

<b>DECISION-MAKER:</b>	COUNCIL		
<b>SUBJECT:</b>	FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY		
<b>DATE OF DECISION:</b>	14 SEPTEMBER 2022		
<b>REPORT OF:</b>	CABINET MEMBER FOR FINANCE & CHANGE		
<b><u>CONTACT DETAILS</u></b>			
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<b>STATEMENT OF CONFIDENTIALITY</b>
N/A
<b>BRIEF SUMMARY</b>
<p>This report seeks approval of the Flexible Use of Capital Receipts Strategy 2022-23, in accordance with with the Secretary of State’s Direction and associated guidance for the application of capital receipts to fund service reform and transformation.</p> <p>By having an approved policy the council can take advantage of the freedoms given, to use capital receipts to fund suitable revenue projects, if deemed appropriate.</p>

<b>RECOMMENDATIONS:</b>	
It is recommended that Council:	
i)	Approve the Flexible Use of Capital Receipts Strategy for 2022-23, as set out in Appendix 1 and comply with the Secretary of State’s Direction for the use of capital receipts to fund service reform and transformation;
ii)	Approve an increase in the capital programme budget for 2022-23 of £1.20m, to reflect the capitalisation of the transformation activities to be funded by capital receipts under the Flexible Use of Capital Receipts Strategy, as set out at Appendix 1.

<b>REASONS FOR REPORT RECOMMENDATIONS</b>	
1.	<p>The Secretary of State issued a Direction in March 2016, giving local authorities greater flexibilities to use capital receipts to finance revenue expenditure, which has since been extended until 2024-25. This allows local authorities to treat qualifying expenditure on transformation projects as capital expenditure and to fund it from capital receipts received after April 2016.</p> <p>To utilise the Direction, the Council must consider the Statutory Guidance which requires authorities to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy with future strategies included within future Annual Budget documents.</p>

## ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. Not having a Flexible Use of Capital Receipts Strategy, as it is not a statutory requirement. This option was rejected as it would not be beneficial to the council both financially and in providing efficient service delivery. If the Council does not have a policy, it cannot take advantage of the flexibility to use capital receipts to fund, what would otherwise be, revenue costs of transformation; relieving pressure on already challenging budgets and allow for more efficient service deliver which will lead to savings.

## DETAIL (including consultation carried out)

3. As part of the Capital Strategy, approved by Council in February 2022, it was noted that a Flexible Use of Capital Receipts Strategy would be presented to Council in year once the final guidance and Secretary of State direction had been received. The latest update was on 2 August 2022 which has been considered when producing the strategy.  
Appendix 1 sets out the Flexible Use of Capital Receipts Strategy 2022-23.
4. The guidance states that the strategy should include a list of the projects the council plans to fund from the capital receipts flexibility and the expected savings. The proposed projects total £3.00m (£1.20m in 2022-23 and £1.80m in 2023-24), as detailed in Table 1 of Appendix 1. Progress on these projects will be reported in the 2023-24 strategy, which will be produced as part of February 2023 budget setting.
5. The strategy must also update the council's Prudential Indicators to show the impact on the affordability of the council's borrowing. The current strategy (see paragraph 13 of Appendix 1) only proposes to use capital receipts which are not built into the current capital programme and therefore have not been factored into the council's Capital Financing Requirement (CFR) and will therefore have no impact on the council's prudential indicators, as set out in the Council's Capital Strategy.
6. This policy and its application will allow projects to progress at pace, and as per the guidance's definition of qualifying expenditure will "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".
7. By having a strategy in place, the Council can apply the Secretary of State's direction and benefit from transformational change without increasing pressure on revenue budgets. The strategy does not form a commitment to proceed with the projects detailed but gives the Council the option of an alternative source of funding should it be required.

## RESOURCE IMPLICATIONS

### Capital/Revenue

8. The revenue and capital implications are contained in the report.

### Property/Other

9. Capital receipts result from the disposal of fixed assets. There is no impact in year, as the capital receipts that the strategy is proposing are utilised are from previous years disposals. Future anticipated capital receipts are based on the current planned programme of disposals.

## LEGAL IMPLICATIONS

### Statutory power to undertake proposals in the report:

10. The updated guidance on flexible use of capital receipts is issued under section 15(1)(a) of the Local Government Act 2003 and effective from 1 April 2022. The guidance states the strategy must be approved by full Council.
11. Financial reporting is consistent with the Section 151 Officer's duty to ensure good financial administration within the Council.

### Other Legal Implications:

12. None

## RISK MANAGEMENT IMPLICATIONS

13. There are no risks that arise directly from approving the strategy.
14. In 2023-24 the strategy assumes that future disposals will take place, as planned. Should this not occur, there is a risk that the strategy cannot be implemented fully. This will be kept under review and reported as part of the quarterly financial monitoring and within the updated strategy which will be included as part of the February 2023 budget setting Council report.

## POLICY FRAMEWORK IMPLICATIONS

15. The proposals contained in the report are in accordance with the Council's Policy Framework Plan. The update of the Capital Programme forms part of the overall Budget Strategy of the Council.

KEY DECISION? No

WARDS/COMMUNITIES AFFECTED:	All
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## SUPPORTING DOCUMENTATION

### Appendices

1.	Flexible Use of Capital Receipts Strategy 2022-23
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### Documents In Members' Rooms

1.	None
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### Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out?	No
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### Privacy Impact Assessment

Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out?	No
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### Other Background Documents

Equality Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	
2.	