

# Flexible use of Capital Receipts Strategy

## Introduction

As part of the November 2015 Spending Review, the Government announced that it would introduce flexibility for the period of the Spending Review for local authorities to use capital receipts from the sale of non-housing assets to fund the revenue costs of service reform and transformation. Guidance on the use of this flexibility was issued in March 2016 which applies to the financial years 2016/17 through to 2019/20. In December 2017 the Secretary of State announced that this flexibility would be extended for a further 3 years (until 2021-2022).

## The Guidance

The guidance issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003 specified that;

- Local authorities will only be able to use capital receipts from the sale of property, plant and equipment received in the years in which this flexibility is offered. They may not use their existing stock of capital receipts to finance the revenue costs of reform.
- Local authorities cannot borrow to finance the revenue costs of the service reforms.
- The expenditure for which the flexibility can be applied should be the up-front (set up or implementation) costs that will generate future ongoing savings and/or transform service delivery to reduce costs or to improve the quality of service delivery in future years. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.
- The key determining criteria to use when deciding whether expenditure can be funded by the new capital receipts flexibility is that it is forecast to generate ongoing savings to an authority's net service expenditure.
- In using the flexibility, the Council will have due regard to the requirements of the Prudential Code, the CIPFA Local Authority Accounting Code of Practice and the current edition of the Treasury Management in Public Services Code of Practice.

The Council is also required to prepare a "Flexible use of capital receipts strategy" before the start of the year to be approved by Council which can be part of budget report to Council. This is that Strategy.

## Appendix E

The guidance sets out examples of qualifying expenditure which includes;

- *Sharing back-office and administrative services with one or more other council or public sector bodies;*
- *Investment in service reform feasibility work, e.g. setting up pilot schemes;*
- *Collaboration between local authorities and central government departments to free up land for economic use;*
- *Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;*
- *Sharing Chief-Executives, management teams or staffing structures;*
- *Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;*
- *Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations;*
- *Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training;*
- *Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others);*
- *Integrating public facing services across two or more public sector bodies (for example children's social care, trading standards) to generate savings or to transform service delivery.*

### **The Council's Proposals**

The Council has no new intentions for the use of flexibility over capital receipts to support transformational projects in 2021/22 as follows:

The Council has already approved the following projects in its 2020/21 budget:

1. £40,000 to support service reform feasibility work within the waste collection and recycling service area

Previous uses of the flexible use of capital receipts have now been expended

### **Impact on Prudential Indicators**

The Council will have due regard to the requirements of the Prudential Code and the impact on its prudential indicators from implementing the proposed schemes.

As transformation proposals develop, the expenditure to be incurred will be included in the capital programme to be funded by capital receipts generated in the financial year. The capital expenditure prudential indicators will be amended and approved as appropriate. These receipts have not been earmarked as funding for any other proposed capital expenditure and therefore there is no anticipated additional impact on the Council's prudential indicators as set out in the Council's Treasury Management Strategy. The Council will also have due regard to the Local Authority Accounting Code of Practice when determining and including the entries required from undertaking and funding this scheme within the Council's Statement of Accounts

### **Monitoring this Strategy**

This strategy will be monitored throughout the financial year and may be updated and replaced as proposals are developed and expenditure is incurred.