



Subject:	Update on Physical Programme (including Capital Programme 2019/2020)
Date:	23rd August, 2019
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Restricted Reports	
Is this report restricted?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
If Yes, when will the report become unrestricted?	
After Committee Decision	<input type="checkbox"/>
After Council Decision	<input type="checkbox"/>
Sometime in the future	<input type="checkbox"/>
Never	<input type="checkbox"/>

Call-in	
Is the decision eligible for Call-in?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

1.0	Purpose of Report or Summary of Main Issues
1.1	The Council's Physical Programme covers over 150 live regeneration projects across a range of funding streams including the Capital Programme, Leisure Transformation Programme, Belfast Investment Fund, Local Investment Fund, Social Outcomes Fund and the projects which the Council is delivering on behalf of other agencies. This report outlines: <ul style="list-style-type: none">- an overview of physical projects which have recently been completed

	<ul style="list-style-type: none"> - the Capital Programme and capital financing for 2019/2020 - a request for the Council to act as delivery agent for two externally funded projects
2.0	Recommendations
2.1	<p>The Committee is requested to:</p> <ul style="list-style-type: none"> • note the update on the Physical Programme as at 3.1 below and that the Physical Programmes Department is happy to arrange a site visit to any projects that have been completed and/or are underway. <p>Capital Programme and Capital Financing 2019/2020 <i>(to be read in conjunction with the Medium Term Financial Plan and Efficiency Report which is also on the agenda)</i></p> <ul style="list-style-type: none"> • note the update on the Capital Programme for 2019/2020 as outlined in 3.3 below and in Appendix 2 and the update on Capital Financing as outlined in 3.6 below • note the deficit in capital financing in 2021/22 and 2022/23 and the challenges to be taken into consideration in relation to the future Physical Programme and note that Party Group Briefings will be undertaken as part of the rates setting process to update Members on the status of projects along with the emerging implications for future investment decisions and in particular the potential impact on the district rate. These will be delivered in conjunction with the Director of Finance & Resources. • agree to add the ‘Upgrade of the Waterfront Escalators’ as a Stage 1 – Emerging project onto the Capital Programme due to operational requirements <p>Role of the Council as delivery agent</p> <ul style="list-style-type: none"> • agree in principle that the Council acts as the delivery agent for two projects which are receiving external funding from other sources (the Belfast Islamic Centre and the VOYPIC/Include Youth) subject to the Council receiving a management fee for the delivery, full funding packages being in place and further discussions with Legal Services <p>Procurement</p> <ul style="list-style-type: none"> • agree that any necessary procurement processes (including the invitation of tenders and/or the use of appropriate ‘framework’ arrangements) be initiated for any Physical Programme’s projects including externally funded projects for 2019/2020 as required, with contracts to be awarded on the basis of most economically advantageous tenders received and full commitment to deliver.

3.0 Main Report

Key Issues

Update - Capital Programme

3.1 The Council's rolling Capital Programme is a significant regeneration programme of investment across the city, which improves the existing Council assets or provides new council facilities. An update on the key projects under the programme is outlined below:

Recently completed physical projects:

- **Navarra Place** - Navarra playground includes MUGA and the removal of an interface structure at the boundary with Serpentine Road (DoJ / MUGA Programme Phase 2)
- **Upgrades to parks, open spaces and playgrounds** – including the refurbished playgrounds at Orangefield Park and Barnett Demesne (Shaws Bridge)
- **Corporate Projects** - including the replacement of the PA system at Waterfront, Wireless LAN, external brickwork at Ulster Hall and roof replacement at City Hall
- **Local Investment Fund** - Lambh Dhearg GAC (WLIF2-06), Cregagh Sports Club (ELIF2-11), Corpus Christi Youth Club (WLIF2-14), Colin Valley Football Club (WLIF2-16) and Brantwood & Loughside Football Club (NLIF061)

Photos of a number of the recently completed projects are attached at Appendix 1. Members are asked to note that the Physical Programmes Department is happy to arrange site visits for Members/ Party Groups to any physical project.

Capital Programme and Capital Financing 2019/20

Members are asked to note that this section should be read in conjunction with the Medium Term Financial Plan and Efficiency Report which is also on the agenda)

3.2 The Council incurs both capital expenditure and capital financing costs in the delivery of its Capital Programme

- **Capital Expenditure** is the expenditure incurred in the actual delivery of contracts e.g. the actual payments to the contractor for a construction contract (see Appendix 2)
- **Capital Financing** is the method the council uses to fund the capital expenditure. The capital financing costs include loan repayments (principle and interest); revenue contributions (cash payments to repay or avoid taking out loans); capital receipts and external funding.

3.3 The **SP&R Committee has approved a capital financing budget of £21,524,022 for 2019/2020**. Members will be aware however that the Council has already committed financing to a range of physical projects under the Capital Programme as outlined in Appendix 1 and 2 and a number of non-recurrent projects which accounts for £7.56m of this. Loan and interest repayments are an additional £12,037,982. The Capital Programme also includes a number of Stage 1- Emerging Projects.

Table 1- Existing Capital Financing Budget 2019/2020

Existing Capital Financing Budget		£21,524,022
<u>Less: Physical Programme Commitments (capital programme and non-recurrent projects)</u>	£7,562,829	
Existing BCC Loans	£11,439,307	
Lisburn/ Castlereagh Transferred Loans	£598,675	
		(£19,600,811)
Balance Remaining		£1,923,211

3.4 Members are asked to note that although the above shows that there is a balance remaining of £1.9m the Director of Finance in the Quarter 1 Finance Update Report which is also on the agenda for consideration by the Committee, is recommending that, given the departmental and district rate forecasts, no further reallocations or cash flow payments are considered until the Quarter 2 position is presented to the Committee in November 2019.

3.5 **Future financing** - Members are asked to note that there are a range of physical projects which the Council must undertake from a health and safety, legislative and/or operational perspective in order to ensure that the Council fulfils its statutory duties and continues to run 'fit for purpose' services. These will all require capital financing. A number of these are already on the Capital Programme (*Waste Plan – Kerbside Collection system and Waste Transfer Station, Reservoir Safety works, Fleet Programme and IT programme*). These are all either Stage 1 – Emerging or Stage 2 – Uncommitted projects currently which means that final budgets have not yet been agreed however estimates have been used in order to calculate the impact of these on the capital financing budget and the availability of capital financing in the future. Members are asked to note that there is a requirement from an operational perspective to upgrade the escalators within the Waterfront in 2021/2022 and this has also been built into scenario planning in respect of the impact on capital financing. Members are also asked to agree that the upgrade of the escalators is added as a Stage 1- Emerging Project onto the Capital Programme.

3.6 The table below shows that just to do the current committed projects on the Capital Programme plus the projects which are required from a health & safety, operational and/or legislative perspective means that there **will be a capital financing deficit of £576k in 2021/22 and £574k in 2022/23.**

Table 2 – Capital Financing – Impact of current committed projects

	Expenditure financed	2019/20	2020/21	2021/22	2022/23	2023/24
Total Financing Required	£279,616,052	19,600,811	20,061,872	22,100,029	22,098,272	20,706,550
Cap Financing Budget		21,524,022	21,524,022	21,524,022	21,524,022	21,524,022
Capital Financing Available		1,923,211	1,462,150	- 576,007	- 574,250	817,472

3.7 Members will be aware that there is an emerging list of future Physical Projects which have already been raised (detailed in the Medium Term Financial Plan and Efficiency Report) however Members are asked to note that none of these have financing associated with them. This evidences the increasing pressure in terms of overall affordability which the Physical Programme is facing. It is proposed Party Group Briefings will be undertaken as part of the rates setting process to update Members on the status of projects along with the emerging implications for future investment decisions and in particular the potential impact on the district rate. These will be delivered in conjunction with the Director of Finance & Resources.

Council acting as delivery agent

3.8 Members will be aware that over the past couple of years the Council has been requested to deliver a number of externally funded initiatives including Social Investment Fund (SIF) and Urban Villages (UV) projects and projects that received DfC match funding. These requests recognise both the successful track record of the Council as delivery agent as well as the unique role of the Council as civic leader in the city. **In total the Council is acting as delivery agent for over 90 projects worth in excess of £45m (this includes both completed, live and planned projects).** Members are asked to note that the Council's Insurance Unit has advised that the Council's Professional Indemnity Insurance only provides cover for services provided to third parties for a fee. This means that, where it is acting solely as the delivery agent for a third party project, the Council can only rely on its professional indemnity insurance policy if a management fee is received. Committee is asked to note therefore that the Council will be advising in the future that it will only be able to consider acting as the delivery agent for any third party projects if the proposal includes a management fee.

3.9	<p>Requests for Council to act as delivery agent – Members are asked to note that the Council has recently been requested to act as the delivery agent for two projects – the Belfast Islamic Centre and VOYPIC/Include Youth. Committee is asked to note that these projects are being 100% externally funded with DFC being a core funder for both. Final details of the funding package for both projects is being confirmed however the other funders require confirmation of the delivery mechanism for the projects before agreeing funding. There is no Council financial commitment to either project. Committee is asked to agree in principle to the Council acting as delivery agent for these projects subject to the Council receiving a management fee for the delivery, full funding packages being in place and further discussions with Legal Services</p>
3.10	<p>Committee is asked to note that amended letters of offer have now been received for a number of projects where the Council is acting as the delivery agent. Amended letters of offer are commonly received to reflect minor adjustments required following tender returns. The majority of these projects are underway or nearing completion and several of these projects are match funded by the Council, either under the various funding streams i.e. LIF/BIF/SOF or through close alignment with ongoing Council initiatives. The amended letter of offer amounts is attached at Appendix 3 and Members are asked to note these.</p> <p>Approval to Procure</p>
3.11	<p>Members are asked to agree that necessary procurement processes (including the invitation of tenders and/or the use of appropriate ‘framework’ arrangements) be initiated for any Physical Programme projects including externally funded projects for 2019/2020 as required, with contracts to be awarded on the basis of most economically advantageous tenders received and full commitment to deliver.</p>
3.14	<p><u>Financial and Resource Implications</u></p> <p><i>Financial</i> – As per report</p> <p><i>Resources</i> – Officer time to deliver as required</p>
3.15	<p><u>Equality or Good Relations Implications/ Rural Needs Assessment</u></p> <p>All capital projects are screened as part of the stage approval process</p>
4.0	<p>Documents Attached</p> <p>Appendix 1 – Photos of completed projects</p> <p>Appendix 2 - Capital Programme 2019-20</p> <p>Appendix 3 – Amended letters of offer for externally funded projects</p>