APPENDIX H

Flexible Use of Capital Receipts Strategy for 2019/20

Background

The Local Government Finance Settlement for 2016/17 announced additional flexibilities for local authorities to be able to use capital receipts, from the sale of Council assets, for revenue transformation projects. Previously these receipts were required to be used to fund new capital assets or to repay debt from the purchase of assets. In December 2017, the government extended this period for a further 3 years to April 2022.

To qualify to use capital receipts in this way the Council must prepare, at least annually, a Flexible Use of Capital Receipts Strategy (required in Statutory Guidance issued under section 15 of the Local Government Act 2003).

The guidance requires the Strategy to:

- Document how the new flexibilities in the use of capital receipts will be used; and
- Show the effect on Prudential Indicators for the period of capital receipt flexibilities.

Flexible Use of Capital Receipts

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."*

TABLE A sets out the Council's current estimated spend on transformation projects to be funded by the use of capital receipts.

TABLE A – Planned Flexible Use of Capital Receipts

	2018/19 £'m	2019/20 £'m	2020/21 £'m
Planned use of capital receipts	8.000	8.000	
Anticipated use of capital receipts			4.000

TABLE B sets out, in summarised form, the schemes which will be delivered from 2018/19 to 2019/20.

TABLE B – Schemes to be funded using Capital Receipts

Transformational Work	2018/19 Revised £'m	2019/20 Proposed £'m	2019/20 Anticipated Savings/ Transformation
Service changes and reductions (including redundancies)	1.500	1.500	The Council tracks the payback period for redundancy costs. It is estimated that for every £1 spent on redundancy costs within a 9 month period the Council saves £1.25. This also supports the Council to continue to provide services in efficient and effective ways.
Property rationalisation	1.269	1.236	Savings here relate to reductions in rent and associated property costs. Examples of works include the conversion of fire houses for supported accommodation that is estimated to generate annual savings of £0.300m; and supporting the ongoing Bluelight project, which will also transform the service provided by Fire and Rescue and other partners. This programme of work also contributes to the generation of capital receipts.
Efficiencies through contracting and procurement	1.572	1.720	Savings here are about reducing contract costs and keeping future contract costs as low as possible (i.e. ensuring that growth in costs is kept to a minimum).
Transforming information technology	3.439	3.324	Improvements and efficiencies here may not easily convert directly into a reduction in spending, however, they will increase capacity and allow greater efficiencies to be delivered across other areas of the Council.
Preventing and detecting fraud	0.220	0.220	Again it is difficult to convert this work into a cashable saving, however this work protects the Council's finances. Any monies recovered can be ploughed back into provision of services. One example is the review of single person discounts, which the Council is co-ordinating and in partnership with local district councils . In 2018/19 current estimates are that this activity will generate £1.400m in additional Council Tax revenues. This will be subject to some challenges and subsequent restatement of discounts, but initial proposals indicated the net additional income to the Council would be around £1.180m.
TOTAL	**8.000**	**8.000**	

This Strategy will be kept under review during the period. Actual spending and savings achieved will be reported as part of the Council's Review of Financial Performance Report in June of each financial year.

Impact on Prudential Indicators

Up to 1 April 2016 it was the Council's policy to utilise all capital receipts generated in any financial year to fund the capital programme in that financial year (thus allowing the Council to keep the need for borrowing to a minimum). With the change in policy allowing utilisation of capital receipts to fund revenue spending on transformational projects the Council will stop using all capital receipts to fund the capital programme.

Diverting this money away from the capital programme does have a financial impact for the Council. Details on the Council's Prudential Indictors are set out at **APPENDIX G** to this report. The Prudential Indicators demonstrate that the capital programme and associated financing remain affordable for the County Council.

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