

**ANGUS COUNCIL**

**POLICY & RESOURCES COMMITTEE – 5 JUNE 2018**

**PROPOSED USE OF RECEIPTS FOR INVEST TO SAVE PROJECTS**

**REPORT BY THE HEAD OF FINANCE & LEGAL**

**ABSTRACT**

The purpose of this report is to apprise Members of the outcome of Policy & Budget Strategy Group discussions on the use of two significant one-off receipts which were received by Angus Council in 2017/18.

**1. RECOMMENDATIONS**

It is recommended that the Committee:

- (i) approves the three projects that are proposed to be funded from the Monifieth land sale capital receipt; and
- (ii) notes that decisions regarding the balance of this capital receipt, as well as use of the residual waste revenue receipt, will be considered as part of the 2019/20 budget setting process.

**2. ALIGNMENT TO THE ANGUS LOCAL OUTCOMES IMPROVEMENT PLAN/CORPORATE PLAN**

The projects undertaken through the Council's capital programme reflect the Council's corporate priorities and contribute as a whole to the local outcomes contained within the Council Plan and Local Outcome Improvement Plan.

**3. BACKGROUND**

Reference is made to report 60/18, as presented to the Special Budget Meeting of Angus Council on 15 February 2018, which noted that the following significant receipts had been received by Angus Council during 2017/18:

- A one-off capital receipt of £932,000 from the sale of land near Monifieth. This receipt may only be used for the repayment of debt or on one-off projects that are capital in nature; and
- A one-off revenue receipt of £2.766 million associated with the new residual waste disposal project. This receipt may be used for the repayment of debt or on one-off projects that are either revenue or capital in nature.

The Policy & Budget Strategy Group (PBSG) agreed that these receipts must be utilised in a manner which delivers ongoing savings in the General Fund revenue budget rather than only one-off relief. In this regard, report 60/18 advised that proposals on the use of these receipts would be considered by the PBSG in the first instance, with their recommendations brought back to committee for approval.

**4. INVEST TO SAVE PROPOSALS**

Initial proposals were sought for invest to save type projects falling into one of the following categories:

1. Quick but ongoing financial return – where a project delivers an ongoing revenue budget saving into the future and with a payback equal to or better than 12:1 (the payback period for early repayment of debt).

2. Preventative / outcomes focussed – where a project involves more preventative work that delivers better outcomes, but may not give a financial return for a number of years, if at all.

A total of 19 bids were presented to the PBSG for consideration at their meeting on 29 March 2018 - 6 under category 1 (all capital in nature) and a further 12 under category 2 (a mixture of capital and revenue in nature).

Following discussion around the various bids submitted, the PBSG recommended that three projects are taken forward at this time utilising the Monifieth land sale capital receipt:

Project (Directorate – Service)	Capital Cost (£)	Estimated Full Year Revenue Saving (£)	Payback
Conversion to LED Street Lighting (Place – Infrastructure Services)	656,190	205,000	3:1
Replacement of Real Time Bus Information Signs (Place – Infrastructure Services)	33,750	15,000	2:1
Installation of Boiler Temperature Controls / Software (Place – Infrastructure Services)	32,000	6,000	5:1
<b>TOTAL</b>	<b>721,940</b>	<b>226,000</b>	

Given the scale of the challenge involved in setting a balanced 2019/20 budget, the PBSG considered that it would be imprudent to commit further resources from these receipts until the medium term budget strategy has been updated and further progress has been made with regard to year 2 of the Change Programme. This does not mean that the remaining proposals submitted are without merit – simply that they may not be affordable once the detail of the 2019/20 budget starts to emerge.

The PBSG have therefore recommended that the decisions regarding the balance of the land sale capital receipt, as well as use of the residual waste revenue receipt, should be considered as part of the 2019/20 budget setting process.

## 5. FINANCIAL IMPLICATIONS

The committee's agreement to the three projects recommended for approval at this time will mean £721,940 of the £932,000 land sale receipt being committed for use. Capital expenditure on the projects will be phased over 2018/19 and 2019/20. This will generate full year recurring savings in the Infrastructure Services revenue budget of some £226,000. Once the capital works are complete, an equivalent reduction of £226,000 will be made to the Infrastructure Services revenue budget. This saving will assist in closing a projected £14.6m funding gap in the 2019/20 revenue budget.

These projects will require to be reflected in the 2017/2022 Financial Plan when it is next updated for the 2018/19 Final Capital Budget Volume.

The use of the uncommitted balance of the Monifieth land sale capital receipt (£210,060) and the waste project revenue receipt (£2.766 million) will be reconsidered as part of the wider medium term budget strategy update and 2019/20 budget setting process.

**NOTE:** No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

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