



Department for Levelling Up,
Housing & Communities

Councillor Drew Mellor
BCP Council Civic Centre
Bourne Avenue
Bournemouth
BH2 6DY

Kemi Badenoch MP

Minister for Equalities, Local Government, Faith and Communities

Department for Levelling up, Housing and Communities

Fry Building
2 Marsham Street
London
SW1P 4DF

Kemi.Badenoch@levellingup.gov.uk

www.gov.uk/dluhc

16 June 2022

Dear Cllr Mellor,

USE OF GENERAL CAPITAL RECEIPTS FLEXIBILITY

I am writing to you with respect to Bournemouth, Christchurch and Poole Council's proposal to set up a subsidiary for the purposes of purchasing the Council's beach huts. I understand that the intent is to use the proceeds generated to fund ongoing revenue costs of transformation using the general Flexible Use of Capital Receipts direction (the direction).

Following representation expressing concern about the Council's proposal, my officials have engaged with your officers on the issue. As indicated in those discussions, we have been considering the proposal and whether it aligns with the direction and how the government expects it to be used. The direction exists to provide councils additional support to fund the revenue costs of projects which give ongoing cost savings or efficiencies, and which councils might otherwise not be able to afford to take forward.

The direction allows local authorities to determine which projects meet the criteria and determine for themselves how best to use the flexibility, but in so doing councils should also ensure they also operate within the spirit and intent of the freedoms provided.

In this case, I have concerns that the flexibility is not being used appropriately, as the assets ultimately remain within the Council's group structure and, were the direction to be used, the liabilities incurred by the subsidiary with respect to the purchase ultimately fund the revenue costs of the Council. I recognise this type of arrangement is not explicitly disallowed by the direction, as currently worded. I have asked my officials to review the direction and consider whether amendments are necessary to make sure that it is used only in a manner consistent with the government's intent.

Finally, I think it is important to emphasise that the flexibilities afforded by the direction are not intended to address budget pressures. I expect that any authority that has concerns over financial sustainability would apply to my department for Exceptional Finance Support, through the normal process. My officials can advise on the details, as needed.

I hope that this has been useful in clarifying my position on the use of the direction. I would be grateful if Council officers could keep my officials apprised of further developments.

Yours sincerely,

KEMI BADENOCH MP