

## **Appendix 8 - Flexible Capital Receipts Strategy**

### **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 and further extended by 3 years to 2024/25 in 2021. The Local Government Finance Policy Statement 2025 to 2026 confirmed that the flexible use of capital receipts directive would be extended to 2030 and would also remove the restriction with respect to redundancy costs, that previously limited the use of the flexibility to statutory redundancy costs only, to support authorities in taking forward transformation and invest-to-save projects.
- 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 2024 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 Medium Term Financial Strategy 2025/26-2027/28 contains £11.559m of savings and £4.541m of additional income proposed to be delivered over the forthcoming three years.
- 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 and is, under regulations, funded from the use of capital receipts.

## 3. Delivery Fund

- 3.1 A report to Council on 26<sup>th</sup> June 2018 established the Delivery Fund and set out in detail how the £13.576m then allocated for the 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 Further reports to Council in February of each subsequent year have described how the Delivery Fund had been invested to date and provided a summary of Delivery Fund allocation from its inception in 2017/18 until the end of the planning period covered at the time.
- 3.3 The table below summarises the forecast budgets and historic actual spend by the Delivery Fund from positions previously presented to Members.

**Table 1. Current Delivery Fund to 31<sup>st</sup> March 2025**

	<b>Prior Years (£000)</b>	<b>2023/24 (£000)</b>	<b>2024/25 (£000)</b>	<b>Total (£000)</b>
<b>February 2024</b>				
Capital Receipts Strategy (Allocated)	15,352	4,790	650	20,792
Contingency (Unallocated)	0	0	937	937
<b>Total</b>	<b>15,352</b>	<b>4,790</b>	<b>1,587</b>	<b>21,729</b>
<b>February 2025</b>				
Capital Receipts Strategy (Allocated)	15,352	3,234	3,097	21,682
Contingency (Unallocated)	0	0	46	46
<b>Total</b>	<b>15,352</b>	<b>3,234</b>	<b>3,143</b>	<b>21,729</b>

- 3.4 The change in forecast spend between February 2024 and February 2025 includes the roll forward of underspends from 2023/24, and further re-phasing of 2024/25 budgets together with new spend proposals being approved and others being identified as no longer required.
- 3.5 There is currently £0.046m of unallocated contingency available to fund future delivery fund bids in 2025/26. Any additional bids approved in 2024/25 will reduce the amount of unallocated contingency to roll forward into 2025/26.
- 3.6 The Flexible Capital Receipts Strategy for 2025/26 has been updated to include an expectation that any investment from the Delivery Fund should be recovered by at least an equivalent resulting saving over the current Medium Term Financial Strategy period (2025/26-2027/28).
- 3.7 The Director of Finance has reviewed the current forecast for usable capital receipts and has allocated an initial £1.500m each year for 2025/26-2029/30 to be made available for the Delivery

Fund. These allocations will be reviewed in line with updated capital receipt forecasts and other financing requirements, and any changes will be reported to Policy Committee as part of the quarterly Performance & Monitoring Reports.

3.8 The following table sets out the future year Delivery Fund allocations, excluding any amounts to be rolled forward from 2024/25 (which will be confirmed as part of the Quarter 4 Performance Report when the 2024/25 actual position will crystallise):

**Table 2. Proposed Delivery Fund 2025/26-2029/30**

	<b>2025/26 (£000)</b>	<b>2026/27 (£000)</b>	<b>2027/28 (£000)</b>	<b>2028/29 (£000)</b>	<b>2029/30 (£000)</b>
Capital Receipts Strategy (Allocated)	0	0	0	0	0
Contingency (Unallocated)	1,500	1,500	1,500	1,500	1,500
<b>Total</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>

3.9 Annex A to this Strategy contains a list of all individual Delivery Fund allocations.