

1. Flexible Use of Capital Receipts

Central Government outlined in December 2015 that local authorities will be able under certain circumstances to utilise capital receipts for revenue expenditure for certain purposes. These include for example:-

- Sharing back-office and administrative services with one or more other council or public sector bodies;
- Investment in service reform feasibility work, e.g. setting up pilot schemes;
- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;
- Collaboration between local authorities and central government departments to free up land for economic use;
- Sharing Chief-Executives, management teams or staffing structures;
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or regional procurement hubs;
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, selling services to others).
- Integrating public facing services across two or more public sector bodies to generate savings or to transform service delivery;
- Improving systems and processes to tackle fraud and corruption;

Further guidance was released in March 2016 which outlined a simpler approach to allow authorities to utilise receipts if the spend resulted in an ongoing saving. The guidance is clear however that expenditure should be once-off and the flexibility cannot be utilised for ongoing expenditure.

The requirement the strategy should list each project that plans to make use of the capital receipts flexibility and that on a project by project basis details of the expected savings/service transformation are provided. A link has been provided to those projects in section 2 of this report. The Strategy should report the impact on the local authority's Prudential Indicators for the forthcoming and subsequent years.

The strategy in future years will monitor the performance of projects approved in previous years. The Strategy must be approved by Full Council. A revised strategy may be replaced by another during the year.

2. Savings Projects Which Meet the Criteria

The flexibility is currently only available for 2017/18 and 2018/19 and therefore will be utilised to fund the once-off revenue costs such as redundancy and legal costs allowable under the criteria to achieve the Directorate Savings Plans agreed as part of the 2017/18 budget link: <https://democracy.bathnes.gov.uk/documents/g4630/Public%20reports%20pack%2014th-Feb-2017%2018.30%20Council.pdf?T=10> Appendix 3. This will release once-off budgets and reserves such as the Transformation Reserve to fund other costs that do not meet the criteria.

3. The Capital Receipts to be Used this Purpose

Capital receipts from the disposal of property, plant, and equipment received in the years in which the flexibility is offered can be used for this purpose. Right to Buy Receipts are excluded. The remaining flexibility spans the remainder of 2017/18 and 2018/19 only.

Individual receipts have not been listed but the target range for financial planning purposes is between £7m and £10m of receipts to be available for use. This will impact on the amount of borrowing required and has been factored into this strategy.

It is proposed that the decision for the use of each receipt is delegated to the S151 Officer unless it results in an unplanned impact on the overall budget for 2017/18 or 2018/19.

4. Impact on B&NES' Prudential Indicators

If the Council utilises this flexibility it impacts on the level of capital receipts that can be utilised to fund the capital programme. If it is assumed that B&NES utilises £7m receipts already factored in to finance the capital

programme plus a further £3m of new receipts. The impact on the Council's Prudential Indicators can be demonstrated as follows:-

Current Indicators Excluding Flexible Use

PRUDENTIAL INDICATOR	2018/19	2019/20	2020/21
Estimate of Capital Expenditure (£'000s)			
Estimates of capital expenditure	182,667	79,844	26,272
Net Increase in council tax (band D per annum) Figures in £'s (not £'000's) Note 1			
The implied estimate of incremental impact of the new capital investment decisions on the council tax	£3.02	£1.86	£0.51
Cumulative totals:	£3.02	£4.88	£5.39
Capital Financing as % of Net Revenue Stream			
Estimates of the ratio of financing costs to net revenue stream	11.05%	16.53%	18.91%
<i>Memo: estimates of the ratio of financing cost to gross revenue stream</i>	<i>3.72%</i>	<i>5.38%</i>	<i>6.17%</i>
Borrowing Limits (£m)			
Operational boundary – borrowing	£306m	£350m	£361m
Operational boundary – other long-term liabilities	£2m	£2m	£2m
Operational boundary - total	£308m	£352m	£363m
Authorised limit - borrowing	£338m	£382m	£3.92m
Authorised limit – other long-term liabilities	£2m	£2m	£2m
Authorised limit – total	£340m	£384m	£394m
Capital Financing Requirement (£'000s) (as at 31 March)			
Estimate of capital financing requirement	338,311	381,541	391,669

1. This is an indicator of affordability that shows the implied impact of capital investment decisions on Council Tax levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the proposed capital programme.
2. The figures show borrowing limits but it is important to note that the Council is utilising cash flow efficiency wherever possible.
3. £105m of borrowing is linked to investments that provide an ongoing income stream to the Council

Indicators if £10m of flexible Capital Receipts are used:-

PRUDENTIAL INDICATOR	2018/19	2019/20	2020/21
Estimate of Capital Expenditure (£'000s)			
Estimates of capital expenditure	187,667	84,844	26,272
Net Increase in council tax (band D per annum) Figures in £'s (not £'000's)			
The implied estimate of incremental impact of the new capital investment decisions on the council tax	£4.19	£4.56	£1.36
Cumulative totals:	£4.19	£8.75	£10.11
Capital Financing as % of Net Revenue Stream			
Estimates of the ratio of financing costs to net revenue stream	11.11%	16.72%	19.14%
<i>Memo: estimates of the ratio of financing cost to gross revenue stream</i>	3.74%	5.46%	6.26%
Borrowing Limits (£m)			
Operational boundary – borrowing	£311m	£357m	£368m
Operational boundary – other long-term liabilities	£2m	£2m	£2m
Operational boundary - total	£313m	£359m	£370m
Authorised limit - borrowing	£343m	£389m	£399m
Authorised limit – other long-term liabilities	£2m	£2m	£2m
Authorised limit – total	£345m	£391m	£401m
Capital Financing Requirement (£'000s) (as at 31 March)			
Estimate of capital financing requirement	343,311	388,469	398,493

1. The Capital Programme will continue to be reviewed to minimise the impact on Prudential Indicators. A further report will be made updating the indicators in February 2018.