

Flexible Use of Capital Receipts- Updated Strategy 2017-18

Cabinet	16 November 2017
Report Author	Tim Willis, Director of Corporate Resources
Portfolio Holder	Cllr John Townend, Portfolio Holder for Financial Services and Estates
Status	For Decision
Classification:	Unrestricted
Key Decision	No
Ward:	All Wards

This report updates the Flexible Use of Capital Receipts Strategy which was agreed at Council on 9 February 2017.

Recommendation(s):

That Cabinet:

- Consider and agree the updated Capital Receipts Strategy for 2017-18
- Recommends to Council to agree the updated Capital Receipts Strategy for 2017-18.

CORPORATE IMPLICATIONS

Financial and Value for Money	The financial implications have been reflected within the body of the report.
Legal	Section 151 of the 1972 Local Government Act requires a suitably qualified named officer to keep control of the Council's finances. For this Council, it is the Director of Corporate Resources (S151 Officer), and this report is helping to carry out that function.
Corporate	Corporate priorities can only be delivered with robust finances and this report gives Members the opportunity to review the Council's current position.
Equalities Act 2010 & Public Sector Equality Duty	Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it. Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

	Please indicate which aim is relevant to the report.
	Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,
	Advance equality of opportunity between people who share a protected characteristic and people who do not share it
	Foster good relations between people who share a protected characteristic and people who do not share it.
	There are no equity and equalities implications arising directly from this report, but the Council needs to retain a strong focus and understanding on issues of diversity amongst the local community and ensure service delivery matches these.
	It is important to be aware of the Council's responsibility under the Public Sector Equality Duty (PSED) and show evidence that due consideration had been given to the equalities impact that may be brought upon communities by the decisions made by Council.

CORPORATE PRIORITIES (tick those relevant)✓	
A clean and welcoming Environment	✓
Promoting inward investment and job creation	✓
Supporting neighbourhoods	✓

CORPORATE VALUES (tick those relevant)✓	
Delivering value for money	✓
Supporting the Workforce	
Promoting open communications	

1.0 Flexible Use of Capital Receipts

1.1 In March 2016 the government produced Statutory Guidance on the Flexible Use of Capital Receipts. Proper accounting practices mean that capital receipts can only be used to support capital expenditure. However, the purpose of the guidance is to give flexibility as to the use of capital. In summary, the guidance allows councils to use capital receipts from the disposal of property, plant and equipment assets received in the period 1 April 2016 to 31 March 2019 to fund revenue spending which is forecast to generate ongoing savings to an authority's net service expenditure.

1.2 The guidance itself gives examples of the type of expenditure that can be funded from this source although it is not exhaustive. This includes:

- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation.
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible.

A more comprehensive list is provided in the guidance and strategy which is attached as Annex 1.

1.3 This provides an opportunity for the council to invest in some significant projects during this period to embed efficiencies for future years. A key project is a corporate restructure that is being conducted by the Chief Executive. This will reduce the establishment costs of the council, delivering long-term savings. In addition, the council is embarking on delivering a digitally enabled service delivery which will reduce costs and also improve customer service. Hence, the use of capital receipts will result in significant ongoing savings for the council.

- 1.4 It is planned to use capital receipts to fund the one off costs of the corporate restructure and digitally enabled services. Both initiatives will produce significant ongoing savings, as set out below.

Project Name	Project Description	Estimated Qualifying Expenditure £'000	Estimated Annual Savings £'000
Corporate Restructure	To review and update the organisational structure to deliver efficiencies	800	814
Digitally Enabled Services	To adopt digital technology to enable new ways of working	200	50

Notification will be given to the Department for Communities and Local Government (DCLG) after approval by Council.

- 1.5 The following 2017-18 Treasury Management Strategy Statement Prudential Indicators will be impacted by the use of up to £1m of General Fund capital receipts:

Ratio of Financing Costs to Revenue Stream: The 2017-18 ratio increases by 0.01% and the 2018-19 and 2019-20 ratios both increase by 0.02% (on the assumption that the flexible use of capital receipts does not increase the Council's revenue stream).

Incremental Impact of Capital Investment Decisions on the Band D Council Tax: The 2017-18, 2018-19 and 2019-20 indicators increase by £0.03, £0.06 and £0.12 respectively. These indicators increase as the impact calculated is that of the financing costs of the capital programme (compared to the Treasury Management Strategy Statement for the previous year). As the funding requirement has increased by £1m then the impact has increased.

- 1.6 As further initiatives are developed, this element of the strategy will be presented to the council alongside the relevant efficiency project.
- 1.7 Cabinet is recommended to consider and agree the revised Capital Receipts Strategy and recommend it to the Council on 7 December 2017.

Contact Officer:	Ramesh Prashar, Head of Financial Services
Reporting to:	Tim Willis Director of Corporate Resources and S151

Annex List

Annex 1	Flexible Use of Capital Receipts – Updated Strategy
---------	---

Background Papers

Title	Details of where to access copy
2017/18 Budget and Medium Term Financial Plan	Full Council Agenda 9 th February 2017

Corporate Consultation

Finance	N/A
Legal	Sophia Nartey, Head of Legal Services