

ANNEX H STRATEGY FOR THE FLEXIBLE USE OF CAPITAL RECEIPTS



COTSWOLD
DISTRICT COUNCIL

The strategy has regard to the Guidance on the Flexible Use of Capital Receipts issued by the Secretary of State under Section 15 (1)(a) of the Local Government Act 2003 during March 2016, including only those projects which are designed to generate ongoing revenue savings in the delivery of services and/or transform service delivery in a way that reduces costs or demand for services.

Projects included in the strategy support the Council's Cabinet Transform Working Group and progress will be monitored regularly as part of the quarterly Financial, Council Priority and Service Performance reporting.

The Guidance on the Flexible Use of Capital Receipts allows set-up and implementation costs to be counted as qualifying costs, however the on-going revenue costs of new processes or arrangements cannot.

Only receipts from the disposal of capital assets received between April 2022 and March 2025 are eligible for use to fund qualifying costs of service reform. A balance of £8.821m is held within Capital Receipts Reserve at 31 March 2023. Capital Receipts of £0.370m have been received to date during the qualifying period and this is allocated for Flexible Use of Capital Receipts.

As part of the Local Government Settlement, the Communities Secretary for Ministry of Housing, Communities and Local Government announced in February 2021 that there would be a continuation of the capital receipts flexibility programme for a further three years, to give local authorities the continued freedom to use capital receipts from the sale of their own assets (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings. This was formally confirmed on 04 April 2022. Should future projects be identified alongside suitable asset sales, this will be presented in a revised strategy.

Service reform projects can still be financed in whole or in part from other sources e.g., the Council Priorities Fund. The Council is not obliged to fund these projects from capital receipts, however, on the adoption of this strategy, will have the option to do so.

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Question 1: Do you agree with the government's proposed methodology for the distribution of the Revenue Support Grant in 2024-25?

The RSG formula is outdated and no longer fit for purpose, hence the long-awaited Fair Funding Review. Increasing RSG levels in line with September CPI is a fair approach in the circumstances.

Question 2: Do you agree with the government's proposals to roll grants into the local government finance settlement in 2024-25?

No, by doing this there is the real risk that the reasons for those specific grants are lost together with the funding for those purposes when RSG is reviewed.

Question 3: Do you agree with the proposed package of council tax referendum principles for 2024-25?

Cotswold District Council strongly believes that referendum limits for shire districts have lagged other areas over several years. Costs of providing, and the demand for essential front-line services provided by district councils have risen significantly more than the 3% or £5 currently proposed, for example the annual pay award for most district and borough councils for 2024/25 is likely to significantly exceed the additional council tax raised.

It is worth highlighting the difference in council tax referendum principles for Shire Districts and Police and Crime Commissioners. Over the period 2018/19 to 2024/25 the flexibility afforded to Police and Crime Commissioners has been a cumulative £99. Over the same period, the cumulative flexibility for Shire Districts has been £35. If the same flexibility had applied to Shire Districts, this could have contributed £3m annually to the authority's finances by 2024/25.

Whilst we appreciate the need for ministers to consider the inflationary impact of Council Tax rises one year from the next, the consistent de-prioritisation of Shire Districts only exacerbates the financial challenge in the sector. In addition, Councils who have kept their Council Tax Band D rates low in previous years are in effect penalised with lower flexibility than Councils who have steadily increased their Band D rates.

Given that the District Council Precept forms such a small portion of overall council tax bills, and the £5 increase was introduced to assist those councils with the lowest council tax bills, we would urge the Government to consider increasing the alternative limit to £10 from £5.



Question 4: Do you agree with the Government's proposals to maintain the Funding Guarantee for 2024-25?

Yes, although it could be higher for the same reasons as question 3. One essential front-line service that is continuing to face significant pressure is around housing, especially the need for temporary accommodation where there is limited supply and severe competition for any available premises.

District councils provide a very wide range of services including some have a major impact on the health and wellbeing of residents, if these discretionary services are reduced due to lack of funding, it will result in further costs further down the line for the social care and health services.

Question 5: Do you agree with the government's proposals on funding for social care as part of the local government finance settlement in 2024-25?

Whilst as a District Council we cannot comment directly on social care funding, we would wish to highlight the vital work that is undertaken to support vulnerable communities and addressing health inequalities, provision of leisure, addressing issues through health and wellbeing strategies and the role of appropriate housing in avoiding health issues and the need for care. We would strongly resist any focus on social care funding at the expense of wider local government and the vital early intervention work that prevents later expenditure.

District councils such as Cotswold are seeing significant increases in housing need both because of affordability and market imperfections in the housing market and the impact of immigration and asylum schemes. Failure to adequately fund housing provision now will increase future costs in both health and social care.

Question 6: Do you agree with the government's proposals for New Homes Bonus in 2024-25?

The proposed approach is as expected, and reductions have been offset by increases to the Funding Guarantee. This has meant that there is no net reward for councils who have managed to achieve housing growth.

The extension of the existing New Homes Bonus scheme and reward payment for a further year is welcomed, although recognising the additional funding instability that removal of the taper brings. We would welcome early announcement of the Government's intention for 2025/26.

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We would remind the Government of the reduced value of New Homes Bonus to Council such as Cotswold over the last 5 years from a peak funding position of £3.2m to just under £0.3m.

Question 7: Do you agree with the government's proposals for Rural Services Delivery Grant in 2024-25?

We welcome the stability in funding this brings for rural authorities although additional funding is required in this area to reflect the extra costs faced by councils such as Cotswold who are impacted. Rural councils have had to increase council tax to balance the books and rural residents will now pay 20% (£112.57) more in council tax per head than urban residents.

Question 8: Do you agree with the government's proposals for Services Grant in 2024-25?

This has reduced to a very low level and is offset by increases in the Funding Guarantee. The statutory service pressures are not reducing therefore the small increase in core spending power fails to recognise the significant housing pressures such as temporary accommodation impacting particularly on districts and boroughs.

Question 9: Do you have any comments on the impact of the proposals outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

No.

Question 10: Do you have any views about the government using levers in future local government finance settlements (those occurring after 2024-25) to disincentivise the so-called '4 day working week' and equivalent arrangements of part time work for full time pay?

Fundamentally questions regarding the appropriate compensation of employees and the level of service provided by local councils should be made locally. Cotswold District Council is concerned with the level of overreach a policy of this nature represents and the increasing willingness of central government to unnecessarily meddle in local government administration. This is particularly relevant when proposals impact the stability and predictability of available funding and further reduce the ability of councils to identify innovative solutions to recruitment and retention challenges.

David Stanley

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Deputy Chief Executive and Section 151 Officer
Cotswold District Council



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