

### Flexible Use of Capital Receipts Policy

- 1.1 The Spending Review 2015 allowed local authorities additional flexibility for the three year 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 2020-21.
- 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 have previously identified the planned use of receipts in the 2017-18 and 2018-19 revenue budgets. We first reported the individual projects (including the planned savings) to full Council in the 2018 Autumn Budget Statement, and this has been updated in this appendix to reflect the latest position. In future the flexible use of capital receipts will be reported through this appendix to the approved budget.
- 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 over the page shows the receipts which were applied in 2017-18 and those approved to date for 2018-19.

## Appendix 3

Table 1: Use of Capital Receipts for Transformation

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	361.7	32.8	-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 - upgrade of luminaires		750.0				-90.0				
Community Learning Service - temporary relocation to Tonbridge site during the development of Tunbridge Wells Cultural Hub		200.0				-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		17.0	10.0				-47.0			
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		14.7			-10.0	-5.0	-5.0			
	<b>2,557.5</b>	<b>1,362.2</b>	<b>42.8</b>	<b>-2,700.0</b>	<b>-2,732.6</b>	<b>-4,074.0</b>	<b>-5,017.0</b>	<b>-21.0</b>	<b>-19.0</b>	<b>-2.0</b>
		<b>3,962.5</b>								

1.5 Table 1 shows project costs of £3.963m, some of which have re-phased into 2019-20. Funding for further transformation projects has been agreed in principle but detailed business cases are awaited before formal approval is given, at which time the remaining £1.037m of available capital receipt funding will be applied.

1.6 At this stage there are no plans to utilise the extension to 2020-21 of the capital receipts flexibility and increase the usage of capital receipts for transformation projects above the £5m approved in the 2017-20 MTFP because of the level of receipts already required to fund the capital programme.