

Flexible Use of Capital Receipts Policy

- 1.1 The Spending Review 2015 allowed local authorities additional flexibility for the period 2016-17 to 2018-19 to use capital receipts from the sale of their own assets (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and support the delivery of future savings. This represented a significant departure from the previous requirements which restricted the use of receipts from asset sales to funding new capital investments.
- 1.2 In December 2017, alongside the provisional local government finance settlement, this flexibility was extended for a further three financial years to 2021-22. This means that local authorities can treat as capital expenditure until 31 March 2022, expenditure which 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, as long as it is funded from capital receipts which have been received during the period of this flexibility, 2016-17 to 2021-22.
- 1.3 Under the terms of this flexibility, local authorities are required to disclose the individual projects that are funded or part funded through capital receipts flexibility to full Council. We reported the actual use of receipts in 2017-18 and planned use in 2018-19 and 2019-20 in appendix 3 to the County Council budget report last year. This has been updated in this appendix to reflect the latest position.
- 1.4 KCC's 2017-18 budget and 2017-20 MTFP included the planned use of £5m of capital receipts to fund transformation projects over two years. We are required to report to full Council how such receipts are applied and the anticipated savings. Table 1 below shows the receipts which were applied in 2017-18 and 2018-19 and those approved for 2019-20.

Table 1: Use of Capital Receipts for Transformation

Appendix 4

PROJECT	project cost			planned savings (incremental change)						
	2017-18 £'000	2018-19 £'000	2019-20 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000
Adults phase 3 transformation *	1,989.7	326.0	68.5	-2,700.0	-2,722.6	-2,700.0	-3,700.0			
0-25 phase 2 transformation *	386.6					-1,250.0	-1,250.0			
Kent Scientific Services - development of toxicology service (increase laboratory space & purchase of specialist instruments)	181.2	18.8				-14.0	-15.0		-16.0	
LED Street lighting - upgade of luminaires			750.0			-90.0				
Community Learning Service - temporary relocation to Tonbridge site during the development of Tunbridge Wells Cultural Hub		0.6	199.4				-15.0	-21.0	-3.0	-2.0
Kent Scientific Services - increase capacity in order to meet demand and secure new income from working with Port Health Authorities exercising control at our borders in testing meat and meat products for levels of veterinary medicines at the point that they enter the food chain		16.1	10.9				-25.0	-22.0		
Creation of a Charitable Incorporated Organisation for the Area of Outstanding Natural Beauty (AONB) with the prime purpose of raising external funding to support KCC's adopted policies for the AONB and other KCC services		5.0	9.7		-10.0	-5.0	-5.0			
	2,557.5	366.5	1,038.5	-2,700.0	-2,732.6	-4,059.0	-5,010.0	-43.0	-19.0	-2.0
	3,962.5									

* This only represents the costs that are funded by capital receipts and not the full cost of the project, however the savings represent the full planned savings

1.5 Table 1 shows project costs of £3.963m. It is proposed that the £1.037m remainder of the £5m capital receipt flexibility for transformation projects is not taken up given the ambitious capital receipts targets needed to fund the capital programme, and that we have a revenue transformation reserve which is adequate to fund existing transformation commitments. This is therefore the final update to County Council on the flexible use of capital receipts for transformation.