

FINANCIAL PROCEDURAL MATTERS

Report of the Director of Finance

SUMMARY OF REPORT

- 1.1 The report requests approval to revise the financial limits set out in the financial procedure rules relating to capital schemes control for Local Transport Plan (LTP) Schemes in 2002/03.
- 1.2 The report also seeks approval to add a Derby Flood Improvement Study capital scheme to the approved 2002/03 capital programme. The Scheme will cost £71,600 and will be funded from government grant and Supplementary Credit Approval.
- 1.3 The report also discusses the new investment options that have been made available for Local Government. These include the use of the Government's Debt Management Account (DMA) Deposit Facility. Executive is requested to approve an amendment to our Treasury Management Strategy enabling the use of the DMA facility.

RECOMMENDATIONS

- 2.1 To recommend to Council, the approval of increases in the financial limits set out in the financial procedure rules relating to capital schemes control for Local Transport Plan (LTP) Schemes in 2002/03
- 2.2 To approve the addition of the Derby Flood Improvement Study to the capital programme for 2002/03 and to note the application for a Supplementary Credit Approval (SCA) to part fund the project
- 2.3 To seek approval for an extension to the 2002/03 Treasury Management Strategy to allow inclusion in the pilot scheme for the DMA facility and the subsequent use of the DMA facility administered by the Debt Management Office.

REASONS FOR RECOMMENDATIONS

- 3.1 The financial limit prescribed within the current Financial Procedure rules relating to capital scheme spend variations may cause difficulties in delivering the 2002/03 LTP programme.
- 3.2 Approval is required under financial procedure rules to add the Flood Improvement scheme to the capital programme.
- 3.3 Participation in the new DMA facility will require an extension to the treasury management strategy for 2002/03 approved by the executive in March 2002.

MATTERS FOR CONSIDERATION

4.1 Local Transport Plan Capital Schemes Control

- 4.1.1 The Executive approved the 2002/2003 Local Transport Plan work programme on 23 April 2002. As a consequence of the complexities of the schemes, it is inevitable that variations in scheme costs will occur. The current Financial Procedure rules relating to capital scheme spend variations require prior approval of the Executive, and it is possible that in the specific context of the LTP, the current limits may cause difficulties in delivering the 2002/03 programme.
- 4.1.2 In previous years, the funding allocation for LTP has been a two-year SCA (supplementary credit approval). For 2002/03 the funding is restricted to a one year BCA (basic credit approval) following the introduction of the single capital pot. This will have a significant impact on any slippage on scheme spend at the end of the 2002/03 financial year.
- 4.1.3 Financial procedure rules set out the approved limits for variations to the total cost of a capital scheme that should be reported to the Executive. These are shown below:
 - an increase of more than £5,000 in schemes of under £50,000, or
 - an increase of more than 10% in a scheme between £50,000 and £250,000
- 4.1.4 To extend flexibilities in light of the funding constraints with effect from 2002/03, it is proposed to double the current limits specifically in relation to delivering the LTP work programme as shown below, for 2002/03 only:

- an increase of up to £10,000 in schemes of under £50,000 to be approved by the Director of Development & Cultural Services
- an increase of up to 20% in a scheme between £50,000 and £250,000 to be approved by the Director of Development and Cultural Services

4.1.5 All scheme cost increases approved by the Director of Development and Cultural Services should be recorded appropriately identifying details and reasons for the scheme increase, in consultation with the respective technical, legal and finance officers. They will also be reported to the Executive retrospectively. In addition, close monitoring of schemes during the financial year will endeavour to bring forward any scheme spend variations to the Executive as soon as possible during the detailed design process.

The above flexibilities will be kept under further review as the work programme progresses during the year.

4.2 Addition of Flood Improvement Capital Scheme to the Approved Capital Programme

- 4.2.1 Derby has recently had approval from the Department of the Environment, Food and Rural Affairs (DEFRA) to carry out a flood improvement study within the City.
- 4.2.2 The scheme will involve the undertaking of a CCTV survey of the drainage systems within the City in order to establish its condition and determine the extent of any repair work required.
- 4.2.3 The scheme is expected to cost £71,600 and will be carried out during 2002/03. DEFRA have approved the funding of approximately £32,000 from external grant, the remainder being funded from SCA for which an application is in the process of being submitted.

4.3 Debt Management Account Deposit Facility

- 4.3.1 The Debt Management Account (DMA) Deposit Facility is being developed jointly by the UK Debt Management Office (DMO) and the Public Works Loan Board (PWLB). The UK Debt Management Office is a Treasury Executive Agency and manages Government Debt and Exchequer cash flows. The DMA facility enables local authorities to deposit surplus cash on flexible terms and receive market-related rates of interest. Investments are paid into the DMO's Debt Management Account, which is held by the Treasury and consequently, the scheme implicitly carries the Government's own sovereign AAA credit rating, therefore, offering the highest security of investment. It also offers rates

of return comparative to, or slightly higher than those available from money market brokers for investments with comparative periods.

- 4.3.2 A pilot scheme for the facility has been launched for which we have expressed an interest in taking part, subject to the approval of the Executive, and also the practical details of such a scheme being in accordance with our Strategy. Derby has now been invited to take part in the pilot scheme, which will be evaluated at the end of a 3 to 6 month period. All participating authorities will be invited to provide feedback on the scheme for the evaluation.

FINANCIAL IMPLICATIONS

5. Annual costs of additional borrowing have to be met from revenue budgets as they fall due. Borrowing costs, which are only partly supported through government grant, are accounted for centrally under existing arrangements.

LEGAL IMPLICATIONS

6. None directly arising

PERSONNEL IMPLICATIONS

7. None directly arising

ENVIRONMENTAL IMPLICATIONS

8. None directly arising

EQUALITIES IMPLICATIONS

9. None directly arising