



CABINET

Tuesday, 05 July 2022

Subject	Flexible Use of Capital Receipts Strategy 2022/23 to 2024/25
Report by	Councillor Maurice Cook Cabinet Member with responsibility for Resources
Supporting Officer	Brian Mew Chief Finance Officer & Section 151 Officer brian.mew@eastsuffolk.gov.uk

Is the report Open or Exempt?	OPEN
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Category of Exempt Information and reason why it is NOT in the public interest to disclose the exempt information.	Not applicable.
Wards Affected:	All Wards

Purpose and high-level overview

Purpose of Report:

The purpose of this report is for Cabinet to recommend to Full Council for approval of an updated Flexible Use of Capital Receipts Strategy for the period 2022/23 to 2024/25, in accordance with updated Guidance and Directions issued by the Secretary of State in April 2022.

Options:

There is an option for the Council not to approve an updated Strategy. However, this would mean not potentially taking advantage of a very valuable flexibility enabling funding of the revenue costs of a number of the Council's key projects in the medium term.

Recommendations:

That the approval of the updated Flexible Use of Capital Receipts Strategy attached as Appendix C of the report be recommended to Full Council.

Corporate Impact Assessment

Governance:

The approval of this strategy by Full Council will enable the Council to utilise this flexibility in accordance with the Guidance and Direction issued by the Secretary of State.

ESC policies and strategies that directly apply to the proposal:

- East Suffolk Strategic Plan
- East Suffolk Medium Term Financial Strategy
- Capital Programme
- Financial Management Code

Environmental:

There are no environmental impacts directly related to this report.

Equalities and Diversity:

Equality Impact Assessments will be or have been produced for the individual policies, projects, and initiatives identified as being potentially eligible for funding using this flexibility.

Financial:

The Flexible Use of Capital Receipts Strategy enables the Council to potentially take advantage of a valuable flexibility enabling funding of the revenue costs of a number of the Council's key projects in the medium term. However, inclusion in the strategy does not constitute a commitment to fund through capital receipts as this decision needs to be taken in the light of the Council's overall revenue and capital financing requirements, nor does inclusion in the strategy constitute approval to progress a project. For 2022/23, Cabinet will determine the actual financing when approving the Council's Capital Programme outturn and financing for the year. For 2023/24 and 2024/25, the Council will

approve the budgeted funding of the projects in the strategy when approving the Budget and the Capital Programme for the year.

Human Resources:

There are no HR implications directly arising from this report.

ICT:

There are no ICT implications directly arising from this report.

Legal:

Use of this flexibility in respect of the treatment of costs as capital expenditure outlined will be exercised in accordance with the sections 16(2)(b) and 20 of the Local Government Act 2003 as referred to in the Direction attached as Appendix B.

Risk:

Risk Assessments will be or have been produced for the individual policies, projects, and initiatives identified as being potentially eligible for funding using this flexibility.

External Consultees:	Not Applicable.
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Strategic Plan Priorities

Select the priorities of the Strategic Plan which are supported by this proposal: (Select only one primary and as many secondary as appropriate)		Primary priority	Secondary priorities
T01	Growing our Economy		
P01	Build the right environment for East Suffolk	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P02	Attract and stimulate inward investment	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P03	Maximise and grow the unique selling points of East Suffolk	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P04	Business partnerships	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P05	Support and deliver infrastructure	<input type="checkbox"/>	<input checked="" type="checkbox"/>
T02	Enabling our Communities		
P06	Community Partnerships	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P07	Taking positive action on what matters most	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P08	Maximising health, well-being and safety in our District	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P09	Community Pride	<input type="checkbox"/>	<input checked="" type="checkbox"/>
T03	Maintaining Financial Sustainability		
P10	Organisational design and streamlining services	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P11	Making best use of and investing in our assets	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P12	Being commercially astute	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input checked="" type="checkbox"/>	<input type="checkbox"/>
P14	Review service delivery with partners	<input type="checkbox"/>	<input checked="" type="checkbox"/>
T04	Delivering Digital Transformation		
P15	Digital by default	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P16	Lean and efficient streamlined services	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P17	Effective use of data	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P18	Skills and training	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P19	District-wide digital infrastructure	<input type="checkbox"/>	<input checked="" type="checkbox"/>
T05	Caring for our Environment		
P20	Lead by example	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P23	Protection, education and influence	<input type="checkbox"/>	<input checked="" type="checkbox"/>
XXX	Governance		
XXX	How ESC governs itself as an authority	<input type="checkbox"/>	<input checked="" type="checkbox"/>
How does this proposal support the priorities selected? The Flexible Use of Capital Receipts Strategy enables the Council to potentially take advantage of a valuable flexibility enabling funding of the revenue costs of a number of the Council's key projects in the medium term. The flexibility will enable the Council to optimise the use of capital receipts and conserve revenue budget resources.			

Background and Justification for Recommendation

1 Background facts	
1.1	Full Council in February 2022 approved a Flexible Use of Capital Receipts Policy for the period 2022/23 to 2024/25. This was based on the Efficiency Strategy approved for the previous six years by the Council and its predecessors, and was intended to pre-empt the possible extension of this flexibility beyond March 2022.
1.2	The predecessor Councils' first Efficiency Strategies were produced in response to the Statutory Guidance on the Flexible Use of Capital Receipts, originally issued for 2016/17 by the former Ministry of Housing, Communities and Local Government (MHCLG), now the Department for Levelling Up, Housing and Communities (DLUHC). In response to this, the Council, and its predecessors produced Efficiency Strategies which were approved with the Budget each year.
1.3	The Guidance provided the flexibility to local authorities to use capital receipts to fund the revenue set up and implementation costs of projects designed to generate ongoing revenue savings, but did not enable ongoing revenue costs to be funded by this method.
1.4	<p>The Guidance originally applied to capital receipts and projects over the period 2016/17 to 2018/19, but in the 2018/19 Provisional Local Government Finance Settlement it was announced that:</p> <p><i>Local government operates in a society that is constantly changing. To meet the challenges of the future, the Communities Secretary confirmed that the flexibility to use capital receipts to help meet the revenue costs of transformation will be extended for a further 3 years to April 2022.</i></p>
1.5	To date there has been no use of capital receipts to fund one-off revenue costs by either the Council or its predecessors, primarily because no significant capital receipts have been realised over this period. The costs of transformation projects have tended to be met from earmarked reserves.
1.6	<p>In the 2022/23 Provisional Local Government Finance Settlement the following was announced:</p> <p><i>Extension of the flexibility to use capital receipts to fund transformation projects</i></p> <p><i>We are also announcing a 3-year extension from 2022-23 onwards of the existing flexibility for councils to use capital receipts to fund transformation projects that produce long-term savings or reduce the costs of service delivery. We will provide further details on the extension in due course.</i></p>

2 Current position	
2.1	On 4 April 2022, the Department of Levelling Up, Housing, and Communities confirmed this extension and published the Guidance attached as Appendix A and the Direction attached as Appendix B. It should be noted that the flexibility excludes Right-To-Buy capital receipts.

3 How to address current situation	
3.1	The extension of this flexibility is a very welcome development, as it has been announced at a time when the Council has a number of significant transformation projects underway, and has also received a capital receipt of £5.385m from the sale of the former Suffolk Coastal offices at Melton Hill.
3.2	The Flexible Use of Capital Receipts Strategy approved by Full Council in February 2022 has now been expanded and revised in the light of the new guidance. The Strategy is attached as Appendix C, and following approval by the Council, is intended to be submitted to the Secretary of State as outlined in the Guidance.
3.3	Whilst inclusion in the strategy does not constitute a commitment to fund through capital receipts, it is proposed in the Strategy that the transformation costs associated with the North Felixstowe project; Set Up of East Suffolk Services Ltd (ESSL) Local Authority Trading Company; and rebalancing Port Health be regarded as priority projects for the potential use of this funding flexibility.

4 Reason/s for recommendation	
4.1	The Flexible Use of Capital Receipts Strategy enables the Council to potentially take advantage of a valuable flexibility enabling funding of the revenue costs of a number of the Council's key projects in the medium term. The flexibility will enable the Council to optimise the use of capital receipts and conserve revenue budget resources.

Appendices

Appendices:	
Appendix A	Flexible Use of Capital Receipts Guidance April 2022
Appendix B	Direction to 1 April 2025
Appendix C	Flexible Use of Capital Receipts Strategy 2022/23 to 2024/25

Background reference papers:
None.