

## ANGUS COUNCIL

POLICY &amp; RESOURCES COMMITTEE – 4 DECEMBER 2001

ITEM No. 10

## REVIEW OF SPECIAL FUNDS 2001/02 AND BEYOND

## REPORT BY THE 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 2002/03 Revenue Budget process.

**1. RECOMMENDATIONS**

The Committee is asked to :

- (a) note that a sum of £2.5 million has been identified within the General Fund balance to replenish the Special Funds ;
- (b) note the uncommitted balances held on the various Special Funds ;
- (c) agree the following contributions to the following Special Funds in financial year 2001/02 :

	<u>£000</u>
Roads and Transport Renewal and Repair Fund	1,500
Local Capital Fund	1,000
TOTAL	<u>2,500</u>

- (d) note the proposal that additional contributions are to be considered as part of the finalisation of the 2002/03 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 :

- a) Renewal and Repair Funds :
  - Property
  - Roads and Transport
  - Information Technology
  - Print and Design Unit
  - Equipment
  - Vehicles
- b) Local Capital Fund
- c) Insurance Fund

2.3 In addition, Funds such as resources to be used for initiatives like Policy Led Budgeting may be held by the Council.

- 2.4 Policy statements on the management of each Renewal and Repair (R & R) Fund, including the minimum contingency amounts to be held, have been reported to and agreed by Committee.

The established minimum levels are :

	<u>£000</u>
Property	250
Roads and Transport	100
Information Technology	100
Print and Design Unit	20
Equipment	25
Vehicles	40

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 Monitoring reports on the Local Capital Fund and Policy Led Budgeting are produced biannually and reported to the Policy and Resources Committee. Reports on the Insurance Fund are not prepared routinely but occasional update reports are produced as and when necessary.

### 3. 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 administering the Funds. The summarised up to date position is shown below with supporting detail provided in the standard report presented to each meeting of the Finance and Information Technology Committee (latest Report No.1376/01 to the Finance & Information Technology Committee of 27 November 2001 refers).

#### RENEWAL AND REPAIR FUNDS SUMMARY POSITION AS AT 31 OCTOBER 2001

<u>Fund</u>	<u>Uncommitted Balance as at 01/04/01 £000</u>	<u>Payments Made &amp; Current &amp; Prior Year Commitments as at 31/10/01 £000</u>	<u>Uncommitted Balance as at 31/10/01 £000</u>	
Property	1,805	1,525	280	
Roads and Transport	2,357	2,276	81	(Note 1)
Information Technology	1,257	1,009	248	
Print and Design Unit	34	0	34	
Equipment	169	141	28	
Vehicles	160	83	77	

Note 1 - The uncommitted balance on the Roads & Transport R & R Fund is currently shown as being below the established minimum level of £100,000. The current uncommitted balance however excludes the interest generated on the Fund which will be applied at the end of the financial year. This interest is expected to be sufficient to bring the Fund balance back up to marginally above the minimum balance permitted.

It should be noted that additional expenditure requests may materialise within both the Property and the Roads and Transport R & R Funds if severe weather conditions should occur in the remaining period of the current financial year.

The balance available on the Roads & Transport Renewal & Repair Fund is a particular concern given the unknown quantity surrounding the winter weather and the potential for further expenditure calls on roads, bridges and lighting infrastructure works in the future.

Although the uncommitted balance on the Property Renewal & Repair Fund is only around £30,000 above the minimum balance members are advised that a significant amount of committed projects are currently working their way through the system. Current commitments stand at £1.437m of which £0.779m relates to projects committed in years prior to 2001/02. Given this position it is considered appropriate at this time to allow some of these previously committed projects to work their way through the system before making any further contributions to the Property Renewal & Repair Fund.

The uncommitted balances on the remaining Renewal & Repair Funds are considered sufficient for the time being, though these should be reviewed again as part of the 2002/03 budget setting process.

Against this overall background it is considered financially prudent to make a contribution to the Roads & Transport R & R Fund in advance of the 2002/03 Revenue Budget setting. Following consideration of the current overall General Fund position (see 3.5 below), a proposed contribution of £1.5 million from General Fund balances to the Roads & Transport Renewal & Repair Fund is recommended.

Proposals for further contributions to all of the R & R Funds will be considered as part of the finalisation of the 2002/03 Revenue Budget process.

### 3.2 POLICY LED BUDGETING

In previous years a number of initiatives aimed at allowing longer term planning issues to be undertaken have been progressed through access to Policy Led Budgeting provision within the General Fund balance.

No provision currently exists for any new Policy Led Budgeting phases in future however this position may be reviewed as part of finalisation of the 2002/03 Revenue Budget process.

### 3.3 LOCAL CAPITAL FUND

The establishment of a Local Capital Fund (LCF) has permitted the Council to finance, together with external match funding, a number of innovative capital projects. This financial leverage has brought about the delivery of an increased overall capital programme within Angus and has helped form valuable partnerships with external fund providers.

As at 1 April 2001 there was a total balance on the Council's LCF of £1.328m.

However, in recognition of the budget pressures facing the Council, Report 334/01 (submitted to the Roads, Finance & IT and Policy & Resources Committees in March 2001) approved the transfer of £530,000 of LCF resources during 2001/02 to fund e-government initiatives (£100,000) and a programme of skid resistance and aligned road safety works (£430,000).

Taking into account this £530,000 transfer from the LCF and the continued funding requiring to be supported in respect of the 7 ongoing LCF projects, the estimated uncommitted balance at 1 April 2002 is as follows :

	£ 000
Balance as at 1 April 2001	1,328
<u>Less:-</u>	
Expenditure Commitments on existing projects 2001/02 and 2002/03	(427)
Funding transfer per Report 334/01	(530)
Estimated LCF Interest during 2001/02	69
Estimated Uncommitted Balance as at 31 March 2002	440

The Council's Revenue Budget Projections Volume 2002/03 – 2003/04 (Report 586/01 submitted to the meeting of Angus Council on 17 May 2001) assumes a further contribution of £430,000 from the LCF in financial year 2002/03 in order to maintain the level of resources made available to the Roads department in line with 2001/02. On this basis the Local Capital Fund will be exhausted.

As indicated above the existence of the Local Capital Fund has allowed a number of important projects to go ahead and it seems likely that opportunities for additional valuable projects e.g. in relation to economic development type activities may come forward to the Council in future. To assist the Council to facilitate such potential opportunities and other potential major capital projects it is considered appropriate for a significant injection of resources to be made to the Local Capital Fund from the available General Fund Balances.

Any possible further contributions to and use of the Local Capital Fund will be considered as part of the finalisation of the 2002/03 budget process. A contribution of £1.0m from General Fund balances to the Local Capital Fund is recommended.

### 3.4 INSURANCE FUND

Potential calls on the Insurance Fund in comparison to resources available are currently being reviewed and will be dealt with as part of the finalisation of the 2002/03 budget process.

### 3.5 GENERAL FUND BALANCE

Regular reviews of the projected General Fund balance are carried out throughout the financial year by Finance Department staff.

#### 2001/02 Revenue Budget

The latest projection for the 2001/02 Revenue Budget highlights that an overall break even position is anticipated in respect of each Council department. This projection takes into account that five full months of the financial year (i.e. the main winter period) have yet to be encountered and it is considered to be financially prudent to take account of this in any projection exercise.

#### 2001/02 General Fund Balance

A detailed analysis of the established commitments and potential calls on the balance brought forward as at 1 April 2001 has been undertaken and the updated projected General Fund position can be summarised as follows :

	<u>£m</u>	<u>£m</u>
Balance as at 1 April 2001 (including Devolved School Management)		8.6
Less Devolved School Management Funds In Above Balance		(0.5)
Balance as at 1 April 2001 (excluding Devolved School Management)		8.1
<u>Possible Calls on 2001/02 General Fund Balance :</u>		
Budget Flexibility Carry Forward 2000/01 (included in £8.1m above, but available for departmental expenditure – report 525/01 refers)	(0.6)	
Invest to Save (resources committed but not yet spent – report 1245/00 refers)	(0.2)	
Transfer to Roads & Transport R & R Fund (report 773/01 refers)	(0.5)	
2001/02 Pay Award shortfall (report 394/01 refers)	(0.1)	
Carry forward of 2000/01 Police Joint Board underspend	(0.1)	
Policy Led Budgeting Commitments (not included in 2001/02 budget)	(0.2)	
		(1.7)
Updated Balance		6.4
2½% Revenue Budget Contingency		(3.8)
Projected Available Balance		2.6

It has been concluded from this detailed exercise that in all reasonableness a sum of £2.5 million can be identified for utilisation in the form of contributions in 2001/02 to the various Special Funds held by Angus Council. This would leave a nominal projected uncommitted balance of £0.1 million over and above the 2.5% Revenue Budget contingency sum.

## 2002/03 Revenue Budget

Work is ongoing to finalise the 2002/03 Revenue Budget preparation exercise for the Council Tax Setting meeting which it is proposed be held on 14 February 2002.

In the event that resources are available further contributions to the Special Funds will be considered at that meeting.

### **4. FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from this report.

### **5. HUMAN RIGHTS IMPLICATIONS**

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

### **6. CONSULTATION**

The Chief Executive, the Acting Director of Roads and the Directors of Law & Administration, Property and Information Technology have been consulted on the contents of this report.

### **7. CONCLUSION**

This report outlines the current financial position of the Council's various Special Funds and highlights the need for additional contributions to be made in two key areas.

Additional contributions to the Special Funds will need to be considered at the Council Tax Setting meeting proposed for 14 February 2002.

The ongoing 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 revenue and capital expenditure programmes.

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.

