

<b>REPORT TO EXECUTIVE</b>			
<b>PORTFOLIO AREA: FINANCE AND RESOURCES</b>			
<b>Date of Meeting:</b>	<b>15 OCTOBER 2001</b>		
<b>Public</b>			
<b>Key Decision:</b>	<b>Yes</b>	<b>Recorded in Forward Plan:</b>	<b>Yes</b>
<b>Inside Policy Framework</b>			

**Title: RENEWALS RESERVE 2002/03**

**Report of: THE CITY TREASURER**

**Report reference: FINANCIAL MEMO 2001/02 NO 87**

**Summary:**

Within the overall General Fund balances the City Council has established a Renewals Reserve for the replacement of items of vehicles, plant and equipment. The appendices attached to this report detail all the items contained within the Replacement Programme and set down the items for replacement in 2002/03.

**Recommendations**

As part of the budgetary process for 2002/03 the Executive is asked to approve in principle the 2002/03 equipment replacements as follows:

- i. Equipment replacements totalling £97,520 as summarised in Appendix A, of which £90,000 is a new bid for 2002/3 (see paragraph 2.2, notes 1 and 2), and which will be considered as part of the New Spending Bids for 2002/3 report elsewhere on the Agenda (FM 2001/2 No 91).
- ii. Vehicle and Plant replacements totalling £500,090 as summarised in Appendix B, of which £43,100 is a new bid for 2002/3 (see paragraph 3.2, note 3), and which will be considered as part of the New Spending Bids for 2002/3 report elsewhere on the Agenda (FM 2001/2 No 91).

It is recommended that the total cost of those items due for renewal in 2002/03 be financed by an appropriation from the Renewals Reserve maintained for that purpose, or if the City Treasurer considers it appropriate by way of an operational or finance lease.

It is recommended that Contract's Procedure Rule No.10 be suspended as it relates to the assignment of leases on any vehicles/plant financed by way of operational lease in 2002/03.

It is recommended that replacements will be subject to the Chief Officer, in consultation with the appropriate Portfolio Holder, being able to justify the replacement for each item over £5,000 prior to the item being replaced and also subject to meeting any funding requirements from within base budgets.

**Contact Officer: JOHN NEIL**

**Ext: 7287**

**Report to The Executive Financial Memo**

**15 October 2001 2001/02 No. 87**

## **RENEWALS RESERVE 2002/03**

### **1. BACKGROUND INFORMATION AND OPTIONS**

1.1 As part of the process of allocating fund balances the Policy and Finance Committee agreed on 24 January 1991 to the establishment of a Renewals Reserve.

2. This Renewals Reserve was to be provided for:-

(a) Items of Equipment;

(b) Items of Vehicles and Plant.

3. The purpose of establishing the Renewals Reserve is to set aside annually a financial provision to meet the Council's requirements for the acquisition of vehicles and plant and equipment and thus avoid wide fluctuations from year to year in spending demands charged against the General Fund. The accounting treatment of this Fund will be reviewed over the next few months in accordance with the Best Value Accounting Code of Practice, i.e. the replacement items will be shown in the Capital Programme and accounted for accordingly, whilst the revenue account will be charged with an annual depreciation.

### **2. EQUIPMENT REPLACEMENT PLAN**

1. The attached Appendix A summarises the Equipment Replacement Plan which has been prepared on information supplied by all Chief Officers. The detailed plan is available from the City Treasurer on request. Chief Officers must be able to justify the requirements and meet any ongoing contributions from within base level budgets especially in relation to new items of equipment.
2. The following items are those which have not previously been included in the plan:

Description Replacement Value Annual Charge Note

Electoral Registration £12,500 £3,125 (1)

Computer Software

#### **New Bids 2002/3:**

Concessionary Fares £50,000 £0 (2)

Swipe Cards

Cash Receipting £40,000 £0 (3)

Software

#### Notes

- i. As approved by Council 11 September 2001

- ii. Policy & Resources Committee on 2 July 2001 gave approval to the establishment of a renewals reserve for this equipment (FM 2001/2 No.38). This technology is intended to be replaced in 2002/03 and will be subject to a further report to the Executive detailing the full costs and funding implications. This item is included on the New Spending Bids report (FM 2001/2 No 91) considered elsewhere on the Agenda.
- iii. Finance & General Purposes Committee on 26 June 2001 gave approval to the establishment of a renewals reserve for this equipment (FM 2001/2 No.22). This technology is intended to be replaced in 2002/03 and will be subject to a further report to the Executive detailing the full costs and funding implications. This item is included on the New Spending Bids report (FM 2001/2 No 91) considered elsewhere on the Agenda.

### 3. VEHICLE AND PLANT REPLACEMENT PLAN

- 1. The attached Appendix B summarises the Vehicle and Plant Replacement Schedule that has been prepared on information supplied by the Transport Co-ordinator of Carlisle Works. The detailed plan is available on request from the City Treasurer. The replacement schedule has been based on Chief Officers being able to justify replacements and being able to meet any ongoing contributions to the Fund from within base level budgets especially in relation to new items.
- 2. The following items are those which have not previously been included in the plan:

#### Description Replacement Value Annual Charge Note

VW Luton Van £8,500 £0 (1)

Refuse Vehicle £10,600 £0 (2)

Members I.T. Equip £60,000 £20,000 (3)

Enterprise Servers £70,000 £24,719 (4)

Metaframe Solution £30,000 £10,594 (4)

Network Disk Storage £60,000 £21,187 (4)

Financial Sys Review £50,000 £16,500 (5)

Revenues Sys Review £165,000 £55,230 (5)

#### **New Bids 2002/3:**

Mitsubishi Pickup £17,300 £2,751 (6)

Mitsubishi Pickup £17,300 £2,751 (6)

Citroen Van £8,500 £1,471 (6)

#### Notes:

- 1. This vehicle was previously funded from the Environmental Services Revenue

- budgets. There are no contributions being made towards its future replacement
2. This vehicle was funded from DSO Revenue budgets and replaces refuse disposal wagon (H512 FNE), which was included on the Renewals Plan.
  3. As approved by Finance & General Purposes June 2000
  4. As approved by Finance & General Purposes Sub 12 December 2000
  5. To fund future replacement of Revenues and Financial systems. Annual contributions can be from existing revenue budget provisions.
  6. The Director of Environment and Development has requested these new vehicles required during 2002/03 for the Buildings Programme 2002/03 due to changing operational needs of the section and to comply with health and safety and insurance requirements. Annual lease charges will be funded from within the DSO revenue budgets. The provision of these vehicles will also produce savings in the use of sub-contractors and the use of temporary tradesmen employed during seasonal workload peaks. This item is included on the New Spending Bids report (FM 2001/2 No 91) considered elsewhere on this agenda.

### **3. STANDING ORDER 55/CONTRACT'S PROCEDURE RULE NO.10**

1. Financial Memo 2000/01 No. 45 was circulated to the Policy and Resources Committee on 05 July 2000 detailing the possible problems there could be on obtaining best value from prospective lessors if they were not allowed to assign any operational leases on the replacement/renewal of the City Council's vehicles and plant. The Council therefore agreed to suspend Standing order 55 as it relates to our operational lease requirements.
2. Standing Order 55 has been replaced by Contract's Procedure Rule No.10 and suspension of this rule is therefore required.

## **5. REVIEW OF USE OF RENEWALS FUND**

5.1 The value and use of the renewals fund will be reviewed, in the near future in particular to:

- i. Assess the overall level of balances held within the fund. The current fund levels as at 31/3/01 are:

Equipment Fund £913,193

Vehicles and Plant Fund £1,452,733

- ii. Assess to what extent the Council's vehicles, plant and equipment replacements are adequately covered by the fund

- iii. Review the accounting treatment of the fund as set out in Para. 1.3.

## **6. CONSULTATION**

Overview and Scrutiny as part of the budget process.

## **7. HEAD OF PERSONNEL COMMENTS**

Not Applicable

## **8. CITY TREASURERS COMMENTS**

Included within the main body of the report.

## **9. CITY SOLICITOR AND SECRETARY COMMENTS**

Not Applicable

## **10. CORPORATE MANAGEMENT TEAM COMMENTS**

CMT will comment on the New Bid items as part of the New Spending Bids report (FM 2001/2 No 91) considered elsewhere on the agenda.

## **11. ENVIRONMENTAL IMPACTS**

Not Applicable

## **12. RECOMMENDATIONS**

1. As part of the budgetary process for 2002/03 the Executive is asked to approve in principle the 2002/03 equipment replacements as follows:
  - i. Equipment replacements totalling £97,520 as summarised in Appendix A, of which £90,000 is a new bid for 2002/3 (see paragraph 2.2, notes 1 and 2), and which will be considered as part of the New Spending Bids for 2002/3 report elsewhere on the Agenda (FM 2001/2 No 91).
  - ii. Vehicle and Plant replacements totalling £500,090 as summarised in Appendix B, of which £43,100 is a new bid for 2002/3 (see paragraph 3.2, note 3), and which will be considered as part of the New Spending Bids for 2002/3 report elsewhere on the Agenda (FM 2001/2 No 91).

**12.2** It is recommended that the total cost of those items due for renewal in 2002/03 be financed by an appropriation from the Renewals Reserve maintained for that purpose, or if the City Treasurer considers it appropriate by way of an operational or finance lease.

**12.3** It is recommended that Contract's Procedure Rule No.10 be suspended as it relates to the assignment of leases on any vehicles/plant financed by way of operational lease in 2002/03.

**12.4** It is recommended that replacements will be subject to the Chief Officer, in consultation with the appropriate Portfolio Holder, being able to justify the replacement for each item over £5,000 prior to the item being replaced and also subject to meeting any funding requirements from within base budgets.

### 13. REASONS FOR RECOMMENDATIONS

13.1 To allow the City Council's plan for the replacement of vehicles, plant and equipment to proceed.

D THOMAS

City Treasurer

Contact Officer: JOHN NEIL

Ext: 7287

#### EQUIPMENT RENEWALS PLAN SUMMARY 2002/03

	REPLACEMENT DUE 2001/02	REPLACEMENT AMOUNT 2002/03	CURRENT REPLACEMENT PRICE	BALANCE CONTRIBUTION 31/03
DEPARTMENT	ESTIMATE	2002/03	PRICE	31/03
<b>TOWN CLERK &amp; CHIEF EXECUTIVE</b>				
PERSONNEL & TRAINING	11,400	0	13,600	4,
ADMINISTRATION	7,000	0	52,661	31,
CORPORATE PLANNING	919	0	18,839	5,
ECONOMIC DEVELOPMENT UNIT	20,765	5,630	33,635	38,
COMMUNICATIONS	14,516	0	22,176	7,
<b>CITY TREASURERS</b>				
CITY TREASURERS	31,741	90,000	217,630	107,

**HOUSING**

HOUSING	0	0	17,800	89,
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**ENVIRONMENT & DEVELOPMENT**

PLANNING SERVICES	42,357	0	116,925	60,
ENVIRONMENTAL SERVICES	11,890	0	43,350	24,
CAR PARKS	0	0	0	64,
CCTV	0	0	429,000	125,

**LEISURE & COMMUNITY DEVELOPMENT**

TULLIE HOUSE	33,000	0	0	5,
PARKS	2,150	0	2,590	
SHEEPMOUNT	0	1,890	83,490	55,
STONY HOLME	2,540	0	30,280	14,
SWIFTS	0	0	3,950	2,
POOLS	18,470	0	201,610	98,
SANDS CENTRE	25,665	0	575,430	270,
CEMETERIES	137,390	0	0	41,
BENEFITS ADVICE	0	0	0	3,

<b>GRAND TOTAL</b>	<b>359,803</b>	<b>97,520</b>	<b>1,862,966</b>	<b>1,053,</b>
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**VEHICLES & PLANT RENEWALS PLAN SUMMARY 2002/03**

<b>COMMITTEE</b>	<b>REPLACE- MENT AMOUNT 2002/03</b>	<b>CURRENT REPLACE- MENT PRICE</b>	<b>BALANCE OF CONTRIBU- TIONS 31/03/02</b>	<b>ESTIMATED CONTRIBU- TIONS 2002/03</b>
PERSONNEL & TRAINING SUB	32,500	1,258,936	78,141	193,630

ECONOMIC DEVELOPMENT	0	0	0	0
ENVIRONMENT & DEVELOPMENT	0	82,400	31,565	0
HOUSING	36,000	36,000	33,277	0
LEISURE	118,960	278,890	89,460	3,200
WORKS	312,630	1,841,880	980,703	16,001
<b>GRAND TOTAL</b>	<b>500,090</b>	<b>3,498,106</b>	<b>1,213,146</b>	<b>212,831</b>