

## FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY 2024/25

| <u>BACKGROUND</u> |  |
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| 1.                | <p>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.</p> <p>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.</p>  |
| 2.                | <p>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.</p>   |
| 3.                | <p>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:</p> <p><i>“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.”</i></p> |
| 4.                | <p>This was extended in 2018/19 as part of the Local Government Finance Settlement for a further three years until 2021/22.</p> <p>Then, in the 2022/23 Provisional Local Government Finance Settlement it was announced <i>“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”</i>.</p> <p>On 4 April 2022, the Department of Levelling Up, Housing, and Communities confirmed this extension to 2024/25 and published Guidance and a Direction.</p>  |
| 5.                | <p>It should be noted that the Secretary of State announced on 18 December 2023 consultation on further flexibilities for capital receipts including:</p> <ul style="list-style-type: none"> <li>• Capitalising general cost pressures,</li> <li>• Extending flexible use of capital receipts to allow councils to borrow for revenue costs,</li> <li>• New flexibilities for the use of proceeds of selling investment assets used for rent or capital appreciation only.</li> </ul> <p>Once the outcome of this consultation is known, it is likely this strategy will need to be revised.</p>   |

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| 6. | To take advantage of this freedom, the Council must act in accordance with the Statutory Guidance issued by the Secretary of State. This guidance requires the Council to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy, with future Strategies included within future Annual Budget documents.  |  |   |                 |  |
| 7. | The Council produced its first strategy for 2022/23.. The 2023/24 Strategy was revised in December 2023 to reflect the on-going transformation at the council. It is proposed that in 2024/25 there will be significant investment in transformational activity in order to support a sustainable council within the budget constraints.   |  |   |                 |  |
|    | <b>PROPOSED INVESTMENTS</b>  |  |   |                 |  |
| 8. | The Council will use the powers under the Government's Statutory Guidance on the flexible use of capital receipts, to fund up to £3.00M qualifying transformation expenditure on the projects summarised in Table 1 below. In some cases, there is a direct link between a project and the realisable financial benefit. In others, the project contributes to enabling the savings, requiring other existing resources. |  |   |                 |  |
| 9. | <b>Table 1 – Projects to be Funded from Flexible Use of Capital Receipts</b>   |  |   |                 |  |
|    | <b>Project</b>   | <b>Description</b>   | <b>Planned Use of Capital Receipts (£M)</b> |                 | <b>Expected Savings</b>  |
|    |  |  | <b>2023 /24</b>                             | <b>2024 /25</b> |  |
|    | Automation   | Investment across the Council's processes to enable automation and improved efficiency                               | 0.55  |                 | Efficiencies and savings through improved processes, automation and enabling more tasks to be undertaken via self-service. <i>(Savings TBC)</i>  |
|    | Fees & Charges Review  | Assessing income streams across the council to ensure they are appropriate and review process for income collection. | 0.10  |                 | Potential increase in charges, leading to higher income. Efficiencies in associated processes, providing better customer experience and potentially reducing resources. <i>(As an illustrative example of savings, 1% on discretionary fees and charges would yield around £0.3M pa)</i> |
|    | Asset Development and Disposal Programme   | Review of council owned assets*  | 0.54  | 2.30            | A programme to develop and implement the proposals to retain, dispose and develop the Council's Assets to maximise the utilisation and benefit to the authority.   |
|    | SCC Transformation **  | Enabling Excellence  | 0.45  | 4.60            | To support the achievement of the organisational vision, goals and corporate plan that implement a revised operating model, service design and process reviews to drive efficiencies and better meet customer need.  |
|    |  | Ambitious Futures  | 0.44  |                 | To promote independence, preventative mindset and improve the way we work with people accessing our services including carers and providers. <i>(Estimated Saving Range £3M to £5M pa)</i>   |

|  |  |             |             |  |
|--|--|-------------|-------------|--|
|  | Strategic transformation capacity  | 0.09        |             | Senior staff and support   |
|  | People related projects  | 0.07        |             | HR review policies and procedures  |
| Service Centre, including CM-Pro Upgrade | To deliver an upgraded and modern customer relationship management (CRM) solution. | 0.55        | 0.10        | Support efficiencies in the new Service Centre model.  |
| <b>TOTAL</b>                             |  | <b>2.79</b> | <b>7.00</b> | <b>Potential savings range - so far - (£3.6M to £5.8M), with work to confirm potential in some areas</b> |

\* Costs directly attributable to the sale of assets can be charged against the sale proceeds up to 4%, which can and will occur irrespective of this strategy.

\*\* The organisation transformation plan for 2024/25 is still being finalised and this high-level costing will need to be refined in the future to reflect the individual projects, once known.

NB The table shows preliminary estimates, where known of the potential for savings, more detailed worked is needed in some of the areas specified. Not all projects will result in a direct budget saving but will provide efficiencies in service delivery, allowing resources to be better utilised.

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| 10. | In future years, the Council's flexible use of capital receipts to fund projects will continue to be subject to development of robust business cases. The business cases will be required to demonstrate that: <ul style="list-style-type: none"> <li>the initiative will transform service delivery,</li> <li>generate on-going future savings or reduce future costs, and</li> <li>the costs being funded are implementation or set up costs and not ongoing operational costs.</li> </ul>   |
| 11. | Projects identified in the Strategy can still be financed in whole or in part from other sources, e.g. revenue budgets. Having approved the Strategy, the Council is not obliged to fund these projects from capital receipts. Inclusion in the strategy does not constitute a commitment to fund through capital receipts as this decision needs to be taken in the light of the Council's overall revenue and capital financing requirements.<br><br>For 2023/24, the actual financing will be approved as part of the Council's Capital Programme outturn and financing for the year. |
| 12. | This strategy is based on prudent assumptions of future capital receipts and current available receipts which have not been budgeted to fund the capital programme.  |
| 13. | <u>HISTORIC USE OF CAPITAL RECEIPT FLEXIBILITY UP 2022/23</u>  |
| 14. | Since the flexibility was introduced, the council has applied £0.312 million of capital receipts for transformation.   |

|   | <b>Project</b>  | <b>Description</b>   | <b>2022/23<br/>Spend<br/>£M</b> |
|---|---|--|---------------------------------|
|   | Organisation Restructure  | A more focused and streamlined Executive Management Team (EMT), to prioritise strategic development and long-term planning, performance, and delivery of strategy. | 0.098                           |
|   | SCC Transformation  | A review of the SCC operating model.   | 0.214                           |
|   |   |  | <b>0.312</b>                    |
| <b><u>IMPACT ON PRUDENTIAL INDICATORS</u></b> |   |  |                                 |
| 15.   | The council will have due regard to the requirements to the Prudential Code and the impact on the prudential indicators   |  |                                 |
| 16.   | The capital receipts proposed to be used as part of this strategy are already built into the Council's current capital programme for this purpose and therefore have not been factored into the Council's Capital Financing Requirement (CFR) so the utilisation of these receipts for capital receipts flexibility will have no impact on the Council's prudential indicators, as set out in the Council's Capital Strategy. |  |                                 |
| 17.   | The prudential indicators show that this strategy is affordable and will not affect the Council's operational boundary and authorised borrowing limit, given the low values.  |  |                                 |