

# West Northamptonshire – Flexible Use of Capital Receipts Strategy 2024-25

## **1. Background and Rules of Qualification**

- 1.1. The Secretary of State, through Section 15 (1) of the Local Government Act 2003, gave local authorities the power to spend up to 100% of capital receipts from the disposal of property, plant and equipment assets on the revenue costs of reform projects. This flexibility is limited to the application of those capital receipts received in the years to which this direction applies and does not allow borrowing to finance the revenue costs of service reform. The Secretary of State's current direction covers the period from 1 April 2022 to 31 March 2025.
- 1.2. Within the Provisional Settlement announced on the 18 December the government committed to extending the flexible use of capital receipts scheme but this is subject to confirmation as part of the Final Local Government Financial Settlement to be announced early February 2024.
- 1.3. Qualifying revenue expenditure is time-limited expenditure incurred by the Council on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery in order to reduce costs or demand for services in future years.
- 1.4. Although set-up and implementation costs of any new processes or arrangements can be classified as qualifying expenditure, the ongoing revenue costs of the new processes or arrangements are excluded.
- 1.5. An important feature of this flexibility requires the Council to demonstrate the highest standards of accountability and transparency and each individual project that will be funded or part-funded in this way must be disclosed and approved by a meeting of the Council in the financial year preceding when the expenditure will be incurred.

## **2. Transformation Strategy**

- 2.1. West Northants Council's transformation is an ongoing journey, as our environment and external pressures change, we will always have to adapt to new challenges that require us to think differently and seek new efficiencies or ways of working.
- 2.2. The Transformation Strategy for 2024-25 still aligns to achieving the outcomes of the corporate plan alongside the local authority being able to meet its budgetary requirements. In order to achieve this the strategy for 2024-25 is to provide proportionate governance and to focus project management capacity and assurance at a senior level on fewer but more complex and significant projects.
- 2.3. Also, in order to realise the full benefits of technology the delivery of Transformation projects and IT projects have been standardised under one reporting framework and supported by a single programme management office. The strategy for 2024-25 is to increase this consistency across projects.

- 2.4. Transformation projects are governed by an established approval and monitoring process which is overseen by the Council's Transformation Board. This applies across the whole organisation and tracks the delivery of projects and their benefits.
- 2.5. The programme management office maintains a central view of priority transformation projects to inform Transformation Board, co-ordinate resource deployment and manage risk.

### **3. Flexible Use of Capital Receipts Process**

- 3.1. Flexible use of capital receipts is a means to fund one-off project costs which enable the process of transformation and the resulting benefit realisation.
- 3.2. In applying this funding, a number of measures have been applied to ensure that the qualifying funding criteria are met. These include a robust approval process that is applied whenever the use of capital receipts is considered and to ensure that this funding source is only applied to qualifying expenditure.
- 3.3. Governance includes reporting accountability to the Council's Transformation Board and regular performance reporting with detailed monitoring undertaken to provide assurance over the value of qualifying spend, benefits realisation and the delivery of anticipated outcomes.
- 3.4. This strategy seeks to allow the flexible use of capital receipts but does not determine they have to be used for the purpose set out. It provides flexibility to use capital receipts to fund the expenditure detailed if it is determined that is the best funding stream to use.

### **4. Financial Overview 2023-24 - 2024-25**

- 4.1. The Secretary of State's direction requires that details of the actual and proposed application of capital receipts are published within this strategy, including updates from the previous financial year to the Strategy.
- 4.2. The latest forecast expenditure to date to be funded through flexible capital receipts is set out in Table 1.

**Table 1: Transformation Projects 2023-24 funded via Flexible Use of Capital Receipts**

<b>Transformation Project and Description</b>	<b>2023-24 Planned Spend</b>	<b>2023-24 Forecast Spend</b>	<b>2023-24 Forecast Savings delivery</b>	<b>Medium Term Estimated Saving 2023-24 to 2026-27</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Transformation Team	2,151	2,578		
Time limited project costs to enable savings delivery	1,625	1,640		
Statutory redundancy costs from reorganisation and reform	500	500		
Transformation Savings as per the 2023-24 Budget and MTFP			(8,464)	(33,856)
<b>Total</b>	<b>4,276</b>	<b>4,718</b>	<b>(8,464)</b>	<b>(33,856)</b>

4.3. Moving forward into 2024-25, the cost of transformation projects is estimated to be £4.8m, delivering a benefit realisation of £23.9m over the medium term . The strategic themes of change are set out below;

- Process and Policy - Where could we do things differently to create operational efficiency e.g., can we centralise processes in customer services at a reduced cost because they can use more generic trained advisors? Are there policies that give us the discretion to deliver in different ways or more efficiently? Are we experiencing demand failure anywhere that we can improve? Are there national policies that allow us to capitalise costs or use grants?
- Demand and Prevention - We cannot change our demographics, but we can influence the likelihood of people coming to us, how quickly their needs escalate and how we react to them and how long they stay independent. Where can we invest one off or Public Health grant in prevention to reduce or slow demand or reduce costs?
- Buying and Commissioning - Could we buy things differently or combine legacy contracts to get better economies of scale? Can we seek help from the market to help us reduce need, reshape the offer and look at when it makes sense to provide services ourselves in-house or outsource or partner?
- Charging and Income - How do our fees compare and benchmark? Is there an opportunity to increase fees, generate new income streams, harmonise legacy charging or earn income from fees for services, asset use or commercial propositions? Are there external funding or grants we could access or should use?
- Redesign and Reorganisation - Service redesign or aggregation post Local Government Review – opportunities to reduce staffing, delay structures or

change the model of who delivers what services, where and how; are the spans of control reasonable? Can we reduce headcount by sharing work or being co-located. Can we reduce our footprint and operating costs? Where could we reduce operating costs through systems, digital innovation or automating? Are there examples from other councils making savings that we could replicate? Can we consolidate systems or services and become more cost effective or provide services to others? Many of these initiatives will be delivered by DTI (Digital, Technology and Innovation services) but the benefits will be realised within the services they support.

- 4.4. The capacity, support and expertise to support the Council work through these strategic themes for change, will be delivered by the multi-disciplined Transformation Team. They are embedded into services and at the forefront of providing technical and policy guidance and advice, project management expertise, and using systems, analytics and evidence-based data to drive and monitor change.
- 4.5. In addition to the Transformation Team costs, there was a corporate review of 2024-25 savings deliverability through 'budget robustness' sessions between draft and final budget setting. As part of that review, focus was placed on ensuring services had the necessary one-off resources to provide the capacity and capability to deliver their budgeted savings. These resources are included in the table below.

Table 2: Planned Transformation Projects 2024-25 to be funded by the Flexible Use of Capital Receipts

	<b>Spend Estimate 2024-25</b>	<b>Estimated Base Budget Saving 2024-25</b>	<b>Medium Term Estimated Saving 2024-25 to 2027-28</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Transformation Team – resource required to support the delivery of the Council’s MTFP Efficiency Plan totalling £24.1m	2,673		
Time limited project costs to enable savings delivery	1,112	(4,975)	(19,900)
Northamptonshire Children’s Trust Transformation Resource	500	(1,000)	(4,000)
Statutory redundancy costs from reorganisation and reform	500		
<b>Total</b>	<b>4,785</b>	<b>(5,975)</b>	<b>(23,900)</b>

- 4.6. Within these budget sessions specific resource requirements of £2.1m have been identified to help support the delivery of service transformation projects in addition to the transformation team costs, this resource will work alongside the central transformation team to drive the delivery of the Medium Term Plan.

- 4.7. This estimated cost of transformation will be funded through capital receipts and as such, the use of capital receipts income to fund transformational activities reduces the Council's ability to use those resources to pay down capital acquisition debt.