



REPORT TO EXECUTIVE

PORTFOLIO AREA: FINANCE AND PERFORMANCE MANAGEMENT

Date of Meeting: 20 November 2006

Public

Key Decision: Yes

Recorded in Forward Plan: Yes

Inside Policy Framework

**Title: RENEWALS RESERVE - 5 YEAR ROLLING PROGRAMME
2006/07 TO 2010/11**

Report of: Director of Corporate Services

Report reference: CORP56/06

Summary:

This report provides information on the programme for the replacement of Vehicles and Plant, IT equipment, and general items of equipment from the Renewals Reserve for the 5-year period 2006/07 to 2010/11.

Recommendations:

- (i) Approve the specific replacement programmes as detailed in Appendices 1 to 3 subject to funding for the later years being identified.
- (ii) Agree that changes to the replacement of specific items within the three categories be delegated to the Director of Corporate Services in consultation with the appropriate Director, subject to the overall sums approved not being exceeded.
- (iii) Note that that unutilised balances currently within the fund will be reallocated for general use by the Council.
- (iv) Note that further work is being carried out to further clarify policy, guidelines, contributions and other issues in relation to the Reserve.

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CITY OF CARLISLE

To: The Executive
20 November 2006

CORP56/06

RENEWALS RESERVE – 5 YEAR ROLLING PROGRAMME
2006/07 TO 2010/11

1. INTRODUCTION

1.1 This report provides information on the replacement programmes from the Renewals Reserve for 2006/07 – 2010/11 for each of the following categories:

- Vehicles and Plant (Appendix 1)
- IT equipment (Appendix 2)
- General equipment (Appendix 3)

1.2 A great deal of work has been carried out on the Renewals Reserve since the last report was presented to the Executive in March 2006. This work has concentrated on: -

- Reconciliation of the balance on the Reserve to the Council's financial ledger.
- Reconciliation of subsidiary records held by IT, Services and Directorates for vehicles and plant, IT requirements and equipment to centrally held records in Finance.
- Development of a central IT replacement programme and an assessment of its affordability in the light of the available resources within the Renewals Reserve.
- An assessment of the financial impact of the policy to purchase vehicles outright rather than enter into leasing arrangements.

1.3 Further work is required to:

- Clarify the policy and guidelines to officers, particularly on the classification of Revenue and Capital expenditure and de-minimus levels.
- Co-ordinate this Reserve with the asset register to ensure all assets are covered.
- Clarify monitoring, control and governance arrangements.
- Analyse the scope for existing Vehicle/Transport revenue budgets to be used as a contribution to the fund to enable the initial replacement programme to be fully funded over the 5-year Alison Taylor period set out in Appendices.

2 THE RENEWAL RESERVE

- 2.1 The Renewals Reserve was originally established in 1974 as a fund to provide resources for the planned replacement of vehicles and plant, equipment and information technology needs (both hardware and software) required to run its services.
- 2.2. This aim of this report is to develop a long-term plan for the use of the Renewals Reserve and concentrates on issues of affordability and the alternatives that will need to be considered for the replacement of its working assets.
- 2.3 The report is therefore split into three parts dealing with vehicles and plant, IT and general equipment in turn.

3 VEHICLE REPLACEMENT PLAN

- 3.1 Work has been ongoing with the Council's Transport Co-ordinator to draw up a definitive vehicle replacement programme. The plan for the next 5-years is replicated at **Appendix 1**.
- 3.2 In accordance with the decision of the Executive of 20th March 2006, the decision on the appropriate type of funding will be delegated to the Director of Corporate Services i.e.
 - Use of operating or finance leases.
 - Contract hire.
 - Use of prudential borrowing.
 - Use of capital receipts (subject to member approval)
- 3.3 Currently the most cost effective procurement method is deemed to be outright purchase although replacements of a specialised nature are subject to a specific appraisal process.
- 3.4 **Appendix 1** provides details of the forecasted vehicle and plant replacements from the Renewals Reserve for the period 2006/07 – 2010/11. Currently Appendix 1 shows a deficit on this particular fund, however work is ongoing to identify and reallocate existing budgets to top up this fund.

4. IT REPLACEMENT PLAN

- 4.1. As part of the Council's IT strategy, a comprehensive register and 5-year replacement programme for all IT-related assets used by the authority has now been developed. This includes all IT hardware and software, photocopiers,

telephone systems and miscellaneous items such as digital cameras and video recorders. The schedule at **Appendix 2** shows the ongoing replacement plan for IT-related assets from the Renewals Reserve over the next five years.

- 4.3. A key budget pressure identified is that the Renewals Reserve is the cost of replacing all of the major software systems of the Council on a 5-year cycle because of their high capital value. As many of these systems have a long useful life, the replacement of these systems is generally funded from the Council's capital programme, as they become necessary.
- 4.4. The replacement programme proposed has been discussed with IT and is regarded as the minimum needed for current service delivery and to meet Council priorities.
- 4.5. The Council has allocated a capital budget of £120,000 to fund the replacement of its desk-top PCs and associated operating licences. This budget however does not include the replacement of desk-top monitors. The assessment of IT requirements has identified however that there will be some spare capacity in this capital budget on an ongoing basis. It is therefore recommended that the replacement of any monitors needed as part of the desk-top replacement programme should also be financed from this budget if possible.
- 4.6. In summary, the replacement of the Council IT assets will be dealt with as follows: -

Item	Frequency	Financed by
Desk Top PCs	5 yearly	Existing capital budget
'New' IT software	As Required	Capital programme
Other IT hardware e.g. printers, scanners, laptops	5 yearly	Renewals Reserve
Telephone systems	5 yearly	Renewals Reserve
Photocopiers	5 yearly	Renewals Reserve
Miscellaneous items e.g. digital cameras, camcorders	5 yearly	Renewals Reserve

5 GENERAL EQUIPMENT REPLACEMENT PLAN

- 5.1 The type of equipment to be financed from the IT and the General Equipment Renewals Reserves has been reviewed following the development of the Council's IT replacement programme.

The General Equipment Renewals Reserve will now only be used for the following items: -

- Replacement of office equipment such as franking and mailing machines,
- Replacement of CCTV equipment,
- Replacement of concessionary travel cards,
- Replacement of environmental services testing equipment such as noise and air quality monitors.
- Refurbishment of plant at the Crematorium.
- Replacement of car parking equipment such as ticket machines and cash counting equipment,
- Civic regalia,
- Replacement of other items of equipment with a relatively high value, whose necessary purchase would otherwise put pressure on revenue budgets e.g. major items of kitchen equipment.

5.2 Currently the requirements over the next 5 years are attached at **Appendix 3** to this report. Clearly the list is not complete and further work will continue with Directorates to ensure the list is completed.

6 THE CURRENT POSITION

6.1 The table below shows the current position of the Renewals Reserve at 31st March 2006 and estimates requirements over the next 5 years. A more detailed analysis of the forecasted movements on the Reserve is attached at **Appendix 4** for information. These estimates will influence the next review of the Council's Medium-Term Financial Plan.

	2006/07 Estimate £'000	2007/08 Estimate £000	2008/09 Estimate £'000	2009/10 Estimate £'000	2010/11 Estimate £'000
Balance at 1 st April	1,925	1,196	780	641	141
Budgeted Contributions	120	120	122	122	122
Expenditure:					
Vehicles & Plant (App.1)	(577)	(130)	(120)	(333)	(289)
IT (App.2)	(260)	(310)	(141)	(289)	(333)
Equipment (App. 3)	(12)	(96)	0	0	0
Total	(849)	(536)	(261)	(622)	(622)
Net Movement in Year	(729)	(416)	(139)	(500)	(500)
Balance at 31 st March	1,196	780	641	141	(359)

6.2 The Medium-Term Financial Plan approved by Council for the period 2007/08 to 2009/10 included projections on the use of the Renewals Reserve over this period.

This report incorporates changes to those projections identified since members approved the Plan in July 2006. As previously stated, further work will be carried out to bring the Reserve into balance.

6.3 The balance on the Renewals Reserve of £1.925m at 31st March 2006 includes amounts of: -

- £521,820 relating to contributions from Leisure Services prior to the transfer of the management of services under contract to Carlisle Leisure Limited (CLL). This balance will be retained to safeguard the Council's position should it be necessary to re-purchase plant and equipment from CLL in the future.
- £147,101 as an unallocated balance made up mainly of contributions from Housing Services for assets acquired prior to the transfers under LSVT, which are no longer required. This balance will be released for general use in the Reserve.

6.4 Variations to specific items within this programme will have to be approved by the Director of Corporate Services, in consultation with the appropriate Director, subject to the overall sums approved not being exceeded.

7. CONSULTATION

7.1 Corporate Resources Overview and Scrutiny Committee will consider this report as part of the budget process in November and December 2006

8. RECOMMENDATIONS

- (i) Approve the specific replacement programmes as detailed in Appendices 1 to 3 subject to funding for the later years being identified.
- (ii) Agree that changes to the replacement of specific items within the three categories be delegated to the Director of Corporate Services in consultation with the appropriate Director, subject to the overall sums approved not being exceeded.
- (iii) Note that that unutilised balances currently within the fund will be reallocated for general use by the Council.
- (iv) Note that further work is being carried out to further clarify policy, guidelines, contributions and other issues in relation to the Reserve.

9. IMPLICATIONS

- Staffing/Resources – Not applicable
- Financial – Included within the report.
- Legal – Not applicable.
- Corporate – Included within the report. Directors have been consulted on all aspects of the replacements currently in the Reserve.
- Risk Management – The review of the use of the Renewals Reserve has identified some potential risk to the finances of the Council which are contained in the report. These risks will be incorporated into the Medium-Term Financial Plan once clarified.
- Equality Issues – Not applicable.
- Environmental – Individual replacement will consider environmental implications
- Crime and Disorder – Not applicable.
- Impact on the Customer – Plans will ensure that services to the customer will be delivered efficiently.

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Director of Corporate Services

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Appendices 1-4



"CORP56.06
Appendices.xls"

	Planned Expenditure				
	2006/07 £	2007/08 £	2008/09 £	2009/10 £	2010/11 £
Vehicles & Plant					
Replacements for:					
Corporate Services					
PX55 VAF					9,000
PX06 WRL					9,500
PX55 VAH					9,000
PX55 VAJ					9,000
Development Services					
Planning					
PX55 VAA					9,000
Economic & Community Development					
X859WVO					30,000
Q913 APN	1,400				
PX52UHA	6,169				
Community Services					
Environmental Services					
S941RKY	11,000				
Environmental Protection					
NG51 VXM		9,000			
X363 YFT	8,750				
NG51 VWL		9,000			
SD55 EWS					7,000
Parks & Countryside					
R413OHH	14,200				
Honda Power Barrow				2,500	
PY54CVT			13,500		
Building Maintenance					
X566 BCU	12,000				
MV53CZJ				25,000	
PX06PNF	14,000				
PX56SPV	8,000				
Highways & Sewers					
P782 BRM	29,000				
P354BRM	27,500				
M397 THH	19,750				
V259 DAO	21,000				
NG53LPN				9,000	
X87 TAO		34,000			
R109PRM	18,500				
PX53PDY					
NG53LTF				9,000	
R823RSW	17,500				
N751NBB	14,000				
NG51VXD		14,000			
Atlas compressor	2,800				
Wacker petrol breaker	2,800				
Wacker petrol breaker	2,800				
Gritter no 3				15,000	
Gritter no 4					15,500
W131WCB					15,000
Wacker petrol breaker	2,800				
Garage					
N196WAJ	8,000				
PY52GXJ				20,000	
High pressure washer	3,800				
Leased Brake Tester Class IV	6,800				
Leased four-post lift	5,000				
Two post lift	4,300				
Hydraulic press	2,200				
Tecalemit smoke detector	5,100				
Lowloader trailer	4,000				
Building Cleaning					
PV55 HBX					9,500
Car Parking					
PV55 HBU					9,500
X396 URM	15,000				
X394 URM	8,500				
N683 YHH				8,500	
Stores					
X354 SRM					15,500

	Planned Expenditure				
	2006/07	2007/08	2008/09	2009/10	2010/11
<u>Grounds</u>					
T215 ARM	22,000				
NG51 UJO		14,000			
R108 PRM	14,000				
W573 LTR	9,500				
PX53WWD				9,000	
PX03VHS				25,500	
PX03FHT				29,000	
PN05 MFZ					25,500
NG51 VXS		14,000			
Y785 HJR			14,000		
T219 ARM	14,000				
PW53WWE				9,000	
MV53CZO					29,000
T573 KAO					9,000
T223 ARM	22,000				
PN05VFB			11,500		
PX05DBU				24,000	
PX05DBV				24,000	
PX05DBY				24,000	
PX03FHU	20,000				
PX05DBZ				24,000	
Ransomes 5/7 gang mower		16,800			
Ransomes 5/7 gang mower		16,800			
Erreppi MC383 Rotovator	4,800				
Ballast Roller trailer	3,000				
PX05DCE				24,000	
PX05 DAU				38,000	
PX05VEX			15,500		
Ransomes multi	3,600				
Ransomes multi	3,600				
Atco B30 royale	2,000				
Ransomes multi	3,600				
Ransomes multi	3,600				
PN05 VEM			11,500	(2,300)	
TM rotovator		2,000			
<u>Cemeteries</u>					
NK51 TMZ	7,000				
Erreppi Utility truck	9,800				
PV55 HBZ					7,500
PN05 VFA			11,500		
PN05 VEY			11,500		
Y229WAO [Operating lease to 2008/09]			15,000		
Y371WHH			16,000		
Jumbo Leaf Vacuum	3,200				5,000
Scag 32 Mulching Mower	2,100				3,000
<u>Refuse Collection</u>					
T221ARM	22,000				
<u>Street Cleansing</u>					
NX06BTV	24,500				
NX06BTU	24,500				
NX06BTF	24,500				
NX06BTO	24,500				
Applied 414 S2D Sweeper chassis 0503135					13,000
NV53 CYF				16,000	
Pressure washer					7,700
Leased jumbo leaf vacuum	4,000				
P208ANL	8,500				
MV53 CZR					28,500
Applied 414 S2D Sweeper chassis 0503136					13,000
TOTAL	576,969	129,600	120,000	333,200	288,700

Renewals reserve budgets

Description	Planned Expenditure			
	2006/07 £	2007/08 £	2008/09 £	2009/10 £
IT				
<u>Community Services</u>				
Bousteads Grassing Hardware		101,110	10,670	16,330
Tullie House IT	37,530	13,740	7,314	5,620
<u>Legal and Democratic Services</u>				
Electoral Registration software				25,000
Flexitime System				12,000
<u>People, Policy and Performance</u>				
Executive Management - Computer related	620	1,400	570	190
Member Services - Computer related	5,600	710	5,820	7,670
Strategy & Performance Comms IT equipment	5,810	200	2,400	4,250
<u>Corporate Services</u>				
IT Network	100,000	71,850	32,000	98,750
Members IT equipment	9,120	5,240	5,060	8,020
IT Corporate systems	76,450	7,330	31,300	50,890
Print Room Equipment	2,500			
Network Disk Storage		53,000	20,000	
Revenues Systems		1,200		19,750
Finance Laptop / PC related	1,700	1,700		
<u>Development Services</u>				
EDU Toshiba telephone system	3,500			
EDU Laptop / PC related				850
EDU Writer 24 CTV kimnet	220		200	
EDU soft/hardware	100			
Irthing Centre Systems		44,500		
Business Advice Centre - Hardware				
Planning Hardware	17,250	8,450	25,790	39,370
TOTAL	260,400	310,430	141,124	288,690

Appendix 2

2010/11
£
13,180
3,690
4,380
680
2,500
77,180
67,895
132,950
9,480
300
9,400
11,580
333,215

Renewals reserve budgets

Appendix 3

Description	Planned Expenditure				
	2006/07 £	2007/08 £	2008/09 £	2009/10 £	2010/11 £
<u>Equipment</u>					
<u>Community Services</u>					
Tullie House Kitchen Equipment		21,000			
<u>Legal and Democratic Services</u>					
Franking Machine 1		6,000			
Mayoral Chains/badges	1,000	1,000			
<u>Corporate Services</u>					
Revenues & Benefits Mailing Machine		9,100			
Concessionary Fares Swipe Cards		50,000			
<u>Development Services</u>					
Music Rehearsal Room PA equip	2,500				
Environmental Protection B&K Noise analyser 1	9,000	9,000			
TOTAL	12,500	96,100	0	0	0

