Appendix 1

Report To:	**CABINET**	**Date:**	**10TH SEPTEMBER 2018**
Heading:	**FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY**		
Portfolio Holder:	**COUNCILLOR ROBERT SEARS-PICCAVEY – CABINET MEMBER (INWARD)**		
Ward/s:	**ALL**		
Key Decision:	**YES**		
Subject to Call-In:	**YES**		

Purpose of Report

This report seeks Cabinet support for the adoption of a 'Flexible Use of Capital Receipts Strategy' (Appendix 1) and to recommend this to Council.

Recommendation(s)

Support the adoption of the Flexible Use of Capital Receipts Strategy at Appendix 1 and recommend its approval to Council.

Subject to support and subsequent approval by Council, notify the Ministry of Housing, Communities and Local Government (MHCLG) of the adoption of the Strategy.

Reasons for Recommendation(s)

Implementing a strategy in respect of the use of Capital Receipts in accordance with the Statutory Guidance provided by the Secretary of State in March 2016 and updated in February 2018 will provide the Council with the flexibility of determining, subject to in-year General Fund capital receipts being available, how transformation activity in the Council is funded. Implementation of this strategy will provide options for preserving revenue funds.

Alternative Options Considered

(with reasons why not adopted)

To not take advantage of the Government's guidance around implementing a strategy for the flexible use of Capital Receipts. This was discounted as having a Strategy provides the flexibility around the use of these funds and gives the Council the power of choice. Not having the Strategy removes this power and flexibility.

Detailed Information

The Secretary of State issued guidance and a Direction under section 15 (1) (a) of the Local Government Act 2003, effective from 1st April 2016 in respect of the 'Flexible use of Capital Receipts' and subsequently issued a further Direction under the same Act in February 2018 – Sections 16(2)(b) and 20.

The guidance is applicable to the financial year 2016/17 and each subsequent financial year to which the flexible use of capital receipts Direction applies. The current guidance and Direction covers the period up to financial year 2021/22.

The Direction makes it clear that local authorities cannot borrow to finance the revenue costs of service reform. Local Authorities can only use capital receipts from the disposal of property, plant and equipment assets received in the years in which the flexibility is offered. Local authorities may not use their existing stock of capital receipts to finance revenue costs of service reform.

The Secretary of State has said that individual authorities are best placed to decide which projects will be most effective in their areas but a key criterion to use when deciding whether expenditure can be funded by capital receipts flexibility is that it is forecast to generate ongoing savings for the authority. The Council's Digital Transformation Strategy meets this key criterion.

Authorities are required to demonstrate the highest standards of accountability and transparency and should disclose to full Council the individual projects that will be funded or part funded through capital receipts flexibility.

It is a requirement to notify the Ministry of Housing, Communities and Local Government (MHCLG) of the Strategy and any updates to the Strategy. This is to allow central Government to keep track of planned use of the flexibility for national accounts purposes.

The guidance and Direction do not exempt local authorities from any other obligations, for example in relation to Right to Buy receipts.

Clearly the extent to which the flexibilities can be applied is driven by the value of capital receipts received in year.

The initial Strategy and any further revisions to the Strategy will, in accordance with the guidance, be made available on-line.

Implications

Corporate Plan: Use of capital receipts flexibilities will support service transformation and deliver priorities in the Corporate Plan.

Legal:

The relevant legislation is detailed in the body of the report.

Article 4 (4.01) reserves the approval of the budgetary framework to the Council.

Finance:

Budget Area	**Implication**
General Fund – Revenue Budget	No direct implication. The Strategy provides potential scope to reduce revenue expenditure.
General Fund – Capital Programme	No direct implication. The Strategy provides scope to utilise General Fund Capital Receipts for transformation purposes.
Housing Revenue Account – Revenue Budget	Not applicable
Housing Revenue Account – Capital Programme	Not applicable

Risk:

Risk	**Mitigation**
Not implementing the strategy may place further pressure on revenue resources.	Any additional pressure would have to be managed through tighter in-year financial monitoring/decision making by Members.

Human Resources:
No impact

Equalities:
No impact

Other Implications:
No impact

Reason(s) for Urgency
(if applicable)

Reason(s) for Exemption
(if applicable)

Background Papers
DCLG – Statutory Guidance on the Flexible Use of Capital Receipts (updated) – March 2016
MHCLG Letter to Chief Finance Officers – Local Government Act 2003 Sections 16(2)(b) and 20: Treatment of Costs as Capital Expenditure – 6th February 2018

Report Author and Contact Officer

Pete Hudson
Corporate Finance Manager & Section 151 Officer
p.hudson@ashfield.gov.uk
01623 457362

Appendix 1

Ashfield District Council

Flexible Use of Capital Receipts Strategy

1. Qualifying 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 the costs or demand for services in future years for any of the public sector delivery partners. Within this definition it is for individual local authorities to decide whether or not a project qualifies for the flexibility.

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 cannot be classed as qualifying expenditure.

2. Ashfield District Council – Proposed use of Capital Receipts Flexibility

In accordance with the above definition Ashfield's Strategy is such that when it utilises the flexibility it will be in support of delivering the Council's Digital Transformation Strategy. Details of expected savings/service transformation are contained within the Strategy. This Strategy includes but is not limited to:

- Implementation of a Customer Relationship Management (CRM) solution
- Improved functionality of the Payments Solution (improved accessibility for customers)
- Implementation of an on-line Service Booking System
- Implementation of a telephone system upgrade (to better understand customer demand)
- Replace the Environment Health system
- Upgrade and implement new functionality to the Finance system
- Implement a Revenues Portal (Council Tax and Housing Benefits)
- Implement the Total Mobile Housing solution (to enable Officers to remotely access information whilst on-site and allow dynamic scheduling of work).

The nature of costs may include some/all of the following:

- Feasibility work
- Costs of restructuring/rationalisation (staff or non-staff)
- System and process improvements
- Staff training (following new system implementation/system upgrades)
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue

The Council will also consider the use of this flexibility in regards to specific transformation projects that meet the qualifying criteria. In such circumstances the qualifying criteria and how they are met by the project spend will be documented.

3. Capital Receipts Strategy Updates

Any revision to this Strategy, i.e. proposed use of Capital Receipts for purposes other than the above, will be reported through to Cabinet and Council at the appropriate time in the relevant financial year. Any revision to the Strategy will also consider whether it is necessary to amend the Prudential Indicators at the same time. If the Council presents a revised Strategy during the year it will be copied to MHCLG.