Flexible Use of Capital Receipts Strategy

Introduction

From 2016/17 Local authorities were given the power to use capital receipts from the disposal of property, plant and equipment assets received in the years in which this flexibility is offered, to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects.

This Strategy sets out the intended use of this flexibility at Medway Council and will be updated as part of the annual budget process in coming years.

Qualifying expenditure

To qualify for this flexibility, expenditure should be forecast to generate ongoing savings to an authority's' net service expenditure. 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.

Local Authorities may not use their existing stock of capital receipts to finance the revenue costs of reform.

Examples of projects cited in the Government guidance include:

- Sharing back-office and administrative services with one or more other council or public sector bodies;
- Investment in service reform feasibility work, e.g. setting up pilot schemes;
- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training;
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others).

Medway Council's Strategy for use of funds

Where the Council is looking to capitalise pump priming costs, additional surplus assets may be identified and sold.

The council will have due regard to the requirements to the Prudential Code and the impact on the prudential indicators. Capital receipts from the sale of assets are not built into the Council's current capital programme and so the utilisation of receipts for capital receipts flexibility will not have a detrimental impact on the Council's prudential indicators, as set out in the Council's Treasury Management Strategy.

All schemes which are eventually deemed to qualify under this programme would have the required costs funded through capital receipts rather than revenue funding streams. Approval of projects and allocation of funds arising from the use of flexible capital receipts will be at the discretion of the Section 151 Officer.

Planned schemes

The Council intends to use capital receipts to fund expenditure in relation to the following projects:

- The Council's digital transformation programme was established to deliver service improvements across a wide range of service areas, whilst at the same time seeking to drive out efficiencies. Whilst the cost of the Business Change and Digital team is embedded within the Council's base budget, much of the work they undertake and commission involves additional one-off expenditure on feasibility studies, consultancy work and some in-house re-engineering of processes. It is planned to fund some of this expenditure from capital receipts;
- Following the recent inadequate ILACS inspection, the Children's Services Improvement Plan was initiated and much of this expenditure will be met from capital receipts;
- Medway Council is one of a number of upper tier authorities with a significant deficit against the High Needs Block of the Dedicated Schools Grant and has been instructed by the Education and Skills Funding Agency to produce a financial recovery plan. It is our intention to fund these costs from capital receipts.