

ANGUS COUNCIL

FINANCE AND INFORMATION TECHNOLOGY COMMITTEE - 1 SEPTEMBER 1998
POLICY AND RESOURCES COMMITTEE - 8 SEPTEMBER 1998

STRATEGIC REVIEW OF RENEWAL AND REPAIR FUNDS

REPORT BY THE DIRECTOR OF FINANCE

ABSTRACT

This report identifies the significant actual and planned use made of the Council's Renewal and Repair Funds and identifies the strategic role which these Funds can perform to assist the Council when the need for contingency funding is identified. The future resourcing of these R. & R. Funds will need to be carefully considered as part of the 1999/2000 and beyond Revenue and Capital Budget considerations.

1. RECOMMENDATION

The Committee is asked to note:-

- (a) the actual and committed expenditure from the R. & R. Funds;
- (b) that a concentrated effort is to be made to deliver as much of the planned R. & R. Funds expenditure programme by the end of the current calendar year;
- (c) the strategic importance of appropriately resourcing the R. & R. Funds;
- (d) the resources available to the R. & R. Funds will be fully considered as part of the 1999/2000 and beyond Revenue and Capital Budget preparation.
- (e) the Roads R. & R. Fund will be changed to Roads and Transport R. & R. Fund to assist the integration of joint operational issues which may require contingency funding.

2. BACKGROUND

The Council holds various Special Funds within its General Fund Account as part of the Council's long term financial management strategy. The Special Funds held by the Council include the following Renewal and Repair Funds:

- Property
- Roads
- Information Technology
- Print and Design Unit

Policy statements have previously been agreed regarding the operation of the Council's R. & R. Funds - Report Nos. 678/97 and 938/97 refer. The policy statements have been in operation for more than one year now and Report No. 686/98 noted the actual use made of the various R. & R. Funds in financial year 1997/98 and the intention to reflect on the utilisation of the funds to date along with proposals for future use, and the intention to carry out a strategic review for 1998/99 and beyond.

3. REVIEW OF R. & R. FUND UTILISATION TO DATE

The amounts held in the R. & R. Funds are not intended to deal with only the immediate issues facing the Council due to financial constraints which exist at that time. Rather the focus of usage of the Funds must be viewed as part of a longer term financial management strategy which will provide the Council with a degree of financial protection beyond the then current financial year. Accordingly, minimum sums were set for each R. & R. Fund which the individual funds should not fall below without prior express agreement of the Council, viz.

| | £000 |
|------------------------|------|
| Property | 250 |
| Roads | 250 |
| Information Technology | 100 |
| Print & Design Unit | 20 |

An up to date Summary Financial Statement of Renewal and Repair Funds is shown at Appendix 1. This highlights that substantial actual spend or commitment to spend has occurred within the various funds over the period 1 April 1997 to date (some £4.9 million in total). The majority of the £4.9m relates to projects approved but which have not as yet translated into actual expenditure.

Discussions have taken place with the main accountable managers of the respective Funds to determine the age profile of the various outstanding commitments and a target date of 31 December 1998 has been set to translate as far as possible all outstanding commitments as at 31 March 1998 through to job completion and payment of project expenditure. In addition, a strict programme control mechanism will be adopted for commitments entered into in the current financial year with a view to achieving as high a job completion rate as possible. This will help ensure that only current projects remain in the system at the end of this calendar year and that estimated provisions are replaced as far as possible with actual expenditure to allow a greater degree of certainty on the value of remaining uncommitted balances.

The substantial expenditure calls made to date on the various funds have significantly impacted on the balance of resources available to the Council to give a degree of protection over the longer term from potential risk due to unforeseen significant expenditure calls. The current uncommitted balances are as follows:

| | £000 |
|------------------------|------|
| Property | 974 |
| Roads | 315 |
| Information Technology | 799 |
| Design Unit | 70 |

Each of these balances are above the minimum levels set for the Funds but it is highlighted that should unforeseen significant expenditure calls arise over the remainder of the current financial year there is a distinct possibility that some difficulty may exist in maintaining the minimum set balance in each of the Funds.

4. STRATEGIC REVIEW

Level of Remaining Available Resources 1998/99

To help preserve the individual R. & R. Funds and to assist the Council to react to any major emergency funding issues over the remainder of the current financial year it is intended that only essential projects be allowed to be committed forthwith for both the Property and Roads R. & R. Funds. However a more flexible approach can be adopted for both the Information Technology and Design Unit R. & R. Funds.

All additional proposed expenditure calls on the R. & R. Funds will be reported to Committee in line with current laid down policy.

Policy Statements

In general it is considered that the individual policy statements for each of the R. & R. Funds are comprehensive and fit for purpose. Some minor issues have occurred regarding misunderstandings surrounding the process which should be followed by departments to gain access to resources from the R. & R. Funds for identified projects. However the process has been further clarified for the benefit of user departments and the process is now well understood and should accordingly be appropriately followed for future project purposes.

No changes are proposed to the Policy Statements in respect of the Property, Information Technology and Design Unit R. & R. Funds but it is considered that the scope of the Roads R. & R. Fund should be widened to include the integration of Transport operational matters arising from Transport Policy decisions. In this regard the Director of Roads and the Director of Planning and Transport would prepare a joint proposal where appropriate actioning a transport operational matter which impacts on both areas of service responsibility and requires access to contingency funding.

To ensure strict accountability and clear lines of responsibility for budgetary control, currently only one Head of Department has been assigned to manage each R. & R. Fund and with regard to the proposed Roads and Transport R. & R. Fund it is intended that this task should be charged to the Director of Roads.

Way Forward

The critical strategic role of the various R. & R. Funds has been clearly demonstrated to date. Had these Funds not been established and resourced, a number of essential projects would not have been delivered or delivery of such projects would have been at the expense of other high priority projects or initiatives.

Reasonable levels of balances in total currently exist (c£2m) but these must be viewed against the potential demands which may arise in the future. The actual expenditure and the planned expenditure from 1997/98 to date of c£4.9 million explicitly illustrates the level of potential calls which may emanate over the period towards the millenium and beyond. Against this background it is evident that additional resource contribution to the R. & R. Funds is justified.

However the complex intricacies of local government finance are such that contributions to the R. & R. Fund cannot be looked at in isolation. It will be necessary to review any proposed contributions as part of the larger exercise of preparing the 1999/2000 Revenue and Capital Budgets. Also, consideration will need to be given to longer term financial management strategy with particular reference to the Best Value 3 year budgeting requirement.

As part of the Comprehensive Spending Review (CSR) the Government have set three year expenditure plans at an all Scotland level only and it is therefore difficult to estimate with any degree of certainty what the impact might be on Angus Council. In addition until it becomes clear what the new system of "expenditure guidelines" will entail it is very difficult to carry out an informed assessment of what impact it may have on Angus Council in comparison to the restrictive and inequitable capping limits imposed on Angus Council to date. Unless the new system of expenditure guidelines take into account the failings of the capping system towards prudent Councils, such as Angus, the Council may find itself in a continuing budget restraint environment.

The lack certainty prevents the presentation of specific proposals surrounding the extent of the future role of R. & R. Funds but it is nevertheless evident that their existence has proven to be a useful financial management tool for the Council and that this will be recognised in the formation of the overall budget strategy adopted for the next financial year and beyond.

5. FINANCIAL IMPLICATIONS

There are no direct financial implications.

6. CONCLUSIONS

The report highlights the significant spend and committed spend made on the R. & R. Funds from financial year 1997/98 to date and confirms the critical role that such contingency funds can perform to assist the Council to deliver essential projects and services in a period of year on year restraint arising from local government finance settlements.

The report further highlights the intention to, as far as possible, deliver on the ground the planned projects committed to be funded from the R. & R. Funds and thereby more accurately determine the time available resources by the end of the calendar year. This in turn will help inform the resourcing requirements of the R. & R. Funds vis-a-vis the other cells which will exist as part of the delivery of the 1999/2000 and beyond Revenue Budget preparation.

7. CONSULTATION

The Chief Executive, the Director of Law and Administration, the Director of Property Services, the Director of Information Technology, the Director of Roads and the Director of Planning and Transport have been consulted for their interest in the preparation of this report.

D.S. SAWERS
Director of Finance

NOTE: No background papers, as defined by Sections 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.

CMcM/AB/LH
25 August 1998

ReviewR&R

Renewals and Repairs Fund Summary

| | | Property £000's | Roads £000's | Information Technology £000's | Print Unit £000's | Total £000's |
|---|-------|--------------------|-----------------|-------------------------------------|-------------------------|-----------------|
| Total Available 1997/98 | A | 2,722 | 1,795 | 1,600 | 151 | 6,268 |
| Less Actual Expenditure 1997/98 | | 619 | 10 | 174 | 81 | 884 |
| Less Outstanding Commitments as at 31/3/98 | | 1,070 | 910 | 202 | - | 2,182 |
| Uncommitted Balance at 31/3/98 | | <u>1,033</u> | <u>875</u> | <u>1,224</u> | <u>70</u> | <u>3,202</u> |
| Additional Contribution 1998/99 | B | 250 | 250 | 100 | - | 600 |
| Less Commitment 1998/99 | | 309 | 810 | 525 | - | 1,644 |
| Current Uncommitted Balance | C | <u>974</u> | <u>315</u> | <u>799</u> | <u>70</u> | <u>2,158</u> |
| Spend / Commitment from 1/4/97 to date | A+B-C | <u>1,998</u> | <u>1,730</u> | <u>901</u> | <u>81</u> | <u>4,710</u> |

