

### Flexible Use of Capital Receipts Strategy 2024/25 to 2025/26

#### 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. 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.

This is the principle upon which this strategy is based:

- It should be noted that the Secretary of State announced on 18 December 2024 consultation on further flexibilities for capital receipts including:  
capitalising general cost pressures
  - Extending 'flexible use of capital receipts to allow councils to borrow for revenue costs
  - New flexibilities for the use of proceeds of selling investment assets used for rent or capital appreciation only
3. Should these proposals proceed a set of conditions will be attached to the new flexibilities. The consultation once closed can be expected to result in the government bringing forward legislation to permit the new flexibilities to be utilised by Councils and should the Council want to adopt these a revised policy will need to be submitted to Council and subsequently Ministers for approval.
  4. This strategy provides background information under the statutory framework and guidance as at January 2024, it provides the principles on which the flexible use of Capital Receipts policy is based 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:
    - 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. 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 and examples of qualifying expenditure is outlined in Annex 2 of this strategy.

### Objectives and purpose

7. The Corporate Strategy 2022 to 2027 sets out the council's vision for Bristol, including the key priorities to be delivered over the medium term. It links with other key strategies and contributes to the delivery of the long-term One City Plan and shared vision for the city.
8. The Corporate Strategy will lay the foundation for delivery of the vision and consists of 7 high level strategic themes:
- **Children and Young People** - City where every child belongs and every child gets the best start in life, whatever circumstances they were born in to.
  - **Economy and Skills** - Economic growth that builds inclusive and resilient communities, decarbonises the city and offers equity of opportunity.
  - **Environment and Sustainability**- Decarbonise the city, support the recovery of nature and lead a just transition to a low carbon future.
  - **Health, Care and Wellbeing** - Tackling health inequalities to help people stay healthier and happier throughout their lives.
  - **Homes and Communities** - Healthy, resilient and inclusive neighbourhoods with fair access to decent, affordable homes.
  - **Transport and Connectivity** - A more efficient, sustainable and inclusive connection of people to people, people to jobs and people to opportunity.
  - **A Development Organisation** - From city government to city governance: creating a focussed council that empowers individuals, communities and partners to flourish and lead.
9. This flexible use of capital receipts strategy is intended to support the council in delivering its objectives outlined against the themes, and potentially take advantage of the extension of the flexibility where appropriate to use capital receipts to fund transformation projects with qualifying criteria.

### Historic Use of Capital Receipts Flexibility up to 2022/23

10. Since the flexibility was introduced, the council has applied £11.372 million of capital receipts for transformation and savings as outlined in table 1 in Annex 1 attached.
11. These programmes have been successful in delivering a combination of non-cashable / enabling savings to improve efficiency and effectiveness and cashable revenue savings

which have reduced the net expenditure. Internal governance arrangements are in place to monitor the delivery of agreed savings and details provided within quarterly finance reports to Cabinet.

12. Assurance in relation to the council's processes for monitoring the delivery of savings and for large transformation / efficiency programmes is provided by Internal Audit.
13. The 2022/23 budget proposal presented to Full Council in February 2022 (produced in line with the previous direction) included proposals to utilise the flexible use of capital receipts. However, from the capital receipts forecasted to be received during 2022/23 funding for the capital programme was prioritised and alternative funding sources identified for delivery of these programmes. This flexibility was not used in 2022/23.

### **Use of Capital Receipts Flexibility 2023/24 and 2024/25**

14. In responding to the ongoing financial challenges facing the council, a Top 4 Transformation Programme was established as part of the 2023/24 budget strategy that included Adult Social Care, Childrens and Families and Temporary Accommodation. In addition, a Property Programme was included as an enabler to provide an opportunity to rationalise the operational running costs of the estate and asset holdings and in so doing generate capital receipts.
15. The amount of planned capitalisation using the flexibility for 2023/24 and 2024/25 is £20 million of which £8 million is forecast to have been utilised in the financial year 2023/24 and the remaining £12 million is forecast to be applied in 2024/25. The value of expenditure capitalised must not exceed the amount set out in the plan, unless approved by Full Council and the updated plan is 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. These amounts will support the ongoing delivery of the Transformation Programmes alongside an additional £6 million of one-off revenue transformation funding that will be prioritised towards delivering cashable savings within a relatively short payback period.
16. The programmes in tables 2 & 3 (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 programme, its objectives and potential planned use of receipts.
17. The proposals illustrated in tables 2 & 3 (subject to their approval) will directly support the release of net financial benefits committed to in the budget. This list is not definitive and subject to availability of this value of receipts. Should further or more priority programmes / projects with qualifying expenditure be identified during the course of the year, further revisions will be made to the strategy and will be requested through the relevant channels for resubmission in line with the council's Policy and Budget Framework Rules.
18. Table 4 (Annex 1) details the planned savings set out over the medium-term period in the council's budget from which alternative propositions may be identified and further detail is set out in the budget report.

### **Disposals**

19. 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.
20. 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.
21. Capital receipts are primarily used to fund capital investment which has a relatively short economic life, such as IT investment where borrowing is not economical. Excluding land disposals to Goram Homes, there is a further need to generate nearly £80.9 million of capital receipts to fund the future general fund capital programme, including £20 million for transformation using this flexibility. At the end of the financial year 2023/24 the council estimates to have £24.5 million of capital receipts towards the overall financing requirement. Work is continuing to develop the future pipeline of disposals to enable the council to meet the remaining funding commitments (£56.4m) as set out in the approved capital programme and this strategy.
22. The pipeline of disposals will need to be closely monitored to ensure sufficient cash resource is available prior to projects being committed to prevent any consequential budget pressures. Should the disposal programme not progress as currently profiled other funding sources will need to be identified or programmes and projects reduced.
23. The amount of planned capitalisation using the flexibility for 2023/24 and 2024/25 is £20 million of which £8 million is forecast to have been utilised in the financial year 2023/24 and the remaining £12 million is forecast to be applied in 2024/25. These amounts will support the ongoing delivery of the transformation programmes alongside an additional £6 million of one-off revenue transformation funding that will be prioritised towards delivering cashable savings within a relatively short payback period.

### **Impact of 2024/25 strategy on Prudential Indicators**

24. The guidance requires that the impact on the council’s Prudential Indicators should be considered when preparing a Flexible Use of Capital Receipts Strategy. These capital receipts have not been factored into the council’s Capital Financing Requirement (CFR) by way of either reducing debt or financing capital expenditure.
25. Capital receipts which are allocated to fund the council’s capital programme have been allocated, will be monitored throughout the year and will not be subsequently used to fund qualifying 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.
26. The prudential indicators show that this strategy is affordable and will not affect the council’s operational boundary and authorised borrowing limit.
27. 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**

28. 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.
29. 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.
30. 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.
31. The strategy will be presented with the budget annually to Full Council for approval.

Table 1: Historic Use of Capital Receipts Flexibility up to 2022/23

Project	Description / Benefits	Qualifying Expenditure							
		16/17 £m	17/18 £m	18/19 £m	19/20 £m	21/22 £m	22/23 £m	23/24 £m	Total £m
		Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
Organisational Business Change	Programme to right size and shape how the organisation works to make it more effective, streamline processes and deliver operational efficiencies, which were reduced from net expenditure.	5.300	-	-	-	-	-	-	5.300
Transformation Project Management	Project management capacity to support the delivery of the agreed £76 million 2018 medium term savings programme and delivery of specific savings with qualifying expenditure within it. IT transformation and Strengthening Families are included in this programme.	-	-	-	0.400	-	-	-	0.400
IT Transformation Programme	Transform ICT service to deliver an efficient, modern, secure, flexible service which supports delivery of the Corporate Strategy. Cashable and non-cashable efficiencies have been generated from reducing support costs, facilitating remote working and more recently hybrid working post pandemic.	-	-	-	2.172	3.203	-	-	5.375
Strengthening Families	The programme objective was a system-wide transformation of children's services, which succeeded in making savings in external placement costs; however wider service demands mean the budget could not be reduced.	-	-	-	0.297	0.060	-	-	0.297
<b>Total</b>		<b>5.300</b>	<b>0.000</b>	<b>0.000</b>	<b>2.809</b>	<b>3.263</b>	<b>0.000</b>		<b>11.372</b>

**Table 2: 2023/24 Planned / Forecast Use of Capital Receipts Flexibility**

Project	Qualifying Expenditure Estimate £m	Transformation Programme Benefits	Transformation Projects
<b>Reduce Council Owned Property</b>	6.000	In light of continued new ways of working this programme is to enable the council to review its asset holdings to ensure assets that no longer meet the business operational need can be rented out / leased to other public and private sector partners, so the council is able to benefit from lower cost or higher rental income. Where this is not feasible the asset will be disposed of to generate a useable capital receipt for financing future investment and/or reducing debt.	Illustrative projects include: the rationalisation of office space allowing the NHS to lease 1600 sqm of commercial office space in 100 Temple Street (FY saving £1.3m, 22/23 £0.3m); commercial estate rent reviews (£1.5m saving), renting out office / storage space to the HRA (£0.4m saving), commercial lease for fleet vehicles for use in the HRA function (£0.5m saving), review of corporate landlord function, capacity and structure (£0.9m saving)
<b>Transformation Project - Top 4 Delivery Capacity</b>	2.000	Project management, commissioned support and delivery partner service capacity to support the timely delivery of the savings targets agreed within each directorate. This funding is to be applied to the delivery of specific workstreams and savings within qualifying expenditure within it, a number of which are illustrated below.	
<b>Adult Social Care Transformation</b>		To develop a sustainable model of care that builds upon community assets and improves outcomes whilst delivering within budget. Working with a strategic delivery partner, a range of workstreams/initiatives for delivering efficiencies have been identified.	The programme is made up of a number of workstreams and initiatives the main ones being: reducing the cost of the adult purchasing costs aligned to the outcomes from the Peopletoo diagnostic report which is forecast to save £4.3m; the realignment of Bristol Community Links services (£1m saving); a revised target operating model and management restructure (£2.0m saving); recommissioning of Redfield Lodge pathway beds (£0.370m saving); the closure of the South Bristol Rehabilitation Centre (£0.408m saving).
<b>Our Families Programme</b>		The programme will design effective services with, and for, children, young people and families and efficiency of delivery will improve as a result through a whole system change. A range of workstreams across all aspects of the service have been identified for change including home to school transport, early intervention and prevention services, enhancing in house carer sufficiency.	The transformation programme consists of 3 main and illustrative projects: 1. Operating Model and Workforce - introduction of a new target operating model with new ways of working including a new practice offer, improved organisational development and talent management (£1.68m) 2. Demand Management - including the redesign of: home to school transport, management of care transitions, enhanced early intervention and prevention, lean business processes (£1.24m) 3. Commissioning and Partnerships - introduction of a single commissioning hub, develop a single supported housing pathway, working better together with health and police (£0.87m)
<b>Temporary Accommodation Need</b>		This programme aims to reduce the costs of providing temporary accommodation to those with immediate housing needs. We will do this by creating new temporary accommodation, making use of existing properties, including council housing and working with partners to source and commission available properties more cost effectively. This will reduce our spend on expensive and inappropriate accommodation like hotels.	The main programme has made available new temporary accommodation through the use of general needs properties (saving £0.500m), the move to a new single emergency accommodation commissioning albeit the 'go live' date has been delayed (saving £0.141m), the introduction of more private lettings from October (£0.287m) and the lease / refurbishment of an ex NHS nursing accommodation block for 11 families (saving 0.147m)
<b>Total Potential Spend</b>	<b>8.000</b>		

**Table 3: 2024/25 Future Use of Capital Receipts Flexibilities**

<b>Project</b>	<b>24/25 Estimate £m</b>	<b>Description / Benefits</b>	<b>25/26 Estimate £m</b>	<b>26/27 Estimate £m</b>	<b>27/28 Estimate £m</b>
<b>Transformation Programme - incl Top 4 Delivery Capacity Projects</b>	*12.000	Project management, commissioned support and delivery partner service capacity to support the timely delivery of the savings targets agreed within each directorate. This funding is to be applied to the delivery of specific workstreams and savings within qualifying expenditure within it, a number of which are illustrated below.			
<b>Reduce council Owned Property</b>		In light of continued new ways of working this programme is to enable the council to review its asset holdings to ensure assets that no longer meet the business operational need can be rented out / leased to other public and private sector partners, so the council is able to benefit from lower cost or higher rental income. Where this is not feasible the asset will be disposed of to generate a useable capital receipt for financing future investment and/or reducing debt. Illustrative projects include: the office rationalisation of 100 Temple square that will see a long term commercial lease for 1600 sqm to the NHS that will realise £1.3m of rental income pa and the availability of short term leases for approx 2,200 sqm at commercial office rates; the rationalisation of locality office space and the maturity of the corporate landlord model across the council including the reversion of the Hard FM contract.	4.800	4.800	4.800
<b>Adult Social Care Transformation</b>		To develop a sustainable model of care that builds upon community assets and improves outcomes whilst delivering within budget. Working with a strategic delivery partner, a range of workstreams/initiatives for delivering efficiencies have been identified. The main project is the full implementation (year 2) of the Peopletoo diagnostic report into adult purchasing including the new target operating and social care practice model and the focus on reducing both the demand and cost of care packages.	10.402	10.402	10.402
<b>Our Families Programme</b>		The programme will design effective services with, and for, children, young people and families and efficiency of delivery will improve as a result through a whole system change. A range of workstreams across all aspects of the service have been identified for change including home to school transport, early intervention and prevention services, enhancing in house carer sufficiency. This is broadly both a continuation and acceleration of the 23/24 programme and workstreams highlighted in Table 2.	3.800	3.800	3.800
<b>Temporary Accommodation Need</b>		This programme aims to reduce the costs of providing temporary accommodation to those with immediate housing needs. We will do this by creating new temporary accommodation, making use of existing properties, including council housing and working with partners to source and commission available properties more cost effectively. This will reduce our spend on expensive and inappropriate accommodation like hotels and is both a continuation and acceleration of the current initiatives aligned to the 24/25 capital programme that provides opportunity to enhance the council's approach to capital "invest to save" subject to a full business case.	4.071	4.071	4.071
<b>Total Potential Spend</b>	<b>12.000</b>				
<b>Note: *£2m was approved as part of the 2023/24 Use of Capital Receipts Flexibilities Policy approved by Full Council</b>					



**Table 4: Medium Term Savings – 2024/25**

	<b>24/25</b> <b>£'000</b>	<b>25/26</b> <b>£'000</b>	<b>26/27</b> <b>£000</b>	<b>27/28</b> <b>£'000</b>	<b>28/29</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
<b>Adults, Community &amp; Public Health</b>	11,009	1,906	468	0	0	13,383
<b>Childrens &amp; Education</b>	5,315	3,280	1,633	547	29	10,803
<b>Growth &amp; Regeneration</b>	5,597	(57)	760	810	(353)	6,757
<b>Resources (&amp; Shareholding)</b>	1,775	160	150	0	0	2,085
<b>Corporate</b>	10,300	(4,000)	0	0	0	6,300
<b>TOTAL SAVINGS</b>	<b>33,996</b>	<b>1,289</b>	<b>3,011</b>	<b>1,357</b>	<b>(324)</b>	<b>39,328</b>

## Examples of qualifying expenditure

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 body;
- Investment in service reform feasibility work, eg 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 (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;
- Sharing Chief-Executives, management teams or staffing structures;
- 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, trading standards) to generate savings or to transform service delivery.