

SOUTH SOMERSET DISTRICT COUNCIL – EFFICIENCY STRATEGY

FLEXIBLE USE OF CAPITAL RECEIPTS

1. SSDC has embarked on an ambitious Transformation Programme. The capital costs have been estimated at £1.3 million and the revenue costs at £3.1 million including redundancy. Currently only £1.6 million of the revenue costs have been funded leaving almost £1.5 million that has temporarily been offset against the Revenue Support Reserve. Utilising up to £0.5 million in new Capital Receipts would ease the pressure on the General Fund over the next three years. Only capital receipts from the sale of property, plant, and equipment can be utilised.
2. The Future Model approach to Transformation and its key principles reflect SSDC's own ambitions to be an organisation consistently delivering improving quality of life in South Somerset. It will do that by providing well managed cost effective services valued by its residents.
3. The headline business case clearly illustrates a significant range of benefits for the council, the community and staff through taking a 'whole council' approach and by leading and resourcing a significant change programme.
4. The key design principles of the Future Model include:
 - Managing and reducing customer demand
 - Delivering as much customer service as possible through a universal contact method
 - Drawing on expert skills and knowledge only where appropriate
 - Managing the organisation in an efficient and streamlined way.
5. The Future Model provides an approach to thinking about the way the Council operates, with a focus on:
 - The relationship with customers and the wider community
 - Staff roles and structures
 - Technology and processes
 - Culture and ways of working
 - Costs
 - Outcomes
6. The overall estimated savings are expected to be £2 million.
7. The expected payback is 2 years and 4 months.
8. The table below shows a breakdown of estimated costs and savings:-

Capital

| Item | 2016/17 £ | 2017/18 £ | 2018/19 £ | Totals £ |
|---|----------------|----------------|----------------|------------------|
| Software and software implementation | 228,250 | 456,500 | 228,250 | 913,000 |
| Provision for API connectors | 25,000 | 50,000 | 25,000 | 100,000 |
| Internal Project Team/ backfilling | 50,000 | 100,000 | 50,000 | 200,000 |
| Contingency 10% | 25,325 | 50,650 | 25,325 | 101,300 |
| Total Capital Costs | 328,575 | 657,150 | 328,575 | 1,314,300 |
| Funded from: | | | | |
| Capital Receipts | 328,575 | 657,150 | 328,575 | 1,314,300 |

Revenue Once off

| Item | 2016/17 £ | 2017/18 £ | 2018/19 £ | Totals £ |
|---|----------------|----------------|----------------|----------------|
| Training | 5,000 | 10,000 | 5,000 | 20,000 |
| Organisational change management consultancy | 125,000 | 250,000 | 125,000 | 500,000 |
| Internal Project Team/ backfilling | 40,000 | 80,000 | 40,000 | 160,000 |
| Contingency 10% | 17,000 | 34,000 | 17,000 | 68,000 |
| Project Revenue Costs | 187,000 | 374,000 | 187,000 | 748,000 |

| | | | | |
|---------------------------------------|----------------|------------------|----------------|------------------|
| Allowance for redundancy costs | 600,000 | 1,200,000 | 600,000 | 2,400,000 |
| Total Revenue Costs | 787,000 | 1,574,000 | 787,000 | 3,148,000 |

Funded from:

| | | | | |
|------------------------|---------|-----------|---------|-----------|
| Transformation Reserve | 687,000 | 1,374,000 | 587,000 | 2,648,000 |
|------------------------|---------|-----------|---------|-----------|

Target for Flexible

| | | | | |
|----------------------|----------------|------------------|----------------|------------------|
| Capital Receipts | 100,000 | 200,000 | 200,000 | 500,000 |
| Total Funding | 787,000 | 1,574,000 | 787,000 | 3,148,000 |

| | | | | |
|-----------------------|--|------------------|------------------|------------------|
| Salary Savings | | 1,000,000 | 1,000,000 | 2,000,000 |
|-----------------------|--|------------------|------------------|------------------|

OTHER OPPORTUNITIES

9. In addition Members are exploring different commercial options that will require some revenue set up costs. This Strategy will be updated to reflect those projects as they come forward.
10. The Government has outlined that authorities may use new capital receipts to fund revenue costs for these purposes with approval at Full Council. A cost benefit analysis needs to be shown as part of that approval. Only receipts received within the three-year time horizon may be utilised. Right- to-Buy receipts must be excluded from this. It is very difficult to pinpoint exact receipts that will be received over the next three years and therefore members are asked to approve the principle that all applicable receipts received over the appropriate time period can be utilised up to the value of £0.5 million. To date £93k in receipts have been or are expected to be received in 2016/17 for sales of a workshop and some public conveniences.
11. An update of the strategy will be made to full Council each February as part of budget setting.

IMPACT ON SSDC'S PRUDENTIAL INDICATORS

12. New receipts are normally put forward each year to fund new capital schemes. If members approve the use of some of those receipts for capital it can decide to either approve fewer new schemes or release a higher level of retained receipts. Only utilising a higher level of retained capital receipts will affect the Council's Prudential Indicators. This can be demonstrated as follows:-

Prudential Indicator 12 - Incremental Impact of Capital Investment Decisions:

13. This is an indicator of affordability that shows the 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.

| Incremental Impact of Capital Investment Decisions | 2017/18 Estimate £ | 2018/19 Estimate £ | 2019/20 Estimate £ |
|---|-------------------------------|-------------------------------|-------------------------------|
| Increase in Band D Council Tax | 0.29 | 0.01 | 0.05 |

14. And if members approve the flexible use of capital receipts:-

| Incremental Impact of Capital Investment Decisions | 2017/18 Estimate £ | 2018/19 Estimate £ | 2019/20 Estimate £ |
|---|-------------------------------|-------------------------------|-------------------------------|
| Increase in Band D Council Tax | 0.30 | 0.02 | 0.06 |
