



## Belfast City Council

<b>Report to:</b>	Strategic Policy and Resources Committee
<b>Subject:</b>	Capital Programme / Major Projects Update - Affordability & Prioritisation
<b>Date:</b>	20 March 2009
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### PURPOSE

The purpose of this report are as follows:

- To update Members on the Capital Programme 2008/09.
- To discuss future affordability issues for the Capital Programme 2009/10 onwards.
- To discuss the prioritisation of the capital programme and other major projects.

### CURRENT POSITION

In total there are 67 committed projects in the Capital Programme – 55 are underway and 12 are in the procurement phase. In addition, there are 40 emerging schemes.

In terms of finance, based on figures for the end of Quarter 3 (31 December 2008), the projected capital expenditure for 2008/09 amounts to £28.1m and the projected loan requirement is £20.3m.

In order to complete all of the 53 schemes already committed in the Capital Programme, it is estimated that the total loan requirement will be £56.4m.

At present the Council's affordability limit for loans stands at £45m (£15m per annum over three years up to 2009/10).

This means that the Council's commitments for the Capital Programme are in excess of the affordability limit by £11.4m, from 2011 onwards.

The main reason that the affordability limit is projected to be exceeded is that the Council is no longer in a position to finance capital expenditure through revenue contributions to the degree it has done in the past.

## **WAY FORWARD**

### ***Finances***

Obviously the Council needs to urgently address the capital financing shortfall, as a matter of urgency. The current strategy was devised in a different economic climate and at a time when interest rates were a lot higher than they are today.

It is therefore recommended that the Council avails of the use of an independent expert in capital financing arrangements to make recommendations on the future capital financing options available to the Council.

Members should note that this work needs done in the context of the Council's medium term financial planning.

### ***Capital Programme Prioritisation***

On the assumption that additional capital financing can be secured the Strategic Policy and Resources Committee will need to play an important role in deciding which new schemes should be progressed and monitor their delivery to ensure value for money is provided to the rate payer.

To support the Strategic Policy and Resources Committee fulfil these roles, officers have been working with Drivers Jonas – experts in this field – to develop robust prioritisation and monitoring mechanisms.

This process will allow Members to decide at an early stage which schemes should be progressed for more detailed consideration before they are included or not in the Capital Programme.

It is also likely that the Strategic Policy and resources Committee will have to make tough decisions in determining which of the potential projects should actually start. For example, schemes totalling £50m may be deemed as viable by the gates process but the Council can only afford to spend £25m. In this case Members will need a means of prioritising across schemes in the context an affordability limit. Officers have been working with Drivers Jonas to develop a prioritisation matrix which will help Members decide across schemes.

It is recommended that the Strategic Policy and Resources Committee is provided with a briefing session on the gates and prioritisation process at it meeting in June.

### ***Other Major Projects***

As part of its leadership and place-shaping roles, the Council is involved to varying degrees of engagement with a large number of major development projects across the city. This includes projects which are being developed and delivered in partnership with others; projects being developed by other agencies but where the Council is the key land owner; and others where the views of the Council are being sought. In order to ensure that the Council provides leadership and allocates resources effectively, in terms of money, assets and Member and officer time, Members will need to prioritise the Council's involvement in development projects. To do this, Members need to have a better understanding of the projects being developed across the city and in particular those which directly impact on their area of the city. For this reason the Chief Executive has arranged a number of briefings at the end of the month for Members on this subject. All Members are encouraged to attend these important sessions.

## **RECOMMENDATIONS**

Members are requested to:

1. Note the current position of the Capital Programme 2008/09.
2. Engage an independent expert to make recommendations on the future capital financing options available to the Council.
3. Agree to the Strategic Policy and Resources Committee receiving a briefing session on the gate and prioritisation process for the Capital Programme at its meeting in June 2009.
4. Attend briefing sessions arranged by the Chief Executive on major city development projects.

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