

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

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 budget. The flexibility was linked to the following budget savings plans:-

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

A total of £3.1m of flexible receipts were utilised in 2017/18 mainly for redundancy costs linked to 2017/18 and 2018/19, contributing to the once-off costs associated with ongoing savings of £11.9m in 2017/18 and the target savings of £17m in 2018/19.

Note - Council approved in February 2018 to utilise the flexibility where applicable to the 2018/19 and 2019/20 Budget Savings and Income Generation Proposals linked to the following savings plans:

<https://democracy.bathnes.gov.uk/documents/s49864/Annex%202%20-%20Budget%20Savings%20Income%20Generation%20Proposals.pdf>

It is estimated that £5.4m will be utilised in 2018/19 in once-off costs to deliver savings. This will be reported as part of the outturn report in June/July 2019.

As the flexibility will continue beyond 2018/19 it is recommended that capital receipts will be utilised in 2019/20 to deliver the ongoing savings outlined in Annex 2. It is estimated that £3.0m in capital receipts will be utilised in 2019/20 for this purpose.

In summary the estimated overall level of receipts required over the three year period has reduced from £14.0m to £11.5m.

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.

Individual receipts have not been listed but the target for financial planning purposes is for £3.0m of receipts to be available for use in 2019/20. 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 2019/20.

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 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 | 2017/18 Actual | 2018/19 Forecast Outturn | 2019/20 | 2020/21 | 2021/22 |
|--|----------------|--------------------------|---------|---------|---------|
| Estimate of Capital Expenditure (£'000s) | | | | | |
| Actual/estimates of capital expenditure | 76,298 | 149,512 | 173,162 | 59,548 | 27,697 |
| 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 (Note 1) | | | £6.49 | £7.12 | (£0.42) |
| Cumulative totals: | | | £6.49 | £13.61 | £13.19 |
| Capital Financing as % of Net Revenue Stream | | | | | |
| Actual/estimates of the ratio of financing costs to net revenue stream | | | 15.91% | 20.85% | 21.97% |
| <i>Memo: estimates of the ratio of financing cost to gross revenue stream</i> | | | 5.23% | 6.77% | 7.20% |

| Prudential Indicator | 2017/18 Actual | 2018/19 Forecast Outturn | 2019/20 | 2020/21 | 2021/22 |
|--|---------------------------|---|----------------|----------------|----------------|
| Borrowing Limits (£m) | | | | | |
| Operational boundary – borrowing | | | £409m | £432m | £437m |
| Operational boundary – other long-term liabilities | | | £2m | £2m | £2m |
| Operational boundary – total | | | £411m | £434m | £439m |
| Authorised limit - borrowing | | | £440m | £463m | £467m |
| Authorised limit – other long-term liabilities | | | £2m | £2m | £2m |
| Authorised limit - total | | | £442m | £465m | £469m |
| Capital Financing Requirement (£'000s) (as at 31 March) | | | | | |
| Actual/estimate of capital financing requirement | 247,107 | 351,649 | 440,220 | 462,774 | 467,197 |

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.