

ANGUS COUNCIL

POLICY AND RESOURCES COMMITTEE

10 FEBRUARY 1998

SPECIAL FUNDS 1997/98 AND BEYOND - REVIEW

JOINT REPORT BY THE CHIEF EXECUTIVE AND DIRECTOR OF FINANCE

ABSTRACT

This report highlights the uncommitted balances available within the Council's Special Funds and proposes further contributions in the current financial year. This report also identifies that additional contributions will need to be considered as part of the finalisation of the 1998/99 Revenue Budget process.

1. RECOMMENDATIONS

The Committee is asked to:

- (1) note that a sum of £1,750,000 has been identified within the General Fund balance to replenish the various Special Funds;
- (2) note the uncommitted balances held on the various Special Funds;
- (3) note the potential additional calls which are likely to be made on the Special Funds in the near future;
- (4) agree the contributions to the various Special Funds in financial year 1997/98 as shown below:

FUND		£000's
R & R Fund	- Property	800
	- Roads	600
	- I.T.	<u>350</u>
	TOTAL	<u>1,750</u>

- (4) note the strategic importance of the Special Funds; and
- (5) note the proposal that additional contributions are to be considered as part of the finalisation of the 1998/99 Revenue Budget process.

2. INTRODUCTION

2.1 The Council holds various Special Funds within its General Fund Account as part of the Council's longer term financial management strategy. These Special Funds give the Council a degree of protection over the longer term from potential risk due to unforeseen significant expenditure calls where insufficient current revenue or capital budget provision may exist.

2.2 The Special Funds held by the Council are:

Renewal and Repair Funds

- Property
- Roads
- Information Technology
- Printing Unit

Capital Fund

Insurance Fund

2.3 In addition various Other Funds are held by the Council which for ease of reference have been rolled into the heading of General Fund Balance.

2.4 Policy statements on the management of each of the Renewal and Repair Funds including minimum contingency amounts to be held have been reported to and agreed by Committee. A composite report outlining the updated position of each R & R Fund is presented to each cycle of the Finance and Information Technology Committee.

2.5 Reports on the Capital Fund, the Insurance Fund and the various Other Funds (General Fund Balance) are not prepared routinely but occasional update reports are produced as and when necessary.

3.0 CURRENT POSITION

3.1 RENEWAL AND REPAIR FUNDS

A review of each Renewal and Repair Fund has been carried out by the Director of Finance in conjunction with the respective Chief Officers who have been delegated responsibility for a R & R Fund. The summarised up to date position is shown below with supporting detail provided in the attached Appendices (1 to 4).

RENEWAL AND REPAIR FUNDS SUMMARY POSITION AS AT 31 JANUARY 1998

Fund	Balance as at 1/4/97	Commitments as at	Uncommitted Balance
	£000's	31/1/98 £000's	£000's
Property	1,765	1,427	338
Roads	1,120	920	200
IT	1,175	350	825
Print Unit	111	80	31

It should be noted that a minimum contingency amount of £250,000 was set for both the Property and the Roads R & R Funds. The Roads uncommitted balance is shown as £200,000 but this is prior to interest being earned on the balance held in the fund which is estimated to be some £55,000 and this will result in the uncommitted balance being adjusted to £255,000.

It is evident from the significant sums highlighted in the "Commitments as at 31/1/98" column above that both the Property and Roads Renewal and Repair Funds have had substantial calls made upon them in the current financial year. These calls have been necessary to meet identified essential expenditure which could not be accommodated within the available mainstream Capital and Revenue Budget provisions. There is now little room for manoeuvre remaining in either of these Renewal and Repair Funds in the event that further significant unforeseen expenditure calls should arise. In this regard it should be noted that further calls may be made on both these Funds if current expenditure proposals in relation to the 1998/99 Capital Programme cannot be contained within the restricted available capital funding resources.

It should also be noted that whilst the IT R & R Fund uncommitted balance appears to be substantial at a level of £825,000, there are proposals underway at the moment which could result in a total commitment proposal of some £540,000 coming forward in the near future. This would leave an effective uncommitted balance of £285,000.

This £285,000 balance may be required to assist the Council to react to the many I.T. issues which could arise as part of the Year 2000 computer hardware and software agenda. Also other issues could arise which may result in further I.T. R. & R. Fund expenditure materialising as projects with I.T. implications are further developed. Against this background it is considered that the £285,000 remaining balance should be increased.

The Print Unit R. & R. Fund uncommitted balance is only £31,000 however it is currently envisaged that the Council's Print Unit should return a trading project for financial year 1997/98 and this will be allocated to the Print Unit R. & R. Fund. No additional contributions are considered necessary at this moment in time.

3.2 CAPITAL FUND

The Council made a total contribution of £800,000 to create a Corporate Capital Challenge Fund to which projects of a corporate priority could have access to without impacting on departmental service issues. The funding of this contribution was achieved from the total savings of approximately £3.875 million estimated to arise from the adoption of the annuity method of capital debt repayment over the two financial years 1996/97 and 1997/98.

Report No. 1264/97 entitled "Local Challenge Fund - Bids for Capital Projects" reported to the Policy and Resources Committee on 9 December 1997 outlined projects totalling £627,000 for approval for funding from the Corporate Capital Challenge Fund. In addition the report highlighted a number of projects which appear to meet the principles for funding from the Fund but recommended that they be deferred with a view to the provision of further information. The uncommitted balance of £173,000 remaining within the Capital Fund is not sufficient to fully fund the deferred projects.

Further work is ongoing with regard to the deferred projects and, in addition, it will be necessary to determine any further projects which should be considered for approved funding from the Corporate Capital Challenge Fund. The remaining uncommitted balance of £173,000 will need to be reviewed against the project demand once this has been ascertained.

3.3. INSURANCE FUND

Angus Council has implemented an integrated Insurance Programme Policy of part self-insurance and part purchase of insurance cover with excesses which represent an additional self-insured element. A recent review of the Insurance Fund has indicated that no significant issues appear to exist. However IBNR - i.e. incurred but not received - issues could transpire along with future issues. Nonetheless it is considered that for the moment there is no need to contribute additional monies to the Insurance Fund.

It should however be noted that the Council has routinely contributed £100,000 each year to the Insurance Fund as part of the final Revenue Budget process and this will be reported upon at the Council Tax Setting for 1998/99 meeting on 5 March 1998.

3.4 GENERAL FUND BALANCE

Finance Department staff have carried out substantial analysis and projection work related to the likely overall General Fund Balance which should exist as at the end of the current financial year. This has included review of Angus Council's 1996/97 unaudited accounts, discussions with Dundee City Council officers in their role of accounting authority for the former Tayside Regional Council final accounts and projections of the Angus Council financial position at the 1997/98 year end.

It has been concluded from this detailed exercise that in all reasonableness a sum of £1,750,000 can be identified for utilisation in the form of contributions to the various Special Funds held by Angus Council.

4. PROPOSED CONTRIBUTIONS TO SPECIAL FUNDS

In view of the analysis outlined in Section 3 above - Current Position - it is not proposed to make any contributions at the moment to either the Insurance Fund or Capital Fund. However, contributions to both these Funds will be considered in the report to be prepared for the Council Tax Setting meeting to be held on 5 March 1998.

It is proposed that the identified £1,750,000 available funds from the General Fund Balance should be utilised to partly replenish three of the R. & R. Funds viz.:

R. & R. Fund	Uncommitted Balance	Contribution	Updated Available Balance
	£000's	£000's	£000's
Property	338	800	1,138
Roads	200	600	800
IT	285	350	635

Further possible contributions to these R. & R. Funds will be considered in the report to be prepared for the Council Tax Setting meeting on 5 March 1998.

5. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

6. CONCLUSIONS

This report identifies the significant calls which are being made on the various Special Funds held by the Council and highlights the need for additional contributions to be made.

It is considered most appropriate to concentrate the available contributions on the R. & R. Funds at the moment. However it is emphasised that contributions to both the Capital Fund and the Insurance Fund will need to be considered in the finalisation of the 1998/99 Revenue Budget process. Additional contributions to the R. & R. Funds will also need to be considered at that time.

The prudent maintenance of the Special Funds will permit the Council a greater degree of financial autonomy and flexibility when considering the financing of both current and future expenditure programmes (Revenue and Capital) which have been identified as essential elements to the delivery of satisfactory levels of service to the public of Angus.

7. CONSULTATION

The Director of Law and Administration, the Director of Property Services, the Director of Roads and the Director of Information Technology have been consulted on the contents of this report.

A.B. WATSON
Chief Executive

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.

REPORT BY DIRECTOR OF FINANCE

on

RENEWAL AND REPAIRS PROPERTY FUND

<u>POSITION OF FUND AS AT 31 JANUARY 1998</u>	
Balance at 1 April 1997 per Rep.1107/97	1,764,980.29
<i>Deduct</i>	
Expenditure Incurred to 31 January 1998	163,971.47
Estimated commitments outstanding :	
Property Services	18,430.00
Council Hall Improvements	26,945.42
Leisure Management 1996/97	958.65
Education improvements	10,000.00
Planning Improvements	25,000.00
Minor projects b/fwd re 1996/97	45,622.79
97/98 Projects	
Replacement fire curtains 637/97	65,000.00
Cultural Services ph1 677/97	62,500.00
Property Services ph1 677/97	41,000.00
Education Dept. ph1 677/97	114,000.00
Planning Dept ph1 677/97	33,000.00
Recreational Services ph1 677/97	15,600.00
Social Work Dept. ph1 677/97	32,000.00
Edu science cupboards 734/97	25,000.00
Rec Serv. Court surfaces 734/97	46,000.00
Edu science benches 734/97	25,000.00
Finance Windows 734/97	35,000.00
Cult Serv Forfar library 734/97	32,000.00
Cult serv Ph 3 1102/97	2,000.00
Property Services Ph 3 1102/98	26,000.00
Edu. health & Safety 1080/97	14,000.00
St James House Alter. 923/97	7,878.61
Misc Serv. 468/97	4,000.00
Rec Serv. Victoria Park 430/97	40,000.00
Education Dept. 469/97	13,000.00
Recreation Serv. 71/98	10,000.00
	933,906.94
Applications proposed by Property Dept. not yet legally committed	493,000.00
Free Balance Available at 31 January 1998	£ 338,073.35

1. DETAILS OF APPROVED BUDGET PROVISIONS AND EXPENDITURE TO 31/01/98.

	<u>Number of Projects</u>	<u>Estimated Commitment at 31/3/97</u>	<u>Actual Expenditure to 31/01/98</u>	<u>Estimated Committed Expenditure</u>	<u>Savings (No longer required)</u>
(i) Projects approved prior to 1997/98 :					
In Progress	26	174,487	47,532	126,955	0
Complete and Paid Off	3	11,476	11,476	0	0
TOTAL	29	185,963	59,008	126,955	0
(ii) Projects approved during 1997/98 :					
In Progress	19	647,942	4,963	642,979	0
Complete and Paid Off	1	100,000	100,000	0	0
TOTAL	20	747,942	104,963	642,979	0
TOTAL PROJECTS COMMITTED	49	£ 933,905	£ 163,971	£ 769,934	0

REPORT BY DIRECTOR OF FINANCE
on
RENEWAL AND REPAIRS ROADS FUND

<u>POSITION OF FUND AS AT 31 JANUARY 1998</u>	
Balance at 1 April 1997 Rep.1107/97	1,120,334.00
<i>Deduct</i>	
Estimated commitments outstanding :	
Car Parking Signs	35,000.00
Footway & Lighting projects	375,000.00
Road Reconstruction projects	510,000.00
	920,000.00
Free Balance Available at 31 January 1998	£200,334.00

1. DETAILS OF APPROVED BUDGET PROVISIONS AND EXPENDITURE TO 31/01/98.

	<u>Number of Projects</u>	<u>Estimated Commitment at 31/3/97</u>	<u>Actual Expenditure to 31/01/98</u>	<u>Estimated Committed Expenditure</u>	<u>Savings (No longer required)</u>
Projects approved during 1997/98 :					
In Progress	3	920,000	0	920,000	0
Complete and Paid Off	0	0	0	0	0
TOTAL	3	920,000	0	920,000	0
TOTAL PROJECTS COMMITTED	3	£ 920,000	£ 0	£ 920,000	£ 0

REPORT BY DIRECTOR OF FINANCE
on
RENEWAL AND REPAIRS INFORMATION TECHNOLOGY FUND

<u>POSITION OF FUND AS AT 31 JANUARY 1998</u>	
Balance at 1 April 1997 Rep 1107/97	1,174,997.00
<i>Deduct</i>	
Expenditure to 31 January 1998 on general projects	40,984.56
Expenditure to 31 January 1998 on detailed projects	46,116.10
Estimated commitments outstanding :	
Corporate projects	15,323.44
Cult. Serv - communications network	11,038.00
Leisure Man. - Booking & Info System	75,000.00
Education System Upgrades	49,288.59
Finance Department upgrades	29,967.00
Planning Department upgrades	25,000.00
Property Department upgrades	13,677.56
Personnel Department upgrades	7,727.75
Info. Tech. Department upgrades	10,000.00
Comm. Charge computer upgrades	25,456.00
	349,579.00
Free Balance Available at 31 January 1998	£ 825,418.00

1. DETAILS OF APPROVED BUDGET PROVISIONS AND EXPENDITURE TO 31/01/98.

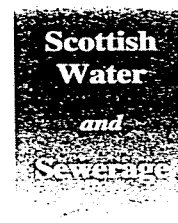
	<u>Number of Projects</u>	<u>Estimated Commitment at 31/3/97</u>	<u>Actual Expenditure to 31/01/98</u>	<u>Estimated Committed Expenditure</u>	<u>Savings (No longer required)</u>
Projects approved during 1997/98 :					
In Progress	14	335,271	72,793	262,478	0
Complete and Paid Off	1	14,308	14,308	0	0
TOTAL	15	349,579	87,101	262,478	0
TOTAL PROJECTS COMMITTED	15	£ 349,579	£ 87,101	£ 262,478	£ 0

REPORT BY DIRECTOR OF FINANCE
on
RENEWAL AND REPAIRS PRINT UNIT FUND

<u>POSITION OF FUND AS AT 31 JANUARY 1998</u>	
Balance at 31 March 97	£ 111,090.97
<i>Deduct</i>	
Payments made to 31 January 1998	
Print & Design Equipment	17,945.00
Projects currently outstanding	
Horizon collating system	46,390.00
Faltex folding machine	16,150.00
	62,540.00
Free Balance Available at 31 January 1998	£30,605.97

1. DETAILS OF APPROVED BUDGET PROVISIONS AND EXPENDITURE TO 31/01/98.

	<u>Number of Projects</u>	<u>Estimated Commitment at 31/3/97</u>	<u>Actual Expenditure to 31/01/98</u>	<u>Estimated Committed Expenditure</u>	<u>Savings (No longer required)</u>
Projects approved during 1997/98 :					
In Progress	6	80,485	17,945	62,540	0
Complete and Paid Off	0	0	0	0	0
TOTAL	6	80,485	17,945	62,540	0
TOTAL PROJECTS COMMITTED	6	£ 80,485	£ 17,945	£ 62,540	£ 0



Chairman: Dick Douglas
Director: Vicki Nash

Your Ref:
Our Ref: 2701vnl6/CHA10 '98 FEB -5 -8 :58

Date: 30 January 1998

CUSTOMERS
COUNCIL

ITEM No. 7

Mr A B Watson
Chief Executive
Angus Council
7 The Cross
FORFAR
DD8 1BX

Dear Mr Watson

DRAFT CHARGES SCHEMES FOR 1998/99 - NORTH OF SCOTLAND WATER AUTHORITY

You will be aware that, under the Local Government etc. (Scotland) Act 1994, the Charges Schemes of the three Water and Sewerage Authorities in Scotland have to be approved by the Customers Council, which failing, by the Secretary of State for Scotland. In considering the draft Charges Schemes, the Council is entitled to seek modifications to the Charges Schemes. The Council has been unable this year to obtain the agreement of any of the three Water Authorities to the modifications which it was seeking to the Charges Schemes and, accordingly, in accordance with the Act, the three schemes have now been sent to the Secretary of State, for his consideration.

I enclose, for your information, copy of a document outlining the Council's position on the Charges Scheme of the Water Authority appropriate for your area. Should you wish a copy of the Council's reports on the charges schemes of the other Water Authorities, please contact this office.

The overriding principles of the Council in considering charges are that customers should only pay for increases that are reasonable, for investment that is capable of achievement in the year, and should not pay ahead of need.

As regards the average headline increases in each area, the Customers Council sought the following modifications:

North/

30 January 1998

North of Scotland Water Authority not to exceed 8% (in contrast to the 10.6% requested by the Authority);

East of Scotland Water not to exceed 12% (in contrast to the 17.5% requested by the Authority);

West of Scotland Water not to exceed 5.5% (in contrast to the 8% requested by the Authority).

The Council understands that the Water Authorities require additional income to meet legislative demands for improvements to water quality and sewage treatment. However, the Council's analyses show that customer charges proposed of £613 million across Scotland for the year 1998/99 could be reduced by £20-30 million, with no detriment to the services provided. The Council considers that the Authorities have failed to justify their charges increases.

The severity of the impact of the proposed charges on low income households has also been a major underlying consideration of the Council in forming the modifications it was seeking, in the current absence of direct customer relief mechanisms. Research commissioned by the Council, shortly to be published, suggests that steps should be taken to reduce the water and sewerage charge burden on low income households.

Under the terms of the Act, it is now for the Secretary of State to give approval to the Charges Schemes proposed by the Authorities, without modifications or with such modifications as, after consulting with the Council and the Authority, he thinks fit to make. Should you have any views on the Charges Scheme, or on the modifications which the Council seeks, I would be pleased to receive these.

Please contact the Council, should you wish any further information.

Yours sincerely



DICK DOUGLAS
Chairman

Encs