

Flexible Use of Capital Receipts Policy

Guidance on the use of flexible capital receipts is issued by the Secretary of State under Section 15(1)(a) of the Local Government Act 2003. Capital receipt has the meaning as defined in Section 9 of the Act, and as described in the Regulations made under that section.

Qualifying expenditure is defined as spend on a project where incurring up-front costs will generate ongoing savings. The main element of this guidance details the types of projects that will generate qualifying expenditure. A qualifying disposal is an asset sale made within the period to which the direction applies, and by a Local Authority to an entity external to the Local Authority's reporting structure. The key tranche of this guidance defines group structure and provides further detail on what constitutes a qualifying asset disposal. The direction refers to a reference contained in Section 16(2)(b) of the Act and allows named Local Authorities to treat qualifying expenditure as capital expenditure. The period in which a named Local Authority can adopt this treatment has been extended to March 2030.

Qualifying expenditure concerns project-specific expenditure that is designed to generate ongoing revenue savings through the delivery of public services and/or the transformation of service delivery to reduce costs or transform service delivery in a form that reduces the cost or demand for services in future years for any public sector delivery partner. Within this definition, it is for individual Local Authorities to determine whether a project qualifies for this flexibility.

Formation and implementation costs of any new such processes or arrangements can be treated as qualifying expenditure. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure. In addition, one-off costs, such as banking savings generated in respect of temporary increases in pay costs, cannot be treated as qualifying expenditure. Under the directive in force from April 2022 onwards, with respect to redundancy payments, qualifying expenditure will be limited to those amounts that are necessarily incurred as statutory redundancy payments provided the other requirements of qualifying expenditure are met. This restriction does not apply to other severance costs, including pension strain costs, and the treatment of these sums remains unchanged from the previous directive.

There is a wide cross-section of projects which can generate qualifying expenditure, and the list below is not exhaustive. Examples of such projects are:

- Sharing back-office and administrative services with one or more other council or public sector bodies
- Investment in service reform feasibility work, e.g. creating pilot schemes
- Collaboration between Local Authorities and Central Government departments to increase the supply of land available for economic use
- Funding service reconfigurations, restructuring or rationalisation, where this leads to ongoing efficiency savings or service transformation
- Driving a digital approach to the delivery of more efficient public services and improving how the public interacts with constituent authorities where possible

- Aggregating procurement on common goods and services where possible, either within the scope of local arrangements or through engagement with Crown Commercial Services, regional procurement hubs or professional purchasing organisations
- Enhancing systems, controls and processes to tackle fraud and corruption in accordance with the Local Government Fraud and Corruption Strategy
- Forming commercial or alternative delivery models to deliver services more efficiently and generate revenue (for example, through the marketing of services to third parties)
- Integrating public-facing services across two or more public sector bodies (for example Children's Social Care or Trading Standards) to generate savings or to transform service delivery

Capital Receipts

The Council can only apply capital receipts that are generated internally. A scenario whereby the Council has no such residual interest concerns the disposal of an asset to a company that it has a stake in. Such operating arrangements include a joint venture or a Local Authority-owned housing limited company. The Council agreed a strategy to commence the planned disposal of its commercial property portfolio in February 2024. The Council is currently reviewing its asset base (i.e. all operational, investment and commercial sites), to determine options for disposal and capital financing options to support the Medium-Term Financial Strategy. This comprehensive review is anticipated to conclude early in financial year 2026/27 and will inform subsequent financial strategies.

Implications affecting the Council's Key Prudential Indicators

Capital receipts have not yet been allocated to individual projects' future funding commitments within the capital programme. Therefore, there is no immediate impact upon the Council's prudential indicators. Any in-year amendments affecting these indicators will be identified and reported in future iterations of this document.

If Central Government's intention to allow capital asset sale proceeds to directly enhance a Local Authority's usable reserves is adopted, this will clearly have a positive impact on both the Council's prudential indicators and overall financial resilience.

Planned Transformation Activity

A comprehensive programme of transformation projects is currently under review and will be published in due course. This table provides brief commentary on selected projects currently established:

Project	Project Scope
Care Homes	Options for future service delivery
LIFT	Implementation of a platform to assess and support residents in applying for benefit payments
Digitisation and AI	Application of digitisation and AI
Commissioning & Brokerage	Development of a designated commissioning and brokerage service for Childrens and Education