

Flexible use of Capital Receipts Strategy

Purpose

1. This strategy sets out Slough Borough Council's approach to the use of the Government's Direction for the Flexible Use of Capital Receipts, in accordance with Section 15(1) of the Local Government Act 2003.

Background

2. In accordance with Section 15(1) of the Local Government Finance Act 2003, the Secretary of State is empowered to issue Directions allowing revenue expenditure incurred by local authorities to be treated as capital expenditure. Where such a direction is made, the specified expenditure can then be funded from capital receipts under the Regulations.
3. The Secretary of State for Communities and Local Government first issued guidance in March 2016, giving local authorities greater freedoms with how capital receipts can be used to finance expenditure. This guidance, updated in 2017, allows for the following expenditure to be treated as capital, *"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. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility."*
4. The guidance sets out that there are a wide range of projects that could generate qualifying expenditure and the list below is not prescriptive. Examples of projects include:
 - Investment in service reform feasibility work, e.g. setting up pilot schemes;
 - Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;
 - Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
 - Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations;
 - Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others); and
 - Integrating public facing services across two or more public sector bodies (for example children's social care, trading standards) to generate savings or to transform service delivery.
 - Other non-specified saving initiative
5. In January 2021, the Secretary of State announced, alongside the local government finance settlement 2021/22, the continuation of the capital receipts flexibility programme for a further 3 years (i.e. until and including 2023/24).

6. 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 this flexibility is offered. Local Authorities may not use their existing stock of capital receipts to finance the revenue costs of reform.
7. In order to comply with the Direction, the Council must consider the Statutory Guidance issued by the Secretary of State. This Guidance requires authorities to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy within Annual Budget documents. This document fulfils that requirement

Previously agreed projects

8. Officers have assessed the impact of expenditure to date on the current programme, in Annexe H (a) of this strategy.
9. For the purposes of this analysis and in accordance with the guidance:
 - Cashable savings – are deemed to be ongoing savings where sufficient costs are mitigated allowing future cash limits in service area budgets to be reduced in anticipation of these savings being realised; and
 - Non-cashable savings – are deemed to result in a reduction in demand for services in future years.

Future projects

10. Annexe H (b) sets out the projects currently underway and those programmed for 2021/22. The Council has three main strands to its current Transformation Activity:
 - **Our Futures:** We are committed to becoming a world class organisation and are changing the way we work – how we operate, our tools and our culture in order to provide a sustainable service to our customers into the future.
 - **Financial Excellence:** In these challenging financial times we are designing and implementing a range of world class financial controls to ensure that every penny counts.
 - **Integrating Public Services and Transforming Service Delivery:** Efficiently supporting the most vulnerable in our society through transformed service delivery.
12. The Council's Strategic Finance Board, which meets on a monthly basis, will be responsible for overseeing the Transformation Fund programme throughout 2021/22. Any Business Cases for future projects will be agreed at Corporate Management Team and subsequently reported to Council, in line with Government guidance.

13. The implications of adopting this strategy and its impact on the prudential indicators are considered as part of the Capital Strategy report on this evening's agenda. The adoption of this strategy does not breach any of the Council's prudential indicators.