

Policy for Flexible use of Capital Receipts

Purpose

1. This report reviews the statutory guidance on the flexible use of Capital Receipts and its application within this authority.

Background

2. 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 permitted by the regulations.
3. The Secretary of State is empowered to issue Directions allowing expenditure incurred by local authorities to be treated as capital expenditure. Where such a direction is made, the specified expenditure can then be funded from capital receipts under the Regulations.
4. The Secretary of State for Communities and Local Government has issued guidance in March 2016, giving local authorities greater freedoms with how capital receipts can be used to finance expenditure. This Direction allows for the following expenditure to be treated as capital,

“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.”
5. In order to comply with this Direction, the Council must consider the Statutory Guidance issued by the Secretary of State. This Guidance requires authorities to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy with the initial strategy being effective from 1st April 2016 with future Strategies included within future Annual Budget documents.
6. There is no prescribed format for the Strategy, the underlying principle is to support local authorities to deliver more efficient and sustainable services by extending the use of capital receipts to support the revenue costs of reform projects.

7. The Statutory Guidance for the Flexible Use of Capital Receipts Strategy states that the Strategy should include a list of each project which plans to make use of the capital receipts flexibility, together with the expected savings that the project will realise. The Strategy should also include the impact of this flexibility on the affordability of borrowing by including updated Prudential Indicators.
8. The Flexible Use of Capital Receipts Strategy is set out below.

Flexible Use of Capital Receipts Strategy

9. Government has provided a definition of expenditure which qualifies to be funded from capital receipts. This is:

“Qualifying expenditure is 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. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility.”

10. The Council intends to use the following capital receipts to fund the following:

	20/21 £m	21/22 £m	Total £m
Major Service and Council Wide cross cutting transformational schemes (as detailed below at para 12).	4.5	3.0	7.5
Total	4.5	3.0	7.5

11. It is anticipated that further allocations may be made during 2020/21 and 2021/22 in response to the identification of transformational service developments and the potential need to meet increasing service demands. Any further updates will be reported to Committee as necessary.

12. In support of the table above additional information is provided below which details the key elements of the major service and Council wide cross service transformational schemes currently running across the Council. The delivery and funding of these schemes and in order to drive the required efficiency savings and transform the service provision is supported by capital receipts in line with this Policy.

Adult Social Care

Project	Description	Impact
Home Care Re-commissioning	Re-commission the home framework to bring a wider pool of providers to the city and a more stable market	Reduce Costs
Day Opportunities commissioning	Framework for Day-care implementing new ways of working post Covid	Reduce Demand & Costs
HRS Commissioning	Implement new Housing related support framework	Reduce Demand & Costs
Direct Payments (Promotion and Increased take up)	Promote Direct Payments as an option to paying for care direct with the aim of an increased take up from clients	Increase Demand & Reduce Costs
Revised Assessment (RAS)	Current RAS is pre New Operating Model and needs to be rebased on new offer.	Reduce Costs
Workforce Strategy	ASC workforce strategy in line with the corporate strategy but focuses on the specific needs, commissioning, planning and development of the adult social care workforce taking into consideration the context and drivers for a changing workforce, and the assets and skills needed in this service. COVID lessons learnt around the new and more flexible ways of working and the need to support staff health and wellbeing and support an improvement in recruitment, retention and succession planning.	Improve staff efficiency and well-being. Improved staff retention.
Transitions	Transitions are people moving from being supported by CYP on becoming an adult	Improved Service & Reduced Costs
Review of small value packages		Reduce Demand & Costs
Ongoing package reviews through the High Needs Team		Improved Service & Reduced Costs

Childrens, Young People and Family Services

Project	Description	Impact
Mockingbird	Pilot Hub and spoke model for foster carer support and respite. 2 hubs to be opened.	Improve placement stability. Improve foster carer retention
Provide additional support to carers	Explore providing additional support to carers via additional family support workers, youth workers	Improve placement stability. Improve foster carer retention
Foster Carer recruitment	Improve foster carer recruitment process and timeliness	Increased internal placements. Cost reduction
Partner Contributions	Include partners in decision making and agree funding contributions from the outset via a complex need panel. Explore pooled budget	Reduce HCC general fund contribution to placement costs
Pre-birth pathway / Parent & Baby	Improved pre-birth pathway and assessments.	Fewer parent and baby placements. Cost reduction
Edge of care	Improve and expand edge of care offer	More children supported to safely remain at home
Discharge of care orders / court case management.	Improve timeliness of discharging care orders to legal permanence arrangements	Reduced number of children in the system to support. Small cost reduction
Specialist placements	Explore the level of need for specialist placements and develop an internal offer.	Better meet needs of children. Cost Reduction
QA & challenge of external placements	Increase the quality assurance visits and cost scrutiny of external providers	Improved quality of placements. Cost Reduction
Cost analysis & benchmarking.	Refresh total cost analysis of all placement types and benchmark against other local authorities.	Remain competitive in the LA fostering market. Learn from best practice
Increase management oversight and peer review	New Panel arrangements and decision making structure	Best value in meeting needs. Cost Reduction.

Cross Service and Other Strategic Programmes

Project	Description	Impact/Timescales
WorkSmart Programme	<p>WorkSmart is a Council-wide cultural transformation programme involving many internal and some external delivery partners. WorkSmart's main objective is to enable staff to work more productively and dynamically through enabling them to work remotely, use collaborative technology and be based out of rationalised but significantly improved working environments that promote effective behaviours. The Corporate Transformation Team, ICT, HR, Property, Health and Safety, Comms and Learning and Development are all working together as one delivery partnership team to ensure all the various required facets are in place and available to staff. This multi-disciplined WorkSmart Team work with all Council services on the various facets required for a successful transition to smarter working.</p>	<p>The programme will enable the reduction in office estate working over the next few years towards a £1m saving per annum in running costs alone, as well as £1m plus in reduced repairs and maintenance pressures and several million in capital receipts or rental income dependent on the strategic roadmap for each building identified as surplus to requirement.</p> <p>The improved flexibility and productivity afforded by smarter working approaches will underpin the majority of the Council's other saving plans delivered over recent years and those to come.</p> <p>The WorkSmart Programme is also the vehicle through which many of the components of the Council's investment in cutting edge Microsoft functionality will be delivered on the ground, introducing staff to software tools that allow them to work</p>

		even more successfully in more efficient and collaborative ways.
Microsoft Cloud Navigator Programme	<p>The Council has made a substantial investment in updating and upgrading its infrastructure and core software offer in partnership with Microsoft. During 2019/2020 a significant amount of discovery and preparative work was completed to inform the appropriate procurement exercise. The investment will see numerous crucial systems being moved to 'the Cloud' to enable better performance and improved security.</p> <p>Staff will have at their disposal the latest in Microsoft functionality through Office 365, the application of 'Robotic Process Automation' and potential Chatbot technologies. Some of the deliverables in this programme are being channelled through WorkSmart and the two programmes work in tandem on these shared aims.</p> <p>The overall package of functionality enabled will transform how we collaborate and interact internally but will also lend itself to further development of what has already been achieved through the Customer Programme to date (covered next).</p>	The business case was developed over 2019/20, with some delivery of functionality during the last quarter of 2019/20. Development and deployment of the new functionality within our ICT architecture, and more importantly the behavioural and cultural changes needed to adopt the benefits will evolve pan-Council over the next 3 years, and continue thereafter as we iterate and evolve further.
Customer Programme	<p>Over a number of years the Council has invested significantly in transforming its online services to improve the experience our public encounter when they interact with us.</p> <p>This has involved a joint effort, in the main, between Corporate Transformation, ICT, Customer Services and Comms and has involved major undertakings such as replacing the Council's Customer Relationship Management System, as well as many related systems, such as that for booking appointments, a new Customer Portal and integration with many line of business systems.</p> <p>The programme has also addressed some of the issues around those members of the community having difficulty connecting digitally or needing to acquire the skills to do so.</p>	The Customer Programme was a significant undertaking over 6 years, with 2019/20 being very much the culmination of cross-Council efforts to deliver a plethora of changes. The programme ended in the second quarter of 2020/21, but the benefits continue, and as with most transformational undertakings of this nature, the premise does not end, and we are now entering a new era and therefore new programme that

		will pick up where this one left off and keep us moving forward digitally to positively impact the quality and efficiency of the customer experiences we offer.
Housing Management System (HMS)	<p>Neighbourhoods and Housing is a service that looks after housing and community issues within Hull. A large part of this, involving well over 300 staff, is the landlord service. This administers over 24,000 dwellings as social housing (plus other stock such as garages and leasehold properties), turning over around £90m per year in dwelling rents.</p> <p>To run such a large operation with so many assets and associated rents from our thousands of customers (tenants), the service relies on a Housing Management System (HMS). The same HMS had been in operation for over 15 years and was some versions behind the latest technology. This restricted ability to interface with other systems and to take advantage of new developments such as modern online platforms for tenants' use. It was therefore decided to re-procure and re-implement a HMS.</p> <p>Some key benefits sought from the programme are:</p> <ul style="list-style-type: none"> • Allow seamless working internally within Neighbourhoods and Housing, removing duplication and manual processes (e.g. key tenant information captured at sign-up shared with officers later visiting) • Facilitate smooth operation of contractor relationship (e.g. reactive repairs reported, raised, approved, conducted, confirmed, correctly invoiced) by comprehensive and effective data exchange • Improve customer interface with the landlord in respect of transactions (e.g. raise a repair, pay rent, bid for a property) • Better inform customers (tenants) about their home (e.g. safety information) • Facilitate data exchange within the Council, notably with regard to reconciling financial transactions but also in respect of other relationships with different 	<p>The HMS programme commenced (with re-procurement) in 2017-2018 and initial implementation is set to continue up to late 2021. The software is due to be in place for a total of 10 years, and there will be ongoing development activities once initial implementation is complete.</p>

	services such as those around safeguarding	
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Impact on Prudential Indicators

13. The guidance requires that the impact on the Council's Prudential Indicators should be considered when preparing a Flexible Use of Capital Receipts Strategy.
14. The indicators that will be impacted by this strategy are set out below;
 - Estimates of Capital Expenditure Indicator.
 - Capital Financing Requirement, as capital receipts supported schemes within the existing programme that will now be financed by prudential borrowing.
 - Financing costs as a percentage of net revenue stream (%), no impact as the savings generated from these projects will meet the debt financing costs arising from the additional borrowing.
 - Incremental Impact on Council Tax / Housing Rents of Capital Investment Decisions - no impact as savings will meet the debt financing costs
15. The Prudential Indicators will show that this Strategy is affordable and will not impact on the Council's operational and authorised borrowing limits.