
MEETING	EXECUTIVE
DATE	22 SEPTEMBER 2009
PRESENT	COUNCILLORS RUNCIMAN (IN THE CHAIR), AYRE, STEVE GALLOWAY, MOORE, MORLEY AND RUNCIMAN
APOLOGIES	COUNCILLORS WALLER AND REID

PART B - MATTERS REFERRED TO COUNCIL

81. ADMINISTRATIVE ACCOMMODATION PROJECT FINANCIAL UPDATE

[See also under Part A Minutes]

Members considered a report which examined the accounting implications of the abortive costs incurred on the Administrative Accommodation project following the decision not to develop the site at Hungate, together with details of the current overall funding position and options for removal of the Land Assembly costs from the project.

Costs identified as 'abortive' could no longer be treated as capital expenditure and must therefore be written off as revenue cost and funded from the Venture Fund Reserve. Actual project costs identified as abortive since 2005/06 totalled £1.092m, of which £520k expenditure incurred in 2008/09 and £572k incurred prior to 2008/09 had been funded by the Venture Fund. This had resulted in an increased call of £0.690m on the Venture Fund reserve and a consequent fall of £1.092m in the overall level of capital funding for the project. A comparison of the current headline funding position with that in July 2008 showed an indirect saving of £0.402m, due to alterations in the timings and sources of funding. Full details of the changes were set out paragraphs 27 to 39 of the report.

The reasons for the recommendation to remove the Land Assembly costs from the project budget of £43.804m was explained in paragraphs 42 to 45 of the report. Briefly, these costs, amounting to £3.54m, contributed specifically to the Hungate site and not to the project in its current form. The following options were presented for funding the Land Assembly costs if this recommendation was accepted:

Option A – fund the land assembly costs from sale of the Hungate site in the current market environment, receive a lower capital receipt than expected and fund the difference from long term prudential borrowing.

Option B – fund the land assembly costs from sale of the Hungate site when the property market recovers, receive the expected capital receipt and cover the interim shortfall by prudential borrowing.

Option C – use the Hungate site for a future Council development and fund the land assembly costs from alternative identified funding.

Having noted the comments of the Shadow Executive on this item, it was

RECOMMENDED: (i) That Council approve the increased use of the Venture Fund revenue reserve by £0.69m (to £2.784m) to support the early years revenue deficit, whilst noting that in the future the Administrative Accommodation project will replenish the Venture Fund reserve with the amount used, as outlined in paragraphs 17-20 and 27-30 of the report.

(ii) That Council approve the removal of the land assembly costs of £3.54m (which creates a viable asset – the development land at Hungate) from the Administrative Accommodation project budget of £43.804m into two separate capital programme schemes:

- a capital scheme of £2.83m to include the clearance of the Hungate site and the relocation of the Peasholme Hostel on a like for like basis and
- a second capital scheme for the £0.710k costs relating to the 'betterment' of the Peasholme Hostel,

the funding to be realised from the sale of the Hungate site at the most opportune time, in accordance with Option B at paragraph 8.

REASON: To enable the effective management and monitoring of the Council's capital programme and to ensure the continuation of a balanced capital programme, as required by the Local Government Act 2003.

A Waller, Chair

[The meeting started at 2.00 pm and finished at 3.05 pm].