been carried forward to 2019-20, and at least a similar level is expected in 2019-20 and 2020-21.
- 8.4. There is a requirement to increase Special Educational Needs capacity across the county, and an urgent need to provide additional places at Collingwood Special School for September 2019 in order that the local authority can fulfil its statutory duty.
- 8.5. An opportunity has arisen to convert and refurbish the existing Children Centre at Collingwood Special School to provide an additional 12 to 16 SEN places. The proposal is to convert the building to provide 2 additional classrooms, toilets, staff accommodation and dining space required. The Children's Centre building is no longer required to deliver children centre services as they have located to other buildings within the community.
- 8.6. The capital costs for the refurbishment are estimated to be in the region of £200,000, and it is proposed to fund the works from the Special Provision Capital Fund allocation.

### **CSG Recommendation:**

- 8.7. The Group accepted the proposal and recommends Cabinet to:
  - Approve an increase in the Council's Capital programme to include the grant funding allocation of £848,837 as detailed in paragraph 8.1 for 2018 - 2021; and,
  - approve the allocation of £200,000 in 2019-20 to refurbish the former Children's Centre at Collingwood School to facilitate the provision of an additional 12 to 16 SEN places.

## **Implications**

<b>Policy</b>	The capital programme is part of the Medium Term Financial Plan 2019-2022. The plan supports the Corporate Plan.
<b>Finance and value for money</b>	The report outlines proposed amendments to the previously approved Capital programme. The financial implications of these proposals are outlined in the main body of the report.
<b>Legal</b>	There are no direct legal implications.
<b>Procurement</b>	In line with all other capital expenditure, the additional spend will be subject to the Council's recognised procurement procedures.
<b>Human Resources</b>	Not applicable.
<b>Property</b>	The properties affected by the proposals are identified in the main body of the report.
<b>Equalities</b> (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	Not applicable.
<b>Risk Assessment</b>	The risks associated with the proposals are regarded as acceptable but these risks will continue to be reviewed up to and during implementation of the proposals.
<b>Crime &amp; Disorder</b>	There are no Crime and Disorder implications.
<b>Customer Consideration</b>	There are no Customer Considerations.
<b>Carbon reduction</b>	None
<b>Wards</b>	All wards

## **Background papers:**

Medium Term Financial Plan 2019-2022 and Budget 2019-2020 - County Council 20 February 2019.

## **Report sign off.**

***Authors must ensure that officers and members have agreed the content of the report:***

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