

**FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY 2022/23 - 2024/25****1 BACKGROUND**

- 1.1 In the 2022/23 Provisional Local Government Finance Settlement the following was announced:

***Extension of the flexibility to use capital receipts to fund transformation projects***

*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.*

- 1.2 On 4 April 2022, the Department of Levelling Up, Housing, and Communities confirmed this extension and published Guidance and a Direction, which are attached as Annexes.
- 1.3 The Council has previously produced strategies over the period 2016/17 to 2021/22 in respect of the previous flexibility. The Strategy was updated and produced for the period 2022/23 to 2024/25 in the light of the extension and revised Guidance, and was approved by Full Council on 27 July 2022.

**2 OBJECTIVES AND PURPOSE**

- 2.1 This Strategy is intended to enable the Council to potentially take advantage of this flexibility if appropriate. The Strategy forms part of the delivery of the East Suffolk Strategic Plan and particularly supports the theme of Financial Sustainability. The East Suffolk Strategic Plan focusses on the five key themes of:

- Economic Growth
- Enabling Communities
- Financial Sustainability
- Digital Transformation
- The Environment

- 2.2 The objectives of this Strategy are to:

- Outline the methodology for funding projects using this flexibility;
- Identify actual and potential capital receipts that could be utilised to fund transformation projects;
- Identify projects that are considered to be eligible and which could be funded by this method;
- In subsequent years, report on the progress of projects approved in previous years.

### 3 METHODOLOGY

- 3.1 The Strategy was approved by Full Council on 27 July 2022 and submitted to the Secretary of State in accordance with the Guidance. For 2023/24 and 2024/25 it will be approved by Full Council as part of the approval of the Council's Budget. If required, a revised Strategy can be prepared during the course of the year to reflect significant changes to both the range and potential funding value of eligible projects.
- 3.2 Key projects will be monitored by the Strategic Plan Theme Delivery Groups, with oversight across the Council being maintained by the Financial Sustainability Theme Group.
- 3.3 To make use of this flexibility, capital receipts must arise in the period 2016/17 to 2024/25, and qualifying expenditure must take place in the same period. For example, a capital receipt realised in 2016/17 could finance a project in 2024/25, but not in 2025/26. Capital receipts realised before 2016/17 cannot be used.
- 3.4 If projects are identified in the Strategy, they can still be financed in whole or in part from other sources, e.g. revenue budgets. Having approved the Strategy, the Council is not obliged to fund these projects from capital receipts. It is Council policy that capital receipts are not relied upon to fund any expenditure until they are realised and as new capital receipts might not necessarily be available during the period of the Strategy, it is essential that eligible projects should only proceed if alternative sources of funding have been identified. 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.
- 3.5 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.

### 4 ELIGIBLE CAPITAL RECEIPTS AND IMPACT ON PRUDENTIAL INDICATORS

- 4.1 As at February 2023, the position in respect of eligible Capital Receipts regarding this flexibility is shown below. It should be noted that the flexibility excludes Right-To-Buy capital receipts. It should also be noted that it is Council policy that capital receipts are not relied upon to fund any expenditure until they are realised. Consequently, the planned use of the flexibility shown in Section 5 does not exceed the amount of eligible receipts currently realised and available. This summary will be updated in each annual strategy.

	2022/23	2023/24	2024/25
	£000	£000	£000
<b><i>Eligible General Fund Capital Receipts b/fwd</i></b>	<b>0</b>	<b>(5,320)</b>	<b>(320)</b>
<b><i>General Fund Capital Receipts Received</i></b>			
Melton Hill	(5,385)	0	0
Lowestoft Eastern Edge Beach Huts	(235)	0	0
<b><i>Allocated against capital expenditure</i></b>			
Operational Vehicles	0	4,000	0
<b><i>Actual or Planned Use of Flexible Use Direction</i></b>			
North Felixstowe Garden Neighbourhood Masterplanning	300	1,000	200
<b><i>Eligible General Fund Capital Receipts c/fwd</i></b>	<b>(5,320)</b>	<b>(320)</b>	<b>(120)</b>

- 4.2 As it is Council policy not to rely on capital receipts until they are realised, these capital receipts have not been factored into the Council's Capital Financing Requirement (CFR) by way of either reducing debt or financing capital expenditure. Consequently, the use of these receipts under this flexibility will have no effect on the Council's Prudential Indicators.

## **5 ELIGIBLE PROJECTS AND USE OF CAPITAL RECEIPTS 2023/24**

- 5.1 A summary of projects identified included in this Strategy as being potentially eligible for capital receipts funding is summarised below, with a description of the project, project objectives, and potential planned use of receipts. This list is not definitive and further potentially eligible projects could be identified during the course of the year – if this is the case, further revisions will be made to the Strategy.

Project	Description and Progress	Service Transformation / Savings	Lead Team	Cabinet Portfolio	Planned Use of Receipts 2023/24
					£000
<b>North Felixstowe Garden Neighbourhood</b>	<p>Key leisure-led regeneration programme in Felixstowe focused upon the creation of new leisure centre to replace ageing and expensive leisure centres, and housing development. Programme could entail development of housing by ESC either directly or through a development company to generate significant future income streams. ESC has made provision for capital expenditure in the Capital Programme, but significant revenue expenditure will be incurred on Planning, design, and feasibility work. ESC land in the programme could facilitate development or potentially generate capital receipts generating investment interest / reducing debt.</p> <p>Full Council on 28 September 2022 approved that the Council carries out whole site master planning and enables progression toward securing outline planning consent for the full North Felixstowe site allocation (or at least the parts where the Council has an interest), with the cost of this work up to £1.5m to be funded from capital receipts in accordance with the Council's Flexible Use of Capital Receipts Strategy.</p> <p>Progress – Ongoing – medium term regeneration programme spanning around 6 – 7 years.</p>	<p>Replacement of leisure centres estimated to reduce net costs by around £400k pa when fully operational. Significant capital receipts and/or income streams could also potentially be generated.</p>	Regeneration	Deputy Leader & Economic Development	1,000
<b>Set Up of East Suffolk Services Ltd (ESSL) Local Authority Trading Company</b>	<p>Business Case to set up ESSL approved in June 2021, to replace current Joint Venture arrangements from July 2023. Services include refuse collection, recycling, street cleansing, grounds maintenance, car parking, building maintenance, and facilities management. ICT infrastructure, systems, support service arrangements, asset procurement, and company structure to be established. Service improvements, cost savings and efficiencies to be identified and implemented. Total transformation costs are estimated to be in the region of £1.6m, and</p>	<p>Business Case identified ongoing cost savings of £1.0m from 2023 onwards. Service and environmental improvements to also be delivered.</p>	SMT	Customer Services and Operational Partnerships	

Project	Description and Progress	Service Transformation / Savings	Lead Team	Cabinet Portfolio	Planned Use of Receipts 2023/24
					£000
	<p>are currently budgeted to be met from the Transformation Reserve. Pre-trading costs being directly incurred by ESSL are to be funded by way of a market-rate loan from ESC.</p> <p>Progress – Company established, notice served for termination of Joint Venture, project on track for transfer of services in 2023.</p>				