**FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY**

**Introduction**

As part of the November 2015 Spending Review, the Government announced that it would introduce flexibility for the period of the Spending Review for local authorities to use capital receipts from the sale of non-housing assets to fund the revenue costs of service reform and transformation.  Guidance on the use of this flexibility was issued in March 2016 which applies to the financial years 2016/17 through to 2019/20.  In the Provisional Local Government Settlement 2018/19 (announced 19 December 2017) the Government 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.  The Guidance requires local authorities to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy.  This document constitutes the Warrington Council Strategy.

**The Guidance**

The Guidance issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003 specified that;

- Local authorities will only be able to use capital receipts from the sale of property, plant and equipment received in the years in which this flexibility is offered.  Following the Provisional Settlement announcement 19 December 2017, the period of offer is 1st April 2016 to 31st March 2022.  They may not use their existing stock of capital receipts to finance the revenue costs of reform.

- Local authorities cannot borrow to finance the revenue costs of the service reforms.

- The expenditure for which the flexibility can be applied should be the up-front (set up or implementation) costs that will generate future ongoing savings and/or transform service delivery to reduce costs or to improve the quality of service delivery in future years.  The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.

- In using the flexibility, the Council will have due regard to the requirements of the Prudential Code, the CIPFA Local Authority Accounting Code of Practice and the current edition of the Treasury Management in Public Services Code of Practice.

The Guidance provides a definition of expenditure which qualifies to be funded from the capital receipts flexibility.  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 costs or demand for services in future years for any of the public sector delivery partners.

There are a wide range of projects that could generate qualifying expenditure.  The key determining criteria to use when deciding whether expenditure can be funded by the capital

receipts flexibility is that it is forecast to generate ongoing savings to an authority's net service expenditure. Within the above definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility.

**The Council's Proposals**

The Council intends to use the capital receipts flexibility to fund or part fund the following project:

- Warrington 2020 Service Transformation Programme

The expected savings generated by this project are set out in the table below.

| Project | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 |
|---|---|---|---|
| Warrington 2020 Service Transformation Programme | 1,500 | - | - |
| **Total** | **1,500** | **-** | **-** |

**The Prudential Code**

The Council will have due regard to the requirements of the Prudential Code and the impact on its prudential indicators from implementing the proposed project. The capital expenditure prudential indicators will be amended and approved as appropriate.

The Council will also have due regard to the Local Authority Accounting Code of Practice when determining and including the entries required from undertaking and funding this project within the Council's Statement of Accounts.

**Monitoring the Strategy**

The strategy will be monitored throughout the financial year and may be updated and replaced as proposals are developed and expenditure is incurred.