

**West
Northamptonshire
Council**

**Flexible Use of
Capital Receipts
Strategy 2022-2023**

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.
- 1.2. The Secretary of State's current direction covers the period from 1 April 2016 to 31 March 2022. However the Government announced on 10 February 2021 that the flexibility would be extended for a further three years until the end of the financial year 2024-25.
- 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. The Council's Transformation Strategy reflects the future aspirations of West Northamptonshire Council in shaping its new identity and supports the delivery of the Council Plan.
- 2.2. This strategy sets out the priority objectives for major change, which will shape the effective, and efficient delivery of demand led services to improve outcomes for residents at an optimum cost. These priorities are listed below;
 - Providing services that have a clear cost avoidance impact;
 - Increasing delivery of services that generate an income for the council whilst meeting a need of our residents.
 - Development of prevention and early intervention projects and services that improve the independence of our residents and reduce the need for high level support.

- Development of digital and other infrastructure for the council that improves the pathways for our residents and reduces the level of process needed.
 - Development of system wide projects and services that improve service quality and accessibility for users, improves efficiency and reduces cost across the system.
- 2.3. The delivery of these priorities will be structured through a series of projects and work streams under one new governance framework and central Transformation Team to ensure that progress is co-ordinated, regularly reviewed and to ensure that the outcomes of these projects feed into the delivery of corporate objectives.
- 2.4. A number of measures have been applied in order to ensure that the qualifying 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. Additionally, detailed monitoring will be undertaken to provide assurance over the value of qualifying spend, benefits realisation and the delivery of anticipated outcomes.
- 2.5. 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. Within the budget plans for 2022-23 there is no reliance on the FUCR to fund the vast majority of the expenditure detailed below.

3. Financial Overview 2021-22 and 2022-23

- 3.1. 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.
- 3.2. The latest forecast on 2021-22 expenditure to funded through flexible capital receipts is set out in Table 1 below.

Table 1: Transformation Projects 2021-22 to be funded by the Flexible Use of Capital Receipts

| Transformation Project and Description | Original Estimated Spend 2021/22 £000 | Revised Estimated Spend 2021/22 £000 | Comment on Variance | Planned Saving 2021/22 £000 | Revised Planned Saving 2021/22 £000 | Comment on Variance |
|--|--|---|---|------------------------------------|--|---|
| <p>Strengths Based Working - An overhaul of Adults pathways and processes to ensure focus on client outcomes, increased focus on independence, better decision making and best practice approaches to avoid delays, increase outcomes focus and make the service sustainable going forward.</p> | West 400 | 400 | Expenditure currently in line with 2021/22 budget | 2,467 | 2,467 | - |
| <p>Transformation costs</p> <ul style="list-style-type: none"> - The transformation team has been set up to deliver on going transformation and savings. The estimated cost of the team is £2.9m in 2021-22 and there is also an additional funding stream of £500,000 contained within the budget proposals to provide seed funding for further transformation projects subject to a business case. The team will support all transformation projects. - Redundancy costs of £4m are anticipated in moving from four Councils across the West to one Council | 7,400 | 7,400 | - | 3,700 | 2,000 | Forecast delivery of service aggregation savings as at period 9 |
| Total | 7,800 | 7,800 | | 6,167 | 4,467 | |

- 3.3. Moving forward into 2022-23, the forecast transformation spend is £7.9m, with in year, and future years on-going benefit realisation to be confirmed on a case by case basis, the details are set out in the below table.

Table 2: Planned Transformation Projects 2022-23 to be funded by the Flexible Use of Capital Receipts

| Transformation Project and Description | Spend Estimate 2022/23 £000 | Saving Estimate 2022/23 £000 |
|--|-----------------------------|------------------------------|
| <p>Transformation costs</p> <ul style="list-style-type: none"> - The transformation team has been set up to deliver on going transformation and savings. The estimated cost of the team is £2.9m in 2022-23. The team will support all transformation projects. - Redundancy costs of £5m are anticipated | 7,900 | 8,990 |
| Total | 7,900 | 8,990 |

- 3.4. This estimated cost of transformation will be funded through capital receipts.
- 3.5. 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.