

### Flexible Use of Capital Receipts Strategy

#### 1. Introduction

Capital receipts are funds generated from selling long-term assets like land or buildings, or from repayments of capital grants and loans, which could only be used for specific purposes as set out in Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) regulations 2003 made under section 11 of the Local Government Act 2003. However, guidance was issued by Government in 2016 allowing Councils to use Capital Receipts to fund revenue costs of transformation and invest-to-save projects.

In March 2025, the Secretary of State issued an updated Direction extending the flexible use of capital receipts until 2030, allowing Local Authorities the freedom to use capital receipts from the sale of assets (except for Right to Buy disposals) to continue funding revenue costs arising from transformational revenue projects that deliver savings or service improvements.

This strategy paper sets out the Council's plans, in accordance with the Direction on the Flexible Use of Capital Receipts for the financial years 2026/27 to 2027/28.

#### 2. Strategic context and principles

The Council faces continuing financial pressures, including rising demand for statutory services and inflationary pressures. To ensure long-term financial sustainability, the Council must deliver structural transformation. This flexibility provides a short-term mechanism to meet transformation costs that will secure medium-term savings and service improvements.

The Council will apply the following principles in the use of capital receipts:

- Alignment to the Secretary of State's criteria for qualifying expenditure.
- Use exclusively for one-off transformation costs that deliver ongoing revenue savings.
- Full compliance with the Prudential Code and statutory guidance.
- Annual approval and transparent reporting.

#### 3. Process and regulations

Under the Flexible Capital Receipts guidance, the Secretary of State sets out that individual authorities are best placed to decide which expenditure projects are best to be funded by this method in local areas. The key criteria for expenditure to qualify is that the

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schemes must be 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.

### 5. Proposed Flexible Use of Capital Receipts in 2026/27 and 2027/28

The Council's Transformation Programme has a number of projects under which service reorganisation and restructuring are expected to deliver savings and service improvements. These projects will have one-off budget implications or time-constrained activity costs. The Flexible Use of Capital Receipts is being applied on the general fund impact of those activities as follows:

#### 2026/27 – Flexible Use of Capital Receipts of £13m

- External Consultancy £2m
- Transformation of services £5m
- Redundancy costs £6m

#### 2027/28 - Flexible Use of Capital Receipts of £9m

- External Consultancy £2m
- Transformation of services £4m
- Redundancy costs £3m

The transformation of services will fund a mix of resources within Finance, Commissioning, programme management, HR and other specialist/ technical capacity. This will deliver on the workstreams set out below and all anticipated savings are incorporated within the MTFS. The workstreams are as follows:

- Building Stronger Communities
- Demand Management
- Enablers
- Income & Charging
- Workforce Changes.

The Council is in the process of commissioning external consultancy to support the delivery of transformation initiatives in specific demand lead services, such as Adult Social Care and Temporary Accommodation.

The redundancy cost allocation is required to fund all required severance costs, including pension strain, from a voluntary redundancy scheme as well as the potential costs following approximately 40 service restructurings.

### **6. Financial Implications and The Prudential Code**

Utilising the capital receipts flexibility would mean that the council's reserves would not reduce by £13 million in 2026/27 and £9 million in 2027/28, which are the indicative cost of the transformation activities. This funding along with the associated costs are factored into the council's budget plans for 2026/27 alongside the savings and operational efficiencies that are expected to be generated from the transformation activity. Not utilising the Flexibility would mean an increase in the use of the council's reserves.

Approving the strategy in this report does not commit the council to adopting it. The Chief Finance Officer will consider the optimal funding strategy based on available capital receipts and the actual level of reserves at the end of the financial year.

### **7. Monitoring the Strategy**

The implementation of this Strategy will be monitored as part of regular financial reporting process.