

ANGUS COUNCIL

**FINANCE AND INFORMATION TECHNOLOGY COMMITTEE - 1 MAY 2001
POLICY AND RESOURCES COMMITTEE - 8 MAY 2001**

**2001/02 GENERAL FUND CAPITAL BUDGET - GOVERNMENT ANNOUNCEMENT OF SECTION
94 CONSENT NET ALLOCATION**

REPORT BY THE DIRECTOR OF FINANCE

ABSTRACT

This report advises the committee of the recent announcement by the Scottish Executive confirming Angus Council's Section 94 Consent Net Allocation for 2001/02 and also provides an update on the preparation of the 2000/2004 Financial Plan incorporating the 2001/02 General Fund capital budget.

1. RECOMMENDATIONS

The committee is asked to :

- (i) note the contents of this report for its interest;
- (ii) note that the Section 94 Consent announcement by the Scottish Executive and the updating of the Financial Plan for 2000/01 near final actuals do not necessitate any major revision of the 2001/02 capital budget.

2. BACKGROUND

Reports have previously been submitted to committees with regard to the 2001/02 capital budget. These were :

- Report 684/00 to the Finance & Information Technology Committee of 13 June 2000 and the Policy & Resources Committee of 20 June 2000 which outlined the procedures to be followed in the preparation of the Financial Plan and capital budget.
- Reports to the November 2000 committee cycle which detailed, for their respective interest, departmental Financial Plan submissions as returned to the Director of Finance and subsequently reviewed by the Technical Validation Group.
- Report 1244/00 to the Finance & Information Technology Committee of 28 November 2000 which provided an update on the preparation of the 2001/02 capital budget.
- Report 1290/00 to the meeting of Angus Council of 14 December 2000 which advised of the Council's Section 94 Consent Allocations for financial years 2001/02 to 2003/04 and the implications of this for the capital budgets.
- Reports 198/01 and 201/01 to the Special Budget Committee meetings of 15 February 2001 which detailed the provisional 2000/2004 Financial Plan incorporating the provisional 2001/02 capital budget.
- Report 334/01 to the Roads Committee of 8 March 2001, the Finance & Information Technology Committee of 13 March 2001 and the Policy & Resources Committee of 20 March 2001 which sought approval for the transfer of resources from the Council's Special Funds to the Roads 2001/02 revenue budget as Capital Funded from Current Revenue.

3. INTRODUCTION

Report 198/01 noted the provisional capital budget for 2001/02 was in line with estimated available capital resources of £9,054k. This report outlines the impact of the formal announcement of the Council's Section 94 Consent Net Allocation for 2001/02, the updating of the 2000/2004 Financial Plan to reflect near final actuals for 2000/01 and the introduction of Capital Funded from Current Revenue for Roads per Report 334/01.

4. SECTION 94 CONSENT NET ALLOCATION 2001/02

The Scottish Executive, in its correspondence dated 28 March 2001, formally confirmed that the Council's Section 94 Consent allocation for 2001/02 is £6,245k. This is identical to the figure previously notified by the Scottish Executive in its Comprehensive Spending Review and utilised by the Council in its capital resource estimates for 2001/02.

There have been 3 significant changes regarding capital expenditure Consent which will take effect in 2001/02 - these were anticipated by the Council in preparing the 2001/02 capital budget and thus do not necessitate any major revisions to be made :

- (i) the capital receipt redistribution mechanism which aimed to divert resources from asset 'rich' to asset 'poor' local authorities is being phased out.
- (ii) local authorities may now utilise up to 10% of the following years Section 94 Consent when setting its capital budget, an increase from the 5% limit in previous years. It should be noted however that the level of anticipation included in any one year must be deducted from the Consent available for the following year.
- (iii) as a result of the move to a firm 3 year capital expenditure Consent allocation, local authorities will be permitted to enter into forward year commitments up to the full amount of their allocations in years 2 and 3.

5. FINAL BUDGET VOLUME 2001/02

The provisional capital budget for 2001/02 approved at the Special Budget meetings in February (Report 201/01 refers), underwent a review exercise to "firm up" the latest estimated spend in 2000/01 and any consequential impact on to 2001/02. This ensured that, when it was produced, the most up to date position was reflected in the Council's Final Revenue and Capital Budgets Volume for 2001/02.

The updated capital budget and associated capital resources position for 2001/02 per the Budget Volume are detailed below :

	<u>£000</u>	<u>£000</u>
<u>Capital Budget</u>		
Education		2,725
General Services		3,739
Roads		3,287
Social Work		373
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Capital Budget 2001/02		10,124
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<u>Capital Resources</u>		
Section 94 Consent :	Net Allocation	6,245
	Anticipation Facility	237
	New Deal for Schools	614
	Land Decontamination	79
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		7,175
Estimated Capital Receipts		400
Carry Forward of Capital Receipts/Section 94 Consent from 2000/01		1,660
Capital Funded from Current Revenue		530
Slippage Allowance		359
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Estimated Capital Resources 2001/02		10,124
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The 2001/02 capital budget above, shows an increase in expenditure of £1,070k from that reported at the Special Budget meetings of 15 February 2001. This increase has been funded through the following adjustments to capital resources for 2001/02 :

	<u>£000</u>
Additional Section 94 Consent :	
New Deal for Schools	30
Land Decontamination	79
Additional Carry Forward from 2000/01	819
Reduction in anticipation of Section 94 Consent	(388)
Capital Funded from Current Revenue	530
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	1,070
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With regard to the above noted amendments to the 2001/02 capital resources the following comments may be made.

New Deal for Schools

An additional £30k ring-fenced Section 94 Consent has been allocated to the Council in respect of the government's New Deal for Schools initiative. In view of the financial risk attached to the slippage and anticipation allowances made in the Provisional Capital Budget, it is not proposed to introduce additional expenditure into the Education capital programme. Rather this sum will be used to fund existing projects within Education's capital programme which meet the New Deal for Schools criteria.

Land Decontamination

It was noted in Report 1290/00 that significant sums have been top-sliced from the Section 94 Consent available for distribution to local authorities for specific government initiatives in 2001/02, including the identification and remediation of contaminated land. The Council has been awarded additional Section 94 Consent of £79k in 2001/02. It has been necessary to introduce additional expenditure of an equivalent amount into the Environmental & Consumer Protection's capital programme.

Additional Carry Forward from 2000/01

Additional slippage on the 2000/01 capital programme has increased the carry forward into 2001/02 by £819k to £1,660k. The level of slippage is greater than the increase in the 2001/02 capital budget as :

- A number of projects have reduced in total cost;
- A number of projects have been rephased to reduce their expenditure call in 2001/02.

Anticipation of Section 94 Consent

In order to adjust for the impact of the movement in resources outlined above the level of anticipation of 2002/03 Section 94 Consent has been reduced from £625k (10%) to £237k (3.8%), a decrease of £388k. This will ensure that the 2001/02 capital budget and capital resources are in equilibrium and will assist the Council to maximise the progress of projects to be taken forward in 2002/03.

Capital Funded from Current Revenue

Report 334/01 sought committee approval for the transfer of resources from the Local Capital Fund (£430k) and the Roads & Transport Renewal & Repair Fund (£100k) to the Roads 2001/02 revenue budget. These transfers of resources will be utilised as Capital Funded from Current Revenue on a programme of skid resistance and road safety works and have been reflected by an additional £530k of expenditure being introduced into the 2001/02 Roads capital budget.

It is emphasised with regard to all of the above that the amendments made to the 2000/2004 Financial Plan reflecting near final actuals for 2000/01 and the introduction of £530k of Capital Funded from Current Revenue for Roads can be accommodated within the estimated capital resources available in 2001/02.

6. FINAL BUDGET 2001/02

An update of the 2001/02 capital budget will take place early in the new financial year in light of final actual expenditure for 2000/01. A final budget for 2001/02 will subsequently be made available to facilitate the monitoring of capital expenditure during 2001/02.

7. HUMAN RIGHTS IMPLICATIONS

There are no human rights implications as a result of this report.

8. CONSULTATION

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

9. CONCLUSION

The Council has received official notification from the Scottish Executive of its Section 94 Consent Net Allocation for 2001/02. An update of the 2001/02 capital budget will take place once final actuals are available for 2000/01.

DAVID S SAWERS
Director of Finance

NOTE: The following background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973, were used in the preparation of this report :-

'Formal Consent to Meet Capital Expenses in 2001/02', The Scottish Executive, 28 March 2001

dc - 23/04/01
2001/02/Reports/Actual S94 Consent