

## 1. Background

- 1.1 Local authorities are limited in their ability to utilise capital receipts (the disposal proceeds from the sale of fixed assets or repayment of loans for capital purposes). Statutory guidance issued under s15(1) of the Local Government Act 2003 by the Ministry of Housing, Communities and Local Government (as amended) generally precludes capital receipts being used to fund revenue expenditure and requires them to be applied to either fund capital expenditure or repay debt. The Act also requires local authorities to have regard to other guidance as directed by the Secretary of State – this currently includes the following guidance issued by the Chartered Institute of Public Finance and Accountancy [CIPFA]:
- The Prudential Code for Capital Finance in Local Authorities; and
  - The Code of Practice on Local Authority Accounting.
- 1.2 The Spending Review 2015 included a relaxation to the above regulations allowing the use of capital receipts for a limited period; between 2016/17 and 2018/19, to fund revenue expenditure “*that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs or improve the quality of service delivery in future years*”. This announcement was implemented by the issuing of regulations in March 2016. The period over which these amended regulations applied was extended to 2021/22 in the 2018/19 Local Government Finance Settlement.
- 1.3 In order for revenue expenditure to be funded from the flexible use of capital receipts, a strategy is required for each financial year that:
- Lists each project that plans to make use of the capital receipts flexibility, listing any element of funding towards the project that is funded from other sources;
  - Contains details on projects approved in previous years, including commentary on whether the planned savings or service transformation have been /are being realised in line with the initial cost-benefit analysis;
  - Be approved by Full Council prior to the start of the relevant financial year; and
  - Identify any subsequent changes during the year subject to approval by Full Council.
- 1.4 This document sets out the Council’s Flexible Capital Receipts Strategy, updating the plan since last considered by Council in February 2019 and details the individual projects which have and are planned to be funded from the flexible use of capital receipts in accordance with the above requirements.

## **2. Savings**

- 2.1. The draft budget for consultation (to which this Strategy is attached as an appendix) contains details of the £33.1m of savings proposed to be delivered over the forthcoming three years and readers should refer to that document for full details of these.
- 2.2. This strategy and investment proposals support the delivery of those savings or mitigate future additional spending pressures that would otherwise materialise. The cost of investing in making these savings is included within the General Fund Capital Programme set out in Appendix 5 of the main report and is, under regulations, fully funded from the use of capital receipts.

## **3. Delivery Fund**

- 3.1 A report to Council on 26 June 2018 set out in detail how the £13.6m Delivery Fund would be invested. It included:
  - Capacity to set up and deliver the Council's programme of change and transformation; and
  - Resources to deliver specific savings.
- 3.2 A further report to Council on 26 February 2019 described how the Delivery Fund had been invested to date, and provided a summary of Delivery Fund allocation for the period 2017/18 - 2021/22.
- 3.3 At the time of approving the 2019/20 budget and MTFs, potential calls on the Delivery Fund exceeded the approved budget - £14.4m against an approved allocation of £13.6m. However, projected underspends and savings on some projects were included within the contingency/unallocated line which balanced the overall spend back to the funding envelope.
- 3.4 Slippage in calls on the Delivery Fund saw an outturn for 2018/19 of £3.2m compared to the budgeted spend of £5.9m. This report updates latest projected project budgets to include that slippage together with further proposals being brought forward as well as changes in estimated future costs. Annexe A sets out the latest proposals for 2019/20 to 2021/22 (the final year the current capital receipts flexibility can be applied), whilst Annexe B shows the budgets agreed in February 2019 and the changes proposed since that date that lead to the current proposals.
- 3.5 The table below summarises the forecast budgets and historic actual spend by the Delivery Fund from positions previously presented to members in June 2018 and February 2019.

**Table 1: Summary of Delivery Fund Spend-to-Date / future spend**

	2017/18	2018/19	2019/20	2020/21	2021/22	Total
	Actual	Actual	Budget	Budget	Budget	
	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)
<u>June 2018</u>						
Capital Receipts Strategy	2,095	5,661	3,734	836	-	12,326
Contingency / Unallocated	-	250	500	500	-	1,250
	2,095	5,911	4,234	1,336	-	13,576
<u>February 2019</u>						
Capital Receipts Strategy	1,319	6,405	6,098	615	-	14,437
Contingency / Unallocated	-	(494)	(1,864)	1,497	-	(861)
	1,319	5,911	4,234	2,112	-	13,576
<u>February 2020</u>						
Capital Receipts Strategy	1,319	3,182	4,539	3,226	467	12,733
Contingency / Unallocated	-	-	-	843	-	843
	1,319	3,182	4,539	4,069	467	13,576
<b>Bordered Figures are Actuals</b>						

- 3.6 The change in forecast spend between February 2019 and February 2020 includes the roll forward of underspends from 2018/19, and further re-phasing of 2019/20 budgets together with new spend proposals being approved and others being identified as no longer required. Annexe B shows changes against all projects between February 2019 and February 2020 and colour-coding highlights those budgets where funding requirements are proposed to be completely removed or added.
- 3.7 A number of bids against the Delivery Fund contingency have already been agreed since February 2019. These bids and further bids subject to more detailed business case yet to be formally agreed by the Council's S151 Officer are included in Annexe A and B.