



## Belfast City Council

**Report to:** Strategic Policy and Resources Committee

**Subject:** City Investment Framework  
(Incorporating Capital Programme,  
City Investment Strategy and N,S,E,W projects)

**Date:** 18 September 2009

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### **Purpose**

The purpose of this report is to begin to establish a firm Council agenda in terms of what investment we can support within the limitations of budget, people and political constraints.

### **Background**

The Council has stated ambitions of wanting to take a leadership role in the City to improve the quality of life of citizens through place shaping and a number of other measures as set out in our Corporate Plan 2008/11.

The physical aspects of place shaping are contained in some proposals within the Councils Capital Programme; the commitments by Council to a City Investment Strategy; the emerging priorities from the North, South, East, West debates and the various discussions ongoing with other agencies both within and outside of RPA discussions regarding assets and projects.

As always resources particularly money is in short supply and therefore a major limitation on what can be actually be delivered.

## **Key Issues – Ambitions – What does the City need or want**

- **Capital Programme (see appendix 1 for list of schemes)**

The Councils Capital Programme is a mixture of basic facility replacement to enable service delivery e.g. depots or crematoria; people based facilities e.g. centres, pitches and health and safety or investment schemes e.g. Gasworks, North Foreshore, demolition of Grove, Maysfield etc

The current financial position is that:

Committee has committed projects which require loans up to £56m. In addition, there are a large number of uncommitted schemes which if they all went ahead would easily go beyond a further £70m - £100m of expenditure.

Some of these uncommitted projects can make strong business cases e.g. a heat recovery proposal on the North Foreshore with a short payback period; Woodvale and Dunville Parks which have a large percentage of grant funding or alley gates which are socially and politically viewed as value for money.

Regardless of the merits of each case the bald fact remains that our affordability limit in terms of borrowing is deemed by Financial Services as £45m and hence we have an £11m shortfall on committed projects already. Never mind any further expenditure.

The advice from Financial Services is that there should be a moratorium on further capital expenditure until finances recover.

Members however, have taken a different view in that they have asked for a review of our Capital Financing Strategy to test the £45m affordability limit and see if it can be stretched.

The bottom line on this means finding further revenue to support new loans from within existing resources.

Obviously this will raise a political dilemma should any savings be found of where and on what do the Members wish to allocate the ratepayers money.

- **City Investment Fund/Strategy**

The City Investment Fund/Strategy is a fund based on an annual % rate contribution and capital receipts from asset realisation that is aimed at supporting major iconic projects for the city. To date, commitment has been given to four projects – Titanic Signature Project; Lyric and Mac theatres and Connswater Community Greenway. The committed cost to Council for the next four years is £16.2m of which so far we have raised £4.4m. The total expenditure on the four projects is £153.5m but there is a Council funding gap of £11.8m.

Although we have recently received a £581,000 settlement for a land issue which should be added to the fund.

There are a number of other ideas that have been suggested for funding within the scheme but nothing is being moved forward until the current funding gap is addressed.

Details of asset realisation are considered below under resources.

- **N, S, E, W emerging Priorities**

N, S, E, W debates have occurred over the past few months with some clear preferences emerging where Council should expend its resources.

Appendix 2 contains details of a written response in regard to North Belfast relating to a range of projects within and external to the Council including the obvious potential of Girdwood and the North Foreshore.

East Belfast has a preference for a leisure/sport based complex with a private sector partner at Tommy Patten/Blanchflower and freeing up existing community and leisure space for inner city housing along with potentially vacant school sites.

South Belfast has a range of projects it would like to see moving forward including Mary Peters development, Shaftsbury Square enhancement, Lagan Canal, Maysfield and Gasworks Northern Fringe.

West Belfast has identified a number of projects but has yet to propose a definitive list but wants doable projects such as St Comgalls, Beechmount and the Gaeltacht quarter to go ahead while others are kept pending awaiting resources.

The N, S, E, W projects obviously need prioritised and there are some common themes such as tourism, sport, city gateways which could perhaps be built into a programme with other government departments.

Over and above the N, S, E, W debates there are also important proposals and ideas for the city and city centre which need to be at least considered. There are various proposals for private office developments, the Council will have more permanent office accommodation requirements post RPA which will also bring demand from new boundary areas. There are also some business tourism ideas such as a Convention Centre and new Welcome Centre and of course the Rapid Transit proposal is beginning to take shape while the stadia discussions remain ongoing.

The key action emerging from the above is to get an agreed City Investment Framework around what the Council can support relating to our key place shaping and quality of life objectives. The framework must also be sufficiently flexible to allow some projects to go ahead of others as finance, opportunity and other partners permit.

In other words we need an overall plan for the city but we also need to action those projects that are immediately doable. In the long run most new investment is rateable and so can build the city taxbase.

## **Key Issue – Resources – what can the Council bring**

In broad terms the Council can bring a number of things to the table both now and post RPA as set out below

Council Contribution

### **Soft**

- Political mandate for the city
- Planning Support/community gain
- Land assembly
- International city marketing/branding
- Community planning/convening role

### **Hard**

- Money
- Land
- Skills and experience
- Long term commitment

The most pressing question at present is money and this is addressed below.

There are four basic sources of funding for investment – loan, capital receipt, grant and public private partnership.

#### **(i) Loan**

As mentioned above Council is currently over committed in terms of loan and unless the mini budget review can squeeze further revenue to support new loans the de facto position will be as advised by Financial Services of a moratorium on any loan based investment or capital programme.

Even if money is found there will be a hard choice of whether to allocate such monies to four key areas to **keep the rate down; renew reserves; invest in capital or service enhancement**. Any such decision will have to be mindful of potential medium term costs such as waste fines or penalties, requirements for carbon reduction, major building maintenance issues and of course RPA impact.

Until the budget review is complete in October it is difficult to move projects forward on a loan basis.

#### **(ii) Capital Receipt**

Realising assets is slow and difficult and the poor state of the economy and property market makes it difficult to get value for money. However, we are progressing a number of disposals as detailed in the tables below:

Agreed Disposals:

<b>Asset</b>	<b>Disposal Sum</b>
Land adj. Beechmount	Previously valued at £3.685m but awaiting an updated valuation from LPS on behalf of DENI (likely to be lower)
Loughside	£14m net £8m
Land at Glen Road adj. St Teresa's GAC	£647,000 (net receipt)
Primrose Street former CAS	£85,000
Seapark Drive former CAS	£70,500

Proposed Disposals – Negotiations/Discussions underway:

<b>Asset</b>	<b>Total Value</b>
Land at Glen Road (Large Site) Land at Colin Glen Land at Templemore Avenue	Total Circa £8/9m

Total: Approx £20m

Note: This assumes however that all above sales proceed at current values, but given the current economic conditions and volatile property market these sale prices and potential for all sales to complete at these figures must be treated with caution.

Further Potential Disposals Include:

Maysfield
Cathedral Gardens
Former Grove Leisure Centre
Ravenhill Road Former PCs and Rest Garden
Land at North Foreshore
Stranmillis Car Park
Seymour House
Old Zoo

The receipts from these sales are currently allocated to the City Investment Fund which as mentioned has a shortfall of £11.8m over the next few years.

Depending on what can be agreed on an overall city investment basis further consideration may need to be given to using such funds to capital programme schemes and/or other projects or indeed the other financing choices as stated.

(iii) **Grant**

Grants are a welcome source of income but they have specific criteria that may not suit

council projects or objectives; they often require match funding and are front loaded in that the Council must fund the expenditure upfront. A further complication is that they are process heavy in that they are often accompanied by a huge bureaucracy and the ratio of process expenditure to actual project delivery is often poor.

Having said that we must continue to seek out grant and tailor our proposals accordingly.

Grant aid may be a key factor in moving some projects ahead of others especially as we have limited loan options.

In a separate paper on today's agenda are proposals for a Peace III bid which is 100% grant aided and if successful could address some of the ideas coming from the N, S, E, W debates.

#### **(iv) Public Private Partnerships (PPP)**

Core Cities in GB are increasingly turning to PPP models to take forward capital investment. Included among these are Local Asset Backed Vehicles (LABV), Accelerated Development Zones (ADZ) and JESSICA Urban Development Funding. There are pros and cons to all of these but in essence they all involve matching Council assets (money or land) with private money to create investment opportunity or else are another way of Council borrowing money.

Council officers have been exploring these but they could be risky, difficult to set up, require new legislation and so on. However, they may be the only option for things like the North Foreshore.

The key to any of these schemes is knowing what you want to deliver before agreeing to any of these as delivery options.

Council officers will continue to keep abreast of these options as we further develop a City Investment Framework.

### **Recommendations**

It is recommended that officers pull together an overall framework of investment projects based on Capital Programme proposals, City Investment Fund schemes and N, S, E, W outcomes and correlate that with a Capital Financing Strategy which is a piece of work Committee have authorised together with the mini budget review.

It is further proposed that officers prioritise the projects in terms of strategic fit to Council objectives; wholelife costs; funding; invest to save etc and then test that with the SP&R Committee to agree a way forward.

**Decision Tracking**

It is proposed to bring an overall affordable programme of work for consideration in October/November.

**Documents Attached**

Appendix 1: Capital Programme - List of Schemes

Appendix 2: North Belfast Projects

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