

**Flexible Use of Capital Receipts  
Strategy 2024 to 2026  
September 2024**

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### **1. Introduction**

- 1.1. To support local authorities to deliver more efficient and sustainable services, a time limited flexibility is currently available to use capital receipts from the disposal of property, plant and equipment assets to fund the revenue cost of service reform.
- 1.2. Under normal rules, capital receipts can only be used to fund capital expenditure such as the purchase of capital assets or improvements to existing assets.
- 1.3. The Ministry of Housing, Communities and Local Government (MHCLG) previously known as Department for Levelling Up, Housing & Communities have issued an extension to a Direction and published guidance that enables Councils to use income from the sale of certain assets to fund the short-term revenue costs that support Transformation, Invest-to-save and efficiency projects in order to provide revenue savings in the future.
- 1.4. This strategy sets out the intended use of this flexibility and applies to the financial year 2024/25 and for each subsequent financial year to which the flexible use of capital receipts direction applies (currently 2029/30 is the last year). The Strategy will be updated as part of the annual budget process in subsequent years.
- 1.5. The flexibilities fit well with the Council's Stability & Growth Programme for achieving financial sustainability through a variety of schemes, including efficiency measures and invest-to-save projects. Given the level of savings required over the medium-term and the number and scope of projects within the S&G programme, it will be important to provide funding for these projects. The use of capital receipts means that these essential projects can be progressed without putting additional pressure on revenue resources.

### **2. Background**

- 2.1. Capital receipts can only be used for specific purposes, and these are set out in Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 made under Section 11 of the Local Government Act 2003.
- 2.2. The main permitted purpose is to fund capital expenditure, and the use of capital receipts to support revenue expenditure is not allowed by the regulations. The Secretary of State is empowered to issue Directions allowing revenue expenditure incurred by local authorities to be treated as capital expenditure and therefore funded by capital receipts.

- 2.3. The Secretary of State for Communities and Local Government issued a Direction in March 2016, giving local authorities greater freedoms to use capital receipts to finance expenditure, initially up until 2018/19. Allowing local authorities to treat qualifying expenditure on transformation projects as capital expenditure and to fund it from capital receipts received after April 2016.
- 2.4. Qualifying expenditure was defined as: "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."
- 2.5. There have been number of extensions to the scheme since 2018/19 and on 18 December 2023 it was confirmed as part of the Provisional Local Government Settlement that the current scheme, which currently applies to expenditure and receipts incurred between 1 April 2022 and 31 March 2025, had been extended to 31 March 2030.
- 2.6. Therefore, to make eligible use of the scheme the capital receipts any qualifying revenue expenditure incurred between 1 April 2024 and 31 March 2030 can be considered.

### 3. 2024/25 Revenue Budget

- 3.1. The 2024/25 budget approved by Full Council on 28 February 2024 included £3.053m of savings to address the exceptional financial pressures facing the council. It is proposed that costs (including one off costs) associated with supporting the delivery of these savings are funded from a proportion of capital receipts the council holds and intends to obtain during the financial year.
- 3.2. Alongside revenue savings identified in the 2024/25 budget, the council continues to actively consider other reductions in spend to enable it to set a balanced budget in 2025/26 and to rebuild its reserves. To achieve this, the use of capital receipts to support activity could which includes funding the costs associated with service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation will also be required throughout 2025/26.
- 3.3. The Council will use the powers under the Governments Statutory Guidance to the flexible use of capital receipts to fund of up to £5m of qualifying expenditure to support the S&G programme summarised in the tables below

<b>Transformation - Better Use of Resources - TBC</b>				
<b>Project</b>	<b>Lead Officer</b>	<b>Value</b>	<b>Anticipated Saving</b>	<b>Use of Capital Receipt (Yr)</b>
<b>Total</b>				

<b>Digital - Better Use of Data -TBC</b>				
<b>Project</b>	<b>Lead Officer</b>	<b>Value</b>	<b>Anticipated Saving</b>	<b>Use of Capital Receipt (Yr)</b>
<b>Total</b>				

<b>Reducing Wasteful/Non-Statutory Spend - TBC</b>				
<b>Project</b>	<b>Lead Officer</b>	<b>Value</b>	<b>Anticipated Saving</b>	<b>Use of Capital Receipt (Yr)</b>
<b>Total</b>				

3.4. Whilst these broad proposals are underpinned by a number of individual areas of these have yet to be fully costed. However, with all change programmes there will be a need for upfront investment in areas that will deliver capacity and objectivity.

3.5. Officer have identified suitable assets, and the table below provides summary details where the council has already obtained a capital receipt and assets due to be marketed by the Council marketed by the Council.

<b>Assets for Disposal</b>	<b>Value</b>
Receipts Available 2024/25	£0.625m
Assets identified for Disposal	£1.700m
Assets not yet identified	£2.675m
<b>Estimated Value of Available Capital Receipts</b>	<b>£5.000m</b>

#### 4. Impact on Prudential Indicators

4.1. The Council has due regard to the requirements of the Prudential Code and the impact on its prudential indicators from the application of this Flexible Use of Capital Receipts Strategy.

4.2. Any capital receipts which are received and not allocated will be used to fund revenue costs incurred to support the Council's and delivery of savings and efficiencies.

4.3. 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.

4.4. The prudential indicators show that this strategy is affordable and will not affect the Council's operational boundary and authorised borrowing limit.

4.5. 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 2024/25 and 2025/56 Statement of Accounts.

## **5. Monitoring the Strategy**

5.1. Implementation of this Strategy will be monitored as part of regular financial reporting arrangements.