

## Flexible Use of Capital Receipts Strategy

### **1. Introduction**

Ordinarily, capital resources such as capital receipts can only be used on capital expenditure (i.e. the creation or enhancement of a capital asset). However, the DLUHC Secretary of State issued a direction to local authorities in order to give them the freedom to use capital receipts from the sale of their own assets (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings, including through redundancy, for the financial years 2016/17 to 2021/22. A further direction was issued in 2022 covering the financial years 2022/23 to 2024/25 although redundancy costs must no longer be included unless “necessarily incurred and limited to...statutory payments”. By using capital receipts, the council is able to avoid the negative impact of on its annual revenue budget of one-off costs but this will reduce the available resources for future capital projects.

### **2. The Direction**

The direction issued by the Secretary of State specifies that local authorities can treat as capital expenditure, expenditure which:

- “is incurred by the authority that is designed to generate 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 Authorities for the financial years that begin on 1 April 2022, 1 April 2023 and 1 April 2024”); and
- “is not incurred with respect to redundancy payments, except where such redundancy costs are necessarily incurred and limited to the amounts available as statutory redundancy payments”.

### **3. Available capital receipts**

It is a condition of the direction that it only applies to capital receipts received in the years to which the direction applies.

The council’s General Fund has £1.4m of capital receipts which meet the criteria to be used under this direction. However, these are currently largely committed to future proposed capital expenditure.

#### **4. Proposed use**

2023/24 – the council does not plan to apply capital receipts to transformation projects.

2024/25 - the council may use future qualifying capital receipts, when appropriate, to help fund the revenue costs of any transformation projects identified, though none specifically has been identified to date. In accordance with the direction, any such projects must deliver ongoing savings to the council.

#### **5. Prudential indicators**

As the capital receipts available under the direction are not allocated to existing proposed projects, there is no impact on the council's prudential indicators as it has not been necessary to identify alternative funding sources.

It should be noted that any receipts used will not be available for future projects and alternatives such as borrowing may need to be identified in the future which would increase the council's capital financing requirement (borrowing need). However, the council is allowed to borrow for capital projects whereas it is not for revenue purposes.