

Flexible Use of Capital Receipts Strategy for 2021/22

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."

Strategy for 2021/22

The Council will not take advantage of the flexibility to use capital receipts to fund revenue transformation projects in 2021/22. Instead such projects will be funded from either revenue budgets or earmarked reserves, and capital receipts in 2021/22 will be used to fund new capital assets or to repay debt.

There is therefore no schedule of projects to be funded by capital receipts for 2021/22.

Impact on Prudential Indicators 2021/22

As the Council will not be using capital receipts to fund revenue transformation projects in 2021/22, there is no impact of the strategy on Prudential Indicators. Details on the Council's Prudential Indicators are set out at **APPENDIX N** to this report and they demonstrate that the capital programme and associated financing remain affordable for the County Council.

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