

ANGUS COUNCIL

RESOURCES & CENTRAL SERVICES COMMITTEE – 20 OCTOBER 2005

LOCAL CAPITAL FUND – POSITION STATEMENT

REPORT BY THE ACTING DIRECTOR OF FINANCE

ABSTRACT

This report advises the committee of the updated position on the Council's Local Capital Fund, with particular regard to the transfer of previous years' departmental revenue budget underspends into the Fund and the utilisation of these monies on projects within the ongoing capital programme. An estimated uncommitted balance as at 31 March 2006 is also provided.

1. RECOMMENDATIONS

It is recommended that the Resources & Central Services Committee notes:

- (i) the level of contributions from departmental revenue budget underspends which have been transferred into the Local Capital Fund since 2002/03 to 2004/05;
- (ii) the various capital projects which will be funded, either in full or in part, by these contributions;
- (iii) the estimated uncommitted balance on the Local Capital Fund as at 31 March 2006 of £765,000.

2. BACKGROUND

The Council's Local Capital Fund (LCF) was originally established in 1996/97 to finance capital projects of a corporate priority which would make a positive contribution to the Angus economy and, in particular, attract match funding from external partners. Contributions were made to the Fund through the annual budgeting process. It should be noted that within the Council's Annual Report and Accounts, the Local Capital Fund is referred to as the Capital Fund.

A number of projects were approved for funding from the Local Capital Fund, all of which - with the exception of Arbroath Harbour Development - have now been completed (e.g. Arbroath Abbey, Village Halls Support Initiative and Carnoustie Environmental Improvements).

The last time a significant contribution was made to the fund for such purposes via the annual budgeting process was 2001/02. Since then however the Local Capital Fund has seen a considerable level of activity as a number of departments have transferred revenue budget underspends into the Fund following appropriate committee approval in order to support their ongoing capital programme.

Members may also recall that in 2003/04, the Local Capital Fund was used as a vehicle to ensure the Council utilised its full allocation of Section 94 Consent (2003/04 being the final year of the Consent regime) following significant levels of slippage on the overall capital programme (reports 1410/03 and 339/04 refer). Funding of £1.376m in 2005/06 towards the Montrose Bridge Replacement project is the final contribution from these slippage measures to be met from the Local Capital Fund (as reflected in Appendix C to this report).

3. DEPARTMENTAL CONTRIBUTIONS TO THE LOCAL CAPITAL FUND

The Education, Planning & Transport and Social Work & Health departments have, over the years 2002/03 to 2004/05, transferred a total of £4.607m into the Local Capital Fund as a result of significant

revenue budget underspends. A summary of the various contributions made by each department is attached at Appendix A.

Most of these transfers are already reflected within the updated 2004/2008 Financial Plan (per report 1042/05 – the 2005/06 Final Capital Budget Volume) as a source of funding against specific projects.

Education

The Education department transferred a total of £350,000 into the Local Capital Fund at the close of 2004/05 from their revenue budget (reports 1314/04 and 225/05 refer).

Report 1314/04 approved the transfer of £200,000, earmarked specifically for the Forfar / Carnoustie Schools project. The application of this £200,000 funding is reflected within Education's capital programme.

Report 225/05 approved the transfer of a further £150,000 into the Fund in order to carry out identified priorities in the Education department estate. The report noted that in particular there was a requirement to improve / provide facilities in the Newtyle area for local youth and community groups.

Some £59,000 of this funding has been applied within Education's financial plan in respect of alterations to the Community Education Office at John Street, Montrose. The balance of £91,000 (excluding any accrued interest) will be put towards improvements to existing community education facilities in Newtyle (forming part of the bigger Newtyle Primary School project, options for which were addressed in report 926/05). This report only approved in principle the way forward within the Newtyle / Eassie areas, therefore the project itself has yet to be reflected within the Education department's capital programme. This will be done as part of the 2005/2009 Financial Plan cycle.

Planning & Transport

Transfers totalling £1.571m have been made by Planning & Transport into the Local Capital Fund over the period 2002/03 to 2004/05:

| | Amount Transferred £m | Transfer Approved Per Report |
|---------|--------------------------|---------------------------------|
| 2002/03 | 0.115 | 333/03 |
| 2003/04 | 0.731 | 338/04 |
| 2004/05 | 0.725 | 147/05 |
| Total | 1.571 | |

These transfers will be used to fund the following projects:

| Project | Contribution From Local Capital Fund £m |
|--|--|
| Arbroath Harbour Development | 0.623 * |
| Real Time Information | 0.340 |
| HQ Office Accommodation at Orchardbank | 0.500 ** |
| Environmental Improvements at Wharf Street, Montrose | 0.055 |
| Arbroath Town Heritage Initiative | 0.059 |
| Total | 1.577 |

* per the updated 2004/2008 Financial Plan, the actual contribution from Local Capital Fund towards Arbroath Harbour Development is £698,000 (based on report 812/05). It should be

noted however that £75,000 of this relates to unspent funding from the approved Local Capital Fund award originally made in 1998.

** this project is actually reflected in Property Services' capital programme at a level of £540,000, which includes accrued interest of £40,000.

It will be noted that Planning & Transport's use of their Local Capital Fund monies is notionally some £6,000 higher than the total contribution made. Given the significant contributions made to the Fund however, Planning & Transport will have access to the accrued interest which will be in excess of this sum.

All of the contributions listed in the previous table are reflected within the updated 2004/2008 Financial Plan, with the exception of Arbroath Town Heritage Initiative which, once confirmed, will be introduced into Planning & Transport's capital programme through the ongoing capital monitoring process.

Social Work & Health

Transfers totalling £2.686m have been made by Social Work & Health into the Local Capital Fund over the period 2002/03 to 2004/05:

| | Amount Transferred £m | Transfer Approved Per Report |
|---------|--------------------------|---------------------------------|
| 2002/03 | 1.129 | 333/03 |
| 2003/04 | 0.577 | 137/04 |
| 2004/05 | 0.980 | 147/05 |
| Total | 2.686 | |

These transfers will be used to fund the following projects (all of which are reflected in Social Work & Health's financial plan):

| | Contribution From Local Capital Fund £m |
|---|--|
| Refurbishment of Bungalow at St Drostan's as Office Accommodation | 0.009 |
| Forfar & Kirriemuir Resource Centre (incl. works at Beechill House) | 0.160 |
| Develop Joint Child Protection Facility | 0.222 |
| ACCCT – Provost Johnston Road, Montrose | 0.180 |
| Development of HQ Accommodation (with NHS Tayside) | 1.631 |
| Contribution towards upgrade of Dorward House, Montrose | 0.150 |
| Upgrade of Camus House, Carnoustie | 0.141 |
| Upgrade of St Drostan's, Brechin | 0.194 |
| Total | 2.687 |

It may be noted that Social Work & Health's use of their Local Capital Fund monies is notionally some £1,000 in excess of the total contribution made from their revenue budget. Given the significant contributions made to the Fund by Social Work & Health however, the department will have access to the accrued interest which will be in excess of this sum.

New Procedures for Transfers to Special Funds

It should be noted that new procedures are now in place for departments wishing to make transfers to the Council's special funds, including the Local Capital Fund, as established by the Budget Strategy Group and subsequently detailed by the Director of Finance in his memo of 27 May 2005 (a copy is attached at [Appendix B](#) for ease of reference). Departments must now complete a pro-forma in this

regard which will be considered by Budget Strategy Group members (at the next available scheduled Strategic Policy pre-agenda meeting) for approval or otherwise.

4. ESTIMATED UNCOMMITTED BALANCE AS AT 31 MARCH 2006

The balance on the Local Capital Fund as at 31 March 2006 is estimated to be some £2.324m (per [Appendix C](#)). It should be noted however that a significant proportion of this balance is already committed towards specific capital projects. The estimated uncommitted balance as at the close of the 2005/06 financial year is £765,000.

5. FINANCIAL IMPLICATIONS

There are no additional financial implications as a result of this report.

6. HUMAN RIGHTS IMPLICATIONS

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

7. CONSULTATION

The Chief Executive, Director of Law & Administration, Director of Education, Director of Social Work & Health and Director of Planning & Transport have been consulted in the preparation of this report.

8. CONCLUSION

A total of £4.607m has been transferred into the Local Capital Fund as a result of revenue budget underspends by the Education, Planning & Transport and Social Work & Health departments which will be used as a source of funding for projects within the Council's capital programme. The majority of this funding is already reflected against specific projects within the updated 2004/2008 Financial Plan (as contained in the 2005/06 Final Capital Budget Volume – report 1042/05 refers).

The uncommitted balance on the Local Capital Fund as at 31 March 2006 is estimated to be some £765,000. The position on the Local Capital Fund will continue to be monitored on a regular basis by Finance officers. At minimum an updated report of the actual balance position at 31 March 2006 will be reported to Committee post close of the Council's 2005/06 accounts.

Colin McMahon
Acting 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 the above Report.



MEMORANDUM

To : See Distribution

From : Director of Finance

Our Ref : DSS/CMM/SJM

Date : 27 May 2005

Subject : Revenue Budget Virement – Flexibility Between Financial Years And Transfers To Special Funds

Section 2.14 of the Council's Financial Regulations outlines the procedures to be followed in the operation of the Flexibility Between Financial Years scheme that allows departments to carry forward resources between financial years. It is noted within this Section that variations to the limits outlined therein may be permitted in certain circumstances e.g. for ring-fenced monies or through transfers to Special Funds.

The Council's Budget Strategy Group wishes to ensure that a transparent decision-making process is evident and is now seeking to formalise the process to facilitate a coordinated approach and allow Member input. I am writing, therefore, to outline the procedures, recently agreed by the Budget Strategy Group, that will operate for departments seeking to have their carry forward limit varied by use of whichever mechanism for the 2005/06 revenue budget onwards. When such instances arise during the financial year, the following procedures will apply:

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- Departments should complete the attached pro-forma and forward it to the Director of Finance (for the attention of their departmental accountant);
- Requests will be submitted for consideration to the next scheduled Strategic Policy Pre-Agenda meeting;
- The Director of Finance will, thereafter, inform departments of the decision made and undertake any necessary action to carry out the virement.

It is stressed that these procedures will apply not only in instances of departments seeking a ring-fenced carry forward between financial years, but also where a transfer of resources is sought to one of the Council's Special Funds e.g. Local Capital Fund.

Should you have any queries regarding this matter, please contact Ian Lorimer on Ext. 3427.

Distribution:

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Director of Planning & Transport
Director of Environmental and Consumer Protection
Director of Information Technology
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Economic Development Manager
c.c. Head of Financial Services

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Director of Roads
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