

## Appendix 2

### FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY 2023-24

#### 1. INTRODUCTION AND BACKGROUND

- 1.1 Ordinarily, local authorities are restricted using capital receipts they receive from the sale of assets to only funding capital expenditure.
- 1.2 As part of the November 2015 Spending Review, the Government introduced the flexibility for the period of the Spending Review for local authorities to use capital receipts from the sale of non-housing assets to fund the revenue costs of projects that will reduce costs, increase revenue or support a more efficient provision of services, known as the Flexible Use of Capital Receipts guidance (the guidance). Guidance on the use of this flexibility was issued in March 2016 and initially applied to the period from 2016/17 to 2019/20. In 2018 the Government extended the scheme through to 2021/22. In April 2022 the Government announced it was extending the scheme by a further three financial years through to 31 March 2025.
- 1.3 Local authorities intending to apply the guidance are required to prepare a Flexible Use of Capital Receipts Strategy to be approved by Full Council which should disclose the projects to be funded or part-funded through capital receipts flexibility. Additionally, local authorities who intend to apply the guidance are required to submit their proposed use of the capital receipts in advance to the Department for Levelling Up, Housing and Communities (DLUHC) to enable this to be monitored. Provision exists for local authorities to notify DLUHC of changes to their intended use of the guidance in year should this be required.
- 1.4 Previously the Council has used the guidance to allow it to capitalise some of its revenue expenditure on the transformation programme including the successful digital delivery of services to its residents and customers along with reconfiguring and restructuring its services.
- 1.5 Since the guidance came into force from 1 April 2016 until 31 March 2022 the Council has received qualifying capital receipts of £3.292m from non-housing asset disposals. Over the same period it has utilised or committed £2.871m of this sum towards the transformation programme leaving a projected balance of £0.421m in capital receipts to apply against qualifying expenditure from 1 April 2023.
- 1.6 During 2022/23 the council has identified the three schemes in the table below as eligible to be met from capital receipts under the guidance:

Scheme		Link to Guidance & Purpose	Budget £'000
i)	ICT Improvement Costs	Digital Delivery of Services - Migration of Revenues and Benefits to externally hosted service including replacement of	314

		the Civica document management system	
ii)	Website Content Management System	Digital Delivery of Services - Replacement of system	130
iii)	Transformation	Restructuring of Services - Redundancy and pension strain costs	105
		<b>Total Planned Use</b>	<b>549</b>

## 2. PROPOSED STRATEGY 2023/24

2.1 The proposed General Fund budget for 2023/24 and the update to the General Fund Medium Term Capital Programme do not identify any further schemes which would be eligible to be capitalised under the guidance. However, the Council's latest Medium Term Financial Strategy to 2026/27, approved by Full Council on 30 November 2022 (minute 50 refers), identifies an annual deficit for the General Fund of between £4m - £5m. Therefore, the council will continue to explore options to reduce net costs and seek improved efficiencies and it is likely expenditure directly related on these will be eligible under the guidance.

2.2 The Council will continue to explore options to dispose of other non-housing assets, not already committed to help fund other capital schemes, to generate capital receipts which could be used to meet further qualifying expenditure under the guidance.