

Flexible Use of Capital Receipts Strategy 2026/27

1. Background

- 1.1. Since 2016, the UK government has permitted local authorities to use capital receipts from asset sales to fund the revenue costs of service reform and transformation projects. Initially granted until the 2019/20 financial year, this flexibility has been repeatedly extended and now applies until 2030.
- 1.2. The primary purpose of this policy is to support projects that reduce costs, increase revenue, or enhance service efficiency. Local authorities are allowed to use their capital receipts, excluding Right to Buy receipts, to fund these initiatives.

2. Types of qualifying expenditure

- 2.1. Qualifying expenditure is expenditure on any project 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. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility.
- 2.2. Set up and implementation costs of any new processes or arrangements can be classified as qualifying expenditure. Redundancy costs (both statutory and discretionary) incurred as part of service transformation can be classified as qualifying expenditure from 2025/26 onwards. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.

3. **Projects to be funded from flexible use of capital receipts**

- 3.1. The table below provides a breakdown of the projects to be funded from flexible use of capital receipts

<u>Programme</u>	<u>£'000</u> <u>2026/27</u>
Asset transformation	2,445
Core Corporate Transformation team funding	1,585
Temporary Accommodation Programme invest to save	691
Children and Education	3,700
Digital & Data	800
Innovation fund (invest to save)	1,910
Change implementation costs e.g. redundancy	3,172
HRA - invest to save fund (cost reductions)	5,000
Total	19,302

- 3.2. Approving the 'Flexible Use of Capital Receipts Strategy' does not obligate the council to implement it. The Section 151 Officer will evaluate the most effective funding approach based on the availability of capital receipts and the actual and projected levels of reserves at the close of the financial year.
- 3.3. It is highlighted that there is an opportunity cost in following this strategy. The application of capital receipts in this way means they are unavailable for the capital programme. This, in turn, increases the level of borrowing the Council undertakes and therefore the revenue cost of borrowing.

4. **Impact on the Council's Prudential Indicators**

- 4.1. The guidance requires that the impact on the Council's prudential indicators should be considered when preparing a Flexible Use of Capital Receipts Strategy. The indicators that will be impacted by this strategy are set out below:
- The Capital Financing Requirement will increase as these capital receipts would otherwise have financed capital expenditure or reduced borrowing.
 - Financing costs as a percentage of the net revenue stream will rise as more borrowing is undertaken. It is expected that the savings generated by the schemes will offset the costs arising from the additional borrowing. Therefore, there is no likely impact on Council Tax.

The prudential indicators show that this strategy is affordable and will not impact on the Council's operational and authorised borrowing limits.