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Resources

Flexible use of Capital Receipts Strategy – Update and further allocation

Purpose

- 1.1
 - Capital Receipts – Update on the use of Flexible Capital receipts for Transformation Purposes and outline of the continuing strategy

Recommendations

- 2.1 To approve the use of capital receipts of £2.065m at Full Council, for transformation purposes as outlined in section 4.1.
- 2.2 To note the use to date, associated savings and remaining profiled allocation for the initial allocation of £2m flexible capital receipts outlined in section 4.1.1 and 4.1.2.
- 2.3 To note the proposed use of the further allocation of £1.5m and the re-purposed allocation of £0.565m (totalling £2.065m) for 2022/23 flexible capital receipts strategy outlined in section 4.2 and 4.3.
- 2.4 To approve delegated authority to the Strategic Director of Corporate Resources, to finalise the detailed allocation and reprioritisation of the receipts in line with the projects outlined.

Reason

- 3.1 To comply with Financial Procedure Rules.
- 3.2 To comply with the Statutory Guidance on the use of Flexible Capital receipts issued on 04 April 2022, by the Department for Levelling Up, Housing and Communities (DHLUC). This report must be taken to Full Council to meet the requirements of the guidance.

Supporting information

4.1 Flexible use of Capital Receipts – Update

The Medium-Term Financial Plan 2021/22 – 2023/24 that was approved by Council on the 24 February 2021 outlined the Council's intentions to utilise £2m of capital receipts for transformational purposes.

4.1.1 The initial allocation, use and remainder of the allocation is outlined below:

Theme	Project	Investment	Spend 2021/22	Remain ing Alloca tion	Return over 3 years
		£m	£m	£m	£m
Insight and Commissioning	1. Further development of business intelligence and more effective approaches to commissioning and contract management	0.300	0.272	0.028	0.500
Workflow and Digital	2. Business process streamlining, and workflow change within People Services	0.108	0.069	0.039	0.600
	3. Digital Traffic Enforcement	0.242	0.195	0.047	0.680
	4. Enabling technologies	0.315	-	0.315	0.750
Demand Management and Better Together	5. Development of the Better Together Strategy	0.280	-	0.280	0.840
	6. D2N2 Single Strategy for the procurement of foster carers	0.120	-	0.120	0.300
Commercial	7. Commercial Management capacity to implement income generation and cost avoidance initiatives in Streetpride Services	0.060	0.057	0.003	0.250
	8. Communications & Marketing commercial activity	0.050	-	0.050	0.200
Enabling Capacity	9. Enhanced capacity to support the deliverability of the projects. This will include a range of internal and external support, utilisation of local networks, partnerships, and alliances.	0.525	0.126	0.399	-
TOTAL		*2.000	0.719	1.281	4.120

4.1.2

- The initial *£2m receipt has been revised and reduced to £1.850m as investment required are not as originally anticipated
- Savings forecast to the end of this financial year through use of the flexibility are currently estimated to be £1.345m
- The below table outlines the remaining allocation to be added to the new £1.5m allocation for further transformation:

4.1.3

Description	£m
Original Allocation	2.000
Reduction in receipts	(0.150)
Spend 2021/22	(0.719)
Estimated – required for the remainder of the projects	(0.566)
Estimated - to be reallocated	(0.565)
Total	-

The above are initial estimates, final figures will be reported to cabinet as appropriate.

4.1.4 Reallocation £0.565m

£0.565m of the original receipt has been reviewed and is to be incorporated into the new plan for planned strategy. The themes were:

Description	Amount £m
Enabling Technologies	(0.350)
Better Together	(0.280)
Foster Carers	(0.120)
<i>Reduced receipts</i>	<i>0.150</i>
Total	(0.565)

4.2 Revised allocation of capital receipts for flexible use £2.065m

The Medium-Term Financial Plan 2022/23 – 2024/25 that was approved by Council on the 28 February 2022 outlined the Council's intentions to utilise further capital receipts for transformational purposes. For 2022/23 the sale of Westside Park has been identified as a receipt for partial use (£1.5m) for transformation projects. £0.565m has been re-purposed from the original allocation, therefore the total allocation is £2.065m.

- 4.2.1 The Statutory Guidance recommends that the council produces a flexible use of Capital Receipts Strategy setting out details of projects to be funded through flexible use of capital receipts to be prepared prior to the start of each financial year. Failure to meet this requirement does not mean that an authority cannot access the flexibility in that year. The Strategy should be presented to Full Council or the equivalent at the earliest possible opportunity and within sufficient timeframes to meet the deadline to submit plans to DHLUC for 2022/23 by 30 September 2022. Original plans may be updated, and the guidance allows local authorities to update their strategy during the year if required. Appendix 1 outlines the guidance issued.

- 4.2.2 It is a condition that local authorities applying for 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. This should be sent as soon as is practicable after the Council has determined and approved its strategy for the use of the direction and within the specified timeframe directed by DHLUC, it 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.
- 4.2.3 As a minimum, the strategy should list each project that plans to make use of the capital receipts flexibility and that on a project-by-project basis details of the expected savings/service transformation are provided. The Strategy should report the impact on the local authority's Prudential Indicators for the forthcoming year and subsequent years.
- 4.2.4 For the 2022-23 Strategy and in each future year, the Strategy should contain details on projects approved in previous years, including a commentary on whether the planned savings or service transformation have been/are being realised in line with the initial analysis.

4.3 Planned strategy and use of further £2.065m flexible capital receipts

- 4.3.1 The Council's vision is to transform its services to achieve better value for money by implementing new ways of operating that make service delivery more efficient. This approach is a whole Council approach using the following principles for transformation;
- Adoption of a commissioning approach which involves the Council acting as a 'place-shaper' to identify needs and work in partnership with all stakeholders and agencies.
 - Service delivery which values social partnership, democratic engagement, fairness and maximising social value to create more robust, resilient and resourceful communities
 - Commercialism focussed seeking improvement and efficiencies in the way that we do things, the way we transact and the way we manage our resources.
 - A harnessing of digital to build and deliver services that can transform the relationship between the Council and its residents.
- 4.3.2 The Council's transformation programme will build on the already established programmes of 'Better Together and Working Smarter'. The framework for the delivery of the 2023-24 to 2025-26 Medium Term Financial Plan is based around that transformation programme complimented by an establishment of a three year 'Service Review' programme. Service reviews are a well established tool within local government and whilst the duty to complete Best Value Reviews, introduced in 1997, is no longer in place the principles remain very relevant.

- 4.3.3 There are multiple benefits to regular service review, including the identification of:
- good practice;
 - opportunities for development;
 - new and emerging risks;
 - financial savings and pressures;
 - interdependencies in service delivery;
 - development of refined performance assessment;

4.3.4 The receipts have been initially allocated to the following themes:

Area	Amount £m	Narrative
Working Smarter	0.7	
contract management		Improving the way we manage our contracts and spend and considering procurement opportunities
Improving the use of our insight and data		Through our Intelligence led programme using insight to shape our services.
Income management		Improving our collection rates and seeking alternative ways of transacting.
Access to services		Streamlining 'front door' activities
Better Together	0.7	
Commissioning		Seeking alternative ways of delivering services with our partners
Locality working		Creating resilient communities
Service Review Programme	0.665	
Administration and financial processes		A review of our processes and operating models and deploying the full functionality of a new financial management system.
Digitalising Opportunities		Transforming and improving services through the adoption of digital technology
Service redesign		Review of services to improve them and deliver value for money, A whole Council Programme.
Total	2.065	

Individual allocations to projects are yet to be determined as the Transformation Programme develops. All allocations will be supported through a robust business case process.

4.3.5 It is recommended to approve:

- the use of capital receipts of £2.065m at Full Council, for transformation purposes
- delegated authority to the Strategic Director of Corporate Resources, to finalise the detailed allocation and reprioritisation of the receipts in line with the projects

4.3.6 It is recommended to note:

- the use to date, associated savings and remaining profiled allocation for the initial allocation of £2m flexible capital receipts
- the proposed use of the further allocation of £1.5m and the re-purposed allocation of £0.565m (totalling £2.065m) for 2022/23 flexible capital receipts strategy

Public/stakeholder engagement

5.1 The flexible use of capital receipts has been outlined to cabinet in the previous two budget setting documents.

Other options

- 6.1 Do not use the receipts for transformational purposes – this is not recommended as this would limit the resource available for this area.

Financial and value for money issues

- 7.1 As outlined in the report.

Legal implications

- 8.1 This reports is required to comply with the Statutory Guidance on the use of Flexible Capital receipts issued on 04 April 2022, by the Department for Levelling Up, Housing and Communities (DHLUC). This report must be taken to Full Council to meet the requirements of the guidance.

Climate implications

- 9.1 N/A

Other significant implications

- 10.1 N/A

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	Olu Idowu, Head of Legal Services	
Finance	Toni Nash, Head of Finance Resources	
Service Director(s)	Alison Parkin, Director of Financial Services	
Report sponsor	Alison Parkin, Director of Financial Services	
Other(s)	Ann Webster, Lead on Equality and Diversity Liz Moore, Head of HR	
Background papers:	N/A	
List of appendices:	Appendix 1 - LOCAL GOVERNMENT ACT 2003 SECTIONS 16(2)(b) AND 20: TREATMENT OF COSTS AS CAPITAL EXPENDITURE	

LOCAL GOVERNMENT ACT 2003 SECTIONS 16(2)(b) AND 20: TREATMENT OF COSTS AS CAPITAL EXPENDITURE

1. This direction commences from financial year beginning 1 April 2022. The previous direction issued on 6 February 2018 will continue to apply to the financial years beginning 1 April 2016 to 1 April 2021 inclusive, without amendment.
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, **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.**
3. 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 **local authorities listed in Annex A ("the Authorities")** treat as capital expenditure, expenditure which:
 - i. is incurred by the Authorities 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;** and
 - ii. is properly incurred by the Authorities **for the financial years that begin on 1 April 2022, 1 April 2023, and 1 April 2024.**
 - iii. is not incurred with respect to redundancy payments, except where such redundancy costs are necessarily incurred and limited to the amounts available as statutory redundancy payments.
4. In further exercise of the Secretary of State's powers under section 20 of the Act, it is a condition of this direction that expenditure treated as capital expenditure in accordance with it **only be met from capital receipts**, within the meaning of section 9 of the Act and regulations made under that section (for current provisions see Part 4 of S.I. 2003/3146, as amended), **which have been received in the years to which this direction and the previous direction (as referenced in paragraph 1) applies.** and
5. It is a condition that the disposal of assets by which the capital receipts, as per paragraph 4, 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).
6. It is a further 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. 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. However, details provided to the Secretary of State must include as a minimum:

- the amount of planned capitalisation using the flexibility for the relevant financial year;
- the purpose of the expenditure to be capitalised with a description of the associated projects;
- the amount of expenditure that was capitalised using the flexibility for the prior financial year; and,
- the efficiency savings that are directly attributable to the use of the flexibility that were achieved for the prior financial year.

If any of this information is unavailable or unknown, the council must set this out with a description as to why it cannot be provided.

7. 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 as per paragraph 5.
8. By submitting the information set out in paragraph 5 to the Secretary of State the council will have met the condition; there is no further requirement to receive explicit consent to use the flexibility as set out in this direction. It is expected that authorities will evidence, as necessary, to their external auditors that they complied in full with this condition.
9. This direction is given for the purposes of Chapter 1 of Part 1 of the Act only. It does not grant any other consent that may be required or any view as to the propriety of the expenditure. It is for the Authority to be satisfied that any amount to which this direction is applied is properly incurred in the financial year concerned.
10. When applying the direction, the Authorities are required to have regard to the Guidance on Flexible Use of Capital Receipts issued by the Secretary of State under section 15(1)(a) of the Act.
11. If you have any queries in connection with the above, please do not hesitate to contact the Department for Levelling Up, Housing and Communities at the email address: capitalreceiptsflexibility@levellingup.gov.uk.

Yours sincerely,

