Bath and North East Somerset Council – Efficiency Strategy **Annex 4**

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. 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

Full 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 budget. The following link shows the 2017/18 budget savings that apply:-

https://democracy.bathnes.gov.uk/documents/s45572/Budget%20Appx%203%20-%20Savings%20Details.pdf

Approval of further flexibility is required where applicable to the 2018/19 and 2019/20 Budget Savings and Income Generation Proposals attached at Annex 2 of this report.

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 Government announced as part of the 2018/19 Finance Settlement that the flexibility would extend to 2021/22 (a further three years).

Individual receipts have not been listed but the target for financial planning purposes is for £14m of receipts to be available for use. This will impact on the amount of borrowing required and has been factored into the budget proposals as well as a target for new receipts.

It remains unchanged 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 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 £9.5m receipts already factored in to finance the capital programme plus a further £4.5m of new receipts. The impact is included in the Council's Prudential Indicators detailed in the Budget Report and shown below:-

Prudential Indicator	**2016/17 Actual**	**2017/18 Forecast Outturn**	**2018/19**	**2019/20**	**2020/21**
Estimate of Capital Expenditure (£'000s)					
Actual/estimates of capital expenditure	53,910	127,749	217,305	60,581	28,402
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			£13.85	£3.98	£3.19
Cumulative totals:			£13.85	£17.83	£21.02
Capital Financing as % of Net Revenue Stream					
Actual/estimates of the ratio of financing costs to net revenue stream			12.99%	19.21%	21.23%
Memo: estimates of the ratio of financing cost to gross revenue stream			*4.52%*	*6.68%*	*7.35%*
Borrowing Limits (£m)					
Operational boundary – borrowing			£403m	£442m	£451m
Operational boundary – other long-term liabilities			£2m	£2m	£2m
Operational boundary – total			**£405m**	**£444m**	**£453m**
Authorised limit - borrowing			£434m	£473m	£481m
Authorised limit – other long-term liabilities			£2m	£2m	£2m
Authorised limit - total			**£436m**	**£475m**	**£483m**
Capital Financing Requirement (£'000s) (as at 31 March)					
Actual/estimate of capital financing requirement	200,147	282,125	434,016	472,616	481,383

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. £120m of borrowing is linked to investments that provide an ongoing income stream to the Council