



Belfast City Council

Report to:	Strategic Policy and Resources Committee
Subject:	Update on City Investment Framework (incorporating the Capital Programme, City Investment Strategy and update on assets)
Date:	20 November 2009
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Purpose

Members will recall that a paper was taken to the September meeting of the Strategic Policy & Resources Committee on the proposed development of an overall City Investment Framework within the context of what investment the Council could currently support given the existing budget, people and political constraints.

At this meeting it was agreed that the Director of Improvement would bring an update report back to Committee in November. The purpose of this report is to present –

1. a first cut of a prioritised Capital Programme for political discussion and direction which will need, in due course, to be subject to affordability considerations
2. seek approval to explore options for how the ongoing maintenance backlog is dealt with in the council
3. an update on the current position with regard to the City Investment Strategy
4. an update on sources of funding for investment (loans, grants and alternative sources of financing) which will be further explored in a Capital Financing Strategy being prepared for December.

Members will acknowledge that these are serious and complicated issues for the Council and will involve some difficult decisions over the coming months.

Background

Why Belfast needs a City Investment Framework

Belfast City Council has repeatedly stated its ambitions to take a leadership role in the city to help improve the quality of life of its citizens through place shaping and a number of other measures which are set out in our Corporate Plan 2008/11. The physical aspects of place shaping are contained in some of the projects within the council's Capital Programme; the commitments by the 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, the ongoing RPA discussions relating to assets and projects.

As Members are aware however, resources, particularly money, are in short supply and this situation is unlikely to ease over the next few years. This situation is also likely to be further compounded over the coming years as public sector spending is further squeezed at a time when the Council will be assuming wider roles and responsibilities under the RPA.

This financial situation is no different to many Cities in Great Britain where as a result government is encouraging Council's to take a more proactive approach to working with the private sector and taking on more risk.

In addition as a result of the departmental shake-up resulting from the RPA there have been calls for various delivery vehicles to be set up outside the role of the Council with responsibility for development and regeneration. In this situation it is important that Members reflecting on their political mandate set out a clear agenda for the investment in the City that others can buy into so that Belfast optimises all potential resources and sets clear focus and goals against which delivery can be targeted.

Key Issues

1. Update on Capital Programme and first draft of prioritised Capital Programme matrix

Under the Standing Orders, the Strategic Policy & Resources Committee has full responsibility for the Capital Programme and has a key role to play in challenging, improving and prioritising capital projects. The council's Capital Programme is basically made up of three types of projects –

1. basic facility replacement to enable service delivery e.g. depots or health & safety
2. people based facilities e.g. centres, pitches and alleygates
3. investment schemes e.g. Gasworks, North Foreshore, demolition of Grove, Maysfield

In addition planned maintenance within the Council is difficult to deliver because of the way maintenance budgets are structured which leads to the capital programme requiring a significant number of schemes which are enhancement works to existing facilities.

As it currently stands the Capital Programme has 150 projects, all of which require financing which will include rate financed loans. 57 of these projects are already committed which will require financing of up to £56million. In addition to this there are additional 36 uncommitted projects which, if they all went ahead, could potentially require 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.

However as Members are aware our affordability limit in terms of borrowing as deemed by Financial Services is £45m. Therefore there is already an £11m shortfall on committed projects under the capital programme and this is before any of the uncommitted projects are taken into consideration. The financing of the Capital Programme therefore needs to be fully explored and it is planned to provide a paper on a Capital Strategy for the meeting in December.

At the Strategic Policy & Resources Committee meeting on 18th September it was agreed that officers would make a first cut at prioritising the uncommitted projects in the Capital Programme for 2010-2011. Members are asked to note that the prioritisation exercise looked at all the uncommitted projects collectively. A prioritisation matrix and assessment criteria was developed (attached at Appendix 1) which prioritised and weighted projects in terms of –

- political/social need
- strategic fit with council objectives
- legislative compliance
- wholelife costs
- funding sources
- investment return
- reputational risk

This prioritisation exercise has now been carried on all the uncommitted projects in the capital programme. Using this methodology the top 14 'priority' schemes have emerged. These are listed below for the attention of Members. This table also shows the approx. cumulative costs of these schemes (in total over £35,000,000m). Members are asked to note that in accordance with the Gates process (which looks at the feasibility of an individual project) all these projects, if they do proceed, will still be subject to an

economic appraisal and further consideration to the projects would have to be given at that stage.

Table 1 – First cut of prioritised capital programme

Weighting	25	20	10	10	20	10	5				
Project Name	Strategic Fit	Legislative Compliance	Whole Life Cost	External Funding	Political / Social Need	Investment	Reputational Risk of not proceeding	Weighted Score	Gross Cost	Net Cost	Cumulative Cost
Alleygates Phase 2	4	1	3	2	4	1	2	270	500,000	500000	£500,000
Dunville Park Refurbishment	3	1	2	2	4	1	3	240	2,000,000	1000000	£1,500,000
Woodvale Park Refurb	3	1	2	2	4	1	3	240	2,000,000	1000000	£2,500,000
Woodlands Park Pitch	2	1	3	4	3	3	2	240	1,500,000	0	£2,500,000
Development of New Recycling Centre (Springfield Rd)	3	3	2	1	2	1	2	225	2,900,000	2900000	£5,400,000
Waterworks/Westland - Playing Field and MUGA	2	1	4	1	3	3	2	220	375,000	375000	£5,775,000
Northlink Playing Fields	3	1	2	3	2	1	1	200	2,375,000	400000	£6,175,000
Cavehill Path Restoration - Phase 2	1	3	4	2	2	1	2	205	400,000	200000	£6,375,000
Gasworks Northern Fringe - Site Development	3	1	2	1	2	4	1	210	1,675,000	1675000	£8,050,000
Northforeshore Business Park Infrastructure	4	1	1	1	1	4	1	205	28,860,000	24497500	£32,547,500
10 New 3G Pitches	2	1	3	3	2	3	1	205	8,700,000	3180000	£35,727,500
Clement Wilson Bridge - Replacement	1	3	4	1	2	1	2	195	200,000	180000	£35,907,500

As can be seen from the table above the first cut at prioritising the Capital Programme has identified projects which are closely in keeping with the Members priorities for the city – creating a cleaner, greener and safer city.

Further detail on the remaining uncommitted projects and how they scored in the prioritisation exercise is attached at Appendix 2.

In order to prioritise the use of officer time, Members are requested to confirm at this stage whether these are the schemes on which more detailed economic appraisals should be developed. Members are also asked to consider if they are satisfied with the ranking of these schemes as actual delivery will be subject to the affordability limits Members set through the rates and as previously stated, such proposals will also need to be considered in light of an affordable and sustainable Capital Financing Strategy which

is currently being developed.

2. Maintenance Issues

One of the key issues that kept arising during this prioritisation exercise and the discussions regarding this is the cost of maintaining existing council assets. Many of the council's assets are ageing and so are incurring major ongoing maintenance costs. This has the potential to be a massive capital liability for the Council e.g. the leisure centres and the parks estate. This has also highlighted the need to ensure that 'whole life' costs are considered from the outset for any capital projects moving forwards.

Currently departments are responsible for holding their own maintenance budgets and allocating this towards projects. As a result the Council's maintenance programme has tended to be carried out on an ad-hoc, reactive basis and not considered strategically. The need to move away from this towards a more planned maintenance framework has been recognised in order to ensure that the Council's buildings are fit for purpose and that maintenance is carried out in a value for money, efficient and effective way.

Members are aware that an Asset Management Strategy is currently being developed and one of the options that is being considered in this is how the Council might move towards a planned maintenance programme. In the interim it is important that officers explore further the options for how maintenance budgets are held in the Council, investigate how to maximise the use of these budgets (eg could these budgets be alternatively used to raise more finance for the Council) and start to look at how the ongoing maintenance costs for all the council's assets could be quantified.

3. Update on City Investment Strategy and N/S/E/W Emerging Priorities

The City Investment Strategy was developed by the Council to help deliver on the aspirations expressed above, to support major iconic projects in the city and to act as a mechanism for the Council to help lever additional money into the city. The fund is financed through an annual % rate contribution and capital receipts obtained through the realisation of assets.

To date, the Council have committed funding to four key iconic projects across the city under the Fund –

- (i) Titanic Signature Project - £10million committed
- (ii) The Mac - £550,000 committed
- (iii) The Lyric - £1.25million committed
- (iv) The Connswater Community Greenway - £4.2million committed.

Together these 4 projects have levered in over £153million of investment in the city. The committed cost for the Council (up to 2013) for these four projects is £16m of which nearly £4.5m has so far been raised as of 01/04/09. This currently leaves a funding gap of £11.8m to be found by 2013.

The current position in relation the City Investment Fund is highlighted in Table 2 below.

CIF Funding Profile						
	Spend to Date	2009/10	2010/11	2011/2012	2012/2013	Total Project
CIF Spend						
Connswater	(93,683)	(106,317)	(700,000)	(1,650,000)	(1,650,000)	(4,200,000)
MAC		(180,000)	(180,000)	(190,000)		(550,000)
Lyric		(416,667)	(416,667)	(416,667)		(1,250,000)
Titanic TSP	(25,092)			(10,000,000)		(10,025,092)
	(118,775)	(702,984)	(1,296,667)	(12,256,667)	(1,650,000)	(16,025,092)
CIF Opening Balance	3,503,885	4,385,110	5,682,126	7,385,460	18,129,000	
CIF Income						
From Rate	1,000,000	2,000,000	3,000,000	3,000,000	3,000,000	
Asset Realisation Projection				20,000,000		
CIF Total at Year End	4,385,110	5,682,126	7,385,460	18,129,000	21,129,000	

Members will be aware that a series of briefings has taken place over the last few months to identify other area based projects and priorities. Arising out of these debates, other project ideas that have been suggested for funding under the City Investment Fund include the Belfast Visitor and Convention Bureau; the Lagan Canal; Belfast Hills projects, Belfast Stadia and the Convention Centre.

Members will be aware that the Council agreed that the City Investment Fund should benefit all areas of the city building to a total of £29m by 2012, funded by a 1% increase in the rate for 3 years from 08/09 to `11/12 and asset realisations. Details of sums to be derived from asset realisations are set out at Appendix 3 and are projected to raise £20m by year end 2012. The fund is therefore broadly on target, subject to the risk that the volatile economic conditions may affect the overall value of the assets which will be realised. In these circumstances it is recommended that officers be authorised to continue to explore options for alternative forms of financing such as Accelerated Development Zones (ADZ's), Local Asset Backed Vehicles (LABV's) and Private Sector Development Contributions.

4. Update on sources of funding for investment

In the paper that was presented to Committee in September it was highlighted that there are four key sources of funding for investment available to the council – loans,

capital receipts, grants and public private partnership (alternative sources of financing). This section updates the Committee on the current position in relation to these areas.

(1) **Loans** – As highlighted above there is provision made in the Council budget for an affordability limit of £45m of capital. Current committee schemes amount to £56m with an aspiration to spend up to £35m more if the schemes set out in Table 1 are prioritised. Options for financing this level of expenditure are presently being reviewed in the Capital Finance Strategy which will be reported to committee at its December meeting and decisions will then have to be made on overall affordability in the context of other priorities and the rate setting process for this and coming years.

(2) **Capital Receipts through Asset Realisation** - One of the key sources of funding that is available to the Council is raising capital receipts through asset disposals. There are currently a number of disposals of council assets which are being progressed or where Committee approval has already been obtained for disposal. (See Appendix 3 for details). Reports have been taken to Committee on an individual basis on these disposals.

There are also a number of additional assets that have been previously identified as being potentially suitable for disposal or have development potential, subject to appropriate appraisals and approvals. Members are asked to note that some of these assets may not currently be surplus to either the operational requirements of the current holding Committee and /or to Council requirements. Details of these assets are outlined in the table below along with some of the main issues which will require further investigation before any decision is taken on disposal.

Table 3 – Schedule of Assets and Options/Recommendations

Corporate Landbank or Non Operational Asset	Recommended Course of Action
Maysfield	<ul style="list-style-type: none"> (i) Undertake planning assessment and site appraisal inc COMAH issues (ii) Ascertain potential Council requirements inc. accommodation; conference centre etc (iii) Progress discussions with external stakeholders (inc Translink & adjoining landowners) (iv) Legal /Title issues (v) Demolition issues
Grove former Leisure Centre	<ul style="list-style-type: none"> (i) Undertake planning assessment & site appraisal (ii) DSD wider area master planning

	(iii) Demolition issues
Duncrue Car Compound & Adjoining 'Option Site'	(i) Undertake Planning Assessment & Site Appraisal inc access issues (ii) Decision on long term lease versus outright disposal (iii) Progress discussions with previous interested party
Ravenhill Road former PC's & Rest Garden	(i) Undertake planning assessment and site appraisal inc access issues
Gasworks Northern Fringe	(i) Continue with master planning process
Shore Road (adj Whitewell Tabernacle Church)	(i) Undertake planning assessment & site appraisal

<i>Operational Assets/Assets currently held by Service Depts which may have development potential</i>	<i>Recommended Course of Action</i>
Stranmillis Car Park	(i) Undertake planning assessment, inc dBMAP enquiry implications (designated as public open space as part of Lagan Valley Regional Park) (ii) Site appraisal /constraints
Ormeau Avenue Car Park	(i) Undertake planning assessment (ii) Ascertain status and impact re proposed road scheme
Cathedral Gardens	(i) Operational Asset held as Open Space - departmental /service requirements to be ascertained (ii) Planning Assessment & Site Appraisal to be undertaken (iii) Ascertain proposals of adjoining landowners inc UUJ.
Skegoneill Avenue former Health Centre (adj. Grove	(i) Departmental /service requirements to be ascertained

Well Being Centre)	<ul style="list-style-type: none"> (ii) Obtain costs for redevelopment (iii) Undertake planning assessment & site appraisal 	
Dunbar Link Depot	<ul style="list-style-type: none"> (i) Operational asset - departmental /service requirements to be considered. (ii) Cost benefit analysis to determine if economic case for relocation; (iii) Relocation options to be considered in context of overall cleansing depot requirements (vi) Planning Assessment to ensure any premium reflects optimal development potential (v) Progress discussions with adjoining landowners 	
Seymour House & ISB building Gloucester Street	<ul style="list-style-type: none"> (i) Consider as part of the Council's overall corporate accommodation requirements (ii) Undertake cost benefits analysis of disposal versus costs of relocation (iii) Undertake site appraisal and planning assessment to determine optimal site development 	
Old Zoo, Antrim Road	<ul style="list-style-type: none"> (i) Ascertain departmental / operational requirements (ii) Undertake Planning Assessment & Site Appraisal (iii) Ascertain impact of Tree Preservation Orders 	
Land at Ballymacarrett Walkway	<ul style="list-style-type: none"> (i) Undertake planning assessment and site appraisal (ii) Ascertain status of road scheme (iii) Ascertain wider development 	

	proposals for area
Ballygomartin Road South /Upper Whiterock Road	(i) Undertake planning assessment and site appraisal (ii) Ascertain if any departmental /service proposals (iii) Legal /Title Issues
McClure Street Open Space	(i) Undertake planning assessment including dBMAP enquiry implications (ii) Undertake site appraisal

In terms of market demand, funding availability and resultant capital return, the current economic climate is not favourable to asset disposals. However, this does provide us with an opportunity to plan and resolve many of the issues that invariably slow down any disposal including planning issues/constraints; financial considerations; legal and title restrictions; environmental/contamination issues; site constraints; co-dependencies with other agencies and external stakeholders etc, as well as ascertaining council, department and service requirements including longer term accommodation requirements.

It is therefore proposed that a cross departmental Assets Realisation Project Team is set up and a structured asset realisation plan is prepared to address the issues identified above for each asset with a view to having the assets highlighted above being '*market ready*' when the economy picks up or if any proposals are presented to the Council in the interim. There may also be other assets which may subsequently be declared surplus to departmental requirements or where development potential is identified and in these instances the Asset Realisation Team will undertake the necessary assessment and report back to Committee accordingly.

All options for disposal will be reported to SP&R for consideration and decision.

(3) **Grants** - One of the other sources of funding available to the Council is through grants. Grant aid may be a key factor in moving some projects ahead of others, especially given the Council's limited loan options. Not all projects will be eligible for grant funding and often a condition of grant funding is that it is matched and front loaded and so the Council must fund the expenditure upfront. However it is important for the council to maximise grant funding to help achieve its objectives and therefore allowance will need to be found in the council's capital financing strategy to provide necessary match funding for agreed projects.

As Members are aware the Council has submitted a number of applications for 100% grant funding under '*Priority 2.1 – Contributing to Shared Space*' of the Peace III initiative. Details of these are outlined below –

1. Development of a 'Community Hub' facility on the Girdwood site
2. Cultural Corridor project
3. Gasworks Bridge
4. Crusaders/Newington bid at the North Foreshore

These application forms were submitted on the 13th November and it is likely to be early in the New Year before the Council is informed of the outcome. The Committee will be kept informed of the outcome of these bids.

The Council will continue to seek out grant opportunities, including looking at new and innovative sources where possible, to maximise their benefit.

(4) ***Alternative sources of financing*** – The tightening of the public purse, the increased pressure on the public sector to provide value for money service and the challenges presented by the current economic climate means that local authorities elsewhere are increasingly looking at alternative and innovative sources of financing to take forward capital investment. This includes the use of mechanisms such as Local Asset Backed Vehicles (LABVs), Accelerated Development Zones (ADZs) and JESSICAs. However these are all longer term options which will take time to establish and implement.

As Members may be aware some of these options have been explored further in the economic appraisal consultation report which was recently published by the PwC on behalf of the Department of the Environment – "*Economic Appraisal of options for local government service delivery in its entirety*". In addition PwC and King Sturges have talked with a number of English local authorities and Core Cities in advancing these options.

The All Party Urban Development Group at Westminster has produced a paper "Regeneration and the Recession – Unlocking the Money" which further recommends government action on ADZ's and for City authorities to take a proactive approach to working with the private sector.

More details on the operation, advantages and disadvantages of these models will be made available in the Capital Financing Strategy paper in December.

Recommendations

Members are asked to note the contents of this report and

1. *Capital Programme* – Consider the first cut of the prioritised capital programme so that officers can start to develop more detailed economic appraisals for these schemes. Any further commitments in the Capital Programme are subject to the development of an affordable and sustainable capital financing strategy. This

strategy is planned to be presented at the December meeting so that it can be considered in the context of the revenue estimates and district rates report which will be presented at the same meeting.

2. *Maintenance Programme* – note that officers will explore further the options for how maintenance budgets are held in the Council, investigate how to maximise the use of these budgets and start to look at how the ongoing maintenance costs for all the council's assets could be quantified
3. *City Investment Strategy* – to note the current funding profile, its dependency on asset realisations and the risk associated with these realisations due to the volatile economic conditions and the need to consider this strategy in the context of other competing priorities.
4. *Assets* – agree that a cross departmental Assets Realisation Project Team is established and an Asset Realisation Strategy is developed to undertake further appraisal and assessment of the assets listed above or any other assets that are subsequently declared surplus to requirements or identified as having development potential, with a view to bringing forward for disposal, when the market improves, those assets which have development potential and which are surplus to Council requirements
5. *Alternative sources of financing* – agree that officers continue to explore the alternative sources of financing that may be available to the Council and note that this will be further explored in the proposed Capital Financing Strategy. As normal, Officers will be available to brief Members in detail as required and a detailed report will be brought back to committee in due course.

Decision Tracking

Documents Attached
Appendix 1: Capital Project Prioritisation Matrix and Assessment Criteria
Appendix 2: First cut of a prioritised Capital Programme
Appendix 3: Schedule of assets for disposal or where disposal negotiation are underway