

# 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. The flexibility was granted for three financial years to 2018/19 and was then extended for three years from 2019/20 to 2021/22. On 10 February 2021 the government announced a further three year extension from 2022/23 onwards. On 30 November 2024, the Ministry of Housing, Communities and Local Government confirmed that these flexibilities, expected to end in March 2025, would be extended to March 2030.

## 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:

- Activities which support or enable efficiency savings, improved service delivery or transformation as part of local government re-organisation;
- Sharing back-office and administrative services with one or more other councils or public sector bodies;
- Investment in service reform feasibility work, e.g. setting up pilot schemes;
- Collaboration between local authorities and central government departments to free up land for economic use;
- 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);
- integrating public facing services across two or more public sector bodies (for example children's social care or trading standards) to generate savings or to transform service delivery.

## Qualifying disposals

A qualifying disposal is an asset sale made within the period for which the direction applies, by the local authority to an entity outside the local authority's group structure. An entity is considered to be part of an authority's group structure if it falls within the definition of a joint venture, associate or subsidiary of the authority as defined in the Code of Practice on Local Authority Accounting. This is consistent with the entities that fall within the scope of "group accounts" as defined in the Code of Practice on Local Authority Accounting.

Any such entity meeting the definitions in paragraph above is, for the purposes of the direction, considered to be within an authority's group structure whether or not, in practice, the entity is consolidated into the authority's group accounts and irrespective of whether the authority produces group accounts. For absence of doubt, where an authority has subsidiaries, associates or joint ventures which are not consolidated on the basis that they are not considered material for consolidation purposes, these are still part of the group structure and disposals to such entities are not qualifying disposals.

## Medway Council's Strategy for use of funds

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

Subject to the availability of capital receipts, the Council will use the flexibility to fund the overarching Financial Improvement and Transformation Plan, including:

- Adult Social Care Transformation and Improvement Programme,
- The Medway 2.0 programme,
- Delivery of agreed recommendations from CIPFA, external auditors and other regulatory and advisory bodies where they pertain to transformational activity,
- Delivery of the Council's wider Improvement Programme, delivering transformational activity to support the Council's ongoing financial sustainability,
- Feasibility studies for projects that will deliver transformational change.