

# APPENDIX A.3

## WAVERLEY BOROUGH COUNCIL

### COUNCIL MEETING - 16 FEBRUARY 2010

#### REPORT OF THE EXECUTIVE – 2 FEBRUARY 2010

#### FINANCIAL STRATEGY 2010/2011 – 2012/2013

#### DRAFT CAPITAL PROGRAMME 2010/11

### Introduction

1. The draft Capital Programme for 2010/11 was presented to the Overview and Scrutiny Committees for consideration at their January meetings and considered in detail by the Executive on 2<sup>nd</sup> February. The figures in this report have been updated to reflect the recommendations of the Executive and to take account of the latest cash-flow projections regarding the Leisure Strategy.

### Draft 2010/2011 Capital Programme

2. The proposed 2010/2011 Capital Programme amounts to £5,139,200.
3. The schemes within the draft Programme have been analysed over the following four categories as detailed at Annexe 13:

-External Funding	475,500
-Revenue	498,000
-Committed	,000
-Other	910,700

4. External Funding

This covers those schemes, or the portion of schemes, that are funded externally and include grants, contributions and Section 106 agreements.

5. Revenue

There are specific accountancy requirements that have to be met for expenditure to be classed as capital. These include:

- The benefit should last for more than one year
- The expenditure should be significant
- The expenditure should create or increase the value of an asset; and
- Exclude expenditure on maintenance or repairs to maintain an asset at its current standard

The treatment of assets within the final accounts is becoming an increasingly significant issue for all local authorities. In recent years significant expenditure has had to be transferred from the Capital Programme to the

Revenue Accounts at the year-end in order to comply with accounting requirements. This has been reported to the Executive and has had no overall impact, because revenue funding has been adjusted as appropriate. However, this process causes confusion and it is therefore intended that when the Budget is set this year at Council the schemes shown within the 'Revenue' category will form part of the Revenue Estimates rather than the Capital Programme. The General Fund Revenue Contribution to Capital of £1.6m will be adjusted accordingly.

6. Committed

This category includes all schemes that could reasonably be regarded as committed, either contractually, through policy commitments, or because expenditure is unavoidable. It should be noted that the Leisure Strategy schemes at Farnham and Godalming Leisure Centres, with total expenditure of £2.9m in 2010/11, fall within this category.

7. In most years, some extent of prioritisation is necessary to match the amount available to fund the discretionary element of the Programme. This year the Heads of Service, Corporate Management Team and Star Chamber have jointly agreed the Programme put forward, based on initial bids and resources available.

**Provision for Urgent Priority Schemes during the Year**

8. During the current year the Executive has approved, within overall budget resources, several schemes that have been put forward during the year. This is an effective way of delivering the Council's Priorities as the money is specifically targeted and the schemes often represent timely opportunities or may arise from urgent work being required. In view of this, a provision of £160,000 has been included within the draft Capital Programme for 2010/11, so that such opportunities may be taken even if savings elsewhere do not arise.

**Observations from Overview and Scrutiny Committees**

The following observations are those of the Overview and Scrutiny Committees:

Community Overview and Scrutiny Committee

The Committee RESOLVED that the draft Capital Programme for 2010/2011 be noted with no particular observations to be passed to the Executive.

ELOS

The Committee considered the Draft Capital Programme and the capital schemes relevant to the Committee. Members sought a number of points of clarification on the proposals and were advised that observations would be reported to the Executive on 2<sup>nd</sup> February, with final approval of the Capital Programme being determined by Council on 16<sup>th</sup> February.

The Committee noted the report and RESOLVED that the comments from the Performance Sub-Committee be forwarded for consideration by the Executive as well as the following comment from the Committee:

The Committee questioned why no justification statement had been completed in the papers for the second low carbon emissions pool car and, although noting that this had already been purchased with a deal when buying the first, Members felt that this should still have been completed.

### Corporate Overview and Scrutiny Committee

The Committee considered the Draft Capital Programme for 2010/2011 and made the following observations:

- There appeared to be no justification for DDA work for external organisations;
- The estimate for miscellaneous properties maintenance and improvement programme appeared to be low and questioned whether this was sufficient;
- The lack of estimates on savings following the expenditure on computer room air-conditioning;
- That the capital expenditure justification statements should include a return on investment calculation in the future.

The Committee RESOLVED

1. That the Draft Capital Programme for 2010/2011 be noted and that the above observations be passed to the Executive for consideration; and
2. That prioritisation should be the responsibility of officers who had a better detailed knowledge of the schemes.

### Budget Consultation

9. The public consultation carried out was the subject of a separate report to the Executive (Minute No. 173 refers). This showed that there was very high support for increased provision of facilities for young people. In response to this Council resources of £165,000 have been allocated to provide new play equipment during 2010/2011 from monies held within the Revenue Reserve Fund. This funding is in addition to the usual £1.6m revenue contribution to capital and arises from monies not fully allocated from this sum in the current year.

### Three-Year Capital Programme

10. The full three-year Capital Programme including the years to 2012/2013 and the current year is shown in detail at Annexe 14.

### Resources Available 2010/2011 – 2012/13

11. As shown at Annexe 15, resources are available to finance the draft 2010/11 Capital Programme.

12. At this stage, projected resources also cover the full three-year Capital Programme to 31<sup>st</sup> March 2013.

### **Revenue Reserve Fund**

13. Detailed projections for the Revenue Reserve Fund are shown in the Revenue Budget report.

### **Prudential Borrowing**

14. The Council's approved Leisure Procurement Strategy involves Prudential Borrowing of £7m to complete improvements to Farnham and Cranleigh Leisure Centres and in particular the construction of a new Leisure Centre at Godalming. Around £2.5m is scheduled to be undertaken during 2010/2011. It is proposed that the arrangements for Prudential Borrowing be delegated to the Deputy Chief Executive in consultation with the Portfolio Holder for Finance, taking account of prevailing interest rates, income streams and the extent of internal funding available.

### **2009/2010 Capital Programme**

15. The original 2009/2010 Programme totalled £5,569,800. Subsequently, slippage of £330,000 has been approved together with supplementary approvals for Contaminated Land, East Street, Council Chamber microphones and Microsoft. During the year, various forms of partnership and external funding have been obtained to undertake additional capital works. It is necessary for the Programme to be increased to reflect this because Waverley is responsible for accounting for the expenditure and Council is asked to give formal approval to this.

Additional External Funding has been obtained for the following schemes:

- Leisure Strategy £430,000
- Beacon Hill Recreation Ground £4,400
- Roman Way Playground £73,600
- Recreational Facilities for Young People –Cranleigh Skatepark £13,000

16. The figures shown in Annexe 14 '2009/2010 Approved Changes' take account of all changes recommended by the Executive as detailed in this report and the Budget Monitoring report at Appendix A.1.

### **Conclusion**

17. The financing proposals at Annexe 15 show that the Programme is within the resources available for the three years 2010/2011 to 2012/2011.

The Executive

### **RECOMMENDS that the Council:**

10. **approves the amendments to the 2009/2010 General Fund Capital Programme as shown in the '2009/2010 Total Programme' column at Annexe 14;**

- 11. approves the inclusion in the 2009/10 Programme of the new schemes totalling £98,000 as detailed in the Budget Monitoring report at Appendix A.1 and expenditure on schemes totalling £521,000 covered by additional external funding as detailed at paragraph 15;**
- 12. approves the 2010/11 General Fund Capital Programme as shown at Annexe 14;**
- 13. agrees the financing proposals for 2010/11 in accordance with Annexe 15;**
- 14. authorises the Deputy Chief Executive to undertake prudential borrowing of up to £2.5 million on terms and dates to be agreed with the Portfolio Holder for Finance;**
- 15. agrees that the schemes shown within the 'Revenue' category be transferred to the Revenue Estimates as required under IFRS, offset by a reduction in the Revenue Contribution to Capital from £1.6m to £1.1m; and**
- 16. amends the Financial Strategy to reflect the above decisions.**