

Flexible use of Capital Receipts Strategy 2018/19

1. Introduction

The proposals within this Flexible use of Capital Receipts Strategy have been prepared based on guidance issued by the Secretary of State under section 15 (1)(a) of the Local Government Act 2003, effective from 1st April 2016 in respect of the Flexible Use of Capital Receipts.

2. The Guidance

The Guidance issued by the Secretary of State under section 15(1)(a) of the Local Government Act specified 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 such 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 this flexibility”.
- “Set up and implementation costs of any new processes or arrangements can be classed as qualifying expenditure. The ongoing revenue costs of the new processes or arrangements cannot be classed as qualifying expenditure. In addition, one off costs, such as banking savings against temporary increases in costs/pay cannot be classified as qualifying expenditure”.
- In using the flexibility, the Council will have due regard to the requirements of the Prudential Code and to the CIPFA Local Authority Accounting Code of Practice.
- The Council is also required to prepare a Flexible use of Capital Receipts Strategy before the start of the year to be approved by the Council – this is that Strategy.

3 The Council’s Proposals

The Guidance sets out examples of qualifying expenditure which includes “funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation” and it is for this purpose that the Council is proposing to use Capital Receipts in

2018/19. The Final Local Government Finance Settlement 2018/19 announced on 6th February 2018 extends the option for Councils to make flexible use of capital receipts for revenue transformation purposes up to 2021/22. The Council is proposing to make use of this additional flexibility for an additional two financial years up to 2020/21 and to review this position within the Council's Strategy on an annual basis.

4. The Council's Workforce Strategy recognises that people are key to the Council achieving improvement in its services and being representative of their communities. In order for the Council to deliver its Corporate Plan priorities, its Corporate Improvement Plan and its Medium Term Financial Strategy it is essential that the Council has the right people, with the right skills, in the right place and at the right time to maintain and improve existing and future service outcomes.
5. The Council adopts a "whole organisation" strategy approach that optimises potential structural and operational efficiencies at a corporate level, whilst recognising that it is equally important to ensure quality workforce planning at a local level. The Council is also delivering organisational and workforce change around the specific service improvement areas identified by recent inspections and reports. This Strategy focuses on the workforce essentials of an "Effective Rotherham Council".
6. Key workforce activities are:
 - Supporting achievement of budget savings targets for 2018/19 and later years through appropriate workforce interventions and the service reviews and health checks in the Fresh Start Improvement Plan; and
 - Responding to staffing pressures and remodelling the workforce corporately but also particularly in Children's Services, Adult Social Care and Regeneration & Environment.
7. **2018/19 Revenue Budget**

The above priorities have been recognised in the Council's 2018/19 Revenue Budget and Medium Term Financial Strategy (MTFS) to 2020/21. These include both revenue efficiency savings from the restructuring and reconfiguring of the Council's Services to meet both current and forecast levels of demand for services, and reshaping of services such as Early Help, Business Support, Transport, Adult Social Care and Children's Services to provide a more targeted approach to the provision of services that is focussed on improved customer outcomes and is delivered within a sustainable financial envelope.

8. To support this significant and continued reconfiguration of the Council's Services to deliver improvement and efficiencies, the current savings proposals will see a further downsizing of the Council's workforce by around 70 full time equivalent posts in 2018/19. Additionally, budget proposals to fully address the funding gap

for 2019/20 – 2020/21 are yet to be identified and agreed, but will inevitably further affect workforce numbers. It is therefore proposed that the costs associated with staff leaving the Council through service reconfiguration in 2018/19 should be funded through the flexible use of Capital Receipts. It is also proposed that any in-year Capital Receipts received which exceed the amount required to cover the release cost of these staff be used to fund revenue funded activities which are being incurred to support the Council's service development and delivery of savings and efficiencies. The legitimacy of this use will be determined by the s151 Officer in order to ensure that it meets the requirements set out by the Secretary of State.

9. Business Case for Voluntary Release - when considering the business case for the release of employees on Voluntary Severance/Early Retirement, the Councils' approach is to ensure that the cost of the release of the employee concerned, including both redundancy and pension strain costs, should be recovered from salary savings within 3 years of the employee leaving. This reflects the term of the period covered by the Medium Term Financial Strategy. There is also a requirement that any release would also be subject to meeting 'business need' and thereby retain the right people with the right skills to deliver the required outcomes for customers.

10. The Prudential Code

The Council will have due regard to the requirements of the Prudential Code and the impact on its prudential indicators from implementing the proposed scheme within this Efficiency Strategy.

11. As transformation proposals develop and the cost of Voluntary Severance is determined, the expenditure to be incurred will be included in the Council's Capital Programme to be funded by capital receipts generated in the financial year. The capital expenditure prudential indicators will be amended and approved as appropriate. In line with Golden Rule 3 of the Capital Strategy, the first call on capital receipts generated in the year will be utilised to meet the cost of voluntary severance. These receipts have not been earmarked as funding for any other proposed capital expenditure and therefore there is no anticipated additional impact on the Council's prudential indicators as set out in the Council's Treasury Management Strategy.

12. The Council will also have due regard to the Local Authority Accounting Code of Practice when determining and including the entries required from undertaking and funding this scheme within the 2018/19 Council's Statement of Accounts.

13. Monitoring the Strategy

Implementation of this Strategy will be monitored as part of regular financial reporting arrangements.