Flexible Use of Capital Receipts Strategy

Introduction

The government announced their intention to extend the flexible use of capital receipts direction to 2030 in November 2024, with updated statutory guidance, under S15(1) of the Local Government Act 2003, in March 2025. Under normal rules, capital receipts can only be used to fund capital expenditure such as the purchase of capital assets or the improvement of existing assets, or the repayment of debt. However, under specific direction issued by the Secretary of State, Local Authorities can utilise income generated from the sale of assets to fund the short-term costs of transformation initiatives, invest-to-save and other efficiency programmes designed to provide future revenue savings.

It is a required condition of the direction that authorities must send details setting out their planned use of the flexibility to the Secretary of State, in advance of its use for each financial year. This is to make sure that the government is adequately sighted on the use of the flexibility and can monitor how it is used. It is not a process of approval and authorities do not require a response in order to use the flexibility. It is important that the information sent to the Secretary of State is accurate and, for that reason, it is also a requirement that authorities do not capitalise expenditure more than what was set out in the submitted plans. Authorities may, however, update their plans and resubmit to the Secretary of State during the financial year.

The Direction

The Directions are issued by the Secretary of State under Sections 16(2)(b) of the Local Government Act 2003 and specify that Local Authorities can treat as capital expenditure:

- 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.
- Set up and implementation costs of any new processes or arrangements can be classified 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 against temporary increases in costs/pay cannot be classified as qualifying expenditure.
- Qualifying disposals are those where the authority does not retain any interest, either directly or indirectly, and cannot include any disposals to any entities within the authority's "group structure".

There are a wide range of projects that could generate qualifying expenditure, examples of projects include:

- activities which support or enable efficiency savings, improved service delivery or transformation as part of local government re-organisation.
- sharing back-office and administrative services with one or more other council or public sector bodies.
- investment in service reform feasibility work, e.g. setting up pilot schemes.
- collaboration between local authorities and central government departments to free up land for economic use.
- funding the cost-of-service reconfiguration, 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 how the public interacts with constituent authorities where possible.
- aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations.
- improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy, this could include an element of staff training.
- setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others).
- 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.

How this is applied in Slough

As the Council has an agreement exceptional financial support (EFS) with the Ministry of Housing, Communities and Local Government (MHCLG), Slough has applied receipts from the disposal of assets to minimise borrowing.

In 2025/26, The Council agreed to have an earmarked transformation source finance funded to ensure the appropriate focus was applied to benefit realisation. In that year, £4m of funding was set aside in a usable earmarked reserve to be used to fund transformation expenditure across 2 years 2024/25 and 2025/26.

The tables below show how the reserve has been used so far:

Table 1: Transformation Reserve

Financial Year	Funding Available £m	Qualifying Expenditure £m	Remaining Balance £m
2024/25	4.0		
2025/26		1.3	
2026/27			2.7
Total	**4.0**	**1.3**	**2.7**

Table 2: Transformation Expenditure 2025/26

Expenditure Type	£m
Target Operating Model and Transformation	0.8
Service Improvement	0.4
SEND Programme	0.1
Total	**1.3**

The £2.7m of remaining funding will be carried forward to be used in 2026/27 on programmes that drive long term benefit realisation, improving service outcomes and enabling whole council efficiencies.

This will be reported as part of the quarterly monitoring report.

The Prudential Code

The Council has due regard to the requirements of the Prudential Code and the impact on its prudential indicators from the application of this Flexible Use of Capital Receipts Strategy.

The Council will also have due regard to the Local Authority Accounting Code of Practice when determining and including the entries required from undertaking and funding this scheme within the 2025/26 and subsequent years Statements of Accounts.

Monitoring of the Policy

Implementation of this policy will be monitored as part of the regular financial reporting requirements, including quarterly review for Cabinet. That will include tracking of the payback of the proposal and a commentary on the benefits realisation of the planned savings or service transformation against the initial analysis.