



Ministry of Housing,
Communities &
Local Government

2 Marsham Street
London SW1E 4DF
06 February 2018

Dear Chief Finance Officers: Local Authorities Listed in Annex A

LOCAL GOVERNMENT ACT 2003 SECTIONS 16(2)(b) AND 20: TREATMENT OF COSTS AS CAPITAL EXPENDITURE

1. This direction supersedes the previous direction issued on 17 December 2015.
2. In December 2017, the Secretary of State announced, alongside the provisional local government finance settlement, the continuation of the capital receipts flexibility programme for a further three years, **to give local authorities the continued freedom 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 release savings.**
3. Accordingly, the Secretary of State directs, in exercise of his powers under sections 16(2)(b) and 20 of the Local Government Act 2003 (“the Act”), that the **local authorities listed in Annex A (“the Authorities”)** treat as capital expenditure, expenditure which:
 - i. is incurred by the Authorities 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;** and
 - ii. is properly incurred by the Authorities **for the financial years that begin on 1 April 2016, 1 April 2017, 1 April 2018, 1 April 2019, 1 April 2020 and 1 April 2021.**
4. In further exercise of the Secretary of State’s powers under section 20 of the Act, it is a condition of this direction that expenditure treated as capital expenditure in accordance with it **only be met from capital receipts**, within the meaning of section 9 of the Act and regulations made under that section (for current provisions see Part 4 of S.I. 2003/3146, as amended), **which have been received in the years to which this direction applies;** and

5. This direction is given for the purposes of Chapter 1 of Part 1 of the Act only. It does not convey any other consent that may be required or any view as to the propriety of the expenditure. It is for the Authority to be satisfied that any amount to which this direction is applied is properly incurred in the financial year concerned.

6. When applying the direction, the Authorities are required to have regard to the Guidance on Flexible Use of Capital Receipts issued by the Secretary of State under section 15(1)(a) of the Act.

7. If you have any queries in connection with the above, please do not hesitate to contact the Ministry of Housing, Communities and Local Government at the email address: capitalreceiptsflexibility@communities.gsi.gov.uk.

Yours sincerely,

Gareth Caller

Authorised to sign this direction by the Secretary of State for Housing, Communities and Local Government

Annex A: List of authorities to which this direction applies

| English Councils |
|-------------------------------|
| Bath & North East Somerset UA |
| Bristol UA |
| South Gloucestershire UA |
| North Somerset UA |
| Luton UA |
| Bedford UA |
| Central Bedfordshire UA |
| Bracknell Forest UA |
| West Berkshire UA |
| Reading UA |
| Slough UA |
| Windsor & Maidenhead UA |
| Wokingham UA |
| Milton Keynes UA |
| Buckinghamshire |
| Aylesbury Vale |
| Chiltern |
| South Bucks |
| Wycombe |
| Peterborough UA |
| Cambridgeshire |
| Cambridge |
| East Cambridgeshire |
| Fenland |
| South Cambridgeshire |
| Huntingdonshire |
| Halton UA |
| Warrington UA |
| Cheshire East UA |
| Cheshire West and Chester UA |
| Hartlepool UA |
| Middlesbrough UA |
| Redcar & Cleveland UA |
| Stockton-on-Tees UA |
| Cornwall UA |
| Cumbria |
| Allerdale |
| Barrow-in-Furness |
| Carlisle |
| Copeland |
| Eden |
| South Lakeland |
| Derby City UA |
| Derbyshire |
| Amber Valley |
| Bolsover |
| Chesterfield |
| Derbyshire Dales |
| Erewash |

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| High Peak |
| North East Derbyshire |
| South Derbyshire |
| Plymouth UA |
| Torbay UA |
| Devon |
| East Devon |
| Exeter |
| Mid Devon |
| North Devon |
| South Hams |
| Teignbridge |
| Torrige |
| West Devon |
| Poole UA |
| Bournemouth UA |
| Dorset |
| Christchurch |
| East Dorset |
| North Dorset |
| Purbeck |
| West Dorset |
| Weymouth & Portland |
| Darlington UA |
| Durham UA |
| Brighton & Hove UA |
| East Sussex |
| Eastbourne |
| Hastings |
| Lewes |
| Rother |
| Wealden |
| Southend-on-Sea UA |
| Thurrock UA |
| Essex |
| Basildon |
| Braintree |
| Brentwood |
| Castle Point |
| Chelmsford |
| Colchester |
| Epping Forest |
| Harlow |
| Maldon |
| Rochford |
| Tendring |
| Uttlesford |
| Gloucestershire |
| Cheltenham |
| Cotswold |
| Forest of Dean |
| Gloucester |

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| Stroud |
| Tewkesbury |
| Portsmouth UA |
| Southampton UA |
| Hampshire |
| Basingstoke & Deane |
| East Hampshire |
| Eastleigh |
| Fareham |
| Gosport |
| Hart |
| Havant |
| New Forest |
| Rushmoor |
| Test Valley |
| Winchester |
| Herefordshire UA |
| Worcestershire |
| Bromsgrove |
| Redditch |
| Worcester |
| Wychavon |
| Wyre Forest |
| Malvern Hills |
| Hertfordshire |
| Broxbourne |
| Dacorum |
| East Hertfordshire |
| Hertsmere |
| North Hertfordshire |
| St Albans |
| Stevenage |
| Three Rivers |
| Watford |
| Welwyn Hatfield |
| East Riding of Yorkshire UA |
| Kingston upon Hull UA |
| North East Lincolnshire UA |
| North Lincolnshire UA |
| Isle of Wight UA |
| The Medway Towns UA |
| Kent |
| Ashford |
| Canterbury |
| Dartford |
| Dover |
| Gravesham |
| Maidstone |
| Sevenoaks |
| Shepway |
| Swale |
| Thanet |

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| Tonbridge & Malling |
| Tunbridge Wells |
| Blackburn with Darwen UA |
| Blackpool UA |
| Lancashire |
| Burnley |
| Chorley |
| Fylde |
| Hyndburn |
| Lancaster |
| Pendle |
| Preston |
| Ribble Valley |
| Rossendale |
| South Ribble |
| West Lancashire |
| Wyre |
| Leicester City UA |
| Rutland UA |
| Leicestershire |
| Blaby |
| Charnwood |
| Harborough |
| Hinckley & Bosworth |
| Melton |
| North West Leicestershire |
| Oadby & Wigston |
| Lincolnshire |
| Boston |
| East Lindsey |
| Lincoln |
| North Kesteven |
| South Holland |
| South Kesteven |
| West Lindsey |
| Norfolk |
| Breckland |
| Broadland |
| Great Yarmouth |
| King's Lynn & West Norfolk |
| North Norfolk |
| Norwich |
| South Norfolk |
| York UA |
| North Yorkshire |
| Craven |
| Hambleton |
| Richmondshire |
| Scarborough |
| Harrogate |
| Ryedale |
| Selby |

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| Northamptonshire |
| Corby |
| Daventry |
| East Northamptonshire |
| Kettering |
| Northampton |
| South Northamptonshire |
| Wellingborough |
| Northumberland UA |
| City of Nottingham UA |
| Nottinghamshire |
| Ashfield |
| Bassetlaw |
| Broxtowe |
| Gedling |
| Mansfield |
| Newark & Sherwood |
| Rushcliffe |
| Oxfordshire |
| Cherwell |
| Oxford |
| South Oxfordshire |
| Vale of White Horse |
| West Oxfordshire |
| Telford and the Wrekin UA |
| Shropshire UA |
| Somerset |
| Mendip |
| Sedgemoor |
| Taunton Deane |
| South Somerset |
| West Somerset |
| Stoke-on-Trent UA |
| Staffordshire |
| Cannock Chase |
| East Staffordshire |
| Lichfield |
| Newcastle-under-Lyme |
| South Staffordshire |
| Stafford |
| Staffordshire Moorlands |
| Tamworth |
| Suffolk |
| Babergh |
| Forest Heath |
| Ipswich |
| Mid Suffolk |
| St Edmundsbury |
| Suffolk Coastal |
| Waveney |
| Surrey |
| Elmbridge |

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| Epsom & Ewell |
| Guildford |
| Mole Valley |
| Reigate & Banstead |
| Runnymede |
| Spelthorne |
| Surrey Heath |
| Tandridge |
| Waverley |
| Woking |
| Warwickshire |
| North Warwickshire |
| Nuneaton & Bedworth |
| Rugby |
| Stratford-on-Avon |
| Warwick |
| West Sussex |
| Adur |
| Arun |
| Chichester |
| Crawley |
| Horsham |
| Mid Sussex |
| Worthing |
| Swindon UA |
| Wiltshire UA |
| Isles of Scilly |
| Bolton |
| Bury |
| Manchester |
| Oldham |
| Rochdale |
| Salford |
| Stockport |
| Tameside |
| Trafford |
| Wigan |
| Knowsley |
| Liverpool |
| St Helens |
| Sefton |
| Wirral |
| Barnsley |
| Doncaster |
| Rotherham |
| Sheffield |
| Gateshead |
| Newcastle upon Tyne |
| North Tyneside |
| South Tyneside |
| Sunderland |
| Birmingham |

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| Coventry |
| Dudley |
| Sandwell |
| Solihull |
| Walsall |
| Wolverhampton |
| Bradford |
| Calderdale |
| Kirklees |
| Leeds |
| Wakefield |
| City of London |
| Camden |
| Greenwich |
| Hackney |
| Hammersmith & Fulham |
| Islington |
| Kensington & Chelsea |
| Lambeth |
| Lewisham |
| Southwark |
| Tower Hamlets |
| Wandsworth |
| Westminster |
| Barking & Dagenham |
| Barnet |
| Bexley |
| Brent |
| Bromley |
| Croydon |
| Ealing |
| Enfield |
| Haringey |
| Harrow |
| Havering |
| Hillingdon |
| Hounslow |
| Kingston upon Thames |
| Merton |
| Newham |
| Redbridge |
| Richmond upon Thames |
| Sutton |
| Waltham Forest |
| Greater London Authority |
| West Midlands Combined Authority |
| Greater Manchester Combined Authority |
| Liverpool City Region |
| Tees Valley Combined Authority |
| Cambridgeshire and Peterborough Combined Authority |
| West of England Combined Authority |
| Greater London Authority |

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| West Midlands Combined Authority |
| Greater Manchester Combined Authority |