

## **Appendix 12**

### **Somerset Council – Flexible Capital Receipts Strategy (revised 2022/23 and revised 2023/24)**

#### **1. Flexible Use of Capital Receipts**

Central Government outlined in December 2015 that local authorities would be able under certain circumstances to utilise capital receipts for revenue expenditure in certain circumstances. The criteria for the application of capital receipts for revenue spend has gradually changed over time. The current rules that were introduced in 2021 outline that:

- Only receipts received within the timescales that authorities have a Flexible Receipts Strategy can be used
- Only receipts from PPE (Property, Plant, and Equipment) can be used where the authority ceases to have an interest in the asset
- The authority must be able to demonstrate that ongoing savings are a result of the application of receipts
- Discretionary redundancy payments cannot be funded from capital receipts, but statutory redundancy and pension strain payments are allowable

The current requirement states that the strategy should list each project that plans to make use of the capital receipts flexibility. Council approved the current strategy in February 2022. However, this was before further criteria were outlined by central Government. This Strategy therefore clarifies those outstanding points and will apply to both years.

#### **2. Projects Which Meet the Criteria**

The costs of Implementing Local Government Reorganisation meet the criteria. All use of flexible receipts will therefore be linked to the on-going savings plans of £18.5m outlined in the Local Government Reorganisation Business Case, The Strategy should report the impact on the local authority's Prudential Indicators for the forthcoming and subsequent years. The strategy in future years will monitor the performance of the savings delivered. The Strategy must be approved by Council and submitted to the Secretary of State. A revised strategy may be replaced by another during the year through the same approval process.

#### **3. Savings Which Meet the Criteria**

The Business case for Local Government Reorganisation in Somerset outlined ongoing savings of £18.5m with once-off implementation costs of £16.5m. In terms of Implementation Costs £599,755 was spent in 2021/22 and it is proposed that the remainder of £15,928,221 of expenditure for 2022/23 and 2023/24 as shown below will be financed from capital receipts with the exception of any discretionary redundancy costs.

**Table 1 - LGR Implementation Costs**

	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
1. Programme Delivery	0.6	5.6	1.2	7.4
2. Redundancy	-	5.6	2.8	8.4
3. Unallocated		0.7		0.7
<b>Total Implementation Budget</b>	<b>0.6</b>	<b>11.9</b>	<b>4.0</b>	<b>16.5</b>

UPDATED:

### **My Life, My Future – Adult Social Care Transformation**

In June 2023 Executive agreed the aims and objectives of the next phase of the Transformation Programme for Adults Services. It was initially agreed that the costs of £3.5m each year for the next two years would be funded initially from earmarked reserves and review the position later in the financial year. Now this review has taken place it is proposed that the project costs for the whole project will be funded from flexible use of capital receipts.

#### **4. The Capital Receipts to be Used this Purpose**

Capital receipts from the disposal of property, plant, and equipment received in the years in which the flexibility is offered can be used for this purpose.

#### **5. The Impact on Borrowing and Prudential Indicators**

The impact of this has been reflected in the prudential indicators as part of setting the 2023/24 budget as follows:

**Table 2 - Capital financing - General Fund**

	2022/23 forecast Q2 All Somerset Authorities £m	2023/24 Somerset Council budget £m	2024/25 budget £m	2025/26 budget £m
<b>External sources</b>	82.4	166.5	19.1	3.5
<b>Own resources:</b>				

<b>Capital receipts</b>	13.0	6.4	2.9	2.8
<b>Revenue / Reserves</b>	5.50	0.1	0.1	0.1
<b>S106/CIL</b>	10.2	10.8	4.4	4.4
<b>Debt</b>	69.1	74.8	32.8	3.4
<b>TOTAL</b>	<b>180.2</b>	<b>258.6</b>	<b>59.4</b>	<b>14.2</b>

## **6. Updating the Strategy**

The strategy in future years will monitor the savings are delivered. The Strategy must be approved by Council and submitted to the Secretary of State. A revised strategy may be replaced by another during the year with Council approval.