Appendix 14 Flexible Use of Capital Receipts Strategy 2017/18

1. The guidance on the flexible use of capital receipts issued under section 15(1) of the **Local Government Act 2003,** states that authorities may treat expenditure which is incurred in the design of projects that will generate on-going revenue savings in public services or that will transform service delivery to reduce costs or manage demand in future years for public service partners as capital expenditure.

2. It recommends that each authority should prepare a 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.

3. In the Medium Term Financial Strategy reported to Council on 23rd February 2017 it was reported that at present, the Council's 2017/18 budget does not rely on this flexibility to balance the revenue budget. If this opportunity would benefit the longer term financial stability of the Council then the quarterly reporting cycle will be used to raise awareness with members and seek appropriate Council approval based on the value for money associated with the approach.

4. The Mid Year Finance and Performance report now provides this update and requests a recommendation to Council to approve the revised approach to expenditure that meets the criteria and can be funded from available in year capital receipts.

5. The guidance by the Secretary of State states that:

   The Direction makes it clear that local authorities cannot borrow to finance the revenue costs of service reform and can only use capital receipts from the disposals received in the years in which the flexibility is offered (for qualifying projects). The Direction also confirms that local authorities are not permitted to use their existing stock of capital receipts to finance the revenue costs of reform.

6. The Council has reviewed the Flexible Use of Capital Receipts guidance and identified potential expenditure that meets the eligibility criteria laid out in the guidance document, in that they are forecast to generate on-going revenue savings through reducing costs of service delivery.

7. Further details will be provided in future quarterly reports to Cabinet.