

Appendix E

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:

	22/23 £m	23/24 £m	24/25 £m	Total £m
Major Service and Council Wide cross cutting transformational schemes (as detailed below at para 12).	5.0	5.0	5.0	15.0
Total	5.0	5.0	5.0	15.0

11. It is anticipated that further allocations may be made during the above years 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.	<ul style="list-style-type: none"> ▪ Reduced Costs
Day Opportunities commissioning	Framework for Day-care implementing new ways of working post Covid.	<ul style="list-style-type: none"> ▪ Reduced Demand ▪ Reduced Costs
HRS Commissioning	Implement new Housing related support framework.	<ul style="list-style-type: none"> ▪ Reduce Demand ▪ Reduced 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.	<ul style="list-style-type: none"> ▪ Increase Demand ▪ Reduced Costs
Revised Assessment (RAS)	Current RAS is pre New Operating Model and needs to be rebased on new offer.	<ul style="list-style-type: none"> ▪ Reduced 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.	<ul style="list-style-type: none"> ▪ Service Efficiency ▪ Reduced Costs

Transitions	Transitions are people moving from being supported by CYPS on becoming an adult.	<ul style="list-style-type: none"> Improved Service & Reduced Costs
Review of small value packages	Ensure ongoing focus of care packages and seek to avoid the accumulation/ proliferation of small package costs.	<ul style="list-style-type: none"> Reduce Demand & Costs
Ongoing package reviews through the High Needs Team	Resource involved in ensuring ongoing scrutiny and reviews of high needs care provision.	<ul style="list-style-type: none"> Improved Service Reduced Costs

Childrens, Young People and Family Services

Project	Description	Impact
Mockingbird	This relates to a pilot Hub and spoke model for foster carer support and respite. During the last 12 months, the project has developed through initial capital funding, the 2 proposed hubs are now operational and supporting the service and foster carers in the city.	<ul style="list-style-type: none"> Improve placement stability. Improve foster carer retention Reduced cost
Viability Assessment of Connected Carers	The provision of social work posts established on a pilot basis to be located within the fostering service to undertake viability assessments of potential connected carers.	<ul style="list-style-type: none"> Spend to save Create increased capacity of social work teams Reduced case loads Service efficiency
Foster Carer recruitment	This consists of a two-fold approach looking at refreshing the council's offer to foster carers in terms of comparable approaches to recruiting foster care resources and the remuneration packages. The aim is to increase foster carer recruitment and timeliness.	<ul style="list-style-type: none"> Increased internal placements Numbers of CLA reduce and increased permanent orders achieved

	It is felt that reviewing the current financial payments is important to the recruitment, retention, and sufficiency of skills of foster carers and therefore providing appropriate placements for Hull children.	<ul style="list-style-type: none"> Cost reduction
Partner Contributions	Include partners in decision making and agree funding contributions from the outset via a complex need panel. Explore pooled budget. Pooling of budgets is seen as an effective method to seek effectiveness and efficiency of future services.	<ul style="list-style-type: none"> Reduce HCC general fund contribution to placement costs
Signs of Safety	New Practice Model for the service which provides general consistency in terms of establishing an efficient and effective approach for service delivery for children families across city. Key focus has been on a standard model to improve services, reduce case load and create future stability.	<ul style="list-style-type: none"> Service Efficiency Reduced Costs
Edge of care	This project has been working towards improving and expanding the edge of care offer to children and families across the city.	<ul style="list-style-type: none"> More children supported to safely remain at home Reduce cost Service efficiency
Research in Practice	Comprehensive training and development programme to help support the practice and improvement journey.	<ul style="list-style-type: none"> Service Efficiency Reduced Costs
Specialist placements	Ongoing focus on introducing facilities to support specialist placements and develop an internal offer. Internal working with council services including housing to assess the availability of homes.	<ul style="list-style-type: none"> Better meet needs of children. Cost Reduction Service efficiency

QA & challenge of external placements	Assessment and quality assurance of resources and facilities for scrutiny an evaluation of costs relating to external provision bought in by the council.	<ul style="list-style-type: none"> ▪ Improved quality of placements. ▪ Cost Reduction ▪ Service efficiency
Cost analysis & benchmarking.	Ongoing review of total cost analysis of all placement types and benchmark against other local authorities. Tracker established for regular review and scrutiny of costs	<ul style="list-style-type: none"> ▪ Remain competitive in the LA fostering market. ▪ Learn from best practice ▪ Cost reduction
Increase management oversight and peer review	New Panel arrangements and decision-making structure. Cross functional team to share knowledge and skills and establish efficient effective service delivery.	<ul style="list-style-type: none"> ▪ Best value in meeting needs. ▪ Cost Reduction.

Cross Service and Other Strategic Programmes

Project	Description	Impact/Timescales
WorkSmart Programme	<p>WorkSmart continues to be 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.</p> <p>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</p>	<ul style="list-style-type: none"> ▪ 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

	<p>WorkSmart Team work with all Council services on the various facets required for a successful transition to smarter working.</p>	<p>pressures and several million in capital receipts or rental income dependent on the strategic roadmap for each building identified as surplus to requirement.</p> <ul style="list-style-type: none"> ▪ The improved flexibility and productivity afforded by smarter working approaches will underpin most of the Councils other saving plans delivered over recent years and those to come. ▪ 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,
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		<p>introducing staff to software tools that allow them to work even more successfully in more efficient and collaborative ways.</p>
<p>Microsoft Cloud Navigator Programme</p>	<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>Roll out and deployment of software has enabled staff will have at their disposal the latest in Microsoft functionality through Office 365, the application of 'Robotic Process Automation' and potential Chatbot technologies.</p> <p>Some of the deliverables in this programme are being channelled through WorkSmart and the two programmes work in tandem on these shared aims.</p>	<ul style="list-style-type: none"> ▪ 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

	<p>The overall package of functionality enabled has started to transform how teams 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> <p>The timing of the programme has coincided with the covid pandemic which resulted in the timely deployment of hardware and software which has subsequently provided the council with an immeasurable solution to flexible working in the hour of need.</p>	<p>next 3 years and continue thereafter as we iterate and evolve further.</p>
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 certain segments of the local social make-up having issues connecting digitally or needing to acquire the skills to do so.</p>	<ul style="list-style-type: none"> ▪ 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

		<p>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.</p>
Housing Management System (HMS)	<p>Following re-procurement of the core Housing Management System which is used to administer and manage over 24,000 dwellings (plus garages and leaseholder properties), work has been ongoing to deliver a programme to enable increased digitisation of the service, increase the digital offer to tenants and customers, and provide efficiencies through more streamlined business processes, increased reporting capabilities, and future proof the system for further development opportunities.</p> <p>Some key benefits which have been achieved from the programme so far are:</p> <ul style="list-style-type: none"> ▪ Full system migration to a cloud-based solution, in line with the Council's cloud first policy, increasing system stability, reliability and reduced systems fail risk 	<ul style="list-style-type: none"> ▪ The HMS implementation is to continue into 2022, to align fully with critical business processes (e.g., financial year end) to allow seamless deployment where possible. ▪ As part of the 10-year contract with HMS supplier, there will be further development taking place in the next year particularly around lettings, asset

	<ul style="list-style-type: none"> ▪ Multiple upgrades to a system version that can accommodate future enhancements and developments, in terms of both internal business process changes and external technological developments ▪ Increased capability for data transactions both internally with new / existing corporate systems and externally as part of contractor relationship (e.g., stock management – reactive and planned) to increase financial control, contract management information, and customer satisfaction ▪ Introduction of an improved online offer to customers, with increased digital services available to customers (e.g., relating to repairs, financial transactions, lettings) ▪ Streamlining financial processes for clearer reporting, increased financial control and reduction of financial mis-posting / errors and write-offs. ▪ Digitising some previously paper based teams within Neighbourhoods and Housing, providing efficiencies, and increasing accuracy and auditability 	<p>management and to further increase and improve the digital offer to customers.</p> <ul style="list-style-type: none"> ▪ The continued development of the system will enhance the work already done, resulting in benefit realisation, and identifying new benefits around customer data, improved customer journey, management information, financial and non-financial efficiency savings, and compliance.
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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.