

FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY 2022/23 - 2029/30**1 BACKGROUND**

- 1.1 In the 2022/23 Provisional Local Government Finance Settlement the following was announced:

Extension of the flexibility to use capital receipts to fund transformation projects

We are also announcing a 3-year extension from 2022-23 onwards of the existing flexibility for councils to use capital receipts to fund transformation projects that produce long-term savings or reduce the costs of service delivery. We will provide further details on the extension in due course.

- 1.2 On 4 April 2022, the Department of Levelling Up, Housing, and Communities confirmed this extension and published Guidance and a Direction.
- 1.3 The Council has previously produced strategies over the period 2016/17 to 2021/22 in respect of the previous flexibility. The Strategy was updated and produced for the period 2022/23 to 2024/25 in the light of the extension and revised guidance and was approved by Full Council on 27 July 2022.
- 1.4 As part of the 2025/26 Local Government Finance Settlement announcement, this included an extension to the flexible use of capital receipts until March 2030. Guidance is yet to be published on this extension, but in formulating this policy for 2024/25 to 2029/30, it is assumed that the same principles will be applied as under the current guidance.

2 OBJECTIVES AND PURPOSE

- 2.1 This Strategy is intended to enable the Council to potentially take advantage of this flexibility if appropriate. The Strategy forms part of the delivery of the Council's Strategic Plan and particularly supports financial sustainability. The priorities of Our Direction 2028 are:
- Environmental Impact
 - Thriving Economy
 - Tackling Inequalities
 - Sustainable Housing
- 2.2 The objectives of this Strategy are to:
- Outline the methodology for funding projects using this flexibility.
 - Identify actual and potential capital receipts that could be utilised to fund transformation projects.
 - Identify projects that are considered to be eligible, and which could be funded by this method.
 - In subsequent years, report on the progress of projects approved in previous years.

3 METHODOLOGY

- 3.1 The Strategy for 2023/24 to 2024/25 was approved by Full Council on 27 July 2022 and submitted to the Secretary of State in accordance with the Guidance. If required, a revised Strategy for the extended period to 2030 will be prepared once the new guidance is made available.
- 3.2 A revised Strategy can also be prepared during the course of the year to reflect significant changes to both the range and potential funding value of eligible projects.
- 3.3 To make use of this flexibility, capital receipts must arise in the period 2016/17 to 2029/30, and qualifying expenditure must take place in the same period. For example, a capital receipt realised in 2025/26 could finance a project in 2029/30, but not in 2030/31. Capital receipts realised before 2016/17 cannot be used.
- 3.4 If projects are identified in the Strategy, they can still be financed in whole or in part from other sources, e.g. revenue budgets. Having approved the Strategy, the Council is not obliged to fund these projects from capital receipts. It is Council policy that capital receipts are not relied upon to fund any expenditure until they are realised and as new capital receipts might not necessarily be available during the period of the Strategy, it is essential that eligible projects should only proceed if alternative sources of funding have been identified. Inclusion in the strategy does not constitute a commitment to fund through capital receipts as this decision needs to be taken in the light of the Council's overall revenue and capital financing requirements, nor does inclusion in the Strategy constitute approval to progress a project.
- 3.5 For 2024/25 to 2028/29, the Council will approve the budgeted funding of the projects in the Strategy when approving the General Fund Budget and the Capital Programme.

4 ELIGIBLE CAPITAL RECEIPTS AND IMPACT ON PRUDENTIAL INDICATORS

- 4.1 The planned use of the flexibility shown in Section 5 does not exceed the amount of eligible receipts currently realised and available. This summary will be updated annually in the Strategy.

	2022/23 Actual £'000	2023/24 Actual £'000	2024/25 Planned £'000	2025/26 Planned £'000
Eligible General Fund Capital Receipts b/fwd.	0	-5,560	-1,077	-547
General Fund Capital Receipts Received				
Melton Hill	-5,385	0	0	0
Lowestoft Eastern Edge Beach Huts	-235			
Allocated against Capital Expenditure				
Fleet Vehicles/Equipment	0	4,000	0	0
Actual or Planned Use of Flexible Use Direction				
North Felixstowe Garden Neighbourhood Master Planning	60	483	530	427
Eligible General Fund Capital Receipts c/fwd.	-5,560	-1,077	-547	-120

- 4.2 It should be noted that the Council does not currently hold any other significant capital receipts in addition to those set up in the table above.
- 4.3 As it is Council policy not to rely on capital receipts until they are realised, the capital receipts above have not been factored into the Council's Capital Financing Requirement (CFR) by way

of either reducing debt or financing capital expenditure. Consequently, the use of these receipts under this flexibility will have no effect on the Council's Prudential Indicators.

5 ELIGIBLE PROJECTS AND USE OF CAPITAL RECEIPTS 2025/26

- 5.1 There is one project included in this Strategy, which has been previously agreed as eligible for capital receipts funding. This is summarised below with a description of the project, project objectives, and use of capital receipts – actual and planned. If further potential projects arise during the course of the year, they can be considered for eligibility, subject to capital receipts being available. If this is the case, further revisions will be made to the Strategy and submitted to the Secretary of State accordingly.

Project	Description and Progress	Service Transformation / Savings	Lead Team	Cabinet Portfolio	Total Planned Use of Capital Receipts £'000	Actual Use of Receipts 2022/23 £'000	Actual Use of Receipts 2023/24 £'000	Planned Use of Receipts 2024/25 £'000	Planned Use of Receipts 2025/26 £'000
North Felixstowe Garden Neighbourhood	<p>Key leisure-led regeneration programme in Felixstowe focused upon the creation of new leisure centre to replace ageing and expensive leisure centres, and housing development. The programme will entail development of housing by ESC either directly, through a development company or in partnership to generate significant future income streams. ESC has made provision for capital expenditure in the Capital Programme, but significant revenue expenditure will be incurred on planning, design, and feasibility work. ESC land in the programme could facilitate development or potentially generate capital receipts generating investment interest / reducing debt.</p> <p>Full Council on 28 September 2022 approved that the Council carries out whole site master planning and enables progression toward securing outline planning consent for the full North Felixstowe site allocation (or at least the parts where the Council has an interest), with the cost of this work up to £1.5m to be funded from capital receipts in accordance with the Council's Flexible Use of Capital Receipts Strategy.</p> <p>Project Progress since last year:</p>	<p>By replacing the two existing Felixstowe Leisure Centres and providing a new destination facility, it will change the current net costs by an estimated £350k per annum when fully operational, although this is continually reviewed with the design and business plan as the project progresses to ensure this is correct and can be achieved. Significant capital receipts and/or income streams could also be generated from the former sites. The new leisure centre will be a 'fabric' first design and will not use gas for heating. It will be operated by electric, with heat pumps and using PV to mitigate additional costs, thus reducing the carbon footprint and through good design will be more energy efficient. The</p>	Communities, Leisure & Tourism, Economic Development & Regeneration	<p>Cabinet Member for Economic Development & Transport</p> <p>and</p> <p>Cabinet Member for Communities, Culture, Leisure & Tourism</p>	£1,500 2022/23 to 2025/26	60	483	530	427

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	<p>Over the last twelve months significant progress has been made on developing a master plan for north Felixstowe.</p> <p>A full team of consultants have been mobilised to develop the hybrid planning application with an ambition to submit in December 2024. The project team are working with the ESC Leisure Team to ensure this will include a detailed design of the new leisure centre and associated infrastructure as part of the first phase.</p> <p>The design team has held a series of well attended workshops with statutory consultees to establish key principles for the masterplan and establish some key spatial concepts for how the site will be master planned. This has allowed ESC to confirm its preferred strategy for the masterplan and is now continuing into a formal pre-application process with the Local Planning Authority.</p> <p>The ambition for the masterplan is to ensure policy compliant provision of affordable housing while also incorporating a long-term low carbon strategy, underpinned by a passive and 'Fabric First' approach to high quality healthy buildings. Current and emerging technologies will be considered for future needs and provided for wherever possible which includes the phase out of natural gas and all homes at North</p>	<p>previous floor plans and business plans are being reviewed to ensure they still meet the financial sustainability aims and the sustainable energy targets of ESC. Discussions are taking place with health partners to investigate the possibilities for some co-location such as treatment rooms, blue light 'space' and library links to support the new leisure centre becoming a 'health and wellbeing' centre. ESC now delivers strength and balance for the ICB and have a partnership with Suffolk County Council to deliver 'Feel Good Suffolk' the delivery of smoking cessation, physical activity and adult weight management and the new leisure centre will form a key area of delivery.</p>							

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	<p>Felixstowe will be heated using low carbon alternatives.</p> <p>A forward-thinking public engagement and consultation strategy has been established which will ensure the detail of the master plan is developed in dialogue with the local community.</p> <p>The project is now approaching a key stage of work, as the detail of the masterplan is developed, all issues are being explored and addressed with our collaborators to reduce overall project risk.</p>								