

**ANGUS COUNCIL****FINANCE AND INFORMATION TECHNOLOGY COMMITTEE - 1<sup>st</sup> September, 1998****POLICY AND RESOURCES COMMITTEE - 8<sup>th</sup> September, 1998****OPERATING AGREEMENT FOR ANGUS CONTRACT SERVICES****REPORT BY THE DIRECTOR OF FINANCE****ABSTRACT**

This report requests approval from members for the attached Operating Agreement for Angus Contract Services.

**1. RECOMMENDATION**

It is recommended that the Committee :

- notes and approves the attached Operating Agreement for Angus Contract Services
- notes the attached Operating Agreement for Angus Contract Services will be subject to review at appropriate intervals to ensure the interests of Angus Council are best served

**2. INTRODUCTION**

The Council operates Angus Contract Services under the provisions of the Local Government Act, 1988. Under the terms of the existing Government Regulations all defined activities are required to achieve the prescribed financial objective of breaking even in each financial year after taking account of capital charges which include a capital financing charge of 6 per cent of the value of assets used. Since its inception on 1<sup>st</sup> April, 1996 the Organisation has met the prescribed financial targets. In addition, the Organisation generated surpluses of £401,000 in 1996/7 and £258,000 in 1997/8 which were used to protect Council Services and mitigate Council Tax increases. The purpose of this report is to set out the financial rules under which the Organisation is intended to operate in the future. It is emphasized that this report relates solely to the clarification of administrative procedures.

**3. BACKGROUND**

The Financial Regulations for Angus Council were first prepared and approved by the Finance and Information Technology Committee dated 30<sup>th</sup> April, 1996 and included therein was a section on Service Organisations. Thereafter a process of ongoing review and monitoring was established. Individual rulings and clarification on the interpretation of the Financial Regulations were issued as required during the year and identified for inclusion in the next review. This culminated in a full formal consultation exercise with all Chief Officers to ensure that the Financial Regulations were updated and revised as necessary and accordingly were wholly fit for their purpose. As a result of the consultation process it was decided that the section pertaining to Service Organisations be removed from the Financial Regulations and that a separate Operating Agreement for Angus Contract Services be prepared and approved for implementation within Angus Council. The revised Financial Regulations, excluding the section pertaining to Service Organisations, were approved by the Finance and Information Technology Committee dated 2<sup>nd</sup> September, 1997.

#### **4. CURRENT POSITION**

Following approval of the revised Financial Regulations the Director of Finance consulted with the Director of Law and Administration, the Director of Property Services and the Contract Services Manager in preparing a Draft Operating Agreement for Angus Contract Services. The Draft Operating Agreement was then circulated more widely affording each Chief Officer the opportunity to participate in the consultation process. Having conducted and completed a full formal consultation review exercise the attached Operating Agreement is considered suitable for approval by Committee.

#### **5. FINANCIAL IMPLICATIONS**

There are no immediate financial implications arising from this report.

#### **6. CONCLUSION**

Having conducted and completed a full formal consultation review exercise the attached Operating Agreement is considered suitable for approval by Committee.

#### **7. CONSULTATION**

The Chief Executive, the Director of Law and Administration, the Director of Property Services and the Contract Services Manager 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

## **ANGUS COUNCIL**

### **OPERATING AGREEMENT FOR ANGUS CONTRACT SERVICES**

#### **1 ESTIMATED EXPENDITURE AND INCOME**

In accordance with a timetable laid down by the Director of Finance, the Contract Services Manager shall, in conjunction with the Director of Finance, prepare annual estimates of expenditure and income incorporating any statutory financial objectives required by Compulsory Competitive Tendering (C.C.T.) and Best Value Regime (B.V.R.) legislation and guidance.

#### **2 TRADING STATEMENTS AND VARIANCES**

The Director of Finance shall prepare timeously, on a monthly basis, trading statements for Angus Contract Services. These statements will incorporate an assessment of performance measurement against statutory rates of return. The Contract Services Manager shall comment timeously on any variances from estimates highlighted by these monthly reports. The Director of Property Services shall ensure that monthly valuations are completed timeously in order for statements to be drawn up. The Director of Finance will indicate the specific timing within the month for the preparation of trading statements and by which date responses are required from the Contract Services Manager and the Director of Property Services.

#### **3 REPORTS TO COMMITTEE**

At appropriate times, after consultation with the Director of Finance, the Contract Services Manager shall submit to the Contract Services Committee such reports (including annual accounts), as may be necessary in respect of monitoring the performance during the current year, to confirm that the budget surplus and appropriate rates of return / break even targets are being achieved.

#### **4 ANNUAL ACCOUNTS**

In accordance with the statutory requirements the Director of Finance shall prepare the annual accounts for Angus Contract Services. In order to prepare and complete these accounts the Contract Services Manager shall provide timeously the information required by the Director of Finance. These accounts will be submitted to the Council and copies will be made available to the External Auditor and the Secretary of State in accordance with the statutory timetable.

#### **5 VIREMENT RELAXATION**

Notwithstanding anything to the contrary contained in the Financial Regulations, the Contract Services Manager shall have the authority (subject to reaching agreement with the Director of Finance) to engage additional employees on a temporary basis and incur additional expenditure over and above that budgeted for in a financial year, provided that such expenditure relates to additional work properly won or awarded and provided that the income accruing as a result of such work will maintain the approved budgeted surplus for the year (as may be amended from time to time) and not prejudice the achievement of the statutory rate of return. The agreement of the Director of Finance will not be unreasonably withheld and in the event of any conflict of opinion an appropriate report will be submitted to the Finance and Information Technology Committee for resolution.

## **VIREMENT RELAXATION CONTINUED**

In the event of the projected surplus for any year being greater than the approved budgeted surplus (as may be amended from time to time) the Contract Services Manager will also be permitted (again subject to the Director of Finance's agreement - with any conflict being referred to the Finance and Information Technology Committee) to incur additional expenditure in connection with service improvements and additional or replacement plant, machinery or equipment over and above that budgeted for, whether that expenditure is of a capital nature (to the extent that this is financed from current revenue) or of a revenue nature provided that the achievement of the statutory rate of return for current and future financial years is not prejudiced by such purchases. For the avoidance of doubt, however, such expenditure should normally relate to amounts that would otherwise have been or are included in the estimates for the forthcoming year and as such should be supported by a Plant etc Replacement Schedule.

Outwith the foregoing relaxations normal virement rules will apply.

## **6 CONTRACT WORK RELAXATION**

Notwithstanding anything to the contrary contained in the Financial Regulations, all Departments shall (subject to the Director of Finance's agreement which will not be unreasonably withheld) award individual packages of work to Angus Contract Services up to the value of £25,000 without seeking competitive quotes or estimates, subject to the following terms and conditions:

1. the Chief Officer awarding the work shall formally notify the Director of Law and Administration using any recognised documentation provided for the purpose
2. prior to an award of work becoming effective, the Director of Property Services (having consulted with the Chief Officer concerned) shall confirm, in writing, to the Director of Law and Administration (with copies to the Director of Finance and the Chief Officer) that the bid from Angus Contract Services is competitive and represents value for money within the context of operating arrangements approved by the Council
3. the Contract Services Manager shall accept the work at the agreed price on the basis that competitive quotes are obtained (in accordance with Section 14 of Angus Council Financial Regulations) for the supply of goods and services necessary to complete the work

This relaxation does not override other essential requirements contained within Angus Council Financial Regulations - for example - adequate budget provision to cover proposed expenditure. Indeed, with the exception of the specific concessions indicated above, all parts of Angus Council Financial Regulations apply to the operation of Angus Contract Services. Further, Chief Officers should note specific references within Angus Council Financial Regulations at 14.2.4. and 14.2.5.