

## **Bath and North East Somerset Council – Efficiency Strategy**

### **1. Flexible Use of Capital Receipts**

Central Government outlined in December 2015 that local authorities would 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 Government announced as part of its 2025/26 Local Government Finance Policy Statement that the flexibility would extend to 2029/30.

The requirement states that the strategy should list each project that plans to make use of the capital receipts flexibility and that details of the expected savings/service transformation are provided. All uses of flexible receipts have therefore been linked to the savings plans approved as part of budget setting. 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

Council agreed in November 2017 to utilise the flexibility 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 and future years budgets. The flexibility was linked to budget savings plans for 2017/18 and future years:

A total of £9.73m has been utilised between 2017/18 and 2023/24 mainly to fund redundancy and other one-off costs to realise on-going savings. Further details of spend and savings are shown in the following tables:

| Category                                              | Spend                   |              |              |              |
|-------------------------------------------------------|-------------------------|--------------|--------------|--------------|
|                                                       | 2017/18<br>-<br>2021/22 | 2022/23      | 2023/24      | Total        |
|                                                       | £m                      | £m           | £m           | £m           |
| Restructuring & Severance Costs                       | 7.375                   | 0.162        | 1.481        | 9.018        |
| Procurement, Commissioning and other service redesign | 0.714                   | 0.000        | 0.000        | 0.714        |
| <b>Total</b>                                          | <b>8.089</b>            | <b>0.162</b> | <b>1.481</b> | <b>9.732</b> |

| Category                                              | Cumulative Savings      |               |               |               |
|-------------------------------------------------------|-------------------------|---------------|---------------|---------------|
|                                                       | 2017/18<br>-<br>2021/22 | 2022/23       | 2023/24       | 2024/25       |
|                                                       | £m                      | £m            | £m            | £m            |
| Restructuring & Severance Costs                       | 6.219                   | 6.387         | 6.525         | 9.065         |
| Procurement, Commissioning and other service redesign | 6.290                   | 6.290         | 6.290         | 6.290         |
| <b>Total</b>                                          | <b>12.509</b>           | <b>12.677</b> | <b>12.815</b> | <b>15.355</b> |

It is estimated that up to £1.15m will be utilised in 2024/25 in one-off costs to deliver savings. This will be reported as part of the outturn report in June/July 2025.

As the flexibility will continue beyond 2024/25 it is recommended that the remaining estimated balance of £0.62m capital receipts from the originally allocated £11.5m will be utilised in 2025/26 to meet eligible costs associated with the delivery of the Being our Best programme related savings as outlined in Annex 2(i).

In summary the estimated overall level of receipts required has remained at the £11.5m reported in the 2024/25 strategy.

### 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 and receipts from Council owned companies are excluded.

Capital receipts have already been achieved and are held as unapplied on the balance sheet and are available to finance eligible costs in 2025/26.

### 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

## Annex 4

B&NES has and will continue to utilise up to £11.5m of flexible receipts for once-off costs with the impact being factored into the Council's Prudential Indicators (as detailed in the Budget Report) as follows:-

| Prudential Indicator                                                                                         | 2023/24<br>Actual | 2024/25<br>Forecast<br>Outturn | 2025/26      | 2026/27      | 2027/28      |
|--------------------------------------------------------------------------------------------------------------|-------------------|--------------------------------|--------------|--------------|--------------|
| <b>Estimate of Capital Expenditure (£'000s)</b>                                                              |                   |                                |              |              |              |
| Actual/estimates of capital expenditure                                                                      | 63,502            | 76,020                         | 160,957      | 125,999      | 108,279      |
| <b>Net Increase in Council Tax (band D per annum) Figures in £'s (not £'000's)</b>                           |                   |                                |              |              |              |
| The implied estimate of incremental impact of the <b>new</b> capital investment decisions on the Council Tax |                   |                                | £3.22        | £7.25        | £5.53        |
| Cumulative totals:                                                                                           |                   |                                | £3.22        | £10.47       | £16.00       |
| <b>Capital Financing as % of Net Revenue Stream</b>                                                          |                   |                                |              |              |              |
| Actual/estimates of the ratio of financing costs to net revenue stream                                       |                   |                                | 15.06%       | 17.10%       | 18.59%       |
| <i>Memo: estimates of the ratio of financing cost to gross revenue stream</i>                                |                   |                                | 4.87%        | 5.65%        | 6.35%        |
| <b>Borrowing Limits (£m)</b>                                                                                 |                   |                                |              |              |              |
| Operational boundary – borrowing                                                                             |                   |                                | £414m        | £466m        | £544m        |
| Operational boundary – other long-term liabilities                                                           |                   |                                | £9m          | £9m          | £9m          |
| <b>Operational boundary – total</b>                                                                          |                   |                                | <b>£423m</b> | <b>£475m</b> | <b>£553m</b> |
| Authorised limit – borrowing                                                                                 |                   |                                | £442m        | £492m        | £570m        |
| Authorised limit – other long-term liabilities                                                               |                   |                                | £9m          | £9m          | £9m          |
| <b>Authorised limit – total</b>                                                                              |                   |                                | <b>£451m</b> | <b>£501m</b> | <b>£579m</b> |
| <b>Capital Financing Requirement (£'000s) (as at 31 March)</b>                                               |                   |                                |              |              |              |

## Annex 4

|                                                  |         |         |         |         |         |
|--------------------------------------------------|---------|---------|---------|---------|---------|
| Actual/estimate of capital financing requirement | 367,612 | 382,660 | 441,814 | 492,385 | 570,255 |
|--------------------------------------------------|---------|---------|---------|---------|---------|

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.