

Flexible Use of Capital Receipts Strategy

2023/24 – 2024/25

Appendix D(v)



North
Tyneside
Council

North Tyneside Council

Flexible Use of Capital Receipts Strategy

1. Introduction

- 1.1 This report provides background relating to the statutory guidance on the flexible use of Capital Receipts and its application within this Authority.
- 1.2 The use of capital receipts to fund the costs of service transformation expected to deliver a long-term benefit, rather than applying revenue resources or reserves, allows for available revenue resources to be directed to service areas to facilitate further service redevelopment and helps to mitigate the financial pressures of the Authority.

2. Background

- 2.1 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 allowed by the regulations.
- 2.2 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.
- 2.3 In February 2021, the Secretary of State confirmed that Authorities would have freedom to use capital receipts from the sale of their own assets (to entities outside of their Group structure) since 2016/17 to help fund the revenue costs of transformation projects. This flexibility was extended as part of the Local Government Provisional Settlement announced on 18 December 2023. The direction confirms that Local Authorities can treat as capital expenditure, expenditure which:

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- i. is incurred by the Authorities 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; and
- ii. is not incurred with respect to redundancy payments, except where such redundancy costs are necessarily incurred and limited to the amounts available as statutory redundancy payments.

2.4 To utilise this additional freedom, the Authority must act in accordance with the Statutory Guidance issued by the Secretary of State which requires the Authority to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy and to report on progress.

3. Flexible Use of Capital Receipts Strategy

3.1 The Authority is free to determine which projects will be most effective, with the guidance confirming that:

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.

3.2 The guidance provides a range of example projects, including:

- Sharing back-office and administrative services with one or more other council or public sector bodies;
- Investment in service reform feasibility work, e.g. setting up pilot schemes;
- Collaboration between local authorities and central government departments to free up land for economic use;

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- Funding the cost of service reconfiguration, restructuring or rationalisation where this leads to ongoing efficiency savings or service transformation;
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities;
- Aggregating procurement on common goods and services where possible;
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training;
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others); and
- Integrating public facing services across two or more public sector bodies (for example children’s social care or trading standards) to generate savings or to transform service delivery.

3.3 As part of developing the Authority’s Medium Term Financial Plan (MTFP) a number of specific workstreams have been identified to tackle the areas of the highest pressures facing the Authority and to explore opportunities to be more efficient. Progress on these workstreams is overseen by the Authority’s Senior Leadership Team and the agreed workstreams include the following key areas:

| Project Ref | Project Title |
|-------------|---|
| PR05 | Inclusive Education / SEND |
| PR06 | Ambition for Education |
| PR07 | Home to School Transport |
| PR08 | Handling Childrens Finance |
| PR09 | Climate and Waste |
| PR10 | Great Landlord and Specialist Housing |
| PR11 | Health and Social Care (Public Health and Adults) |
| PR13 | Corporate Accounting |
| PR14 | People Strategy |
| PR16 | Schools SLAs |

3.4 Within these workstreams the Authority has identified a number of opportunities which involve planned investment in 2024/25 which is

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expected to generate ongoing efficiency savings. These specific projects are summarised at Appendix A.

- 3.5 The list is not definitive and as work progresses on each of the workstreams then additional opportunities may be identified which will be reflected in an updated Strategy and reported as part of the existing Performance and Financial Monitoring reporting framework.
- 3.6 The Authority has a total of £8.8m of capital receipts available which have been generated since the flexibility has been available and the position will continue to be monitored during the term.
- 3.7 The Authority has not currently assumed the use of these capital receipts to fund existing planned capital investment, meaning there is no impact on the Prudential Indicators associated with the application of the capital receipts to be applied to meet transformational costs.

Appendix A – Proposed Projects

| Project | Description | Service Transformation / Savings | Service | Cabinet Portfolio | Planned Use of Receipts (£'000) |
|--------------------------------|--|---|---------------------|------------------------------------|---------------------------------|
| In-house children's home | Pilot scheme to deliver in-house provision relating to Children with complex care needs rather than commissioning external placements. | £150k+ p.a. potentially if two children can be supported through in-house provision. | Children's Services | Supporting and Protecting Children | 300 |
| In-house residential provision | Pilot scheme to implement a new approach to staffing models to create a shared team resource and reduce the reliance on overtime. | Spend on overtime has exceeded £1m+ in recent years, placing significant pressure on the Authority's revenue budgets. | Children's Services | Supporting and Protecting Children | 500 |
| Case review team | Pilot scheme to introduce a case review team to undertake care package reviews, releasing capacity from social workers and ensuring care packages are aligned to specific needs. | Potential to generate savings of £400k+ by identifying and reducing over provision. | Adult Social Care | Adult Social Care | 280 |

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| Project | Description | Service Transformation / Savings | Service | Cabinet Portfolio | Planned Use of Receipts (£'000) |
|-----------------------------|--|--|------------------------------------|----------------------|---------------------------------------|
| Home to School Transport | Investment in a range of measures aimed at reducing direct service provision, including the provision of Independent Travel Trainers and expanded use of Personal Transport Budgets. | Potential to generate £100k+ of annual revenue savings | Commissioning and Asset Management | | 500 |