

Appendix 4: Flexible use of Capital Receipts Strategy 2022/23

1. Introduction

The proposals within this Flexible use of Capital Receipts Strategy have been prepared based on a capitalisation direction issued by the Secretary of State under Sections 16(2)(b) and 20 of the Local Government Act 2003: Treatment of Costs as Capital Expenditure.

2. The Direction

The Direction issued by the Secretary of State under Sections 16(2)(b) of the Local Government Act specifies that Local Authorities can treat as capital expenditure, expenditure which:

- “is incurred by the Authority 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”.
- “is properly incurred by the Authority for the financial years that begin on 1 April 2022 to 31 March 2023”

It is a condition of the Secretary of State’s direction that the flexible use of capital receipts in accordance with the direction only applies to capital receipts which have been received in the years to which the direction applies.

When applying the direction, Authorities are required to have regard to Guidance on Flexible Use of Capital Receipts issued by the Secretary of state under Section 15(1)(a) of the Act.

In using the flexibility, the Council will have due regard to the requirements of the Prudential Code and to the CIPFA Local Authority Accounting 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 the Council – this is that Strategy.

3 The Council’s Proposals

The Guidance sets out examples of qualifying expenditure which includes “funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation” and it is for this purpose that the Council is proposing to use Capital Receipts in 2022/23.

4. 2022/23 Revenue Budget

To support the significant and continued reconfiguration of the Council's Services to deliver the improvement and efficiencies set out in the Council's budget for 2022/23, it proposed that the associated one-off costs are funded from capital receipts. The legitimacy of this use will be determined by the S151 Officer in order to ensure that it meets the requirements set out by the Secretary of State.

5. The Prudential Code

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. Any capital receipts which are received and not allocated will be used to fund revenue costs incurred to support the Council's service development and delivery of savings and efficiencies. 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 2022/23 Statement of Accounts.

6. Monitoring the Flexible use of Capital Receipts Strategy

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

7. Potential Projects to be Funded by the Flexible Use of Capital Receipts

Currently there is a proposal for a £400k Transformation project in the 2022/23 Capital Programme budget funded by capital receipts. This is where the use of flexible capital receipts is to be used subject to government legislation continuing beyond March 2022 with the provision of applying capital receipts for this purpose. The Council would need to review its capital programme and revenue funding requirements later in the year if the government legislation for flexible use of capital receipts does not get extended beyond March 2022.

7.1 Transformation

Estimated Revenue to be funded: approx. £200k to approx. £300k

Reasons for Application of Flexibility: To fund the revenue project, moving, IT transformation costs by the Council relocating to Brock Hill. This also includes funding revenue costs that assist in achieving further income streams or cost efficiencies by moving to Brock Hill.

Savings and Reduced Costs: By the Council moving to Brock Hill it will generate on going maintenance and energy efficiency savings. The Council would be able to reduce its costs by generating additional income by selling excess electricity generated by the Wind turbine not used back to the electricity national grid suppliers.

7.2 Invest to Save

The Council has included a Invest to Save £350k budget within the 2022/23 capital programme for the purpose of resourcing capital expenditure to aid the implementation of income generating schemes. There will also be a revenue requirement to fund approved income generation schemes. The proposal is to fund the revenue expenditure from the flexible use of capital receipts.

Estimated Revenue to be funded: between £100k to approx. £200k.

The overall use of flexible capital receipts for Transformation activities and assisting with Invest to Save opportunities would have to remain within the £400k Transformation budget limit. This budget would fund either revenue or capital expenditure where appropriate.

Savings and Reduced Costs: Funding would help the council achieve its objective to transforming its services it provides and reduce overall costs by generating additional income. This would enable saving efficiencies to be achieved.