



CABINET

13 MARCH 2018

EXECUTIVE DIRECTOR OF FINANCE: MARK MCLAUGHLIN

**CABINET MEMBER WITH RESPONSIBILITY FOR FINANCE AND RESOURCES:
COUNCILLOR ROBIN BROWN**

Subject:	Flexible Use of Capital Receipts Strategy
Recommendations:	<p>Cabinet is requested to:</p> <ul style="list-style-type: none">a) Note the qualifying transformational expenditure funded through the Flexible Use of Capital Receipts in 2016-17 and the project outcomes, as set out in Appendix A.b) Note the updated plan for individual projects and the forecast qualifying transformational expenditure to be funded through the Flexible Use of Capital Receipts in 2017-18, as set out in Appendix B.c) Note each Council service area's vision for 2018-19 and underpinning transformational activity required to enable delivery of its strategies and objectives to be funded through the Flexible Use of Capital Receipts in 2018-19, as set out in Appendix C.d) Approve delegated authority to the Section 151 Officer in conjunction with the Cabinet Member with Responsibility for Finance and Resources to identify additional qualifying expenditure following further ongoing reviews, as set out in paragraph 5.4.e) Recommend the report for approval by Full Council at its 22nd March 2018 meeting.

1. Purpose of Report

1.1. This report reaffirms Northamptonshire County Council's (NCC) Flexible Use of Capital Receipts Strategy. It also provides further information on the previous and current years planned and achieved savings, and project outcomes, as well as setting out 2018-19 qualifying projects through the use of the capital receipts flexibility. This is a requirement under the Ministry for Communities, Housing and Local Government (MCHLG) guidance.

2. How this decision contributes to the Council Plan

2.1. The Council's vision is to make Northamptonshire a great place to grow up, live, work and grow old. This is achieved through increasing the wellbeing of our county's communities and/or safeguarding the county's communities.

This initiative specifically delivers increased wellbeing and/or safeguarding by ensuring that:

- People of all ages are safe, protected from harm and able to live happy, healthy and independent lives in our communities.
- People have the information and support they need to make healthy choices and achieve wellbeing.
- People achieve economic prosperity, in a healthy, low carbon economy which gives access to jobs, training and skills development.
- Communities thrive in a pleasant and resilient environment, with robust transport and communications infrastructure.
- Resources are utilised effectively and efficiently, in coordination with partners and providers.

3. Background

3.1. The Secretary of State, through Section 15 (1) of the Local Government Act 2003, gave local authorities the power to utilise capital receipts from the disposal of property, plant and equipment assets, and to spend up to 100% of their fixed asset receipts on the revenue costs of reform projects.

3.2. In March 2016, statutory guidance was issued by the MCHLG, which applied from 1 April 2016 to 31 March 2019. The end date of this statutory change was confirmed to be extended to April 2022 through the December 2017 announcement in the Provisional Local Government Finance Settlement. This statutory guidance was updated as part of the final Local Government Settlement in February 2018.

3.3. 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.

3.4. The scale of the financial challenge faced by the Council in the short and medium to long term is severe and unprecedented, and therefore it needs to fundamentally prioritise and reconfigure its services. As a result of this the cost of transformation is estimated to significantly increase year on year to respond to the Council's transformational requirements.

3.5. To meet the challenges of an ever changing local and national environment, including changes in government policy and legislation, the council continues to

change and evolve. This will occur with or without the government flexibility in relation to Flexible Use of Capital Receipts.

- 3.6. Due to the financial position of the Council in order to manage this change and move forward as an organisation the Council will continue to rely in the main, on utilising its own existing staff and associated budgeted expenditure to deliver the necessary transformation required. The Council does not have the resources to outsource all of its transformation requirements to external change agents and therefore maximises its existing resources through its own workforce.
- 3.7. These areas of change will not only support the delivery of 2018-19 savings proposals, but also future medium term savings and enable cost avoidance on demand led services and improve the effectiveness of service delivery.

4. Flexible Use of Capital Receipts Strategy

- 4.1. The County Council continues to recognise that in order to deliver transformational change to improve the efficiency and effectiveness of service delivery and ultimately continue to achieve its vision and priority objectives set out in its Council Plan, that the cost of its transformational spend will need to be funded through capital receipts from the disposal of surplus assets.
- 4.2. For the avoidance of any doubt this strategy has remained consistent throughout the life of this available funding flexibility. Clearly the Council operates in a complex and ever changing environment, so the apportionment and recording of qualifying expenditure is an iterative process following the identifications of relevant projects.
- 4.3. The Government announcement as part of the provisional Local Government Settlement in December 2017 extends the period of time a local authority can utilise the Flexible Use of Capital Receipts for an additional 3 years. This has meant that the Council has considered this change and recognised extended opportunity in its financial planning as a means of additional funding over the whole medium term period, which is a longer time frame than originally planned.

5. Financial Implications

- 5.1. During the audit of 2016-17 Statement of Accounts the Council's external auditors tested a sample of this expenditure against MHCLG guidance to determine whether the expenditure had been made from capital receipts received in year, and whether expenditure qualified within the definition of the guidance (see the ISA260 report presented to the Audit Committee on 10 August 2017 for further details). The schemes tested successfully met the criteria specified within the guidance, although it has since been recognised that improvements in transparency and the timeliness of reporting is required.
- 5.2. As per the MCHLG guidance "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”.

5.3. Within 2016-17 the Council identified £21.6m of qualifying transformational expenditure. The 2016-17 Flexible Use of Capital Receipts Transformation Projects and Outcomes are detailed in Appendix A.

5.4. The Council is currently finalising the quantification of its 2017-18 transformational expenditure requirements which is a complex and ever changing position, however to date £21.2m has been identified as detailed in Appendix B. Further qualifying projects may be identified, therefore it is requested that that Cabinet delegates authority to the Section 151 Officer in conjunction with the Cabinet Member with Responsibility for Finance and Resources to identify additional qualifying expenditure following the ongoing reviews.

5.5. Appendix C sets out a factual representation of the Council’s individual service area's visions and planned transformational activity required to deliver its 2018-19 objectives. The Council primarily uses its existing workforce and associated expenditure to deliver change and transformation, therefore the majority of the costs will be staff apportionments and budgeted service delivery expenditure rather than new investment in expensive change agents.

5.6. The budget setting process identified an amount of £31.0m of transformational expenditure to be funded through the flexible use capital receipts in 2018-19 which equates to less than 5% of the gross expenditure budget for the year.

5.7. The Council considers this to be a reasonable level of transformational activity when considering the degree of fundamental change that is required within each service area.

5.8. The key challenges identified within the Council’s Service Plans where the intention is to utilise capital flexibilities to support transformation are as follows:

- Living within our means while ensuring compliance with legislation and regulations.
- Addressing today’s issues whilst preventing tomorrow’s.
- Ensuring the right infrastructure and facilities are available in the safest and most cost effective manner.
- Addressing one of the fastest growing populations of over 65s in the country with people living longer with long term complex conditions alongside a market which is underdeveloped, unstable and lacks capacity.
- Ensuring all children and young people experience good opportunities to learn and develop and are safeguarded whilst ensuring that vulnerable children are protected from harm.

- Ensuring vulnerable children and young people are provided with appropriate support to maximise their health and wellbeing.

5.9. The Council recognises that the service apportionment of transformational expenditure is an iterative process and as such will provide updates through the Quarterly Finance Report over the financial year.

6. Consultation and Scrutiny

6.1. To ensure there is accountability, transparency and one clearly defined strategy document, the Flexible Use of Capital Receipts Strategy will be published through the following link:

<http://www3.northamptonshire.gov.uk/councilservices/council-and-democracy/transparency/Pages/default.aspx>

6.2. This report has been produced in consultation with the NCC Management Team.

7. Alternative Options Considered

7.1. Alternative Options were considered and consulted on as part of the Budget Setting process.

8. Risks

8.1. The delivery of these capital receipts in a timely manner poses a significant risk to the Council. The planned sale of One Angel Square is currently on track and will assist in mitigating this risk once sold.

8.2. The Council will continue to develop a pipeline of potential surplus asset sales which will continue to be developed for the short term and extended medium term position, which will require careful analysis and review to ensure that the asset sales financial target are met in a way which offers the most efficient and effective use of the assets which are retained and the assets which are sold.

9. List of Appendices

Appendix A – 2016-17 Flexible Use of Capital Receipts Transformation Projects and Outcomes

Appendix B – 2017-18 Flexible Use of Capital Receipts Transformation Projects

Appendix C – 2018-19 Plan of Projects to be funded from Flexible Use of Capital Receipts

Author:	Name: Andrea Devereux Team: LGSS Finance
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Background Papers:	
Does the report propose a key decision is taken?	NO
If yes, is the decision in the Forward Plan?	NO
Will further decisions be required? If so, please outline the timetable here	
Does the report include delegated decisions? If so, please outline the timetable here	NO
Is this report proposing an amendment to the budget and/or policy framework?	NO
Have the financial implications been cleared by the Strategic Finance Manager (SFM)? Have any capital spend implications been cleared by the Capital Investment Board (CIB)	YES Name of SFM: James Smith YES
Has the report been cleared by the relevant Director?	YES Name: Mark McLaughlin
Has the relevant Cabinet Member been consulted?	YES Cabinet Member: Cllr. Robin Brown
Has the relevant scrutiny committee been consulted?	NO
Has the report been cleared by Legal Services?	YES Name of solicitor: Susan Zeiss
Have any communications issues been cleared by Communications and Marketing?	YES Name of officer: Liam Beasley
Have any property issues been cleared by Property and Asset Management?	N/A
Has an Equalities Impact Assessment been carried out in relation to this report?	NO
Are there any community safety implications?	NO
Are there any environmental implications:	NO
Are there any Health & Safety Implications:	NO
Are there any Human Resources Implications:	NO
Are there any human rights implications:	NO
Constituency Interest:	ALL