

Technical Consultation – Proposals for the use of capital receipts from asset sales to invest in reforming services

Question 1: Do you consider that the proposal to allow some flexibility for use of capital receipts from new asset sales will provide you with a useful additional flexibility for one-off revenue costs associated with restructuring and reforming local services to deliver longer term savings?

Comment - The question implies something far more useful than is actually on offer. A national cap will be in place so this “flexibility” cannot be relied upon.

Draft Response – No, placing a limit at the national level means there is no useful flexibility at all. The flexibility would only be useful if there was certainty around its use. Imposing a national limit means an authority could pursue a course of action to reform services and then be refused the ability to finance costs from a capital receipt. Any authority proceeding without certainty on the accounting treatment would be gambling.

Question 2: To evidence base the response to question one, we would welcome (in no more than 400 words) your initial ideas for change(s) that you consider would benefit from the flexible use of capital receipts policy?

Information could include the level of funding required, type of asset(s) to be disposed, details of the service transformation and savings that could be achieved and future use of the asset(s).

Comment – The question is asking for draft business cases in advance.

Draft Response – No comment.

Question 3: Do you agree that these criteria should be used, or would you suggest alternative or additional measurements to decide a bid based approach?

Comment – The criteria referred to form the basis for the assessment of competing bids. This assumes that authorities will want to speculate on gaining approval and so will work up detailed business cases that could be aborted.

Draft Response – We do not agree with the use of criteria which will be applied subjectively by remote civil servants. If localism is to have any practical meaning local authorities should have the power to determine the best use of their resources.

Question 4: Do you agree that a direction letter mechanism would be the best method of delivering the aims of the policy proposal?

Comment – This council has suffered in the past from the direction letter mechanism. We have met the published criteria for a capitalisation direction for pension deficit funding in several years. Despite satisfying the published criteria we have received a variety of responses ranging from full capitalisation through partial to complete rejection. Where the response has been partial capitalisation or rejection this has necessitated very late changes to budgets as decisions are only made late “in-year” making it difficult to plan effectively.

Draft Response – No, the best mechanism would be one that provided certainty to local authorities so they do not waste scarce resources drawing up detailed business cases which could be rejected because of arbitrary national limits.

Question 5: Is the proposed timetable realistic to allow for the practical implementation of the flexible use of capital receipts proposal?

Comment – Questions 5 and 6 are accompanied by a timetable neatly setting out a process of events that shows the person who drew up the document has never worked in a local authority or been involved in either a service restructure or the sale of a major asset.

Draft Response – The timetable is not realistic.

Question 6: If you felt the timetable was not realistic, what changes would you make to the proposed implementation of the policy to allow for the practical delivery of the flexible use of capital receipts?

Draft Response – If the policy is to be of any practical use, local authorities should be given the discretion to use their resources flexibly without a fixed timetable and the lottery of an application process.