



Flexible Use of Capital Receipts Strategy 2023/24

Harborough District Council

Legal Framework for Flexible Use of Capital Receipts



- LA Act 2003 requires a local authority to have regard to guidance issued by the Secretary of State.
- Capital receipts flexibility guidance is under Part 2, Section 15(1)(a) of the LA Act 2003.
- Guidance applies from 1 April 2016 for the period for which the flexible use of capital receipts will apply.
- It should be noted that the current freedoms expire on the 31st March 2022; however, representatives from DHLUC and via the provisional settlement have confirmed that the freedoms will be extended past 31st March 2022.
- Only Non-Right to buy Capital Receipts can be used and only those receipts received during the period the guidance covers.

Background



- The Medium-Term Financial Strategy currently being approved shows that until 2024/25 the Council is only planning to finance its services “expected” uses of reserves. However, this situation rapidly changes by 2026/27.
- To achieve this relatively positive position, the Council is required to implement significant service transformation that has been identified by the Budget Challenge 2025 programme.
- However, due to the cumulative impacts of future costs relating to environmental services and the expected collection fund deficits; by 2027/28 the total gap to be met by unallocated reserves totals £4.5m. Consequently, the drive for continued service transformation is necessary.
- The Council has committed to an ambition of “financial sustainability” over the medium-term. This means that net service expenditure is only financed by Business Rates, Council Tax and specific grants – not the use of General Reserves.

Budget Challenge 2025



- The Budget Challenge (BC25) was successful in identifying £3.1m of savings by 2024/25.
- BC25 required all services to use the principles of Zero-Based Budgeting to identify expenditure savings or income generation measures to reduce net expenditure.
- These savings are now embedded into the service budgets of the Council, but with a future budget gap opening in 2025/26 the Council must continue to transform to ensure it can meet its “financial sustainability” goals.

Capital Programme



- The Councils Capital Programme for 2023/24 until 2027/28 is significantly smaller than previous years; however, it does include three significant investment programmes:
- 2022/23: Service Transformation, £1.5m
- 2024/25: Cemetery: Market Harborough, £1m
- 2025/26: New Depot, £10m

Capital Receipts



- It is estimated that by 31 March 2023, the Council will have Capital Receipts of £10.5m (net).
- Of this, it is estimated that £11.6m will have been received between 2016 and March 2023. Of this £7.9m (68%) will be Non-Right to Buy capital receipts and available for this Flexibility.
- In June 2021, delegation was given to the Director: Finance, ICT and Assets, following consultation with the Portfolio Holder for Resources for the use of up to £500k of potential 2021/22 Non-Right to Buy receipts to provide additional flexibility. This delegation is to be extended to 2023/24.



Flexible Use of Capital Receipts: Balance between "Non- Right-To-Buy" and "Right To Buy" Capital Receipts															
	Audited Balances											Provisional Balances (Subject to Audit)		Net Total	
	2011/12	2012/13	2013/14	2014/15	2015/16	Total Pre-2016	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Total 2016 to 2023	Total since 2011/12
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Capital Expenditure															
DFG	6	0	0	0	0	6	0	0	0	0	0	0	0	0	6
Garage Sites	0	0	12	0	26	38	361	1,042	17	17	0	0	0	1,437	1,475
ICT Schemes	0	0	0	0	73	73	0	53	59	59	0	0	1,178	1,349	1,422
Lutterworth Service Shop	0	0	46	0	0	46	0	0	0	0	0	0	0	0	46
Market Hall	0	0	0	0	59	59	(4)	0	0	0	0	0	0	(4)	55
Minor Capex	16	7	3	0	24	50	3	17	312	395	0	90	250	1,067	1,117
Private Sector Renewal Loans & Grants	11	0	0	0	0	11	0	0	0	0	0	0	0	0	11
Symington Building	0	0	0	0	0	0	80	65	0	0	0	0	29	174	174
Symington Recreation Ground Pavilion	0	0	0	0	0	0	0	0	0	0	0	162	0	162	162
Play Area Equipment	0	0	0	0	0	0	0	0	0	0	0	190	258	448	448
Leisure Centres	0	0	0	0	0	0	0	0	0	0	0	100	100	200	200
Lutterworth Town Centre Heritage Action Zone	0	0	0	0	0	0	0	0	0	0	0	130	0	130	130
Pooling Payment to ODPM	1	2	0	0	0	3	0	0	0	0	0	0	0	0	3
Total Capital Expenditure per Annum	34	9	61	0	182	286	440	1,177	388	471	0	672	1,815	4,963	5,249
Capital Receipts															
Disposal Costs	0	0	0	4	5	9	2	0	0	0	0	55	0	57	66
Easements	0	0	0	(20)	(93)	(113)	0	(5)	(20)	(20)	0	0	0	(45)	(158)
Garage Sites	0	0	0	(30)	(47)	(77)	0	(745)	(544)	(544)	0	0	0	(1,833)	(1,910)
Lutterworth Service Shop	0	0	0	(205)	0	(205)	0	0	0	0	0	0	0	0	(205)
Mortgage Repayments	(1)	(3)	0	0	0	(4)	0	0	0	0	0	0	0	0	(4)
Other Sales	(4)	0	0	0	0	(4)	0	0	0	0	0	0	0	0	(4)
Repayment of DFG	(8)	(5)	(3)	(9)	(3)	(28)	(14)	(15)	(7)	(7)	(18)	(12)	0	(73)	(101)
Right-to-Buy (RTB)	(131)	(313)	(504)	(531)	(550)	(2,029)	(484)	(375)	(674)	(674)	(666)	(695)	(150)	(3,718)	(5,747)
Sale of Land & Buildings	(30)	(239)	0	0	0	(269)	(29)	(369)	(266)	(266)	0	(5,031)	0	(5,961)	(6,230)
	(174)	(560)	(507)	(791)	(688)	(2,720)	(525)	(1,509)	(1,511)	(1,511)	(684)	(5,683)	(150)	(11,573)	(14,293)
Txfr to Broadband Reserve	0	0	238	0	0	238	0	0	0	0	0	0	0	0	238
Total Capital Receipts per Annum	(174)	(560)	(269)	(791)	(688)	(2,482)	(525)	(1,509)	(1,511)	(1,511)	(684)	(5,683)	(150)	(11,573)	(14,055)
Net Total	(140)	(551)	(208)	(791)	(506)	(2,196)	(85)	(332)	(1,123)	(1,040)	(684)	(5,011)	1,665	(6,610)	(8,806)

NB.
 RTB: Right-to-Buy, these are capital receipts from the Councils former Housing Stock
 Opening balance for Capital Receipts at 1st April 2011/12 is Nil, so far to go back 10-years to establish true level of RTB and Non-RTB receipts.
 Regulations only allow Capital Receipts received over the period of the flexibility to be considered i.e. 1st April 2016 to 31st March 2022.

Total Right-to-Buy Capital Receipts Over 2016 to 2023 Period	(3,718)	32%
Total of All Capital Receipts Over 2016 to 2023 Period	(11,573)	

Apportionment Between Non RTB and RTB Receipts		
Non-RTB Receipts	(4,488)	68%
RTB Receipts	(2,122)	32%
Total Net Receipts-31 March 2021	(6,610)	100%

Projects to be Funded from this Flexibility



	Estimated Revenue to be Funded £000	Reasons for Application of Flexibility	Saving
Currently approved revenue and capital programme (2020/21)			
BC25 Service Transformation	120	To fund the management of the BC25 programme. A dedicated "project-lead" resource will allow the programme to be completed more quickly and provide direct "critical friend" support to service managers in their reviews.	It is expected that the BC25 programme will save somewhere between 60% and 70% of reserves
ICT Related Transformation	475	To fund the implementation costs of the Netcall and customers services transformation programmes.	the savings expected are expected to be more than £200k per annum from 2023/24.
2022/23 revenue and capital programme			
BC25 and Post-BC25 Service Transformation	520	To support the delivery of the transformation development programme; including the: * review of corporate IT systems for IDOX and eFinancials (finance system), * corporate and senior management review, * shared services development, * and staff transition costs.	The service savings expected to be achieved will vary across the different services but will be somewhere between 15% and 30% of a services annual net expenditure.
ICT Related Transformation	400	* Extended digitalisation of services and associated processes. * The development of new ICT delivery platforms, redesign of ICT provision and transformation management.	The service savings expected to be achieved will vary across the different services but will be somewhere between 15% and 30% of a services annual net expenditure.
1,515			