
Flexible Use of Capital Receipts Strategy

Purpose

- 1** To approve the Council's Flexible Use of Capital Receipts Strategy.

Background

- 2** In the Spending Review 2015, the Chancellor of the Exchequer announced the Government would allow local authorities to spend up to 100% of their capital receipts on the revenue costs of transformation projects, to support local authorities to deliver more efficient and sustainable services.
- 3** The Secretary of State for Communities and Local Government issued a Direction in March 2016, giving local authorities greater flexibilities to use capital receipts to finance expenditure. This allows local authorities to treat qualifying expenditure on transformation projects as capital expenditure and to fund it from capital receipts received after April 2016. The Statutory Guidance defines qualifying expenditure 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 and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. 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 classified as qualifying expenditure. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure. In addition, one off costs, such as banking savings against temporary increases in costs/pay cannot be classified as qualifying expenditure."

- 4** The Chancellor originally announced the flexibility for the period 2016/17 to 2018/19. The Secretary of State extended it by three years to 2021-22 as part of the 2018/19 Provisional Local Government Finance Settlement.
- 5** To make use of the Direction, the Council must consider the Statutory Guidance issued by the Secretary of State. This Guidance requires authorities to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy with future Strategies included within future Annual Budget documents. The Guidance states that the Strategy should include a list of each project the Council plans to fund from the capital receipts flexibility and the expected savings from that project. The Strategy should also update the Council's Prudential Indicators to show the impact of this use of the flexibility on the affordability of the Council's borrowing.
- 6** The Council referred to a Use of Capital Receipts Strategy in its 2019/20 Budget Report, but has not, until now, prepared such a strategy. The Council has no balance of capital receipts brought forward. To date, the Council has £1.6m capital receipts in 2019/20 and anticipates further substantial capital receipts in the remainder of the year.
- 7** Flexible use of capital receipts replaces planned revenue expenditure and draw down from the Service Transformation Fund.

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- 8** The Council will use the powers under the Government's Statutory Guidance on the flexible use of capital receipts, to fund up to £7m qualifying transformation expenditure on the projects **summarised at Appendix A**. Appendix A also shows the impact of the flexible use of capital receipts on the affordability of the Council's Prudential Borrowing.
- 9** In future years, the Council's flexible use of capital receipts to fund projects will continue to be subject to development of robust business cases. The business cases will demonstrate that: the initiative will transform services, generate future savings or reduce future costs, and the costs being funded are implementation or set up costs and not on-going operational costs. Each year, the Council will review the robustness of business cases by the 31 March preceding the year in which it intends to apply the capital receipts flexibility.

Recommended

- (1) That the Flexible Use of Capital Receipts Strategy for 2019/20, as set out in paragraphs 8 and 9, be approved to comply with the Secretary of State for Communities and Local Government's Direction for the use of capital receipts to fund service reform and transformation;
- (2) That an increase in the capital programme budget for 2019/20 of up to £7m be approved to reflect the capitalisation of the transformation activities to be funded by capital receipts under the Flexible Use of Capital Receipts Strategy, as set out at Appendix A; and
- (3) Approve an increase of up to £7m in the Council's 2019/20 Capital Expenditure Prudential Indicator to £115.995m.

Jeremy Hunt

Cabinet Member for Finance and Resources

Contact Officer: Katharine Eberhart, Director of Finance and Support Services,
033 022 22087

Appendices

- Appendix A: Projects to be funded from flexible use of capital receipts

Background papers

- [Statutory Guidance on the Flexible Use of Capital Receipts \(updated\), Department for Communities and Local Government, March 2016](#)