Gedling Borough Council

Flexible Use of Capital Receipts Strategy 2026/27

February 2026

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1. Introduction

To support local authorities to deliver more efficient and sustainable services, a time limited flexibility is currently available to use capital receipts from the disposal of property, plant and equipment assets to fund the revenue cost of service reform.

Under normal rules, capital receipts can only be used to fund capital expenditure such as the purchase of capital assets or improvements to existing assets.

The former Department for Levelling Up, Housing & Communities have issued an extension to a Direction and published guidance that enables Councils to use income from the sale of certain assets to fund the short-term revenue costs that support Transformation, Invest-to-save and efficiency projects in order to provide revenue savings in the future.

This strategy sets out the intended use of this flexibility and applies to the financial year 2026/27. The Strategy will be updated as part of the annual budget process in subsequent years.

The flexibilities fit well with the Council's Medium Term Financial Plan for achieving financial sustainability through transformation projects, including efficiency measures and invest-to-save projects. Given the level of savings required over the medium-term and the number and scope of projects within the plan, it will be important to provide funding for these projects. The use of capital receipts means that these essential projects can be progressed without putting additional pressure on revenue resources.

2. Background

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 revenue expenditure incurred by local authorities to be treated as capital expenditure and therefore funded by capital receipts.

In the Spending Review 2015, the Chancellor of the Exchequer announced the Government would allow local authorities to spend up to 100% of their capital receipts on the revenue costs of transformation projects, to support local authorities to deliver more efficient and sustainable services.

The Secretary of State for Communities and Local Government issued a Direction in March 2016, giving local authorities greater freedoms to use capital receipts to finance expenditure, up until 2018/19. Allowing local authorities to treat qualifying expenditure on transformation projects as capital expenditure and to fund it from capital receipts received after April 2016. Qualifying expenditure was defined as: “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.”

This was extended in 2018/19 as part of the Local Government Finance Settlement for a further three years until 2021/22. Then, in the 2022/23 Provisional Local Government Finance Settlement it was announced “a 3-year extension from 2022/23 onwards of the existing flexibility for councils to use capital receipts to fund transformation projects that produce long-term savings or reduce the costs of service delivery”. On 4 April 2022, the then Department of Levelling Up, Housing, and Communities confirmed this extension to 2024/25 and published Guidance and a Direction.

It was announced by Government alongside the Provisional Settlement on 18 December 2023 that the current scheme, which currently applies to expenditure and receipts incurred between 1 April 2022 and 31 March 2025, is extended to 31 March 2030. Therefore, to make eligible use of the scheme the capital receipts, and any qualifying revenue expenditure, need to be incurred between 1 April 2022 and 31 March 2030.

3. Proposed Investments

The Revenue and Capital Budget reports for 2026/27 will be presented for approval by Full Council on 4th March 2026 and includes the Councils proposed investment including investment in its Digital, Data & Technology Strategy.

This Strategy is central to the Council's transformation efforts and a critical enabler of more customer-centric, efficient ways of working. It sets the direction for how we will deliver better services for customers and how we will organise ourselves more efficiently, enabled by Council wide standards and approaches to service design, underpinned by joined up data and technology solutions.

The purpose of this strategy is to provide a clear vision and direction for Digital, Data and Technology within Gedling over the next two years. It sets out our ambitions for improving our ways of working by making better use of technology, with the aim of helping us to become more efficient and customer focused on how we deliver our services.

The strategy is a significant investment which would have enabled the Council to deliver long term financial efficiencies which have started to be realised in 2025/26 and will increase over the next few years. However, the introduction of Local Government Reorganisation does mean that efficiencies are likely to be capped in 2028 as Gedling will cease to exist and systems that the Council has introduced over the past few years may be superseded with those of a new authority.

The Council has scaled back its investment, however those schemes that had already commenced will be completed as the Council will gain benefit over the remaining two years it will continue to exist.

As the strategy and associated roadmap progresses, the initial costs of implementation will be a mixture of both revenue costs and capital costs, which are eligible for flexible use of capital receipts. Any on-going revenue costs have been factored into the Medium-Term Financial Plan and will be funded by future efficiencies arising from this transformation or the general fund revenue budget.

Digital Data & Technology Strategy

The Digital, Data and Technology Strategy was part of an overall two to three-year transformation programme. 2026/27 is expected to be the final year but some expenditure may slip into 2027/28.

This transformation programme is supported by a staffing restructure which put additional resource into the Council in order to deliver transformation projects (particularly around Digital Transformation). It is currently envisaged that between 60-80% of these posts will be delivering one-off transformation projects to the Council, therefore only this element will be subject to funding by flexible use of capital receipts over a two-year period, the remainder of the posts will be delivering business as usual activities and funded through the general fund revenue account.

At its meeting on 6 March 2024 Full Council approved the authority to use the powers under the Government's Statutory Guidance to the flexible use of capital receipts to fund **£1.987m** of qualifying between transformation expenditure in order to support projects over the course of 2024/25 to 2026/27.

Subsequently during 2024/25 the Waste Management System was included in the delivery of the Digital Roadmap following the removal of the previous system. The system was purchased in 2024/25 table 1a below sets out the project implementation costs over 2025/26 and 2026/27. The total revised estimate for flexible use of Capital Receipts was changed to **£2.122m,** and approved by Full Council on 5 March 2025. Current expectations for the use of capital receipts is **£1.766m** for 2025/26 – 2026/27, as set out in the tables 2 and 3 below.

There may be some deferral of expenditure from 2025/26 into 2026/27 due to onboarding of staff, these will be considered as part of the outturn report and the annual Flexible Capital Receipts return which is made to the Government, any revision to this strategy will then be made and brought forward for approval as part of the budget monitoring process (including outturn). In addition, due to LGR and the impact this places on long term efficiencies. The remaining efficiency programmes will be reviewed in 2026/27 to assess what benefits can still be derived from any further investment in the short term and the financial impact of this.

Revised tables showing the amount of capitalisation in 2024/25 and expectations for 2025/26 and 2026/27 are set out below.

Leisure Transformation

Currently leisure services operate 5 Leisure Centres at a total subsidy of £1.5m each year. The Leisure Transformation Programme aims to rationalise its leisure provision with an overall, aim of reducing its subsidy year on year to obtain a break-even position in the future.

A Leisure Strategy has been completed which supports investment in 2 new leisure facilities, the first phase of this is to proceed with a new leisure centre in Carlton which will combine 2 current facilities into one new efficient space, which will maximise income generation and start to reduce the annual subsidy.

The service area has an Assistant Director whose main priority is to progress the leisure transformation work. It is anticipated that an element of this role will be capitalised under this project. This is set out below

Table 1: Actual Expenditure Capitalised in 2024/25	
Project	**£**
ICT Staffing Implementation (2-year fixed term)	112,600
Senior Management Transformation Costs	142,300
Total Capitalised	**254,900**

Table 2: Digital Data & Technology Project and Implementation Costs			
Project	**Lead Officer**	**Value £**	**Use of Capital Receipts**
Customer Relationship Management System and Software	Director of Transformation	150,000	2025/26
		20,000	2026/27
Waste Management System Costs	Director of Transformation	82,200	2025/26
		18,300	2026/27
Integration Capability- Web service enablement/orchestration layer	Director of Transformation	75,000	2026/27
ICT Staffing Implementation Costs (2 years fixed term Contracts)	Director of Transformation	594,600	2025/26
		469,200	2026/27
Total		**1,409,300**	

Table 3: Management Transformation Programme			
Position	**Lead officer**	**Value £**	**Use of Capital Receipts**
Director of Transformation (80%)	Deputy Chief Executive	94,600	2025/26
		10,000	2026/27
Assistant Director Digital Data & Technology (80%)	Director of Transformation	71,400	2025/26
		74,000	2026/27
Assistant Director of Customer Engagement (60%)	Deputy Chief Executive	46,600	2025/26
Assistant Director of Leisure, Heath & Wellbeing (30%)	Deputy Chief Executive	30,300	2025/26
		30,300	2026/27
Total		**357,200**	

4. Historic use of Capital receipts up to 2024/25

The Council first exercised its option to use the capital receipts flexibility direction in 2024/25. **Table 1** above sets out the expenditure that was capitalised in this year.

Each year the option will be exercised a revised strategy and will be presented to Full Council as part of the annual budget reports and submitted to the Secretary of State following approval by Full Council.

5. Impact on Prudential Indicators

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.

Any capital receipts which are received and not allocated will be used to fund revenue costs incurred to support the Council's Transformation Programme and delivery of savings and efficiencies. These receipts have not been earmarked as funding for any other proposed capital expenditure and therefore there is no anticipated additional impact on the Council's prudential indicators as set out in the Council's Treasury Management Strategy.

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

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 Statement of Accounts.

6. Monitoring the Strategy

Implementation of this Strategy will be monitored as part of regular financial reporting arrangements.