

## Updated Strategy for Use of Capital Receipts 2018/19

### 1. Background

1.1 As part of the 2015 Local Government Spending Review, the Government provided Councils with the flexibility to use Capital Receipts received in the financial years 2016/17, 2017/18 and 2018/19 to fund transformation and restructuring of services in order to achieve efficiencies and revenue cost savings. The 2018/19 settlement extended this flexibility for a further three years to 2021/22.

1.2 The Government defined expenditure qualifying for funding from capital receipts as follows:

*“Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs or to improve the quality of service delivery in future years. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility. Set up and implementation costs of any new processes or arrangements can be counted as qualifying expenditure. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.”*

### 2. The Initial Efficiency Strategy

2.1 In order to qualify for this flexibility an Efficiency Strategy was prepared and approved by the Council in March 2016 as part of the 2016/17 revenue budget. The initial strategy proposed to use the £2.9m capital receipt expected to be received from the sale of the Pound Lane depot to fund the following costs:

**Table 1**

<b>Project</b>	<b>Capital Receipts funded / £m</b>	<b>Other sources / £m</b>	<b>Expected Annual Savings / £m</b>
Expected cost of redundancies incurred in the financial year 2016/17	<b>1.9</b>	<b>0</b>	<b>2.7</b>
Transformation of service provision	<b>1</b>	<b>0</b>	<b>0.5</b>

### 3. Updated Efficiency Strategy as at April 2018

- 3.1 The sale of the Pound Lane depot was completed in November 2017. It is therefore now possible to update the strategy taking into account all the available capital receipts from 2016/17 and 2017/18 and the latest estimates of the cost of transformation projects planned to be funded from those receipts.
- 3.2 The actual level of capital receipts available from 2016/17 and 2017/18 to fund the cost of transforming Council Services is as follows:

**Table 2**

<b>Capital Receipts Available for Transformation Projects 2016/17 and 2017/18</b>	
	<b>£</b>
Pound Lane Depot	3,120,000
The Starting Gate Pub	203,500
Overage payment from Greenham Common Trust in respect of development of site on Greenham Park	187,400
Sale of Council's Interest in Shared Ownership Properties to former tenants	<b>232,500</b>
Other receipts (including considerations for release of covenants on former Council properties)	10,700
<b>Total capital receipts in 2016/17 and 2017/18</b>	<b>3,754,100</b>
Less cost of disposal of assets	- 133,500
<b>Capital receipts available for transformation projects</b>	<b>3,620,600</b>

- 3.3 The actual and forecast future cost of measures proposed to transform Council services in order to achieve efficiency savings is as follows:

**Table 3**

	<b>Actual Cost in 2016/17</b>	<b>Actual Cost in 2017/18</b>	<b>Total Cost to Date</b>	<b>Forecast Future Costs</b>	<b>Total Proposed to be funded from capital receipts</b>	<b>Annual revenue savings already achieved</b>	<b>Revenue Savings expected to be achieved in 2018/19</b>	<b>Revenue Savings expected to be achieved in 2019/20</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Redundancies and other staff exit costs incurred in order to achieve efficiency savings	628,218	366,110	994,328	-	994,328	2,700,000		
Conversion of John O' Gaunt School to Academy status - repayment of accumulated deficit and payment to academy sponsor in respect of forecast deficit 2016/17 to 2018/19	1,623,150	-	1,623,150	-	1,623,150	192,718		
Digital Transformation Project - improving online access to Council services	11,700	61,260	72,960	169,494	242,454		50,000	14,000
Redundancies and loss on disposal of vehicles for Veolia from reduction in street cleansing and litter picking service	-	-	-	200,000	200,000		600,000	
<b>Total</b>	<b>2,263,068</b>	<b>427,370</b>	<b>2,690,438</b>	<b>369,494</b>	<b>3,059,932</b>	<b>2,892,718</b>	<b>650,000</b>	<b>14,000</b>

- 3.4 Of the £2.3m costs incurred in 2016/17, £0.6m was funded from capital receipts. Of the remaining spend in 2016/17, £0.7m was funded from the earmarked reserves for Council restructuring and future budget requirements and £1m from the reserve for schools in financial difficulty. Now that the sale of the Pound Lane depot has been completed, those reserves have been replenished from the proceeds of the sale.
- 3.5 The revenue savings already achieved as a result of these measures were built into the 2016/17 revenue budget. The additional revenue savings expected in 2018/19 and 2019/20 will help meet the revenue savings targets set for those years.
- 3.6 If all of the above spend were to be funded from available capital receipts, £561,000 would still be available to fund projects to transform Council Services in 2018/19 and future years. It is proposed that this sum should be transferred to the Council's transformation reserve. Bids can then be submitted to Budget Board for future projects to be funded from this reserve.

#### 4. Impact on Prudential Indicators for Affordability of Capital Investment

- 4.1 The capital programmes for 2016/17, 2017/18 and 2018/19 have been set on the assumption that the capital receipts listed above will not be available to fund capital spend.
- 4.2 However it has been assumed that £725,000 of capital receipts from before 2016/17 and of receipts expected from future sales of assets will be used to help fund the 2018/19 and 2019/20 capital programmes. On this basis the remainder of the Council funded element of the capital programme is planned to be funded from prudential borrowing, supported by an increase of £500,000 per year in the revenue budget for capital financing, which has been allowed for in the MTFS for 2018/19 to 2020/21.

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#### Subject to Call-In:

Yes:  No:

- The item is due to be referred to Council for final approval
- Delays in implementation could have serious financial implications for the Council
- Delays in implementation could compromise the Council's position
- Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months
- Item is Urgent Key Decision
- Report is to note only

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#### Strategic Aims and Priorities Supported:

The proposals will help achieve the following Council Strategy aim:

**MEC – Become an even more effective Council**

The proposals contained in this report will help to achieve the following Council Strategy priority:

**MEC1 – Become an even more effective Council**

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**Officer details:**

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## Appendix B

### Equality Impact Assessment - Stage One

We need to ensure that our strategies, policies, functions and services, current and proposed have given due regard to equality and diversity.

Please complete the following questions to determine whether a Stage Two, Equality Impact Assessment is required.

<b>Name of policy, strategy or function:</b>	Updated Strategy for Flexible Use of Capital Receipts
<b>Version and release date of item (if applicable):</b>	Version 1 – 28 March 2018
<b>Owner of item being assessed:</b>	Gabrielle Esplin
<b>Name of assessor:</b>	Gabrielle Esplin
<b>Date of assessment:</b>	28 <sup>th</sup> March 2018

Is this a:		Is this:	
Policy	No	New or proposed	No
Strategy	Yes	Already exists and is being reviewed	Yes
Function	No	Is changing	Yes
Service	No		

1. What are the main aims, objectives and intended outcomes of the policy, strategy function or service and who is likely to benefit from it?	
<b>Aims:</b>	To set a framework for using capital receipts to fund measures aimed at transforming Council services.
<b>Objectives:</b>	To provide funding for costs and projects associated with the transformation of Council services.
<b>Outcomes:</b>	To enable Council services to be delivered more efficiently.
<b>Benefits:</b>	To achieve revenue savings and improve value for money from Council Services.

<p><b>2. Note which groups may be affected by the policy, strategy, function or service. Consider how they may be affected, whether it is positively or negatively and what sources of information have been used to determine this.</b></p> <p>(Please demonstrate consideration of all strands – Age, Disability, Gender Reassignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race,</p>
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Religion or Belief, Sex and Sexual Orientation.)		
Group Affected	What might be the effect?	Information to support this
<b>Further Comments relating to the item:</b>		
No vulnerable groups are directly affected by this item, but equalities impact assessments will be carried out of any individual projects to be funded under this strategy.		

3. Result	
Are there any aspects of the policy, strategy, function or service, including how it is delivered or accessed, that could contribute to inequality?	No
Please provide an explanation for your answer:	
Will the policy, strategy, function or service have an adverse impact upon the lives of people, including employees and service users?	No
Please provide an explanation for your answer:	

If your answers to question 2 have identified potential adverse impacts and you have answered 'yes' to either of the sections at question 3, or you are unsure about the impact, then you should carry out a Stage 2 Equality Impact Assessment.

If a Stage Two Equality Impact Assessment is required, before proceeding you should discuss the scope of the Assessment with service managers in your area. You will also need to refer to the Equality Impact Assessment guidance and Stage Two template.

4. Identify next steps as appropriate:	
Stage Two required	No
Owner of Stage Two assessment:	
Timescale for Stage Two assessment:	
Stage Two not required:	

Name: Gabrielle Esplin

Date: 28th March 2018

Please now forward this completed form to Rachel Craggs, the Principal Policy Officer (Equality and Diversity) for publication on the WBC website.