APPENDIX B

Flexible Use of Capital Receipts Strategy 2023/24 to 2024/25

Background and guidance

1. Capital receipts can only be used for specific purposes, and these are 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. The main permitted purpose is to fund capital expenditure, and the use of capital receipts to support revenue expenditure is not allowed by the regulations. The Secretary of State is empowered to issue Directions allowing expenditure incurred by local authorities to be treated as capital expenditure. Where such a direction is made, the specified expenditure can then be funded from capital receipts under the regulations.

2. As part of the finance settlement for 2016/17 the government announced new flexibilities allowing local authorities to use capital receipts received in 2016/17, 2017/18 and 2018/19 to be used to fund transformational expenditure, which can include redundancy costs. This was extended in 2018/19 as part of the Local Government Finance Settlement for a further three years until 2021/22.

3. In February 2021, the Secretary of State announced, alongside the local government finance settlement, the continuation of the capital receipts flexibility programme for a further three years, 2022/23, 2023/24 and 2024/25 to give local authorities the continued freedom to use capital receipts from the sale of their own assets (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings.

4. This strategy provides background information with regards the statutory guidance on the flexible use of Capital Receipts and its application within this authority.

5. Accordingly, the Secretary of State directs, in exercise of his powers under sections 16(2)(b) and 20 of the Local Government Act 2003 (“the Act”), that:

    - The expenditure for which the flexibility can be applied and treated as capital expenditure (known as ‘Qualifying Expenditure’), should be:
    - Expenditure properly incurred by the authorities for the financial years that begin on 1 April 2022, 1 April 2023 and 1 April 2024
    - Expenditure for which local authorities cannot borrow, for example revenue costs of the service reforms.
    - Up-front (set up or implementation) costs for a proposal that is designed to generate future ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs or the demand for services in future years for any of the public sector delivery partners; and
    - The expenditure for which the flexibility cannot be applied (Non Qualifying Expenditure), should be:
      o The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.

- Cost incurred with respect to redundancy payments, except where such redundancy costs are necessarily incurred and limited to the amounts available as statutory redundancy payments.

6. An extract from the Government guidance on the flexible use of capital receipts is attached as Annex 2. The key determining criteria to use when deciding whether expenditure can be funded by the new capital receipts flexibility is that it is forecast to generate ongoing savings to an authority's net service expenditure.

Objectives and purpose

7. The Council Plan 2023 – 2027 sets out the Council's vision for Bracknell Forest, including the key priorities to be delivered over the medium term. It complements and extends priorities across a number of existing strategies which contain more detailed work to improve outcomes for residents. The Plan sets three overarching priorities, each of which is underpinned by specific ambitions:

   - **Engaged and healthy communities**
   - **Thriving and connected economy**
   - **Green and sustainable environment**

8. We have set out a core enabling priority to be an ambitious, resilient and sustainable organisation and will deliver this through our business change programme. This includes five programmes of activity, as below:

   - **Climate change** - enabling the organisation to achieve our climate change and carbon reduction goals.
   - **Efficiency and digitisation** – delivering efficient, sustainable, innovative, digital enabled customer focussed services.
   - **Workforce, retention, and recruitment** - ensuring we have the right capabilities, retaining an engaged and motivated workforce and growing our own talent.
   - **Neighbourhood regeneration and assets** - building resilient communities and making best use of our property assets to support effective services and financial sustainability.
   - **Corporate improvement** – an intensive corporate support and challenge programme to enable the turnaround of any service or function that is at risk of failure, initially focusing on the Council's participation in the Department for Education's Safety Valve programme to address deficits on the Dedicated Schools Grant

9. This flexible use of capital receipts strategy is intended to support the Council in delivering its objectives outlined against the themes during the period to end 2024/25 and beyond, assuming the Government extends the flexibility offered.

Historic Use of Capital Receipts Flexibility 2016/17 to Date

10. Since the flexibility was introduced, Bracknell Forest Council has chosen not to make use of it and has instead used earmarked reserves to fund its transformation and business change activities. Through these, a total of £12.5m in savings was secured against a target of £11m.

Future Use of Capital Receipts Flexibility 2023/24 to 2024/25 (and potentially to 2026/27)

11. This strategy earmarks sums totalling £2.05m million in 2023/24 and 2024/25 and highlights a further £2.9m million in the following two financial years for transformative change, through delivery of the Business Change programme. The value of expenditure capitalised must not exceed the amount set out in the plan, including any updated plans, provided to the Secretary of State. If capital receipts generated are insufficient to meet these commitments, other funding sources will need to be identified or expenditure reduced.

12. The projects in Annex 1 have been included in this strategy as being potentially eligible for capital receipts funding to support their delivery (subject to its availability and their approval), with a description of the project, project objectives, and potential planned use of receipts.

13. These projects (subject to their approval) will directly support the release of net financial benefits within the Council's budget plans. This list is not definitive and is subject to availability of this value of receipts. Should further or more priority projects with qualifying expenditure be identified, further revisions will be made to the strategy and will be requested through the relevant channels for resubmission in line with the council's Budget and Policy Framework Rules.

Disposals

14. Local authorities will only be able to use capital receipts from the sale of property, plant and equipment received in the years in which this flexibility is offered. They may not use their existing stock of capital receipts to finance the revenue costs of reform.

15. It is a condition that the disposal of assets by which the capital receipts are obtained must be disposals by the local authority outside the "group" structure. Here "group" has the same meaning as defined in "group accounts" in the Code of Practice on Local Authority Accounting, as issued by Chartered Institute of Public Finance and Accountancy (CIPFA), whether or not these transactions are consolidated into group accounts and irrespective of whether the authority produces group accounts.

16. Capital receipts when they are realised are primarily used to fund capital investment which has a relatively short economic life, such as IT investment where borrowing is not economical. In setting its capital programme budget each year, Bracknell Forest Council typically estimates that income of around £2m - £3m will be secured from a combination of Community Infrastructure Levy funding from developers and capital receipts from asset sales. These include proceeds from housing sales realised by Silva Homes under right to buy arrangements, which is the arrangement following the externalisation of the Council's housing stock to Silva Homes (formerly Bracknell Forest Homes) in 2008.

17. It is believed that sufficient capital receipts will be received during the current year to more than cover the amount proposed to be spent under this strategy in 2023/24, assuming its adoption from 1 December 2023. Work is being undertaken to develop a pipeline of asset disposals in future years to provide sufficient funding for the strategy.

Impact of 2023/24 Strategy on Prudential Indicators

18. 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 capital receipts assumed to fund the strategy have not currently been factored into the council's Capital Financing Requirement (CFR) by way of either reducing debt or financing capital expenditure. Therefore, there will be no change to the council's Prudential Indicators that are contained in the Treasury Management Strategy Statement which will be presented to Full Council in February 2024 for approval.

19. The prudential indicators show that this strategy is affordable and will not affect the council's operational boundary and authorised borrowing limit.

20. In using the flexibility, the council will have due regard to the Guidance on Flexible Use of Capital Receipts issued by the Secretary of State under section 15(1)(a) of the Act, the requirements of the Prudential Code, the CIPFA Local Authority Accounting Code of Practice and the current edition of the Treasury Management in Public Services Code of Practice.

Governance

21. It is a condition that local authorities applying this direction must send details of their planned use of the flexibility to the Secretary of State for each financial year in which the direction is used.

22. This should be sent as soon as is practicable after the Council has determined and approved its strategy for the use of the direction but must be sent before the flexibility is used. Where local authorities update their plans during the financial year, an updated plan reflecting the changes must be sent to the Secretary of State. This requirement can be met by providing to the Secretary of State a copy of the authority's own planning documents.

23. By submitting the information set out to the Secretary of State the council will have met the condition; there is no further requirement to receive explicit consent in order to use the flexibility as set out in this direction. It is expected that the council will evidence compliance in full with this condition to their external auditors as necessary.

24. In future years the strategy will be presented annually alongside the budget to Full Council for approval.

Proposed Use of Capital Receipts Flexibility

ANNEX 1

Business Change Programme	Proposed Qualifying Expenditure				Description	Savings Targets (Cumulative)		
	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000		2024/25 £000	2025/26 £000	2026/27 £000
Neighbourhood Assets and Regeneration	34.2	211.2	217.6	224.1	Significantly reduce operating costs and generate income by taking a strategic planned approach to analysing and rationalising our property estate. Ensure an efficient and suitable property portfolio that suits the requirements of service delivery and minimises underutilisation.	250	200	250
Climate Change	32.5	108.9	112.4	116	Enabling the organisation to achieve our climate change and carbon reduction goals.	Financial targets initially included above with others to be identified		
Digital Efficiency	92	181.7	250.9	259	Focus on delivering efficient, sustainable, innovative, digital-enabled customer focussed services. Simplify and rationalise systems and data storage to maximise efficiencies and deliver better value from data insight.	250	300	450
Workforce Retention and Recruitment [1]	49.4	166.2	172.1	178.1	Build a thriving, diverse and engaged workforce that drives our organisational effectiveness. Be known for attracting, nurturing and retaining exceptional talent. Through this, increase the number of permanent, core employees and enable reliance on agency workers to be reduced.	1000	1000	1000
Corporate Improvement [2]	200	305.3	160.7	166.3	Provide a corporate focus, support and challenge for services or functions that are identified as failing or at risk of failure. Initially focused on services to pupils with Special Educational Needs or Disabilities (SEND) and their families, working with schools and other stakeholders to improve services and reduce costs as required by the Council's current participation in the Safety Valve programme.	500	1000	3000
Business Change Delivery Capacity	141.9	526.7	486.3	556.5	Programme and project management capacity to support delivery of the Business Change programmes and realise their expected benefits, including the financial savings identified against them.	Supporting delivery of all programmes and their identified savings		
Total Potential Expenditure	**550.0**	**1500.0**	**1400.0**	**1500.0**	**Total Target Savings**	**2000**	**2500**	**4700**

[1] Target reduction from current £8m annual spend on agency staff. This will mitigate current pressures / overspends on staffing budgets but not initially enable budget reductions.

[2] Reductions to be identified on the current schools budget deficit. Scale and phasing to be determined through participation in the Department for Education's Safety Valve programme.

Annex 2

Extract from Government Guidance on Flexible Use of Capital Receipts

Types of qualifying expenditure

4.1 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.

4.2 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. Under the direction in force from April 2022, 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; the treatment of these costs remains unchanged from the previous direction.

Examples of qualifying expenditure

4.3 There are a wide range of projects that could generate qualifying expenditure and the list below is not prescriptive. Examples of projects include:

- 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); and
- 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.