

Appendix C

Flexible Use of Capital Receipts Strategy Revised 2023/24 and 2024/25

In the Spending Review 2015, the Chancellor of the Exchequer announced that to support local authorities to deliver more efficient and sustainable services, the government will allow local authorities to spend up to 100% of their capital receipts on the revenue costs of transformation projects. Initially this flexibility on the use of capital receipts was limited to those receipts received between 1 April 2016 and 31 March 2019, however there have subsequently been a number of extensions to this scheme.

As part of the Provisional Local Government Finance Settlement 2024/25 it was announced that the Government has extended the flexibility to use capital receipts to March 2030. It has also committed to engage with the sector to explore additional capital flexibility options to enable invest-to-save and transformation initiatives.

Government has provided a definition of expenditure which qualifies to be funded from capital receipts. This is: *“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.”*

Historic use of Capital Receipts Flexibility 2016/17 to 2022/23

The Council first published a Flexible Use of Capital Receipts Strategy in 2019/20 as part of the Annual Budget and Medium-Term Financial Plan report.

Since the strategy was first approved the Council has applied £892k of capital receipts flexibility to part fund the ICT Improvement Programme, which was approved by Council in April 2018. Savings to date on the ICT improvement programme are circa £1.4m and it is expected that savings to the end of the ICT transformation programme will total £4.4m.

Future use of Capital Receipts Flexibility

The Council will use the powers under the Government’s Statutory Guidance on the flexible use of capital receipts, to fund up to **£2.5m** qualifying transformation expenditure on the projects summarised in Table 1 below. In some cases, there is a direct link between a project and the realisable financial benefit. In others, the project contributes to enabling the savings.

Table 1: Qualifying Expenditure to be funded by Capital Receipts				
Project	Description	Planned Use of Receipts		Expected Savings
		2023/24	2024/25	



ICT Transformation	Cloud based software costs associated with the ongoing ICT Transformation programme.	£333k	£334k	£4.4m over the life of the transformation programme
Voluntary Redundancy/ Voluntary Early Retirement Scheme	Redundancy costs associated with the VR/VER scheme.	£688k	£1m	Ongoing savings of circa £530k per annum have been identified as being directly or indirectly attributable to confirmed VR/VER requests. Further savings are expected and will be quantified as part of any future VR/VER applications.
Business Transformation Team	Costs associated with the Business Transformation Team – enabling Council wide transformational savings	£120k	£0	Project dependant – for 23/24 savings will include those realised as a result of the Relocation of the Customer Service Centre. £80k per annum in year 1 rising to £132k per annum post asset release.

Eligible Capital Receipts

Table 2 below sets out the level of capital receipts available to utilise in respect of capital receipts flexibility. It should be noted that the flexibility excludes Right-To-Buy capital receipts. It should also be noted that it is Council policy that capital receipts are not relied upon to fund any expenditure until they are realised. Consequently, the planned use of the flexibility shown in Table 1 does not exceed the value of eligible receipts currently realised and available.



Table 2: Eligible Capital Receipts	
Details	2023/24 £'000
General Fund capital receipts b/f	(2,540)
Add: Capital receipts received in year	(1,883)
Less: Capital Receipts committed for 2023/24 Capital Programme	284
Less: Capital receipts committed for future years Capital Programme	1,217
Available Receipts	2,922

Impact of Strategy on Prudential Indicators

The guidance requires that the impact on the council's Prudential Indicators should be considered when preparing a Flexible Use of Capital Receipts Strategy. These capital receipts have not been factored into the council's Capital Financing Requirement (CFR) by way of either reducing debt or financing capital expenditure.

Capital receipts which are allocated to fund the council's capital programme will not be subsequently used to fund qualifying expenditure. Therefore, there will be no change to the council's Prudential Indicators that are contained in the Treasury Management Strategy Statement which will be presented to Full Council in February 2024 for approval.

In using the flexibility, the council will have due regard to the Guidance on Flexible Use of Capital Receipts issued by the Secretary of State under section 15(1)(a) of the Act, 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.

Governance

It is a condition that local authorities applying this direction must send details of their planned use of the flexibility to the Secretary of State for each financial year in which the direction is used. This should be sent as soon as is practicable after the council has determined and approved its strategy for the use of the direction but must be sent before the flexibility is used.

Where local authorities update their plans during the financial year, an updated plan reflecting the changes must be sent to the Secretary of State. This requirement can be

met by providing to the Secretary of State a copy of the authority's own planning documents.

By submitting the information set out to the Secretary of State the council will have met the condition; there is no further requirement to receive explicit consent in order to use the flexibility as set out in this direction. It is expected that the council will evidence compliance in full of this condition to their external auditors as necessary.

The strategy will be presented with the budget annually to Full Council for approval.