

Financial and Contract Procedure Matters Report

RECOMMENDATION

- 1 To approve the technical adjustments at Appendix 2 to the 2004/05 revenue budget approved by Council on 1 March 2004.
- 2 To approve the following in relation to the acquisition of equipment and vehicles for the Recycling Plan in 2004/2005:
 - additions to the capital programme and financing from additional £651,000 unsupported borrowing as detailed in paragraphs 3.2.2 to 3.2.4
 - revenue budget virement as detailed in paragraph 3.2.5
 - revenue financing of boxes as detailed in paragraph 3.2.6
 - creation of an earmarked replacement reserve as detailed in paragraph 3.2.7

REASON FOR RECOMMENDATIONS

- 2 . Under financial procedure rules Council Cabinet approval is required.

SUPPORTING INFORMATION

3.1 Revenue Budget 2004/2005

- 3.1.1 Since the approval of the 2004/05 revenue budget at Council on 1 March 2004, the detailed service budgets have been finalised. As in previous years, this process has resulted in certain technical virements, which will be reflected in the Council's final published approved 2004/2005 budget.
- 3.1.2 The technical adjustments are shown in Appendix 2 together with individual explanations. It includes, for completeness, some adjustments already approved at 16 March and 6 April Cabinet.
- 3.1.2 The revenue budget 2004/05 technical adjustments change neither the effect of the budget proposals nor the net Budget Requirement approved by Council.

3.2 Recycling Plan 2004/2005

Note – the basic proposals are outlined below. The gaps/items in italics will be updated and confirmed at pre-agenda.

- 3.2.1 As part of the Recycling plan four new rounds are being introduced in 2004/2005 which require the following acquisitions:
- *26,000 wheelie bins at a cost of £392,000*
 - *34,000 recycling boxes at a cost of £85,000*
 - *4 refuse vehicles at a cost of £259,000*
- 3.2.2 At the time that the revenue budget and capital programme were approved for 2004/2005 it was assumed that the cost of the wheelie bins would be funded from part of a £1.5m DEFRA bid. Neither the acquisition cost nor the £1.5m bid were included in the revenue budget or the capital programme. It was pointed out in the capital programme report that if the bid was unsuccessful, which it was, additional unsupported borrowing would be required and the revenue cost would be met from the Treasury management budget. Unsupported borrowing of £392,000 is now required. The revenue budget implication is detailed in paragraph 3.2.5 below.
- 3.2.3 In addition it is now proposed to fund the £259,000 vehicle costs from unsupported borrowing rather than leasing. The approved 2004/2005 revenue budget assumes that the vehicles would be leased and includes a provision of £79,800 for leasing costs. It is now proposed to fund this acquisition from unsupported borrowing as it provides better value for money. The Council can currently borrow at around 5% interest, which is less than would be obtained through an operating lease. The revenue budget implication is detailed in paragraph 3.2.5 below.
- 3.2.4 Approval is therefore sought to take up a total of £651,000 unsupported borrowing and add the schemes to the capital programme.
- 3.2.5 The revenue cost of the unsupported borrowing will be *approximately £80,000 for 2004/2005 rising to approximately £110,000 from 2005/2006, based on a repayment period of 7 years for vehicles and 15 years for wheelie bins, in line with the expected life of the assets.* It is proposed to meet this from the saving on the leasing costs revenue budget in the Recycling Plan. A virement of £80,000 in 2004/2005 and £110,000 from 2005/2006 is therefore required from the D&CS department Recycling Plan budget to the Treasury management budget. As the Recycling Plan costs included in the budget were met from an additional corporate cashlimit increase, any net saving in the Treasury Management budget at the end of the repayment term, after taking into account any possible future unsupported borrowing made for the Recycling Plan, will remain a corporate saving.
- 3.2.6 The acquisition cost of boxes will be treated as a revenue cost and funded from Derby's £111,000 allocation from a DEFRA grant to Local Authorities in addition to the Revenue Support Grant to relieve waste management budget pressures in 2004/2005. This additional government grant is currently not included in the approved revenue budget for 2004/2005.

- 3.2.7 It is proposed that the remaining £26,000 of the additional grant is transferred to an earmarked reserve to build up a future replacement fund for boxes. Any future such costs have currently not been provided for in the recycling plan budget.
- 3.2.8 See Table 1 for a summary of the 2004/2005 costs and funding proposals above. The costs and funding options for future years Recycling Plan rounds is currently under review and will be reported back to a future Cabinet for any approvals as required.

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Background papers:	None
List of appendices:	Appendix 1 – Implications Appendix 2 – Revenue budget 2004/2005 technical adjustments

IMPLICATIONS

Financial

- Table 1 below summarises the 2004/2005 revenue costs and funding for the acquisition of boxes, bins and vehicles for the Recycling Plan.

Table 1 – 2004/05 revenue costs and funding

	Total Cost	Cost in 04/05	Budget available	Surplus to earmarked reserve
	£	£	£	£
Wheelie Bins	392,000			
Vehicles	259,000			
	651,000	78,565	79,800	
Boxes	85,000	85,000	111,000	26,000

Legal

- As set out in the report.

Personnel

- None.

Corporate Objectives and Priorities for change

- The revenue budget and changes accord with the Council's corporate objectives and priorities.

Schedule of Changes to Approved 2004/05 Budget

Department	Employees	Running Costs	External Income	Net Controllable Budget	Add Capital Charges	Add Support Services	Total Department Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Commercial Services							
Minor technical restatement adjustments to subjective classification of budgets	(2)	16	(14)	0			0
Add Trading Services budget for completeness	14,439	23,231	(37,670)	0			0
Allocation of public priority fund for dog waste bins		60		60			60
Allocation of central support and capital charges to correct service				0	(38)	268	230
sub total	14,437	23,307	(37,684)	60	(38)	268	290
Chief Executive's							
Technical restatement adjustments to subjective classification of budgets							
Strategic Planning & Performance	42		(42)	0			0
Residual Reorganisation costs	(17)	17		0			0
Insurances		150	(150)	0			0
Other	(9)	8	1	0			0
Allocation of E Derby funding line to : Committee Services		4	(4)	0			0
Land Charges		14	(14)	0			0
Inclusion of Youth Offending budget in Policy Directorate	1,081	633	(1,714)	0			0
Change approved at 6th April Cabinet		274		274		(400)	(126)
Allocation of public priority fund monies to Treasury management budget for costs of additional unsupported borrowing		70		70			70
Capital Charges relating to Housing Revenue Account originally wrongly included in Policy Directorate					(20,056)		(20,056)
sub total	1,097	1,170	(1,923)	344	(20,056)	(400)	(20,112)
Development & Cultural Services							
Gross up budget for external funded projects							
Economic Development	57		(57)	0			0
Traffic & Transportation	25		(25)	0			0
Home to School Transport revised budget in line with approved budget proposals		191	(191)	0			0
Technical rounding adjustments	2	2	(6)	(2)			(2)
Minor technical restatement adjustments to subjective classification of budgets	(1)	17	(14)	2			2
Allocation of public priority fund for litter and graffiti and Darley Park Concert		220		220			220
Allocation of central support and capital charges to correct service				0	(32)		(32)
sub total	83	430	(293)	220	(32)	0	188

Schedule of Changes to Approved 2004/05 Budget

Department	Employees	Running Costs	External Income	Net Controllable Budget	Add Capital Charges	Add Support Services	Total Department Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Education							
Technical virements mainly to add in net nil grants budgets for : Surestart , additional School Standards grant , Youth funding, additional Learning and Skills Council funding and changes previously approved at March and April Cabinets							
ISB	40	197		237			237
Central support services and capital charges to schools				0		400	400
Adult Learning		109	(109)	0			0
Youth Service		232	(230)	2			2
Awards Administration		2		2			2
Early Years & Childcare	(14)	8		(6)			(6)
Family and Out of Lesson Time Learning		8		8			8
Surestart	1,013	(1,013)		0			0
Asset Management	(1)	23		22			22
Finance		6		6			6
ICT / IMS		32		32			32
Management Team & Support	(14)	(4)		(18)			(18)
Marketing & Communications	14	11		25			25
Personnel		8		8			8
Policy & Corporate Planning	1			1			1
Pupil Services Admissions		2		2			2
Other		(50)		(50)			(50)
LPSA / NRF funding				0			0
Access Service	(40)	3		(37)			(37)
Education Psychologists		6		6			6
Education Welfare Service	32	8		40			40
Inclusion	(34)	(236)		(270)			(270)
School Improvement	30	28	(1)	57			57
Special Services Support		3		3			3
Special Needs Support Service		(75)		(75)			(75)
Standards Fund		122		122			122
Sport and Leisure-technical adjustment to reflect correct allocation of budget changes							
Sport Centres and facilities	(2)	6		4			4
Marketing and Admin		4		4			4
Community and Play	1			1			1
Allocation of central support and capital charges to correct service				0	(1)	(268)	(269)
sub total	1,026	(560)	(340)	126	(1)	132	257

Schedule of Changes to Approved 2004/05 Budget

Department	Employees	Running Costs	External Income	Net Controllable Budget	Add Capital Charges	Add Support Services	Total Department Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Social Services							
Technical virements mainly to allocate the Quality Protects, Leaving and Aftercare , Modernising Agenda, Government grants.							
Director & Support	141		(107)	34			34
Children and Families:							
Children & Families Management	907	310	(67)	1,150			1,150
Care Management & Purchasing	0	0	0	0			0
Residential Care	(143)	(8)	13	(138)			(138)
Non Residential Services	207	404	(473)	138			138
Elderly:							
Management	497	128	(52)	573			573
Children & Families Management	64	4	(432)	(364)			(364)
Residential Care	0	(692)	2,549	1,857			1,857
Non Residential Services	6	(11)	(1,289)	(1,294)			(1,294)
Physical and Sensory Disabilities:							
Management	111	0	(8)	103			103
Care Management & Purchasing	48	(589)	(53)	(594)			(594)
Residential Care	0	0	0	0			0
Non Residential Services	8	785	(360)	433			433
Learning Disabilities:							
Management	0	0	0	0			0
Care Management & Purchasing	35	0	(20)	15			15
Residential Care	0	0	0	0			0
Non Residential Services	0	42	1	43			43
Mental Health Needs:							
Management	0	0	0	0			0
Care Management & Purchasing	0	0	0	0			0
Residential Care	0	(74)	40	(34)			(34)
Non Residential Services	1	(37)	0	(36)			(36)
Other Adult:							
Management	0	0	0	0			0
Care Management & Purchasing	0	0	0	0			0
Residential Care	0	(56)	0	(56)			(56)
Non Residential Services	51	117	(170)	(2)			(2)
Resources and Performance Management							
Training	(148)	0	0	(148)			(148)
Personnel	139	0	0	139			139
Finance	0	0	(14)	(14)			(14)
Management & Administration	(1,309)	(455)	(31)	(1,795)			(1,795)
Information	56	0	(66)	(10)			(10)
Minor technical restatement adjustments to subjective classification of budgets	(1)	(72)	73	0			0
sub total	670	(204)	(466)	0	0	0	0
Public Priority fund now allocated to departments above		(350)		(350)			(350)
Department Total	17,313	23,793	(40,706)	400	(20,127)	0	(19,727)
Less Capital Charges					20,127		20,127
Net Expenditure	17,313	23,793	(40,706)	400	0	0	400
Appropriations from corporate reserves - change approved by Cabinet 6 April							(400)
General Fund Budget Requirement							0

