

Flexible Use of Capital Receipts Strategy

In the Spending Review 2015, the Chancellor of the Exchequer announced that to support local authorities to deliver more efficient and sustainable services, the government will allow local authorities to spend up to 100% of their capital receipts on the revenue costs of transformation projects. Initially this flexibility on the use of capital receipts was limited to those receipts received between 1 April 2016 and 31 March 2019, however, this has now been extended to March 2022.

In the 2018/19 financial year, the council proposed the use of capital receipts to fund the revenue costs of transformation for the first time. The Council has embarked on a major programme of transformation, covering a number of years, in pursuit of its strategic ambitions and priorities and in order to deliver financially sustainable services to residents in the future. To deliver this transformation programme the Council will use the opportunity provided by the government to flexibly use capital receipts to invest in and fund this transformation of services. A requirement of this flexibility is that the County Council approve a Flexible Use of Capital Receipts Strategy and the business cases for their use.

Since 1 April 2016, the council has received £45m capital receipts, which it could use to fund this strategy. In setting the 2018/19 budget the County Council initially approved the use of £15m capital receipts in accordance with this strategy. The council can vary this amount during the year with the approval of County Council. At its meeting on 22 May 2018, Council approved an additional £5m to provide interim capacity and project management support for the Transformation Programme, to inject the necessary pace required to deliver the scale of change required. This report also highlighted that a further £10m-£15m of investment, using these flexibilities, was estimated to be required to deliver the savings identified in the individual business cases.

Following the County Council's approval of the Transformation Programme in November 2018, and the Cabinet's consideration of the outcome of consultation, engagement and equality impact assessments, business cases have been developed to deliver an estimated £125.5m of revenue savings and/or cost avoidance over the period to March 2021. The council estimates that investment of £31.4m is required to achieve this, of which £7.2m will be in the current 2018/19 financial year. Approval by the County Council is sought for the 2018/19 investment of £7.2m and further investment of £16.3m required for 2019/20, under the Flexible Use of Capital Receipts.

The schedule below presents the projects to transform services that will be funded through flexible use of capital receipts, and associated revenue savings or future cost avoidance. 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 in other business cases or provide a wider benefit, which would not otherwise be realised.

	Projected Investment Required				Estimated Return on Investment		
	2018/19 £00	2019/20 £000	2020/21 £000	TOTAL £000	Anticipated Savings in 2019/20 £000	Anticipated annual savings by 2020/21 £000	Comments
Accommodation with Care & Support	74	210	210	494	17,826 plus significant cost avoidance	34,600	
ASC Practice Improvement	900	2,170	384	3,454			
Health & Social Care Integration	20	0	0	20			
ASC Market Management	103	318	174	595			
All Age Learning Disabilities (Transitions)	354	1,164	1,080	2,598			
Family Resilience (Early Help & Practice)	1,381	2,626	0	4,007	19,450	31,400	
SEND Sustainability	445	2,629	1,675	4,749	700 (SEN transport) plus significant cost avoidance	700	Business case proposes sustainable provision (within government funding) by 21/22
Cultural Services	83	170	0	253	1,500	4,000	
Commissioning	0	350	450	800	Enabling (estimated £10m)	Enabling (estimated £10m)	
Highways, Transport & Environment Transformation	663	538	106	1,307	9,614	17,400	
Asset & Place Strategy	478	153	0	631			To be agreed, under review
Finance Transformation	290	351	135	776			Finance service improvement programme and financial sustainability
Fees & Charges	7	0	0	7	Enabling (estimated £1m)	Enabling (estimated £1m)	
Agile Workforce	180	833	750	1,763	Enabling	Enabling	
ORBIS VFM	0	200	0	200	1,757	3,400	
Performance Management & MI/Insight	176	421	0	597	Enabling	Enabling	
Spans of Control	60	15	0	75	500 (plus enabling up to approx. £7m)	Enabling (up to approx. £15m)	
Customer Experience	315	662	112	1,089	500 (plus enabling in other services)	Enabling	
Digital	779	2,672	2,063	5,514	Enabling	Enabling	

Governance/Culture/Comms	800	800	800	2,400	Overarching	Overarching	
TOTAL	7,153	16,277	7,939	31,369	51,847*	91,500	

*Direct service savings. These transformation projects also deliver significant cost avoidance and service provision transformation.

The regulations on the flexible use of capital receipts require local authorities to disclose the impact of the strategy on Prudential Indicators. The council's current capital programme has not sought the use of capital receipts received since 1 April 2016 as a source of funding for schemes. Therefore, there will be no change to the council's Prudential Indicators that are contained in the Treasury Management Strategy Statement.

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