



Belfast City Council

Report to:	Strategic Policy & Resources
Subject:	Capital Programme Update
Date:	21 November 2008
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Relevant Background Information	
<p>The purpose of this report is to update Members on the capital programme. The report will cover the following areas:</p> <ul style="list-style-type: none">• A request to move seven schemes from being “uncommitted” to “committed” in the 2008/09 capital programme.• Capital programme 2009/10 expenditure and future years.• A recommended approach for agreeing the capital programme and its financing 2009/10 and future years.	
Key Issues	
<p>Scheme Update</p> <p>There are 7 requests to advance projects which were previously included as “<i>uncommitted</i>”. Full details of each scheme are provided at Appendix A and a summary is provided below.</p> <ul style="list-style-type: none">○ Roselawn Extension/Development (Parks and Leisure Department) – retrospective Committee approval is requested to the invitation of tenders for the infrastructure development element of this project and to the acceptance, under the general scheme of delegation, of the most economically advantageous offer based on quality and price criteria.○ Outdoor Skate Park Facility (Parks and Leisure Department) - Committee is asked to consider approval of the acceptance, under the general scheme of delegation, of the most economically advantageous offer based on quality and price criteria. This will require a loan of £80,000 to lever a £300,000 grant.○ Springfield Avenue Site A Children’s Park (Parks and Leisure Department) - Committee is asked to consider approval of the invitation of tenders for the development of the park and to the acceptance, under the general scheme of delegation, of the most economically advantageous offer based on quality and price criteria. This scheme is 100% grant-aided.○ Gasworks Northern Fringe Infrastructure (Development Department) - Committee is asked to consider approval of the invitation of tenders for the site/ground investigation works and to the acceptance, under the general scheme of delegation, of the most economically advantageous offer based on quality and price criteria.○ 2012 Elite Sports Facilities - Mary Peters Track & Blanchflower Playing Fields (Parks and Leisure Department) - Committee is asked to ratify the decision of the P&L	

Committee to prepare a bid for funding at a cost of £400,000.

- o **Telephony System** (Corporate Services) - Committee is asked to consider approval of the invitation of tenders and to the acceptance, under the general scheme of delegation, of the most economically advantageous offer based on quality and price criteria.

nb There remains approximately £ 77m of estimated proposals in the current capital programme to 2012/13

Resource Implications

The table below shows that the forecast for capital expenditure financed by loan for 2008/09 amounts to £21.9m and that Members should note that the Council already has a loan of £11.2m for the Grove Wellbeing Centre. This means that by the end of 2008/09 the Council will have a loan requirement of £33.1m. The Council's affordability limit for loans financed capital expenditure is £45m.

Table One: Capital Expenditure Financed by Loan 2008/09

	Forecast Total Spend 08/09
	£
Underway and contractually committed	19,676,057
Committed by decision but not contractually committed	2,219,950
Uncommitted future proposals – but essential	0
Total	21,896,007

Table two shows the level of anticipated capital expenditure required for 2009/10. This is needed to complete the schemes started in 2008/09 and to start a number of essential schemes during 2009/10. The forecast loans requirement is a further £8.0m. This means that by the end of 2009/10 the total loans requirement will be £41.1m which is broken down as follows:

- 2007/08 £11.2m
 - 2008/09 £21.9m
 - 2009/10 £ 8.0m
- £41.1m total loan requirement 2010 onwards

Table Two: Capital Expenditure Financed by Loan 2009/10

	Forecast Total Spend 09/10
	£
Underway and contractually committed	5,124,416
Committed by decision but not contractually committed	1,299,247
Uncommitted future proposals – but essential ¹	1,650,000
Total	8,073,663

¹ * Mercury Abatement at Crematorium : New Cemetery : Loop River Centre

Rates Impact and future affordability

This position has two major consequences for the Council. Firstly, the revenue impact of the loans will have to be covered both in the 2009/10 and 2010/11 estimates and also in future years until the loans are repaid i.e. up to 20 years.

Currently, £1.9m of debt charges is allowed for in the estimates which will finance £15m of debt. However, as the debt requirement for 2009/10 will be £33.1m an additional debt charge equivalent to 2% on the rate will be required. For 2010/11 the equivalent figure is an additional 1%.

In total from 2010/11 onwards approximately 5% of the rate will be required to finance debt for current committed schemes for the foreseeable future.

The second major issue for the Council is that the agreed affordability limit on loans financed capital expenditure is £45m and we will have reached £41.1m by the end of 2009/10. This means that only £3.9m of further loans financing will be available post 2009/10 and it is likely that this will be required to finance the rollover of schemes due to start in 2009/10. Therefore, a reassessment of the affordability limit and/or other means of finance will need to be considered, if **any** new schemes are to be progressed.

Members should also note that few schemes in the capital programme have had any revenue consequences assessed and this is an important factor in economically appraising any new schemes.

Way Forward

These are serious and complex issues for the Council and will involve difficult decisions. It is also important that any decisions taken are as collective as possible to ensure any expenditure is allocated within agreed affordability limits and to address corporate priorities.

These problems will not be resolved overnight and will require a significant amount of time commitment from Members. For these reasons, it is recommended that the Party Leaders as recommended in the Indicative Rates 2009/10 report also examines the future of the capital programme and takes all decisions via the SP&R Committee. The group will need to consider issues such as:

- review the Council's agreed affordability limit;
- an agreed level of capital expenditure for 2009/10;
- prioritisation mechanism for the 2009/10 and future capital programme;
- agree prioritisation criteria for all schemes e.g. place shaping; 100% grant aid etc.;
- assess economic appraisals of prioritised schemes
- develop financing rules for future capital schemes
- consider other ways of financing capital expenditure

Recommendations

The Committee is requested to:

1. Note the Capital Programme update information provided.
2. Sign off the 7 projects proposed for advancement.
3. Agree to establish a cross party working group within the Strategic Policy and Resources Committee with the purpose of considering future arrangements for the capital programme.

Documents Attached

Appendix A – Details of projects proposed for advancement.

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Appendix A: Details of projects proposed for advancement

Roselawn Extension/Development (Parks and Leisure Department)

As the acquisition of land for a new cemetery is still some way off there is an urgent need for additional land at the existing Roselawn site.

Negotiations were undertaken and agreement reached with an adjoining landowner to acquire land for an additional 4000 (approx) graves, subject to planning permission.

The Parks and Leisure Department decided, during July in the summer Committee recess period, that it would be prudent to proceed with the acquisition in order to avoid incurring increased acquisition costs, given that the additional land is critical to the continuing operation of the cemetery and the Planning Services had recommended to Castlereaigh BC that planning approval be granted. The project proposal was included in the approved capital programme as uncommitted but critical).

The overall project estimate is £1.7, with £1.2m for acquisition costs and £500k for the development of the infrastructure to enable the land to be used.

The Committee is asked to note the decision taken by the Parks and Leisure Department on the grounds of prudence.

The Committee is asked to consider approval of the invitation of tenders for the development of the infrastructure and to the acceptance, under the general scheme of delegation, of the most economically advantageous offer based on quality and price criteria.

Outdoor Skate Park Facility (Parks and Leisure Department)

Discussions regarding the provision of an Urban Sports (Skate) Park have been ongoing for some six or seven years with limited progress.

A detailed report was presented to the Parks and Leisure Committee on 16 June 2008 outlining the history and current position. The Parks and Leisure Committee approved the recommendation to revise the proposal to include an additional £75k to progress the construction of the Urban Sports Park if Peace III funding is not secured and the 50% Sports Council Funding is secured; however, subsequent to this decision the funding from Peace III funding has been secured.

The net project cost to BCC is therefore £80k and the Committee is asked to consider approval of the acceptance, under the general scheme of delegation, of the most economically advantageous offer based on quality and price criteria.

Revenue expenditure in relation to operation and maintenance will be provided for from the 2009/10 estimates onwards to coincide with the opening of the facility.

Springfield Avenue Site A Children's Park (Parks and Leisure Department)

An offer of 100% grant funding for this proposal has been made by BRO for the overall project estimate of £394,360, and the Parks & Leisure Committee have agreed to proceed with procurement and delivery.

Committee is asked to consider approval of the invitation of tenders for the development of the park and to the acceptance, under the general scheme of delegation, of the most economically advantageous offer based on quality and price criteria subject to 100% grant funding from BRO.

Gasworks Northern Fringe Infrastructure (Development Department)

The Development Department have completed a masterplan report for the development of the site and are preparing an application to the Planning Service for approval to enable effective and economical development of the site and a report was submitted to the Development Committee on 15 October 2008.

To support the planning application a significant site and ground investigation has to be undertaken to meet the requirements of the NI Environment Agency.

The overall estimate is for the site/ground investigation works £55k and the Committee is asked to consider approval of the invitation of tenders for the site/ground investigation works and to the acceptance, under the general scheme of delegation, of the most economically advantageous offer based on quality and price criteria.

2012 Elite Sports Facilities (Parks and Leisure Department)

(1) Mary Peters Track

(2) Blanchflower Playing Fields

A report presented to the P&L Committee in September was taken back at Council for reconsideration by the Committee at their meeting on 9 October, when Members resolved to proceed with the preparation of a bid for funding.

The estimated cost of this advance expenditure to support the funding bid is £400k and the Committee is asked to ratify the decision of the P&L Committee.

New Corporate Telephone System

The corporate telephone system has been in operation for 12 years. It now needs replaced in time for the re-opening of the City Hall. A new system will require an upgrade of some cabling and network equipment (£117,000), a new telephony system (£350,000) and a unified communications system (£100,000). The introduction of the new system will mean can reap the benefits which new technology will offer. This includes reducing telephone bill costs, reducing the rental and use of phone lines and reducing mobile phone bills.