

DFP/24/15 - Addendum

Cabinet

9th February 2024

ADDENDUM TO THE REPORT ON THE REVENUE BUDGET AND MEDIUM TERM FINANCIAL PLAN 2024/25 - 2027/28 AND THE CAPITAL STRATEGY 2024/25 - 2028/29

Revised Recommendations

19. (Revised) Recommends to the Authority the Capital Strategy 2024/25 – 2028/29 contained on pages 154-164 as amended by the Addendum for the Flexible Use of Capital Receipts strategy.

20. (New) Recommends the Authority delegates authority to the Director of Finance and Public Value to agree in principle to the application of Flexible Use of Capital Receipts if required in concluding a SEND Safety Valve agreement with Government, with specific details to be subsequently presented to Council to update the Flexible Use of Capital Receipts strategy as required by statutory guidance.

Update

This addendum updates the Flexible Use of Capital Receipts element of the Capital Strategy section of the Budget in Item 7 of the Cabinet meeting on 9 February 2024. That section is repeated here for ease of reference, with the update added underneath.

Capital Strategy – Pages 154 to 164 in the Budget report. See pages 161 to 162 in respect of Flexible Use of Capital Receipts.

Flexible Use of Capital Receipts

The Government first introduced the scheme to provide Flexible Use of Capital Receipts with effect from 1 April 2016. This must follow statutory guidance, which was most recently updated in August 2022 and its period of use extended through the Finance Settlement announced in December 2023.

The scheme gives local authorities the freedom to use capital receipts from the sale of their own assets to help fund the revenue costs of transformation projects, only where those projects will:

- Generate revenue savings in the delivery of public services, and / or
- Transform service delivery to reduce costs or reduce the demand for services in the future for any of the public sector delivery partners.

It was announced by Government alongside the Provisional Settlement on 18 December 2023 that the current scheme, which currently applies to expenditure and receipts incurred between 1 April 2022 and 31 March 2025, has been extended to 31 March 2030. Therefore, to make eligible use of the scheme the capital receipts, and any qualifying revenue expenditure, need to be incurred between 1 April 2022 and 31 March 2030.

Whilst the priority for capital receipts is to support SEND Safety Valve financing options, it may be advantageous to apply this flexibility with certain transformation costs. Council will need to approve the planned use of such flexibility and incorporate into the Capital Programme budget.

At the time of preparing the 2024/25 Budget there are no specific projects planned for flexible use of capital receipts. This will be kept under review and any new proposals will need to be presented to Council for approval.

Addendum

Cabinet has received regular updates on the progress being made with the Department for Education (DfE) and involvement in the safety valve intervention programme. A management plan was submitted on 15th December 2023, and further discussions to clarify aspects of this plan took place during January 2024. A management plan has been submitted which is acceptable to officials at the DfE but now requires ministerial consideration, with a decision expected by the end of the current financial year.

Discussions with the DfE have confirmed that a final agreement will require a local contribution from the Authority to fund part of the accumulated deficit, which will help to secure ongoing financial sustainability. One of the options very recently discussed to support such agreement is by the Authority exercising capital receipts flexibilities that exist within the Local Government Act 2003. This flexibility allows eligible revenue expenditure to be treated as capital expenditure which can be funded by capital receipts income.

The Guidance sets out examples of qualifying expenditure which includes “funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation.”

To support the delivery of the Special Education Needs and Disabilities (SEND) transformation plan, which underpins the safety valve management plan to deliver the improvement and efficiencies required to improve the Authority’s financial sustainability, it is proposed that eligible associated one-off costs may be capitalised and financed through flexible use of capital receipts in 2024/25 and potentially in subsequent years through to 2029/30 if this is included in the agreement with Government. Specific detail of individual projects and associated cost and savings will be reported to Council once agreed. The legitimacy of this use will be determined by the Director of Finance and Public Value to ensure that it meets the requirements set out by the Secretary of State.

Council is requested at this stage to support in principle the inclusion of this item in its Flexible Use of Capital Receipts strategy, and delegate authority to the Director of Finance and Public Value to incorporate this within a Safety Valve agreement if required, subject to further detail being presented in an updated Strategy at the earliest opportunity following such agreement.

The Council has due regard to the requirements of the Prudential Code and the impact on its prudential indicators from the application of this Flexible Use of Capital Receipts Strategy. Any necessary revisions to the Capital Programme and Prudential Indicators will be included in the subsequent report for approval by Council.