

CAMBRIDGESHIRE HORIZONS

Agenda Item No: 9b

HGF Capital Programme 2009-2011 – Review of Progress

To: **Horizons Board**

Date: **1st July 2010**

From: **John Williamson**

Purpose: **For information (FI)**

To review progress on implementation of the Housing Growth Fund (HGF) Capital budget.

Recommendation: **The Horizons Board is invited to:**

- **Note the current position regarding the HGF Capital programme**
- **Note the current risks**

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1 BACKGROUND

- 1.1 Government confirmed in December 2009 the reduction of the HGF capital allocation for 2010/11 by 43%, with the effect that Cambridgeshire's award for 2010/11 was reduced from £13,772,524 to £7,794,623. While this nominally leaves a total grant amount for the 2009-11 period of £21,567,147, the £7.7m for 2010-11 has yet to be paid by the HCA. Sir Bob Kerslake wrote to LDV Chief Executives at the end of May, saying that the budget review process has still to be concluded and as result Ministers are unable to confirm 2010-11 capital funding allocations at this stage and will not be able to do so until after the Budget on 22 June. It is anticipated that further news from the HCA will be received shortly after the Budget and that an oral update will be made at the Board meeting.
- 1.2 Of the 2008/09 award of £14,235,324, a total of £9,817,332 was spent. The remainder has been brought forward into the 2010/11 budget, along with approx £435k of interest accrued on the balance in the account during Year One (Horizons Board agreed to use interest in Years 2 and 3 to defray the costs to the County Council of prudential borrowing related to major growth projects).
- 1.3 The Board considered and agreed a revised HGF capital programme at its December 2009 meeting. The project leads have now been formally advised of the new HGF capital budget allocations following the cut and requested to re-commence work on the agreed projects. A number of projects were reduced in scope or deferred.

2 HGF CAPITAL – 2009/10 QUARTER 4 POSITION

- 2.1 By the end of Quarter 4 of 2009/10, approximately £2.97m of the £21,978,909 in the 2009-11 budget has been claimed and a further £14.45m has been committed to projects in this year through funding agreements. The low spend against allocation is largely due to the delays in the programme caused by the Government's consultation on the proposal to cut HGF for Year 3 (2010/11).
- 2.2 Horizons Board has previously agreed that a 10% over-commitment should be built into the budget; as the budget currently stands, it is £1.76m over-allocated (approx 4.8%). Should all projects proceed as forecast, which is unlikely, it would be necessary for the shortfall to be met proportionately across all schemes.

3 DETAILS OF THE HGF CAPITAL SCHEMES

3.1 Green Infrastructure Projects

- 3.1.1 **St Neots Green Infrastructure (£331k)** – Phase 1 has been agreed and is being implemented, but Phase 2 was not previously identified as a priority. However, it was confirmed that, £240,000 of recently secured match funding would be lost if the HGF were to be

withdrawn and the Horizons Board agreed to the reinstate part of this project. Funding agreements for the full amount are now in place and completion is anticipated by the end of 2010; spend to end of March 2010 is £232,360.

3.1.2 St Neots Countryside Access (£66k) – The allocation will cover work already carried out and future critical works this financial year. Funding agreements are in place and completion is anticipated in July 2010; spend to end of March 2010 is £62,859.

3.1.3 Ely Country Park (£302k) – As an East Cambridgeshire priority project, the allocation for this project has remained unchanged. A funding agreement is in place and work has begun with completion anticipated in March 2011; spend to end of March 2010 is £122,000.

3.1.4 Cambridge Green Necklace (£1.069m) – The Cambridge Green Necklace is made up of six individual projects. The total allocation has been cut – with the agreement of the individual project leads - from £1,637,380 to £1,096,022. Priority has been given to a scheme linked to Cycle Demonstration Town (Wandlebury Cycle Route). However, the Wicken Fen cycle project is linked to wider funding (including Sustrans, EU, Landfill Tax) and a modest investment in HGF (£89,000 in addition to £28,000 already committed) will help secure about £1m of infrastructure. All of these projects are due to be completed by March 2011, although some will be completed sooner. Spend to end of March 2010 is £276,000.

3.2 The Fringe Sites Flexible Fund

3.2.1 The £4.5m loan agreement with **Trumpington Meadows Land Company** was completed in October 2009, and pre-conditions for draw down of the loan have recently been fulfilled, and the full loan sum has been drawn down.

3.2.2 Negotiations continue on a potential £8.0m equity investment with Countryside Properties to stimulate development at **Clay Farm**. Horizons has commissioned consultants to advise on the structure of the deal, particularly in respect of balancing risks and rewards. Horizons and Countryside are working to complete the outline of a deal by the end of June, when the final tranche of HGF Capital is anticipated. The outline deal will then be presented to JSGIC for comment and approval before completion. Government has announced that the reserve scheme for possible Kickstart funding has been scrapped, meaning that Glebe Farm will not receive Kickstart funding. However, conversation with Countryside suggests that the project can still go ahead quickly if the HGF equity investment can be confirmed.

- 3.2.3 An oral update may be given at the meeting concerning both of these proposals.

3.3 Market Towns

- 3.3.1 **Huntingdon Town Centre Regeneration (£3m)** – Funding for this project in 2009-11 has been cut from the original £4m budget to £3m. A funding agreement for the anticipated 09/11 spend is complete. There are however concerns over the current spend profile (See Risks and Issues below)
- 3.3.2 **Mayfield Road Housing, Huntingdon (£350k)** – Has now fully spent its allocation and the project is complete.
- 3.3.3 **Ely Station Gateway Feasibility & Options (£75k)** is linked to future sustainable growth of Ely through the emerging Masterplan. A funding agreement is near-final and completion of the work is anticipated in March 2011. Spend to end of March 2010 is £58,783.
- 3.3.4 The **Wisbech Nene Waterfront (total £1.718m)** scheme is to install advance infrastructure to prepare the site for marketing. The first phase is currently on site (approx £700k) and Fenland DC anticipates tendering on Phase 2 in June (approx £900k), with a view to starting in August and completing in February 2011. A funding agreement is in place for the full scheme. It is therefore anticipated that the project will fully spend by March 2011. Spend to end of March 2010 is £102,711.

3.4 Northstowe

- 3.4.1 **RSPB Fen Drayton Lakes (£73,268)**– The agreed works were completed end of March 2010 and all funds have been claimed.
- 3.4.2 **Renewable Energy Northstowe / LCDI (£1m)** – The business plan for the LCDI as a whole (of which Northstowe is the most advanced of the suite of projects that are envisaged across the region) has been approved by ERDF, and ERDF match funding (40%) has been confirmed. Discussions are taking place with the Homes & Communities Agency to work up a specific business case for site-wide renewables for Northstowe. A funding agreement is in place for the full amount. Spend to end of March 2010 is £75,151.
- 3.4.3 **Uttons Drove (£Nil – Loan to be repaid)** – Discussions continue on apportionment of costs to bring forward the Uttons Drove drainage scheme, which is essential to the development of Northstowe and Cambourne. The short-term loan facility included in the HGF capital programme, is still available but may need to be drawn down as a combination of HGF revenue funding, Anglian Water funding and developer contributions may be sufficient. A Memorandum of Understanding between the partners has been signed and loan agreements are being prepared.

- 3.4.4 **Northstowe Cycle Routes (£850K)** – Work is commencing on the resolution of land ownership issues on the Cottenham to Histon cycleway and completion is anticipated in March 2011. The Swavesey to Buckingham Business Park route has been deferred from the programme because of the funding cut and land acquisition difficulties. A funding agreement is in place, with £20,824 spend to end of March 2010.
- 3.4.5 **Northstowe Countryside Access (£115K)** – Funding of £115,377 covers works already carried out and some further critical work this financial year, but the end date has slipped to June 2010. Funding was reduced because of the funding cut and the current status of the Northstowe programme. Work may be reinstated in future funding rounds. Spend to end of March 2010 is £119,280.

3.5 Strategic Projects

- 3.5.1 **Cambridge Gateway (£1.5m)** – HGF is to be used to fund the bus interchange of the project, supporting the CIF2-funded link road and developer investment in the area. The County Council has submitted a planning permission for the bus interchange to enable it to be implemented separately from the developer's proposals and it is anticipated that construction will start in late Summer 2010. It is looking likely, therefore, that this project will run into the summer of 2011, and further work is in hand to determine a detailed programme.
- 3.5.2 **The Hive (£2m)** – Cambridgeshire County Council's Cabinet approved funding for The Hive at a meeting on 15 December 2009. A funding agreement is in place for £2.0m of HGF capital and completion is anticipated in March 2011. Cambridge Regional College has agreed in principle to fund half of the balance of the total project cost of £2.6m (in addition to donating the land), and Horizons has offered to underwrite the other £300k of funding – but this would only be drawn upon if all alternative avenues have been thoroughly explored and exhausted. The Hive programme team is still exploring ways of securing all or part of the additional £300k.

4 RISKS AND ISSUES

- 4.1 The main risk is around **Programme Slippage** – Some projects have already slipped in the programme and it is likely that further slippage will occur, and/or that other projects will slip. Short-term overruns can be coped with but longer term delay are likely to be more problematic. There is a risk that we may have a sizeable programme underspend at the end of March 2011 that could impact on our bid for future funding rounds.

4.1.1 Specific Projects to Highlight

- The project plan for **Huntingdon Town Centre** shows that the project will not be completed until late 2011, and it is predicted that approx £1.6m of the planned project expenditure will be past the end of the funding period, well into 2011/12. Current progress with this project is linked to complex Compulsory Purchase Orders.
 - The **Cambridge Gateway** project has yet to sign a funding agreement and it is unclear as to whether the project will be able to spend its allocation within this financial year, although it is intrinsically linked to the CIF2-funded link road that has to be completed by March 2011.
- 4.1.2 The £890,000 for the **CGB cycleway project** has been carried over from 2008/09. This project can only commence once the busway has been handed over by BAM Nuttall. The County Council will appoint a separate contractor to hard-pave the cycleway between Histon and the Science Park. There remains potential for this work to be completed by March 2011 but there is, as yet, no firm date for the handover of the site.
- 4.1.3 The Board noted that, whilst the funding agreements require all spend to be by March 2011, there is programme-level flexibility to allow some carry forward to the following year. Pressure should remain on spending by March 2011 to maximise potential for securing future funds. Where this is not possible, spend should be completed as soon as possible after March 2011.

5 SUMMARY

- 5.1 Appendix A is a summary of the HGF Capital programme. Horizons will continue to monitor spend and commitments throughout the year and report on progress at future meetings.
- 5.2 The funding agreements require all spend to be by March 2011, although there is flexibility to carry some forward to next year but it might impact in what – if any – funding is available after that. The partner authorities have confirmed key dates for completion of the projects as reported above.

Appendix A – HGF Capital Programme 2009-11

Projects 2009-11	Allocation		Finish Date	RAG *
	2009/10	2010/11		
Green Infrastructure				
St. Neots Strategic GI	£232,360	£99,000	March 2011	
St. Neots Countryside Access	£66,481	£0	Fully spent	
Ely Country Park	£122,000	£180,000	March 2011	
Cambridge Green Necklace (6 projects)	£279,788	£816,234	March 2011	
<i>sub-total</i>	<i>£700,629</i>	<i>£1,095,234</i>		
Flexible Fund (Cambridge Fringe Sites)				
Urban Fringes Flexible Fund	£2,250,000	£2,250,000	Spent	
Clay Farm/Glebe Farm	£4,750,000	£3,250,000	Likely to be committed in June 2010	
<i>sub-total</i>	<i>£7,000,000</i>	<i>£5,500,000</i>		
Market Towns				
Huntingdon town centre extension & devel't	£500,000	£2,500,000	March 2012	
Mayfield Road Housing	£350,000	£0	Fully spent	
Ely Feasibility and Options (Formally East Cambs Housing)	£75,000	£75,000	March 2011	
Wisbech Nene Waterfront	£399,000	£1,319,000	March 2011	
<i>sub-total</i>	<i>£1,324,000</i>	<i>£3,894,000</i>		
Northstowe				
Renewable Energy/LCDI	£500,000	£500,000	March 2011	
Uttons Drove	£0	£0		
RSPB Fen Drayton Lakes	£73,268	£0	Finished	
Countryside Access	£115,377	£0	June 2010	
Cycle Routes Around Northstowe	£425,000	£425,000	March 2011	
<i>sub-total</i>	<i>£1,113,645</i>	<i>£925,000</i>		
Strategic Projects				
Cambridge Gateway	0	1,500,000	Summer 2011	
The Hive (formerly ICE)	102,140	1,897,860	March 2011	
<i>sub-total</i>	<i>102,140</i>	<i>3,397,860</i>		
Other				
AAR pre commitment	£2,000,000	£0	Spent	
<i>sub-total</i>	<i>£2,000,000</i>	<i>£0</i>		
TOTALS	£12,240,414	£14,812,09		

Project carried over from 2008/09	Amount allocated in 2008/09 budget	Finish Date	RAG *
CGB cycleway, Histon to Cambridge	£890,000	tba	

*** RAG Status**

Red = Unlikely to spend in the Funding Period (i.e., before 31 March 2011).

Amber = Possibility that project will not spend within spending period.

Green = Likely to spend within agreed time limit