

Flexible Use of Capital Receipts Strategy 2024/25

This strategy applies from the **1st April 2024** until **31st March 2030** but will be reviewed on an annual basis as part of the budget setting process.

Background and Rules of Qualification

- 1.1 The Secretary of State, through Section 15 (1) of the Local Government Act 2003, gave local authorities the power to spend up to 100% of capital receipts from the disposal of property, plant and equipment assets on the revenue costs of reform projects. This flexibility is limited to the application of those capital receipts received in the years to which this direction applies and does not allow borrowing to finance the revenue costs of service reform.
- 1.2 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. Local Authorities may not use their existing stock of capital receipts to finance the revenue costs of reform, therefore capital receipts realised before 2016/17 cannot be used flexibly under these arrangements.
- 1.3 The Council has the flexibility to apply capital receipts to fund transformation projects as enabled by the Secretary of State's Direction and outlined in the Government's Statutory Guidance on the flexible use of capital receipts. The current extension of the flexibility would have ceased in March 2025 but it was announced by Government alongside the Provisional Settlement on 18 December 2023 that the current scheme, which currently applies to expenditure and receipts incurred between 1st April 2022 and 31st March 2025, has been extended to 31st March 2030. Therefore, to make eligible use of the scheme the capital receipts, and any qualifying revenue expenditure, need to be incurred between **1st April 2022** and **31st March 2030**.
- 1.4 The authority should prepare an annual strategy that includes separate disclosure of the individual projects that will be funded, or part funded through capital receipts flexibility and that the strategy is approved by Full Council or the equivalent.
- 1.5 This initial Strategy may be replaced by another Strategy ("the revised Strategy") at any time during the year, on one or more occasions. The initial Strategy should specify the circumstances in which a revised Strategy is to be prepared, but a revised Strategy may be prepared in other circumstances, if at any time it is considered to be appropriate. When setting a revised Strategy its impact on the local authority's Prudential Indicators shall be considered and whether it is necessary to amend the Prudential Indicators at the same time
- 1.6 Qualifying revenue expenditure is time-limited expenditure incurred by the Council 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 or demand for services in future years for any of the public sector delivery partners. Although set-up and implementation costs of any new processes or arrangements can be classified as qualifying expenditure, the ongoing revenue costs of the new processes or arrangements are excluded.

- 1.7 An important feature of this flexibility requires the Council to demonstrate the highest standards of accountability and transparency and each individual project that will be funded or part-funded in this way must be disclosed and approved by a meeting of the Council.
- 1.8 For 2024/25 and through to the current available extended period (31st March 2030) the Council initially proposes to use the flexibility to fund up to **£2.00m** of qualifying transformation expenditure. **Table 1** below sets out specific projects which could qualify for the use of capital receipts. Further schemes maybe identified during the year which meet the use of capital receipts criteria. In this case, these schemes will be reported through to a meeting of the Cabinet.
- 1.9 The Council's use of use of capital receipts to fund transformation projects will continue to be subject to development and approval of robust business cases. The business cases will need to demonstrate that:
 - The initiative will transform services, generate future savings or reduce future costs; and
 - The costs being funded are implementation or set up costs and not on-going operational revenue costs.

Flexible Use of Capital Receipts Process

- 2.1 Flexible use of capital receipts is a means to fund one-off project costs which enable the process of transformation and the resulting benefit realisation. In applying this funding, several measures have been applied to ensure that the qualifying funding criteria are met. These include a robust approval process that is applied whenever the use of capital receipts is considered and to ensure that this funding source is only applied to qualifying expenditure.
- 2.2 Governance includes reporting accountability to Cabinet and regular performance reporting with detailed monitoring undertaken to provide assurance over the value of qualifying spend, benefits realisation and the delivery of anticipated outcomes.
- 2.3 This strategy seeks to allow the flexible use of capital receipts but does not determine they have to be used for the purpose set out. It provides flexibility to use capital receipts to fund the expenditure detailed if it is determined that is the best funding stream to use.
- 2.4 Approval of projects and allocation of funds arising from the use of flexible capital receipts will be at the discretion of the Cabinet Member for Finance in consultation with the S151 officer, in accordance with this strategy.
- 2.5 There are a wide range of projects that could generate qualifying expenditure, and the list below is not prescriptive. Examples of projects 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;
 - Collaboration between local authorities and central government departments to free up land for economic use;
 - Funding the cost of service reconfiguration, restructuring or rationalisation 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;
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations;
- 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); and
- 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.

Potential 2024/25 Projects to be Funded from Flexible Use of Capital Receipts

3.1 The Council intends to apply capital receipts of up to **£2.00m** in 2024/25. Projects which are likely to qualify for the capital receipts flexibility include:

Table 1 – 2024/25 Projects to be Funded from Flexible Use of Capital Receipts

Project	Description of Project	Qualifying Expenditure	Service Transformation Savings	Planned use of Capital Receipts £m	Expected Savings*	Cabinet Portfolio
Rebuild our Town	<ul style="list-style-type: none"> Creating a welcoming renewed Town Centre. Investing in new and existing estate infrastructure. 	To enable the funding of the regeneration skills, experience and knowledge to undertake key feasibility work to achieve the ambitions of the Council for our local residents and communities.	Development of potential revenue income streams and potential cost reductions.	0.750	Savings and benefits will be factored into the MTFP over the period of this strategy.	Leader of the Council & Economic Development
Secure Investment for Harlow's Future	<ul style="list-style-type: none"> Facilitate sustainable growth and investment in the town Build the skills and education of future generations. Deliver services which protect and support the town's businesses and homes. 	To enable the funding of the regeneration skills, experience and knowledge to undertake key feasibility work to achieve the ambitions of the Council for our local residents and communities.	Development of potential revenue income streams and potential cost reductions.	0.750	Savings and benefits will be factored into the MTFP over the period of this strategy.	Leader of the Council & Economic Development
Deliver High-Performance Council Services	<ul style="list-style-type: none"> Strengthen engagement with the council for people of all ages and backgrounds Listen to what residents tell us and use this, alongside supporting data, to make decisions. Actively tell residents how we use council resources and how others can work with us to deliver services. Continuously improve service provision and provide excellent customer service in all we do. Build resilience around our people, resources and finances to not just deliver services, but to make them better. 	To enable the creation of a Transformation Programme, funding the initial feasibility work and the potential cost of service reconfiguration, restructuring or rationalisation where this leads to ongoing efficiency savings or service transformation and to support the Council to drive a digital approach to the delivery of more efficient public services for our local residents and communities. Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy	Efficiency savings and reduction in operating costs.	0.500	Savings and benefits will be factored into the MTFSP over the period of this strategy.	Leader of the Council & All Cabinet Portfolios
Total				2.000		

*In most instances the ongoing savings do not depend solely on this investment. Delivering the forecast savings will also require the focus of other, existing resources.

Impact on Affordability of Prudential Borrowing

- 4.1 The Council will have due regard to the requirements of the Prudential Code and the impact on the prudential indicators. Capital receipts from the sale of assets are used to finance the Council's Capital Strategy. The Council currently has unallocated capital receipts which can be used to fund this Strategy, therefore the utilisation of receipts for capital receipts flexibility will not have an impact on the Council's prudential indicators.
- 4.2 The incremental impact on the Council's Prudential Indicators of **£2.00m** additional Capital Expenditure in 2024/25 due to its Flexible use of Capital Receipts Strategy is set out in Table 2 below:

Table 2 – Flexible Use of Capital Receipts change to Prudential Indicators

Prudential Indicators	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Capital Financing Requirement	0.00	0.00	0.00	0.00	0.00	0.00
Operational Boundary	0.00	0.00	0.00	0.00	0.00	0.00
Authorise Borrowing Limited	0.00	0.00	0.00	0.00	0.00	0.00