

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 revokes and replaces the direction of the same name issued on 4 April 2022. This direction commences from financial year beginning 1 April 2022. The direction issued on 6 February 2018, of the same names as this direction, will continue to apply to the financial years beginning 1 April 2016 to 1 April 2021 inclusive, without amendment.
2. In February 2021, the Secretary of State announced, alongside the 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 2022, 1 April 2023 and 1 April 2024.**
 - iii. is not incurred with respect to redundancy payments, except where such redundancy costs are necessarily incurred and limited to the amounts available as statutory redundancy payments.
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 and the previous direction (as referenced in paragraph 1) applies.**
5. It is a condition that the disposal of assets by which the capital receipts, as per paragraph 4, are obtained must be disposals by the local authority outside the “group” structure. Here, “group” has the same meaning as defined in “group accounts” in the Code of Practice on Local Authority Accounting, as issued by Chartered Institute of Public Finance and Accountancy (CIPFA), whether or not these transactions are consolidated into group accounts and irrespective of whether the authority produces group accounts.
6. It is a further condition that local authorities applying this direction must send details of their planned use of the flexibility to the Secretary of State, for each

financial year in which the direction is used. This should be sent as soon as is practicable after the council has determined and approved its strategy for the use of the direction, but must be sent before the flexibility is used. Where local authorities update their plans during the financial year, an updated plan reflecting the changes must be sent to the Secretary of State. This requirement can be met by providing to the Secretary of State a copy of the authority's own planning documents. However, details provided to the Secretary of State must include as a minimum:

- the amount of planned capitalisation using the flexibility for the relevant financial year;
- the purpose of the expenditure to be capitalised with a description of the associated projects;
- the amount of expenditure that was capitalised using the flexibility for the prior financial year; and,
- the efficiency savings that are directly attributable to the use of the flexibility that were achieved for the prior financial year.

If any of this information is unavailable or unknown, the council must set this out with a description as to why it cannot be provided.

7. The value of expenditure capitalised must not exceed the amount set out in the plan, including any updated plans, provided to the Secretary of State as per paragraph 5.
8. By submitting the information set out in paragraph 5 to the Secretary of State the council will have met the condition; there is no further requirement to receive explicit consent in order to use the flexibility as set out in this direction. It is expected that authorities will evidence, as necessary, to their external auditors that they complied in full with this condition.
9. This direction is given for the purposes of Chapter 1 of Part 1 of the Act only. It does not grant 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.
10. 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.
11. If you have any queries in connection with the above, please do not hesitate to contact the Department for Levelling Up, Housing and Communities at the email address: capitalreceiptsflexibility@levellingup.gov.uk.

Yours sincerely,



Annex A - List of authorities to which this direction applies

English councils
Adur District Council
Allerdale Borough Council
Amber Valley Borough Council
Arun District Council
Ashfield District Council
Ashford Borough Council
Babergh District Council
London Borough of Barking and Dagenham
London Borough of Barnet
Barnsley Metropolitan Borough Council
Barrow-in-Furness Borough Council
Basildon Borough Council
Basingstoke and Deane Borough Council
Bassetlaw District Council
Bath and North East Somerset Council
Bedford Borough Council
London Borough of Bexley
Birmingham City Council
Blaby District Council
Blackburn with Darwen Borough Council
Blackpool Council
Bolsover District Council
Bolton Metropolitan Borough Council
Boston Borough Council
Bournemouth, Christchurch and Poole Council
Bracknell Forest Council
Bradford Metropolitan District Council
Braintree District Council
Breckland District Council
London Borough of Brent
Brentwood Borough Council

Brighton and Hove City Council
Bristol City Council
Broadland District Council
London Borough of Bromley
Bromsgrove District Council
Borough of Broxbourne
Broxtowe Borough Council
Buckinghamshire Council
Burnley Borough Council
Bury Metropolitan Borough Council
Calderdale Metropolitan Borough Council
Cambridge City Council
Cambridgeshire County Council
Cambridgeshire and Peterborough Combined Authority
London Borough of Camden
Cannock Chase District Council
Canterbury City Council
Carlisle City Council
Castle Point Borough Council
Central Bedfordshire Council
Charnwood Borough Council
Chelmsford City Council
Cheltenham Borough Council
Cherwell District Council
Cheshire East Council
Cheshire West and Chester Council
Chesterfield Borough Council
Chichester District Council
Chorley Council
City of London
Colchester Borough Council
Copeland Borough Council

Cornwall Council
Cotswold District Council
Coventry City Council
Craven District Council
Crawley Borough Council
London Borough of Croydon
Cumbria County Council
Dacorum Borough Council
Darlington Borough Council
Dartford Borough Council
Derby City Council
Derbyshire County Council
Derbyshire Dales District Council
Devon County Council
Doncaster Metropolitan Borough Council
Dorset Council
Dover District Council
Dudley Metropolitan Borough Council
Durham County Council
London Borough of Ealing
East Cambridgeshire District Council
East Devon District Council
East Hampshire District Council
East Hertfordshire District Council
East Lindsey District Council
East Riding of Yorkshire Council
East Staffordshire Borough Council
East Suffolk Council
East Sussex County Council
Eastbourne Borough Council
Eastleigh Borough Council
Eden District Council

Elmbridge Borough Council
London Borough of Enfield

Epping Forest District Council
Epsom and Ewell Borough Council
Erewash Borough Council
Essex County Council
Exeter City Council
Fareham Borough Council
Fenland District Council
Folkestone and Hythe District Council
Forest of Dean District Council
Fylde Borough Council
Gateshead Metropolitan Borough Council
Gedling Borough Council
Gloucester City Council
Gloucestershire County Council
Gosport Borough Council
Gravesham Borough Council
Great Yarmouth Borough Council
Greater London Authority
Greater Manchester Combined Authority
Royal Borough of Greenwich
Guildford Borough Council
London Borough of Hackney
Halton Borough Council
Hambleton District Council
London Borough of Hammersmith & Fulham
Hampshire County Council
Harborough District Council
London Borough of Haringey
Harlow Council
Harrogate Borough Council

London Borough of Harrow
Hart District Council
Hartlepool Borough Council

Hastings Borough Council
Havant Borough Council
London Borough of Havering
Herefordshire Council
Hertfordshire County Council
Hertsmere Borough Council
High Peak Borough Council
London Borough of Hillingdon
Hinckley and Bosworth Borough Council
Horsham District Council
London Borough of Hounslow
Huntingdonshire District Council
Hyndburn Borough Council
Ipswich Borough Council
Isle of Wight Council
Council of the Isles of Scilly
London Borough of Islington
Royal Borough of Kensington and Chelsea
Kent County Council
King's Lynn and West Norfolk Borough Council
Kingston-upon-Hull City Council
Royal Borough of Kingston upon Thames
Kirklees Council
Knowsley Metropolitan Borough Council
London Borough of Lambeth
Lancashire County Council
Lancaster City Council
Leeds City Council
Leicester City Council

Leicestershire County Council
Lewes District Council
London Borough of Lewisham
Lichfield District Council

City of Lincoln Council
Lincolnshire County Council
Liverpool City Council
Liverpool City Region Combined Authority
Luton Borough Council
Maidstone Borough Council
Maldon District Council
Malvern Hills District Council
Manchester City Council
Mansfield District Council
Medway Council
Melton Borough Council
Mendip District Council
London Borough of Merton
Mid Devon District Council
Mid Suffolk District Council
Mid Sussex District Council
Middlesbrough Council
Milton Keynes Council
Mole Valley District Council
New Forest District Council
Newark and Sherwood District Council
Newcastle City Council
Newcastle-Under-Lyme Borough Council
London Borough of Newham
Norfolk County Council
North Devon Council
North East Combined Authority

North East Derbyshire District Council
North East Lincolnshire Council
North Hertfordshire District Council
North Kesteven District Council
North Lincolnshire Council

North Norfolk District Council
North Northamptonshire Council
North of Tyne Combined Authority
North Somerset Council
North Tyneside Metropolitan Borough Council
North Warwickshire Borough Council
North West Leicestershire District Council
North Yorkshire County Council
Northumberland County Council
Norwich City Council
Nottingham City Council
Nottinghamshire County Council
Nuneaton and Bedworth Borough Council
Oadby and Wigston Borough Council
Oldham Metropolitan Borough Council
Oxford City Council
Oxfordshire County Council
Pendle Borough Council
Peterborough City Council
Plymouth City Council
Portsmouth City Council
Preston City Council
Reading Borough Council
London Borough of Redbridge
Redcar & Cleveland Borough Council
Redditch Borough Council
Reigate and Banstead Borough Council

Ribble Valley Borough Council
London Borough of Richmond upon Thames
Richmondshire District Council
Rochdale Metropolitan Borough Council
Rochford District Council
Rossendale Borough Council

Rother District Council
Rotherham Metropolitan Borough Council
Rugby Borough Council
Runnymede Borough Council
Rushcliffe Borough Council
Rushmoor Borough Council
Rutland County Council
Ryedale District Council
Salford City Council
Sandwell Metropolitan Borough Council
Scarborough Borough Council
Sedgemoor District Council
Sefton Metropolitan Borough Council
Selby District Council
Sevenoaks District Council
Sheffield City Council
Shropshire Council
Slough Borough Council
Solihull Metropolitan Borough Council
Somerset County Council
Somerset West and Taunton District Council
South Cambridgeshire District Council
South Derbyshire District Council
South Gloucestershire Council
South Hams District Council
South Holland District Council

South Kesteven District Council
South Lakeland District Council
South Norfolk District Council
South Oxfordshire District Council
South Ribble Borough Council
South Somerset District Council
South Staffordshire District Council

South Tyneside Council
South Yorkshire Combined Authority
Southampton City Council
Southend-on-Sea City Council
London Borough of Southwark
Spelthorne Borough Council
St Albans City and District Council
St Helens Metropolitan Borough Council
Stafford Borough Council
Staffordshire County Council
Staffordshire Moorlands District Council
Stevenage Borough Council
Stockport Metropolitan Borough Council
Stockton-on-Tees Borough Council
Stoke-on-Trent City Council
Stratford-on-Avon District Council
Stroud District Council
Suffolk County Council
Sunderland City Council
Surrey County Council
Surrey Heath Borough Council
London Borough of Sutton
Swale Borough Council
Swindon Borough Council
Tameside Metropolitan Borough Council

Tamworth Borough Council
Tandridge District Council
Tees Valley Combined Authority
Teignbridge District Council
Telford & Wrekin Council
Tendring District Council
Test Valley Borough Council
Tewkesbury Borough Council

Thanet District Council
Three Rivers District Council
Thurrock Council
Tonbridge and Malling Borough Council
Torbay Council
Torridge District Council
London Borough of Tower Hamlets
Trafford Metropolitan Borough Council
Tunbridge Wells Borough Council
Uttlesford District Council
Vale of White Horse District Council
Wakefield Metropolitan District Council
Walsall Metropolitan Borough Council
London Borough of Waltham Forest
London Borough of Wandsworth
Warrington Borough Council
Warwick District Council
Warwickshire County Council
Watford Borough Council
Waverley Borough Council
Wealden District Council
Welwyn Hatfield Borough Council
West Berkshire Council
West Devon Borough Council

West Lancashire Borough Council
West Lindsey District Council
West Midlands Combined Authority
West Northamptonshire Council
West of England Combined Authority
West Oxfordshire District Council
West Suffolk Council
West Sussex County Council
West Yorkshire Combined Authority
City of Westminster
Wigan Metropolitan Borough Council
Wiltshire Council
Winchester City Council
Royal Borough of Windsor and Maidenhead
Wirral Metropolitan Borough Council
Woking Borough Council
Wokingham Borough Council
Wolverhampton City Council
Worcester City Council
Worcestershire County Council
Worthing Borough Council
Wychavon District Council
Wyre Council
Wyre Forest District Council
City of York Council

Fire and Rescue Authorities and Police and Crime Commissioners
Avon & Somerset Police and Crime Commissioner and Chief Constable
Avon Combined Fire and Rescue Authority
Bedfordshire Combined Fire and Rescue Authority
Bedfordshire Police and Crime Commissioner and Chief Constable
Berkshire Combined Fire and Rescue Authority
Buckinghamshire Combined Fire and Rescue Authority

Cambridgeshire Combined Fire and Rescue Authority
Cambridgeshire Police and Crime Commissioner and Chief Constable
Cheshire Combined Fire and Rescue Authority
Cheshire Police and Crime Commissioner and Chief Constable
Cleveland Combined Fire and Rescue Authority
Cleveland Police and Crime Commissioner and Chief Constable
Cumbria Police and Crime Commissioner and Chief Constable
Derbyshire Combined Fire and Rescue Authority
Derbyshire Police and Crime Commissioner and Chief Constable

Devon & Cornwall Police and Crime Commissioner and Chief Constable
Devon and Somerset Combined Fire and Rescue Authority
Dorset and Wiltshire Fire and Rescue Authority
Dorset Police and Crime Commissioner and Chief Constable
Durham Combined Fire and Rescue Authority
Durham Police and Crime Commissioner and Chief Constable
East Sussex Combined Fire and Rescue Authority
Essex Combined Fire and Rescue Authority
Essex Police and Crime Commissioner and Chief Constable
Gloucestershire Police and Crime Commissioner and Chief Constable
Greater London Authority
Hampshire and Isle of Wight Fire and Rescue Authority
Hampshire Police and Crime Commissioner and Chief Constable
Hereford & Worcester Combined Fire and Rescue Authority
Hertfordshire Police and Crime Commissioner and Chief Constable
Humberside Combined Fire and Rescue Authority
Humberside Police and Crime Commissioner and Chief Constable
Kent Combined Fire and Rescue Authority
Kent Police and Crime Commissioner and Chief Constable
Lancashire Combined Fire and Rescue Authority
Lancashire Police and Crime Commissioner and Chief Constable
Leicestershire Combined Fire and Rescue Authority
Leicestershire Police and Crime Commissioner and Chief Constable

Lincolnshire Police and Crime Commissioner and Chief Constable
Merseyside Fire And Rescue Authority
Merseyside Police and Crime Commissioner and Chief Constable
Norfolk Police and Crime Commissioner and Chief Constable
North Yorkshire Combined Fire and Rescue Authority
North Yorkshire Police and Crime Commissioner and Chief Constable
Northamptonshire Police and Crime Commissioner and Chief Constable
Northamptonshire Police, Fire and Crime Commissioner Fire and Rescue Authority
Northumbria Police and Crime Commissioner and Chief Constable
Nottinghamshire Combined Fire and Rescue Authority
Nottinghamshire Police and Crime Commissioner and Chief Constable
Shropshire Combined Fire and Rescue Authority
South Yorkshire Fire and Rescue Authority
South Yorkshire Police and Crime Commissioner and Chief Constable
Staffordshire Combined Fire and Rescue Authority
Staffordshire Police and Crime Commissioner and Chief Constable
Suffolk Police and Crime Commissioner and Chief Constable
Surrey Police and Crime Commissioner and Chief Constable
Sussex Police and Crime Commissioner and Chief Constable
Thames Valley Police and Crime Commissioner and Chief Constable
Tyne and Wear Fire and Rescue Authority
Warwickshire Police and Crime Commissioner and Chief Constable
West Mercia Police and Crime Commissioner and Chief Constable
West Midlands Fire and Rescue Authority
West Midlands Police and Crime Commissioner and Chief Constable
West Yorkshire Fire and Rescue Authority
West Yorkshire Police and Crime Commissioner and Chief Constable
Wiltshire Police and Crime Commissioner and Chief Constable