



Belfast City Council

Report to:	Strategic Policy and Resources
Subject:	Capital Programme Prioritisation and Financing
Date:	22 October 2010
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Relevant Background Information

1.0 The purpose of this paper is to outline the current status of the Capital Programme and to seek approval for a number of urgent schemes. The report will also provide Members with an indication of potential future schemes that could proceed depending on Members' decisions relating to the level of rate and the amount of loan finance it would support.

Context

1.1 In order for a capital scheme to get underway in accordance with the Council's Standing Orders and Financial Regulations two fundamental decisions are required by SP&R Committee:

- a) Departmental Committees will consider schemes and request the SP&R Committee to approve the scheme as part of the indicative capital programme and
- b) the SP&R Committee must separately make available funding for the scheme as part of the Council's overall financial planning – through agreeing the level of the rate and/or through agreeing some other type of funding packages such as Grant Aid

Depending on the type of project there may be a number of other Committee and Council decisions such as particular options, grant submissions etc, associated with the financing of the project.

The Capital Programme therefore consists of three types of projects:

1.2 Committed and funded

These are projects that have been approved by the Departmental Committee, SP&R Committee and Council and for which loan funding has been made available through provision in the rates or other means. The vast majority of these schemes are underway and will be completed in the next few years. A list of the current committed and funded schemes is attached herewith as **Appendix 1**.

1.3 Committed but not yet funded

These are projects which have been approved by the SP&R Committee and Council but for which funding in terms of rate increases to support borrowing have not yet been agreed. A proposal to make provision of £700k is built into the zero rate scenario, which if accepted would permit these schemes to proceed. Schemes included here are projects deemed necessary in the coming years eg cemetery provision, mercury abatement at the crematorium, Dunville and Woodvale Parks etc. A list of these schemes is included at **Appendix 2**.

1.4 Uncommitted and unfunded

These projects are schemes that the various standing committees and departments would like to progress. The projects are being worked through the Gates process which challenges the need, the scope and addresses necessary economic appraisal issues should the SP&R Committee give approval to fund loans. The process to date has refined this list of schemes and further decisions are needed by Members on prioritisation and the implications for the setting of the rate. These schemes are listed at **Appendix 4**.

2. Finance Position

2.1 The committed and funded projects loan requirement will be £45m by 2011/12. If the committed and unfunded projects are also funded the loan requirement would rise to £62m by 2015/16 based on current estimates of project costs. This would require additional funding to be put in place, which would require support through the rate. In the case of Mercury Abatement and Dunville/Woodvale Parks £700k has been provided in the estimates this year which would permit these schemes to proceed, if other conditions are met. In the case of new cemetery provision further work is presently being undertaken which may result in changes in current provision.

However the Committee also needs to be aware of a number of other developments which will have an impact in the medium term.

2.2 Firstly, the financing of the capital programme for 2011/12 is being considered as part of the rates setting process. When the new corporate plan is agreed a longer term capital financing strategy will be needed as part of the development of the medium term financial plan for the council.

2.3 Secondly, the capital programme is made up of physical projects which are based on estimated costs and include a number of external uncertainties relating to land acquisition, planning, site remediation, community/user agreements, grant aid and so on. This means that the programme is a dynamic process that does not always precisely align to the forecast capital financing which sometimes leaves additional capacity for smaller schemes.

2.4 Thirdly, as planned projects are worked up internal factors mean they can change radically in terms of scale and scope and consequently required financing. The Gates process is a means of controlling this ensuring we have tighter specifications, more accurate estimates, realistic timetables and a reduction in the need for variations or compensation events. The most current example of this is the new cemetery provision which is committed but unfunded but has a forecast estimate of £13.6m. The Cemetery Working Group is now considering various options which may result in a recommendation to Committee for a major reduction in regard to this level of financing.

Additional Financing

2.5 Provision for Committed but not yet funded

The current rate setting process will provide the necessary funding for 2011/12 to meet the required financing of those projects that have not yet been funded but which commence during this financial year. This is currently estimated to be approximately £700k of additional capital financing. This will be dependent on the progression of existing schemes and all the necessary approvals being in place for any schemes that will commence. It should be noted this financing includes the Mercury Abatement Scheme for the crematorium and Dunville and Woodvale Parks up to a total of £1m each subject to match funding of £2m being provided by the DSD. The DSD have bid for this funding as part of the CSR process.

2.6 Impact of £1m Reserves Position

In the current financial year £4.5m was included to support the Council's Reserves position. It was agreed at Committee on 11 December 2009 that £1m of this money be redeployed to finance new capital commitments. At this point this money has not yet been allocated to capital schemes but some portion could be used to advance urgent schemes this year as detailed later in this report (priorities for immediate approval).

2.7 Outcome of Options Evaluations on Existing Projects

Should the options being considered for existing projects (eg. The Cemetery Above) achieve any reduction in the forecast estimate for projects then any shortfall could be applied to new projects within the prioritisation list. However, the financing of these schemes will of course have to be linked to the broader rates questions and allocation of resources.

3.0 Priorities for Immediate Approval

Of those projects that have been put forward as part of the indicative capital programme we would now seek approval to proceed with the four listed below for reasons outlined. This would require the use of approximately £300k of the existing £1m held as a reserve for the potential use of the capital programme;

3.1 Re-use facilities at Household Recycling Centres must proceed to avail of the available grant funding of approx. £100k with a net cost to the Council of £16k otherwise the grant will be lost.

3.2 Clement Wilson Bridge replacement with a net cost to the Council estimated at £180k. At present there is a health and safety risk which will become seriously detrimental if not addressed soon.

3.3 Waterworks / Westland – Multi Use Games Area (MUGA) with a net cost to the Council of £NIL as Groundwork NI have sourced 100% grant aid via SEUPB but require Council to undertake the works.

3.4 In order to be ready for the World Police and Fire Games in 2013 the Mary Peter's Track 2013 (8 lane track and spectator stand) with a current net estimate of £3m cost to the Council needs to be in a position to commence construction if Council give approval to fund this as part of the rate setting process. Committee is asked to agree that officers work with others in DCAL and Sports NI to establish if any further funding is available. It would also be sensible to undertake a number of design stages which will have some related cost so that if it is agreed to support this project as part of the capital programme there is sufficient time to undertake actual construction next year.

4.0 Other Issues on Prioritisation

Appendix 4 contains a list of schemes on the indicative capital programme that are uncommitted and unfunded.

The number of schemes that can be progressed will depend upon agreement on how the schemes might be funded.

Two issues are presently being considered by the Council that might impact upon this. Firstly, the use of the underspend on one off non recurrent issues, which serve to reduce base costs in future years. If for example the Council agree to fund a further targeted redundancy programme and other savings proposals as part of the underspend proposals for 2010/11, this could release £700k which would fund a further £7m borrowing.

Secondly, the level of the rate which is set for 2011/12. Members have already been advised that a 1% rise would provide £10m additional funding and a 2½% rise would provide up to £30m additional funding (if the additionality is all invested in the capital programme).

4.1 A series of Party Briefings will take place between now and the end of November which will request Members to prioritise the capital programme related to each rate scenario provided, ie 1% and 2½%. A further report will then be made to Strategic Policy & Resources Committee for consideration at the same time as the level of rate is being decided.

4.2 Vehicle Replacement Programme

Given the financial constraints that exist and the demand for available finance within the Capital Programme we would propose to carry out a Value For Money review of the Vehicle Replacement Programme. This will ensure that the limited monies available for capital investment are spent in the most cost effective manner by the Council.

Resource Implications

Decisions on the number and cost of schemes to be financed under the capital programme will have an impact on the level of the rate needed to support the borrowing

required. Essentially 1% on the rate equates to funding of £10m of capital spend.

Recommendations and Decisions

Members are requested to:

- 1 In accordance with paragraph 3, agree to the allocation of £300K, from the £1m of reserves allocated for potential support to the capital programme, to progress the capital scheme outlined in Appendix 3; namely the Clement Wilson Bridge, Waterworks/Westland MUGA, Re-use Facilities at Recycling Centre and necessary preparation work for the Mary Peter's Track;
- 2 Agree a series of Party briefings on the prioritisation of the capital programme before the end of November;
- 3 Agree a value for money study review of the vehicle replacement programme.

Decision Tracking

Key to Abbreviations

None

Documents Attached

Appendix 1 – Committed and Funded
Appendix 2 – Funding Being Sought in Current Rate-setting Process
Appendix 3 - Uncommitted but Priorities for Immediate Approval
Appendix 4 - Other Schemes