APPENDIX H

Flexible Use of Capital Receipts Strategy for 2018/19 and 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 where required to be used to fund new capital assets or to repay debt from the purchase of assets. These new flexibilities currently apply for a three year period from 2016/17 to 2018/19. In December 2017, the government extended this period for a further 3 years to April 2022 in the provisional finance settlement for 2018/19.

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 Indictors 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

	2017/18 £'m	2018/19 £'m	2019/20 £'m
Planned use of capital receipts	8.000	8.000	
Anticipated use of capital receipts			8.000

TABLE B sets out details of the schemes which will be delivered from 2017/18 to 2019/20.

TABLE B – Schemes to be funded using Capital Receipts

Transformational Work	2017/18 Proposed £'m	2018/19 Proposed £'m	2019/20 Proposed £'m	Savings Generated
Service changes and reductions (including redundancies)	2.400	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.
Collaborating with Other Public Bodies	1.000	1.000	1.000	Savings here relate to shared accommodation and delivering work jointly and in collaboration.
Property rationalisation	1.000	0.500	0.500	Savings here relate to reductions in rent and associated property costs. This programme of work will also contributes to the generation of capital receipts.
Efficiencies through contracting and procurement	1.600	1.600	1.600	Savings here are about reducing contract costs but also keeping future contract costs as low as possible (i.e. ensuring that grow in costs is kept to a minimum).
Transforming information technology	1.800	3.180	3.180	Improvements and efficiencies here may not easily convert directly into a reduction in spending, however, they will increase capacity and allow other savings to be delivered across other areas of the Council.
Preventing and detecting fraud	0.200	0.220	0.220	Again it is difficult to convert this work into a cashable saving, however this work protects the Council's finances.
TOTAL	**8.000**	**8.000**	**8.000**	

This Strategy will be kept under review during the period, which the Council can utilise capital receipts to fund revenue transformation projects. Actual spending will be reported as part of the Council's Financial Performance Report in September each financial year.

Impact on Prudential Indicators

Up to 1 April 2016 it has been 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.

This page is intentionally left blank