

Addendum to -

MCa/20/29 GENERAL FUND BUDGET 2021/22 AND FOUR-YEAR OUTLOOK

ADDITIONAL RECOMMENDATIONS

- 3.3 **The Flexible Use of Capital Receipts Strategy at Appendix E be endorsed for recommendation to Council on 18 February 2021.**
- 3.4 **Subject to approval by Council, notify the Ministry of Housing, Communities and Local Government (MHCLG) of the adoption of the Strategy.**

12. FLEXIBLE USE OF CAPITAL RECEIPTS

- 12.1 The Secretary of State issued guidance and a Direction under section 15 (1) (a) of the Local Government Act 2003, effective from 1st April 2016 in respect of the 'Flexible use of Capital Receipts' and subsequently issued a further Direction under the same Act in February 2018 – Sections 16(2)(b) and 20.
- 12.2 The current guidance and Direction will apply to the financial year 2021/22. It is possible the guidance may be extended to future years.
- 12.3 The Direction makes it clear that local authorities cannot borrow to finance the revenue costs of service reform. The Direction allows the Authority the freedom to use capital receipts (excluding Right to Buy) to help fund the revenue costs of transformation projects and release savings.
- 12.4 Local Authorities can only use capital receipts from the disposal of property, plant and equipment assets received in the years in which the flexibility is offered. Local authorities may not use their existing stock of capital receipts to finance revenue costs of service reform.
- 12.5 The Secretary of State has said that individual authorities are best placed to decide which projects will be most effective in their areas. A key criterion to use when deciding whether expenditure can be funded by capital receipts flexibility is the requirement it will generate ongoing revenue savings in the delivery of public services and/or transform service delivery in a way that reduces costs or demand for services in future years.
- 12.6 Authorities are required to demonstrate the highest standards of accountability and transparency and should disclose to full council the individual projects that will be funded, or part funded, through capital receipts flexibility.
- 12.7 It is a requirement to notify the Ministry of Housing, Communities and Local Government (MHCLG) of the Strategy and any updates to the Strategy.
- 12.8 The guidance and Direction do not exempt local authorities from any other obligations, for example in relation to Right to Buy receipts.
- 12.9 Clearly the extent to which the flexibilities can be applied is driven by the value of capital receipts received in year.

12.10 The initial Strategy and any further revisions to the Strategy will, in accordance with the guidance, be made available on-line.

Appendix (E)

Flexible Use of Capital Receipts Strategy

Introduction

The Government has produced Statutory Guidance on the Flexible Use of Capital Receipts. Proper accounting practices mean that capital receipts can only be used to support capital expenditure. However, the purpose of the guidance is to give flexibility as to the use of capital.

In summary, the guidance allowed councils to use capital receipts from the disposal of property, plant and equipment assets received in the period to 31 March 2022 to fund revenue spending which is forecast to generate ongoing savings to an authority's net service expenditure.

1. Qualifying Expenditure

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 the 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 classed as qualifying expenditure.

2. Proposed use of Capital Receipts Flexibility

In accordance with the above definition the council's Strategy is such that when it utilises the flexibility it will be in support of delivering transformation. Details of expected savings/service transformation are contained within the Strategy. This Strategy includes but is not limited to:

1. Project 1 - Customer Transformation Programme
2. Project 2 - Digital Transformation & Improvement
3. Project 3 – ICT
4. Project 4 – Totalmobile
5. Project 5 – Video Calling (HRA)
6. Project 6 – Improving property data (HRA)

The council will also consider the use of this flexibility in regard to specific transformation projects that meet the qualifying criteria. In such circumstances the qualifying criteria and how they are met by the project spend will be documented.

3. Capital Receipts Strategy Updates

Any revision to this Strategy, i.e. proposed use of Capital Receipts for purposes other than the above, will be reported through to Cabinet and council at the appropriate time in the relevant financial year. Any revision to the Strategy will also consider whether it is necessary to amend the Prudential Indicators at the same time. If the council presents a revised Strategy during the year it will be copied to MHCLG.

4. Guidance

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.