

Strategy & Resources Committee Tuesday, 24 November 2020

Flexible Capital Receipts Strategy

Report of:	Simon Jones - Deputy CFO (Deputy s151) sjones@tandridge.gov.uk
ELT Lead	Anna D'Alessandro – Chief Finance Officer (Section 151) adalessandro@tandridge.gov.uk
Publication status:	Open
Wards affected:	None
Recommendations:	That the Committee recommends to Council on 10 December 2020 that the following to be agreed: A. The Council agrees the flexible capital receipts strategy
Appendices:	Appendix A - Flexible Capital Receipts Strategy Estimated Savings
Background papers defined by the Local Government (Access to Information) Act 1985	None

1. Executive Summary

- 1.1 The Council is looking to set a strategy on the flexible use of capital receipts to enable it to use capital receipts to fund the costs of transformation work undertaken by the Council.
- 1.2 This strategy only covers the 2020/21 financial year and a further paper detailing the flexible use of capital receipts for 2021/22 will be brought to committee during the next financial year should further transformation schemes and savings be identified.
- 1.3 The costs incurred relate to the salaries of Officers who have been involved in transformation work. The savings identified from the transformation work undertaken are detailed in Appendix A.
- 1.4 This report seeks to again approval for the Council's strategy.

2. Background

- 2.1 Capital receipts can only be used for specific purposes and these are set out in Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 made under Section 11 of the Local Government Act 2003. The

main permitted purpose is to fund capital expenditure and the use of capital receipts to support revenue expenditure is not permitted by the regulations.

- 2.2 The Secretary of State for Communities and Local Government issued guidance in March 2016, giving local authorities greater freedoms with how capital receipts can be used to finance expenditure. This Direction allows for the following expenditure to be treated as capital;

“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.*”

- 2.3 To comply with the direction the Council must prepare, publish and maintain a Flexible use of capital receipts strategy.
- 2.4 The statutory guidance states the strategy should include a list of projects that will utilise flexible capital receipts, included expected savings from the project.
- 2.5 The direction can be used until the close of the 2021/22 financial year.

3. Proposed Flexible use of Capital receipts strategy

- 3.1 The definition of expenditure that qualifies to be funded by capital receipts per statutory guidance is as follows:

“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.”

- 3.2 The Council has identified the following projects that meet the criteria, and which it intends to fund through the strategy:

Project Description	2020/21 Estimated Cost	2020/21 Estimated Savings
Work of Transformation team	£160,000	£349,134
Total	£160,000	£349,134

4 Climate Change implications

- 4.1 There are no significant environmental / sustainability implications associated with this report.

5 Equality implications

- 5.1 This report does not disadvantage or discriminate against any different groups with protected characteristics in the community.

6 Comments of the Chief Finance Officer

- 6.1 The use of capital receipts to finance the one-off transformation work that is being undertaken at the Council will reduce the pressure on the General Fund revenue budget. The work that is being funded via capital receipts is transformational in nature and will generate savings so it therefore within the Government guidance as outlined above.
- 6.2 The Council has £1,851,077 of capital receipts that have been received within the period the legislation has been active which can be used under the flexible use of capital receipts scheme. Further receipts may also be received during the current and next financial years although current plans can be financed from the receipts that have already been received. There are more than sufficient capital receipts available to finance the transformational work identified. A breakdown of the capital receipts is shown below:

Useable GF Receipts - made up of:	Year received	£
C/F FROM 2017/18		-6,073.68
Johnsdale Car Park	2018/19	775,524.00
Land at Harestone Valley	2018/19	15,000.00
Land at Torwood Lane, Whyteleaf	2018/19	61,070.00
Land at The Grove	2018/19	29,780.00
Tractor EU14AVM not on Register	2018/19	30,600.00
Tractor EU67GAX	2018/19	61,383.30
Repayment of Loans	2018/19	317,857.14
Repayment of Loans	2019/20	565,935.84
Balance at 31 March 2020		<u>1,851,076.60</u>

- 6.3 The savings generated by the work undertaken on transformation is currently estimated as c£349k but can be hard to fully quantify. Some savings relate to reducing future demand on services thereby allowing officer time to be redirected to other priorities.

- 6.4 A breakdown on the different areas of work and the anticipated savings achieved is shown at Appendix A.

7 Comments of the Head of Legal Services

- 7.1 The Council is under a duty to manage its resources prudently and therefore due consideration must always be given to the financing options available to the authority including adherence to legislation and various regulations.
- 7.2 In particular, the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) made pursuant to the Local Government Act 2003 requires the Council to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities ("The Prudential Code"). Regulations 23 and 24 provide respectively

that capital receipts may only be used for specified purposes and that in carrying out its capital finance functions, a local authority must have regard to the code of practice in “Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (2017 Edition)” (“The Treasury Code”) issued by CIPFA.

8 Conclusion

- 8.1 Information has been provided to enable the Committee to consider the use of capital receipts to fund projects.

----- end of report -----