

Report for Resolution

Item

9

Report to Cabinet
15 February 2012
Report of Head of finance
Subject Non-housing capital programme

Purpose

This report presents the proposed Non-housing capital programme for 2012/13 for approval.

Recommendations

That cabinet recommend council to:

- (1) approve the Non-housing capital programme 2012/13, as set out in table 1 of the report;
- (2) delegate to the capital programme board the authority to agree the asset maintenance programme and the final scheme details, including any adjustment to the financial allocations, of the section 106 works provided that this investment is contained within the total budgetary provision shown in Table 1;

and that cabinet:

- (3) approve the use of £0.181m section 106 income for investment in transport and play and open space schemes as detailed in appendix A

Financial Consequences

The financial consequences are set out in this report.

Risk Assessment

A detailed risk assessment is included in the body of the report.

Strategic Priorities

The report helps to meet the strategic priorities “Aiming for excellence – ensuring the Council is efficient in its use of resources, is effective in delivering its plans, is a good employer and communicates effectively with its customers, staff and partners”, “Safe and healthy neighbourhoods – working in partnership with residents to create neighbourhoods where people feel secure, where the streets are clean and well maintained, where there is good quality housing and local amenities and where there are active local communities”, and “Strong and prosperous city – working to improve quality of life for residents, visitors and those who work in the city now and in the future”

Cabinet Member:

Councillor Waters - Resources, performance and shared services

Ward: All wards

Contact Officers

Barry Marshall, Head of finance

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Background Documents

None

References

Report to Council February 2011 ‘Non-Housing Capital Plan and Capital Programme’

Report to Cabinet July 2011 ‘Asset Management Strategy’

Report to Cabinet July 2011 ‘Office Accommodation Strategy’

Report to Council September 2011 ‘Capital Programme – mid year review’

Report

Background

1. The council owns and maintains a range of assets. Major investment in these assets is funded from the capital programme. In turn the capital programme is resourced, in part, by the income received from the disposal of surplus assets.
2. In June 2011 the council adopted an asset management strategy that established a framework for the maintenance and improvement of assets that meet the needs of the organisation. Underperforming assets, particularly those retained for investment purposes, will be released to provide a receipt for future investment in the capital programme. The key requirements of the strategy are to optimise the existing portfolio (by establishing a rigorous process for review); to prioritise investment in the portfolio to support income generation and cost reduction; to rationalise office accommodation and to work in partnership with others to attract third party funding to bring forward development on council owned sites (e.g. the use of section 106 funding or the HCA development partnership). The following report considers how the investment of capital can help to deliver the core elements of the asset management strategy.

Capital resources

3. Table 1 shows a forecast of the capital balances available for the following 5 years

Table 1 – Forecast Non-Housing Capital Plan

| Non-Housing Capital Plan | 2012/13 £000s | 2013/14 £000s | 2014/15 £000s | 2015/16 £000s | 2016/17 £000s |
|---------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| S.106 | | | | | |
| Balances b/f | 1,395 | 576 | 515 | 329 | 344 |
| Forecast resources arising | 426 | 439 | 514 | 915 | 628 |
| Forecast expenditure | 1,245 | 500 | 700 | 900 | 750 |
| Balance remaining | 576 | 515 | 329 | 344 | 222 |
| Other capital resources | | | | | |
| Balances b/f | 7,749 | 2,989 | 1,489 | 489 | 489 |
| Forecast resources arising | 2,390 | 1,000 | 1,000 | 1,000 | 1,000 |
| Forecast expenditure | 7,150 | 2,500 | 1,000 | 1,000 | 1,000 |
| Balance remaining | 2,989 | 1,489 | 489 | 489 | 489 |
| | | | | | |
| Total capital resources | 3,565 | 2,004 | 818 | 833 | 711 |

4. Table 2 indicates the total level of resources currently available for investment in the non-housing capital programme and provides a forecast of resources that may be available for 2013/14 (from asset disposals and S106 payments received in 2012/13).

Table 2 – Non-Housing Capital Resources 2012/13 capital programme

| Non-Housing Capital Resources | 2012/13 £000s | 2013/14 £000s |
|---|--------------------------|--------------------------|
| HCA Partnership (b/f from 2011/12) | 2,500 | 0 |
| Other Capital funding brought forward from previous year | 6,644 | 3,565 |
| Total funding assured | 9,144 | |
| Less new expenditure proposals in this report | -7,331 | |
| Less S106 forecast spend 12/13 | -1,064 | |
| Total funding committed | 8,545 | |
| Balance remaining | 749 | |
| | | |
| Forecast capital receipts arising 2012/13 | | |
| Planned disposals (forecast) | 1,390 | 0 |
| Further disposals arising from asset review, subject to approval (forecast) | 1,000 | 1,000 |
| Govt and Lottery grants | 0 | 0 |
| S106 commuted sums | 426 | 0 |
| Total Forecast funding arising | 2,816 | 4,565 |
| | | |
| Total forecast funding available | | |
| S106 | 576 | |
| Other capital resources | 2,989 | |
| Total carried forward | 3,565 | |

5. For the following reasons considerable caution needs to be given to the forecast of the level of resources that may be forthcoming from asset disposals and section 106 payments:
- The rolling programme of asset reviews will bring forward buildings and land for disposal and the projected income of between £1m and 2m in 2012/13 is considered to be a challenging but at the same time realistic estimate. For the purposes of this report it has been assumed that £1m will be received in 2012/13 and £1m in 2013/14
 - The development industry is facing a very difficult outlook and this will impact on section 106 income and the total level of receipts is expected to be fairly constrained. In subsequent years the Council will start to accrue income from the community infrastructure levy and this will replace most of the current 106 funding.
 - In view of the market constraints the investment programme for 2012/13 does not commit the entire unallocated section 106 fund currently available. These, together with contributions accrued during 2012/13, will help to provide some continuity of investment over a two year period.

Review of the Non-Housing Capital Programme 2012/13

6. The proposed capital programme for 2012/13 has five core themes:

- a. Asset maintenance. The Council has an assessment framework to establish the priority for the repair and maintenance of assets. Major repairs that add value to the asset are normally eligible for funding from the capital programme and more minor repairs may have to be funded from the revenue programme. In 2012/13 there is a need to make provision for the council's contribution to a programme of major repairs to the St Andrews car park. The detail of the asset maintenance programme will be agreed by the Capital Programme Board.

In addition to maintaining existing assets there are some operational assets that may be a liability to the Council and that in some instances these may relate more to the responsibilities of other organisations. In the very limited cases where this may be considered it may be necessary for Council to incur a capital cost that will lead to a longer term revenue saving. Any proposal for expenditure will require the approval of Cabinet.

- b. Asset Improvement. The Council owns a broad range of non-housing assets including parks, offices, public conveniences, community facilities, halls, car parks, investment properties, allotments; markets, water frontages etc. There are two elements to the 2012/13 improvement programme.

- There are a number of proposals to improve existing assets, these include the Halls and parks. A sum of £250,000 has been identified for this work and specific proposals for this investment will be agreed by Cabinet.
- The second element relates to investment in office accommodation. In July 2011, Cabinet agreed an office accommodation strategy based on consolidation at city hall as the administrative and democratic hub of the council together with the retention of a neighbourhood presence. To help make the building more efficient and effective as an office building, to reduce operating costs and to support modern ways of working, the strategy identified a requirement for significant investment in the asset. In this context the capital programme brings forward a proposal to invest £2.2m in the next phase of work to city hall. This will include the enhancement of the customer contact centre and by reconfiguring the top floor to reduce the area allocated to circulation space and increase capacity by extending the area of open plan accommodation. This investment will also include essential repairs to the fabric of the building. Final details will be subject to approval by cabinet.

- c. Asset Investment. The investment portfolio provides a major income source for the council. The asset management framework has identified that the lack of investment (due to an absence of capital funds) has reduced the value of the portfolio and in a number of cases concern about increased maintenance liability and/or reducing rental income has led the council to dispose of the asset. Alongside the reduction in liabilities there is, in some cases, a reduction in income and to help address this it is proposed to invest in new assets. At this stage it is proposed to make a £1m allocation in the capital programme but all proposals for this investment will require approval by Cabinet.

- d. Regeneration and growth. The Council has established a major partnership with the Homes and Community agency that is based around a package of measures to support regeneration and growth in the city. The future development of Bowthorpe is key to this programme but a range of other development proposals are being considered. The HCA have provided a development fund and this expenditure is part of the capital programme. In addition, the Council is concerned that one of the impacts of the current depressed development market is that a number of sites (in private and public ownership) have stalled. These can have a significant and adverse impact on local amenity. To help provide an incentive to bring these sites forward for development it is proposed to establish a 'revolving fund' where investment costs by the council are subsequently recovered from the development value of the site. All regeneration and growth investment will be approved by cabinet.
- e. Developer funded section 106 schemes. The council has established an efficient development process for the investment of section 106 funds to support transport schemes and enhanced open space and play provision. The detail of the Section 106 investment programme and indicative expenditure is shown in the attached appendices. The final detail and budgetary allocations to individual schemes will be agreed by the Capital Programme Board.

7. In summary the proposed capital programme for 2012/13 is shown in Table 2.

| Non-Housing Capital Programme 2011/12 | Scheme title | Forecast expenditure 2012/13 £000s |
|---|--|---|
| Asset Maintenance | Annual provision for major repairs and upgrades (including works to St Andrews car park) | 1,000 |
| | Investment to reduce asset liabilities (programme to be agreed) | |
| Asset Improvement | Reconfiguration and major repairs to city hall as part of the delivery of the Office accommodation strategy | 2,450 |
| | Investment in existing assets (programme to be agreed) | |
| Asset Investment | Acquisition of new investment property as part of the delivery of the asset management plan (programme to be agreed) | 1,000 |
| Regeneration and Growth | Bowthorpe site Three Score – site development and enabling (programme to be agreed) | 2,500 |
| | Development fund for vacant buildings and sites (programme to be agreed) | 200 |
| Developer funded (Section 106 payments) schemes | Transport schemes (see appendix A for details) | 113 |
| | Play and open space schemes (see appendix A for details) | 68 |
| Total | | 7,331 |

Risk Management

8. The Risks to the non-housing capital programme have been assessed and the main risks and mitigation are shown in the following table.

| Risk | Likelihood | Impact | Score | Mitigation |
|---|-------------------|---------------|--------------|--|
| Capital Receipts not received or delayed | Possible (3) | Major (5) | (15) | Forecast includes only actual disposals. Should income not be forthcoming then planned level of investment for future years will be reduced |
| Business case for asset improvement programme not sustainable | Unlikely (2) | Major (5) | (10) | Revise programme to match assets that can be delivered |
| Cost overruns | Possible (3) | Moderate (3) | | The potential for cost over-runs exists in the asset maintenance allocation and asset improvement programme. However, in these areas there is some scope to re-programme work to subsequent years or omit future investments if necessary. |

Draft proposals for Allocation of S.106 Contributions - Play Projects

| Playspace Project | Play Sector | Ward | Proposed Budget (£'s) | Project Outline | Financed by | | | |
|--------------------|-------------|------------|-----------------------|---|----------------------------|-------------------|-------------------|---------|
| | | | | | S.106 Contribution | Existing Approval | Increased Funding | Total |
| Mile Cross Gardens | 3 | Mile Cross | 27,337 | Improvements to access and play infrastructure at Mile Cross Gardens. | 4081 Havers Road (Harmers) | £819 | £0 | £819 |
| | | | | | 4048 Baxter Court | £0 | £12,833 | £12,833 |
| | | | | | 5700 307-317 Bowers Ave | £0 | £5,477 | £5,477 |
| | | | | | 5700 216-246 Bowers Ave | £0 | £8,208 | £8,208 |
| Total | | | 27,337 | | | £819 | £26,518 | £27,337 |

| Playspace Project | Play Sector | Ward | Proposed Budget (£'s) | Project Outline | Financed by | | | |
|---|-------------|----------|-----------------------|--|----------------------------|-------------------|-------------------|----------|
| | | | | | S.106 Contribution | Existing Approval | Increased Funding | Total |
| NCCAAP S.106 Bank (Leonard Streets Play Area) | 11 | Mancroft | 102,557 | Existing budget for improvements at Leonard Street approved by Cabinet 16th February 2011. Project now in progress. After reviewing outcome of the consultation with local stakeholders additional funding sought to carry out improvements to garden area the consultation with local residents. | 4067 Busseys Quayside | £17,270 | £0 | £17,270 |
| | | | | | 4088 17-27 Fishergate | £6,049 | £0 | £6,049 |
| | | | | | 4108 Greyfriars Road | £34,865 | £0 | £34,865 |
| | | | | | 4046 1-8 Quayside | £18,000 | £0 | £18,000 |
| | | | | | 5700 The Waterings | £8,247 | £0 | £8,247 |
| | | | | | 5700 122 Magdalen Street | £4,626 | £0 | £4,626 |
| | | | | | 5700 Oak Street (Sunlight) | £0 | £13,500 | £13,500 |
| | | | | | | £89,057 | £13,500 | £102,557 |
| Total | | | 102,557 | | | | | |

| Playspace Project | Play Sector | Ward | Proposed Budget (£'s) | Project Outline | Financed by | | | |
|-----------------------|-------------|----------|-----------------------|--|---------------------|-------------------|-------------------|---------|
| | | | | | S.106 Contribution | Existing Approval | Increased Funding | Total |
| Eagle Baths Play Area | 9 | Mancroft | 21,708 | Improvements to access and play infrastructure at Eagle Baths Play Area. | 5700 Dolphin Grove | £0 | £6,161 | £6,161 |
| | | | | | 5700 Turner Road | £0 | £14,794 | £14,794 |
| | | | | | 5700 Heigham Street | £0 | £753 | £753 |
| Total | | | 21,708 | | | £0 | £21,708 | £21,708 |

| Playspace Project | Play Sector | Ward | Proposed Budget (£'s) | Project Outline | Financed by | | | |
|---------------------------|-------------|----------|-----------------------|--|---------------------|-------------------|-------------------|--------|
| | | | | | S.106 Contribution | Existing Approval | Increased Funding | Total |
| Midland Street Open Space | 9 | Mancroft | 6,750 | Initial assessment and design work associated with enhancing play opportunities and landscape quality pending implementation as part of the residential redevelopment of the neighbouring Goldsmith Street site. | 5700 Orchard Street | £0 | £6,750 | £6,750 |
| Total | | | 6,750 | | | £0 | £6,750 | £6,750 |

Total £68,476

Draft proposals for Allocation of S.106 Contributions - Transportation Projects

| Transportation Project | Proposed Budget (£'s) | Project Outline | Financed by | | | |
|-------------------------|-----------------------|---|--------------------|-------------------|-------------------|---------|
| | | | S.106 Contribution | Existing Approval | Increased Funding | Total |
| Heartsease Cycle Routes | £16,089 | Improvements to Heartsease cycle routes. Woodside Road junction identified as possible location for proposed expenditure. | 4110 Sale Road | £0 | £1,039 | £1,039 |
| | | | 4115 Paine Road | £0 | £2,800 | £2,800 |
| | | | 4154 Munnings Road | £0 | £4,987 | £4,987 |
| | | | 5700 The Canary PH | £0 | £7,263 | £7,263 |
| Total | £16,089 | | | £0 | £16,089 | £16,089 |

| Transportation Project | Proposed Budget (£'s) | Project Outline | Financed by | | | |
|---|-----------------------|---|--|-------------------|-------------------|----------|
| | | | S.106 Contribution | Existing Approval | Increased Funding | Total |
| Airport to City Centre Cycle Routes (including expenditure linked to Norwich Connect 2 project) | £179,878 | Measures to encourage walking and cycling in the North of the City, including new cycle routes and pedestrian crossings. To support and co-ordinate with NCCAAP and NATS Implementation Plan. (Increase in £172,925 S.106 budget approved at Executive on 16/02/2011) | 4122 Old Grove Court, Catton | £2,493 | | £2,493 |
| | | | 4126 Site of former Crown & | £6,207 | | £6,207 |
| | | | 4136 Vulcan Road | £15,200 | | £15,200 |
| | | | 4157 Former Anglia Windows site, Fifers Lane | £47,562 | | £47,562 |
| | | | 5700 Premier Travel Inn, Delft Way, Norwich Airport. | £22,052 | | £22,052 |
| | | | 5700 The Waterings | £2,816 | | £2,816 |
| | | | 5700 Former Anglia Windows site, Fifers Lane | £62,787 | | £62,787 |
| | | | 4077 Land at Heyford Road | £13,808 | | £13,808 |
| | | | 5700 Philadelphia Lane | | £282 | £282 |
| | | | 5700 Oak Street (Sunlight) | | £6,671 | £6,671 |
| Total | £179,878 | | | £172,925 | £6,953 | £179,878 |

| Transportation Project | Proposed Budget (£'s) | Project Outline | Financed by | | | |
|--|-----------------------|---|------------------------------|-------------------|-------------------|---------|
| | | | S.106 Contribution | Existing Approval | Increased Funding | Total |
| BRT and Cycle Route Measures in the Thorpe Road Area | £80,150 | Contribution towards BRT & cycle route measures in the Thorpe Road. Investment in additional bus stops and cycle lane improvements on Thorpe Road/Carrow Road gyratory identified as potential schemes. | 5700 Former Bertram Books | £0 | £23,300 | £23,300 |
| | | | 5700 Yare House, Thorpe Road | £0 | £43,504 | £43,504 |
| | | | 5700 Cremorne Lane | £0 | £13,346 | £13,346 |
| Total | £80,150 | | | £0 | £80,150 | £80,150 |

| Transportation Project | Proposed Budget (£'s) | Project Outline | Financed by | | | |
|---------------------------------------|-----------------------|---|-------------------------|-------------------|-------------------|--------|
| | | | S.106 Contribution | Existing Approval | Increased Funding | Total |
| Tombland & Palace Street Cycle Routes | £6,154 | Improvements to cycle routes around Tombland including potential creation of cycle lane on Palace Street. | 5700 Samson & Hercules. | £0 | £6,154 | £6,154 |
| Total | £6,154 | | | £0 | £6,154 | £6,154 |

| Transportation Project | Proposed Budget (£'s) | Project Outline | Financed by | | | |
|-------------------------------------|-----------------------|--|---------------------------------|-------------------|-------------------|--------|
| | | | S.106 Contribution | Existing Approval | Increased Funding | Total |
| City Centre - Sustainable Transport | £3,385 | Provision of car club facilities around city centre and Thorpe Hamlet. | 5700 Dolphin Grove Garage Site. | £0 | £3,385 | £3,385 |
| Total | £3,385 | | | £0 | £3,385 | £3,385 |

| | |
|--------------|-----------------|
| Total | £112,731 |
|--------------|-----------------|