

**ANGUS COUNCIL****FINANCE AND INFORMATION TECHNOLOGY COMMITTEE -  
1st September, 1998****POLICY AND RESOURCES COMMITTEE - 8th September, 1998****PREPARATION OF THE 1999/2000 CAPITAL BUDGET AND FUTURE  
YEARS FINANCIAL PLAN****REPORT BY THE DIRECTOR OF FINANCE****ABSTRACT**

This report provides information for members, and indicates preparations required by Directors and Heads of Service Departments, in anticipation of the need to compile the Financial Plan for Angus Council.

**1. RECOMMENDATION**

It is recommended that the Committee agree to note the terms of this report and instruct Directors and Heads of Service Departments to consider projects for submission and possible inclusion in the Non Housing and the Housing Revenue Account Financial Plans covering the period 1999/2000 to 2001/2002. In this respect Directors and Heads of Service Departments will require to highlight their departmental priorities in view of the expected continuing limited availability of resources in comparison to identified demand.

**2. BACKGROUND**

The Secretary of State controls the capital expenditure of local authorities by issuing capital expenditure consents in terms of Section 94 of the Local Government (Scotland) Act, 1973. It is understood the Secretary of State will not invite bids from local authorities for 1999/2000 and that Section 94 Capital Consents will be issued automatically. However, the Secretary of State as part of the Comprehensive Spending Review (C.S.R.) has issued the total available capital sums for the Scottish Block to cover all Public Services for the next three years. The Secretary of State is raising capital investment for a fixed period of three years in order to tackle a backlog of under investment but has stressed that current spending will grow by no more than two per cent per annum in real terms. The allocation to be made available over the next three years to Local Government is still to be announced and the Angus Council Allocation will follow through thereafter. Against this background and in the interests

of prudent financial planning it is envisaged that Angus Council should continue to produce Financial Plans for the forthcoming three year period.

It is expected that the total amount of capital expenditure consents which will be available in 1999/2000 will once more be extremely limited in comparison to identified demand and this, of course, will have adverse implications for local authorities.

In relation to the Non Housing Programme for 1999/2000 the Scottish Office have indicated a total allocation of £310 million for distribution which has been reduced on a comparable basis from a figure of approximately £324 million from the previous year to take account of the removal of capital receipt set aside rules. Further, the Scottish Office are currently reviewing the Non Housing Capital Allocation Distribution System with intended effect from 1999/2000 and members are referred to Report Number 900/98 to the Finance and Information Technology Committee dated 1<sup>st</sup> September, 1998 and the Policy and Resources Committee dated 8<sup>th</sup> September, 1998 for details of the Angus Council response to the Scottish Office in this respect.

It is relevant to point out, however, that with effect from 1 August 1998 the Council is allowed to augment its consent by the full amount of capital receipts for the Non-Housing Programme and for 1999/2000 with this recent change in set aside rules will be the full value of the receipt for the whole year. However, in the case of the Housing Revenue Account Programme it will still be only 25 per cent of the value of the receipt - subject to certain exceptions which permit augmentation at 50 per cent and 100 per cent. In addition the consent can be augmented by Capital Financed from Current Revenue (C.F.C.R.). At the moment it is intended that the Financial Plans which will be prepared in due course should assume that Angus Council, in line with previous years policy, will continue to augment their capital consents by the use of capital receipts and C.F.C.R. as far as possible within permitted limits. However, also in line with previous years policy, this position will be kept under review to ensure that the most advantageous position available to the Council is attained once further guidance relevant to the overall Local Government Finance Settlement is received from the Scottish Office.

For illustration purposes it is highlighted that with regard to the Non-Housing Programme for 1998/9 usable capital receipts are currently estimated at £1.078 million with a Government general allocation for C.F.C.R. of £1.250 million. With regard to the Housing Revenue Account Programme for 1998/9 usable capital receipts are currently estimated at £1.014 million with an allowance for C.F.C.R. of £3.920 million.

It is proposed, of course, to conduct a full review of possible funding options for the Non Housing and Housing Revenue Account Programmes for 1999/2000.

### **3. INTRODUCTION**

The purpose of this report is to alert members and relevant officials of the need to submit bids for capital resources for 1999/2000 and beyond. A draft timetable will be prepared for discussion with departments which will coincide with further guidance from the Scottish Office.

#### **4. POSSIBLE ALLOCATION OF CAPITAL CONSENTS FOR 1999/2000**

It is difficult at this stage to give an accurate estimate of how much capital consent will be made available to Angus Council for 1999/2000 as this is very much in the hands of the Scottish Office and subject to the outcome of the review of the Non Housing Capital Allocation Distribution System which is currently being carried out. In the case of the Non Housing Programme the Formula Allocation for Angus Council for 1998/9 was £5.103 million. The Section 94 Capital Consent figure for Angus Council for 1999/2000 will, of course, be supplemented by Challenge Fund monies, as discussed in section 6 below. Further, it is intended to give Non Housing Departments an indication of the bids required by providing them with target guidelines for each programme. Such targets will take note of the need to submit bids based on realistic levels of planned expenditure. Directors and Heads of Service will be expected to indicate priorities in respect of individual projects and will be encouraged to make representations in support of their bids.

Individual Departmental bids will then be progressed by way of the officer led Capital Programme Co-ordination Group (C.P.C.G.) and with regard to C.F.C.R. funding via the Budget Co-ordination Group (B.C.G.) which are both chaired by the Chief Executive. It should also be noted that the processes surrounding these two groups are currently under review.

#### **5. LIMIT ON LEGAL COMMITMENTS FOR 1999/2000**

Members and officials should be aware of the Scottish Office directive (in their letters dated 26th March, 1998 pertaining to the Non Housing Programme and 26th March, 1998 pertaining to the Housing Revenue Account Programme) permitting councils to legally commit capital expenditure for the forthcoming financial year - 1999/2000. In the case of the Non Housing Programme councils may legally commit 70 per cent of the Formal Section 94 Capital Consent figure of £5.729 million for 1998/9 which equates to £4.010 million. Further, the legally committed sum of £4.010 million for the Non Housing Programme may be supplemented by Challenge Fund monies, as discussed in section 6 below. In the case of the Housing Revenue Account Programme councils may legally commit 70 per cent of the approved Section 94 Capital Consent figure of £1.536 million for 1998/9 which equates to £1.075 million.

#### **6. CHALLENGE FUNDING**

The former Secretary of State introduced Challenge Funding for all capital programmes, except Housing, from 1997/8.

This involves a top slicing of the Section 94 Capital Consent available for Scotland as a whole, with subsequent smaller allocations to individual authorities, and a competitive bidding process by the Scottish Office.

Angus Council has been successful in receiving awards from both the Central and Transport Challenge Funds, as follows :

Project	1997/8 £ million	1998/9 £ million	1999/2000 £ million	Total £ million
Dualling of A92 Dundee-Arbroath Road	1.000	1.000	-	2.000
Andover Primary School	1.314	0.805	0.053	2.172
Edzell Area Regeneration Scheme	1.299	0.900	0.801	3.000
Total	3.613	2.705	0.854	7.172

The Council is permitted to carry forward Challenge Fund Consents into future years as long as the carry forward amounts are within overall Section 94 carry forward limits available to the Council. The Council has exercised this flexibility previously and depending on progress attained within the individual projects an element of carry forward will fall into 1999/2000. Challenge Fund Allocations are ring fenced and cannot be utilised in relation to other projects. Updated projections for the Challenge Fund projects will be fed into the 1999/2000 budget process.

#### **7. PRIVATE FINANCE INITIATIVE (P.F.I.) / PUBLIC AND PRIVATE PARTNERSHIPS (P.P.P.)**

The Scottish Office is currently reviewing submissions from across Scotland relating to Private Finance Initiative procurement as a means of funding major projects which would otherwise require to be met from Section 94 Allocations. The Council has secured and is continuing to actively pursue a P.F.I. option in relation to the dualling of the A92 road between Dundee and Arbroath. In addition, a submission has been made to the Scottish Office for the replacement of the Montrose Road Bridge to be pursued via the P.F.I. option. It is considered that this addition to the A92 P.F.I. Project would assist in furthering Value for Money to the Council. It is envisaged that the P.F.I. / P.P.P. route will require future active consideration as a means of securing further capital projects for the Council. An example of this could be the involvement of the Council in the formation of Trusts such as the Angus Community Care Charitable Trust (A.C.C.C.T.) whereby it may be possible to lever in additional funding on projects which satisfy a common criteria amongst the funding partners.

#### **8. CONCLUSION**

In recent years the award of Section 94 Capital Consents by the Scottish Office to local authorities has become more and more restricted. This under investment has been recognised by the Secretary of State and an element of growth in overall terms across the Scottish Public Sector is planned. Local Government will need to make as strong a case as possible to ensure the potential total allocation is maximised to meet the need that exists. Thereafter, Angus Council will seek to ensure that it receives its fair share of the total Local Government Allocation. Notwithstanding the potential small growth in available capital allocation, it is evident that demand in an Angus Council context will inevitably exceed supply and, accordingly, avenues of alternative funding will have to continue to be explored to sustain a realistic programme of capital projects.

## **9. CONSULTATION**

The Chief Executive and the Director of Law and Administration have been consulted in the preparation of this report.

**DAVID S SAWERS**  
**DIRECTOR OF FINANCE**

### NOTE

No background papers as defined by Section 50D of the Local Government (Scotland) Act, 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing this report.

SMS  
12/08/98

