



**Report to:** Strategic Policy and Resources Committee

**Subject:** Capital Programme for 2012/13

**Date:** 22 June 2012

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1	Relevant Background Information
1.1	<p>The council incurs capital expenditure and capital financing costs in the delivery of its capital programme.</p> <p><b>Capital Expenditure</b> is the expenditure incurred in the actual delivery of contracts e.g. the actual payments to the contractor for a construction contract.</p> <p><b>Capital Financing</b> is the method the council uses to fund the capital expenditure. The capital financing costs include loan repayments (principle and interest) and revenue contributions (cash payments to repay or avoid taking out loans).</p>
1.2	<p>At its meeting on 20 January 2012, the Strategic Policy and Resources Committee approved a capital financing budget of £10.14m for inclusion in the 2012/13 revenue estimates.</p>
1.3	<p>The £10.14m budget was set at a level which would meet the financing costs arising from the capital programme in 2012/13 - 2014/15, as part of investment programme, without the requirement for an increase in the District Rate.</p>
1.4	<p>The delivery of the capital programme element of the investment programme will be matched by a phased increase in capital financing charges up to the £10.14m budget over the life of the programme as all schemes within the programme are financed.</p>
1.5	<p>The phased impact of the capital programme on the capital financing budget provides the opportunity for the council to allocate an element of the 2012/13 capital financing budget to finance feasibility works and non recurring schemes.</p>
1.6	<p>This report presents the proposed 2012/13 capital programme together with a list</p>

	of other emerging projects which it is recommended should be progressed to outline business case stage for further consideration.
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<b>2</b>	<b>Key Issues</b>
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2.1 The capital programme is structured in two parts as follows:-

- **Committed Projects (Appendix A)** - These are projects where approval has already been obtained by SP&R to proceed to tender. These projects will therefore be at the tender award, contract or construction stage.
- **Uncommitted Projects (Appendix B)** - These are projects where initial proposals have been considered by Committee and work on the project is being progressed, but they have not yet been developed to a stage where permission could be sought from SP&R to proceed to tender. (Approval to move to tender stage is sought for each scheme on an individual basis during the year, at which stage the projects moves into the “Committed” section of the capital programme.)

In addition to the committed and uncommitted projects, other “emerging projects” have been proposed through the investment programme consultation process and through the area working groups.

- **Emerging Projects (Appendix C)** - These are proposals which could become uncommitted projects within the capital programme, but which require completion of a Strategic Outline Case (SOC) before they could be considered further. Approval of this list of proposed projects by SP&R is required before work on the SOC’s to commence.

The three SP&R approval stages for the progression of projects from initial proposals to committed projects is summarised in table 1 below.

**Table 1  
SP&R Approval Stages for Projects**

Stage	Description
1.	<b>Emerging Projects:</b> Approval of SP&R is required to enable a Strategic Outline Case (SOC) to be prepared for a project proposal.
2.	<b>Uncommitted Projects:</b> Once an SOC has been prepared, SP&R approval is required to commence work on progressing the project to tender ready stage.
3.	<b>Committed Projects:</b> Once the design phase of a project has been completed and the tender documentation has been prepared, approval of SP&R is required to enable the tender process to commence after which the contract will be awarded under delegated authority.

2.2 Given the complexity of this process it is recommended that a 2 hour briefing

session be arranged for Party Group Leaders and the Chairs of the Standing Committees to further discuss the detail of the capital programme and capital financing arrangements.

- 2.3 As referred to in the background information, the incremental nature of the investment programme means that there is the opportunity for the council to ring fence part of the capital financing budget to provide a **Feasibility Fund**.
- 2.4 The **Feasibility Fund** would enable initial feasibility work to be undertaken on proposed projects to bring them to a point where Members can decide if they should be progressed as Capital Schemes, Local Investment Fund (LIF) schemes or City Investment Fund (CIF) schemes. It is recommended that the contribution to the feasibility fund for 2012/13 be capped at £500k.
- 2.5 The incremental nature of capital expenditure arising from the investment programme also provides the opportunity, during 2012/13, to finance a programme of **Non Recurring Projects**. The amount of funding available to fund the completion of non recurring projects during 2012/13 is approximately £1.8m, although in year slippage in capital programme could free up additional finance for non recurring projects.
- 2.6 Table 2 below summarised the proposed allocation of the capital financing budget for 2012/13, including the allocation for feasibility work and the amount available for non recurring projects.

**Table 2  
Potential Allocation of Capital Financing Budget for 2012/13**

Recurring Financing Costs of Existing Loans (City Hall Works, Ulster Hall and Waste Transfer Station)	£2,051,600
Financing Cost of Committed Schemes (Appendix E)	£3,031,200
Financing Costs of Uncommitted Schemes (Appendix F)	£2,719,600
Feasibility Work (maximum expenditure)	£500,000
Funding Available for Non Recurring Schemes	£1,837,600
<b>Total Capital Financing Budget</b>	<b>£10,140,000</b>

The following sections in this report provide information on the capital programme, emerging projects and non recurring projects for 2012/13.

<b>3</b>	<b>Capital Programme 2012/13</b>
3.1	<u>Committed Projects (Appendix A)</u> This provides the detail of committed projects already included in the capital programme.

3.2	<p><u>Uncommitted Projects (Appendix B)</u>  This provides the details of uncommitted projects already included in the capital programme. It is proposed that the following three projects are also included in the uncommitted section of the programme:-</p> <ul style="list-style-type: none"> <li>• Urban Broadband</li> <li>• ICT Projects: These are priority projects which will improve information management, security of data, our mobile infrastructure as well as support service improvements and the efficiency programme.</li> <li>• Vehicles (2012/13): This is the capital expenditure on replacement vehicles for the council's fleet in line with the recommendations of the Value for Money review of the management and operation of the council's fleet.</li> </ul>
3.3	<p><u>Emerging Projects (Appendix C)</u>  This list details the potential capital projects raised through the political process for which it is recommended that a Strategic Outline Case (SOC) be completed. Completion of the SOC, including the estimated costs of the project, will enable the prioritisation of these emerging projects and recommendations as to which projects should be moved to the uncommitted stage.</p>
3.4	<p><u>Non Recurring Projects (Appendix D)</u>  This funding will facilitate a programme of works, including improvements to council facilities. It would be a condition of any funded scheme that there will be no recurring expenditure associated with the works.</p>

<b>4.0</b>	<b>Recommendations</b>
4.1	<p>Members are asked to approve the following recommendations:</p> <ul style="list-style-type: none"> <li>• That the following projects are added to the uncommitted schemes within the 2012/13 capital programme:- <ul style="list-style-type: none"> <li>○ Urban Broadband</li> <li>○ ICT Projects</li> <li>○ Vehicles</li> </ul> </li> <li>• That an amount of up to £500,000 from the capital financing budget be allocated to a Feasibility Fund for the completion of initial feasibility work for proposed Capital Programme, Local Investment Fund (LIF) or City Investment Fund (CIF) projects to bring them to a point where members can decide if they should be progressed as a Capital, LIF or CIF project within either of these programmes.</li> <li>• That the emerging projects listed on Appendix C be progressed to Strategic Outline Case stage.</li> <li>• That the balance of capital financing budget for 2012/13 be allocated for the funding of non recurring projects, with initial funding provided for the non recurring works included in appendix D.</li> <li>• That a briefing be arranged for Party Group Leaders and Chairs of Standing Committees to enable detailed discussion of the capital programme and the capital financing arrangements.</li> </ul>

<b>5.0</b>	<b>Decision Tracking</b>
<ul style="list-style-type: none"> <li>• The Director of Property and Projects will oversee the advance of the emerging projects listed in Appendix C to SOC stage.</li> </ul>	

- The Director of Property and Projects will progress the non-recurring works based on the initial list outlined in Appendix D.
- The Director of Finance and Resources will arrange the briefing for Party Group Leaders and Chairs of Standing Committees.

## **6.0 | Key to Abbreviations**

SP&R – Strategic Policy and Resources Committee  
SOC – Strategic Outline Case  
LIF – Local Investment Fund  
CIF – City Investment Fund

## **7.0 | Documents Attached**

Appendix A - Committed Schemes Planned Capital Expenditure  
Appendix B - Uncommitted Schemes Planned Capital Expenditure  
Appendix C - Emerging Projects for which a Strategic Outline Case (SOC) is to be Developed  
Appendix D - Initial Phase of Non Recurring Projects  
Appendix E - Committed Schemes Capital Financing  
Appendix F - Uncommitted Schemes Planned Capital Financing