Society of District Council Treasurers

Response to DHLUC: Consultation on New LA Capital Flexibilities

Introduction

The Society of District Council Treasurers (SDCT) was formed in 1974 and represents the 181 district council finance functions in England. The Society provides a forum for members to share expertise on financial issues affecting district authorities. It also enables districts to speak with a united voice; as a Treasurers' Society it is recognised as a key local government stakeholder by central government and the Local Government Association.

The SCDT welcomes the opportunity to comment on this consultation.

We are very supportive of the flexibilities proposed, however whilst welcome, we would comment that capital flexibilities are not a long term solution to underfunding of local government.

Any flexibilities will be helpful to colleagues as additional tools for them to use if needed to flex across years, to deal with revenue difficulties invest to save, transformation, extraction/exit from previous arrangements/investments etc.

In the call for views document, paragraph 10, Councils and DLUHC need to think through the longer term sustainability if the capitalised spend is to be funded from borrowing rather than receipts and that the risks around the sustained delivery of associated efficiency savings and ability to cover the financing costs are understood, monitored and managed. This is a particular challenge for councils under intervention, especially when increased rates on borrowing are being applied, with regard to this, the second suggested underlying principle is important but perhaps could be expanded on.

We particularly support option 2 extending the flexible use of capital receipts to allow authorities to borrow for the revenue costs of invest-to-save projects.

Re option 3 applying flexibilities to apply proceeds from sale of investment assets – for most authorities that is not really likely to be viable option in the near term, until interest rates start to drop and the market starts to improve, given the last few years downward pressures on valuations as currently that is likely to crystalise capital losses – so the answer to question 12 as to whether would this increase incentive to dispose answer would be no not at present, unless in a forced sale situation as unfortunately some councils are, and in that context if this flexibility helps then that’s fine.

On this point we need to work collectively together to ensure wherever possible that capital losses are not crystalised through an untimely exit from certain types of investments.

The proposed controls are reasonable.

Supportive of reduced PWLB rate for invest to save projects. Although at 40 basis points discount this is only 20 basis points more than the current certainty rate discount and with current PWLB borrowing rates levels this would have a fairly marginal impact on viability of schemes and is a modest improvement.

A clarification is required with regards to the “efficiency plans” referenced in 21 specifically relating to individual efficiency proposals are they same as the efficiency/productivity plans the Secretary of State announced this week that we are all going to have to publish by July, or additional to that process?

Thank you for your consideration of our response.

Society of District Council Treasurers

29 January 2024