

## **Report to Cabinet**

**Subject:** Flexible Use of Capital Receipts Strategy 2024/25

**Date:** Wednesday 17 July 2024

**Author:** Chief Finance Officer

### **Wards Affected**

(All Wards);

### **Purpose**

For Cabinet to recommend to Full Council the approval and the adoption of the Flexible Use of Capital receipts Strategy.

### **Key Decision**

This is a key decision because the proposal includes financial implications that are above the threshold of £0.5m determined by Council for decisions to be regarded as a Key Decision.

### **Recommendation(s)**

**THAT:**

- 1. Cabinet recommends to Full Council the approval and adoption of the Flexible use of Capital Receipts Strategy 2024/25**

## **1 Background**

- 1.1** In order to support local authorities to deliver more effective and sustainable services, the Department of Levelling Up, Housing & Communities is making available a time limited flexibility to enable the use of proceeds from the sale Council owned capital assets to fund revenue costs of service reform and transformation.
- 1.2** Under normal accounting rules, capital receipts may only be used to fund capital expenditure such as acquiring new assets e.g. land, buildings and

vehicles or improvements to existing assets.

- 1.3 In spring 2015 as part of the spending review, the Chancellor of the Exchequer announced the Government would allow local authorities to spend up to 100% of their capital receipts on revenue costs of transformation projects. These provisions were extended several times since with the latest extension being announced on 18<sup>th</sup> December 2023. This extends the scheme to 31 March 2030. Therefore, to make eligible use of the scheme the capital receipts, and any qualifying revenue expenditure, needs to be incurred between 1 April 2022 and March 2030.
- 1.4 In order for the direction to be applied the requirements state that the Strategy must be presented to Full Council and then a submission made to the Secretary of State detailing the planned use of the flexibility for each year in which the flexibility is planned to be used. The strategy attached at Appendix 1 is the first Strategy we are requesting approval for, going forward a revised strategy will be presented each year to Full Council as part of the annual budget setting process.

## **2 Proposal**

- 2.1 The Revenue & Capital Budget report approved by Full Council on 6<sup>th</sup> March set out the Councils proposed investment in its Digital Data & Technology Strategy and the planned flexible use of capital receipts.
- 2.2 This Strategy which is attached as **Appendix 1** details how the Council will use the powers under the Governments Statutory Guidance to the flexible use of capital receipts to fund **£1.987m** of qualifying transformation expenditure in order to support transformation projects summarised in **tables 1 & 2** below.
- 2.3 The initial costs of the transformation will be a mixture of both eligible Revenue & Capital costs and include systems and staffing costs for a period of two years. Any on-going revenue costs will be factored into the medium-Term Financial Plan and will be funded by future efficiencies which are expected to be delivered as part of the transformation programme.
- 2.4 The Transformation programme is supported by a staffing restructure which puts additional resource into the Council in order to deliver this ambitious programme of transformation, it is envisaged that around 60%-80% of these posts will be delivering one-off transformation projects to the Council, therefore this element will be eligible for the use of capital receipts over the two-year period of transformation.

<b>Table 1: Digital Data &amp; Technology Implementations Costs</b>			
<b>Project</b>	<b>Lead Officer</b>	<b>Value £</b>	<b>Use of Capital Receipts</b>
Customer Relationship Management System and Software	Director of Transformation	215,000	2024/25
		20,000	2025/26
Integration Capability-Web service enablement/orchestration layer	Director of Transformation	150,000	2024/25
ICT service Management solution software and implementation	Director of Transformation	45,000	2024/25
ICT Staffing Implementation Costs (2 years fixed term Contracts)	Director of Transformation	395,200	2024/25
		556,800	2025/26
		179,600	2026/27
<b>Total</b>		<b>1,561,600</b>	

<b>Table 2: Management Transformation Programme</b>			
<b>Position</b>	<b>Lead officer</b>	<b>Value £</b>	<b>Use of Capital Receipts</b>
Director of Transformation (80%)	Deputy Chief Executive	70,950	2024/25
		94,600	2025/26
		23,650	2026/27
Assistant Director Digital Data & Technology (80%)	Director of Transformation	53,550	2024/25
		71,400	2025/26
		17,850	2026/27
Assistant Director of Customer Engagement (60%)	Deputy Chief Executive	34,950	2024/25
		46,600	2025/26
		11,650	2026/27
<b>Total</b>		<b>425,200</b>	

### **3 Alternative Options**

3.1 The Council could decide not to adopt the flexible use of capital receipts

strategy; however, the Council would then need to find additional funding to finance the transformation programme. The use of Prudential Borrowing could be considered however, this would result in additional revenue costs being incurred to cover the costs of borrowing.

#### **4 Financial Implications**

- 4.1 Potential Capital receipts being used to fund the transformation programme have not been earmarked as funding for other projects in the Capital Programme, therefore have no impact on the Councils Prudential Indications as set out in the Treasury Management Strategy.
- 4.2 The Prudential Indicators show this strategy is affordable and will not affect the Councils operating boundary and authorised borrowing limit.
- 4.3 The Council will have due regard to the Local Authority Accounting Code of Practice when determining entries within the Statement of Accounts for 2024/25.

#### **5 Legal Implications**

- 5.1 The Council is required to comply with the guidance issued under s.15 (1) (a) of the Local Government Act 2003. The guidance requires a Flexible use of Capital Receipts Strategy be prepared, which is set out in this report and the strategy be approved by full council.

#### **6 Equalities Implications**

- 6.1 As this report is solely regarding funding there are no equalities implications. Equalities assessment will be produced for each of the transformation projects if applicable.

#### **7 Carbon Reduction/Environmental Sustainability Implications**

- 7.1 This report is solely regarding funding therefore there are no Carbon or Environmental implications. These assessments will be produced as part of each individual project within the transformation programme.

#### **8 Appendices**

- 8.1 Appendix 1 Flexible Use of Capital Receipts Strategy 2024/25

#### **9 Background Papers**

- 9.1 None.

#### **10 Reasons for Recommendations**

10.1 To fund the Council Transformation Programme over the next two years without putting additional pressure on to the Revenue Budget.

**Statutory Officer approval**

**Approved by:**

**Date: 09/07/2024**

**On behalf of the Chief Financial Officer**

**Approved by:**

**Date: 09/07/2024**

**On behalf of the Deputy Monitoring Officer**