

IMPROVEMENT RECOVERY AND INTERVENTION

Part 1 - Flexible use of Capital Receipts (2023/24 to 2024/25) update

Background

In March 2023, as part of setting the budget, the council approved a bid for flexible use of capital receipts to be used for transformation. This was submitted to DLUHC and the council are required to produce an update annually. This was ahead of the intervention and s114 notice. The original categories of spend that were approved are listed below for the original planned activity outlined in the Executive report¹:-

- Asset and property management
- Parking review and strategy
- Companies' transformation
- Service transformation
- Organisation business change
- Procurement and commissioning
- Inward investment

The capital receipt, £3.4m for Cleary Court was received on 31st March 2024. The updated report to government was submitted in April 2024 and here the focus of the transformation was amended slightly to reflect the activity to address the directions in the intervention and s114 notice.

There is further improvement work to be done to deliver the Improvement and Recovery Plan over the remaining years of the intervention.

This paper outlines what the £3.4m has funded, the return on investment and what expected spend is required over the next two years, and therefore requiring an additional proposal for transformation funding.

Spend in 2023/24 to 2024/25

The two years of transformation has focussed on building the foundations for the improved council and ensuring the council is focussed on core activity required for a borough council. This included the following activity:-

1) Service transformation:

A Council-wide savings project was carried out to identify £8.4m savings in the revenue budget. This included a star chamber approach and was supported by benchmarking. A new vision for the council was developed. Major staff and public consultation was carried out and Equality Impact Assessments (EQIAs) were produced for all savings proposals.

A large proportion of the spend was building HR capacity to manage the council-wide consultation and included full exit costs. Also, programme management, PMO and project management (support for resident consultation and EQIAs).

2) Companies' transformation:

The council appointed commercial expertise to provide urgent capability and capacity. All 24 council-owned companies were reviewed and were required to produce business plans. Commercial governance was established to ensure all commercial decisions were made in line

¹ [EXE23-016 Medium Term Financial Strategy MTF5.pdf \(woking.gov.uk\)](#)

with the new commercial protocol. Company business cases have been produced to outline the future of the companies and their assets.

3) Asset management and car park strategy:

Funding of an additional post in Property to manage the Strategic Asset Management Plan (SAMP) and disposals. Consultancy to provide the car park strategy.

4) Procurement and commissioning:

Partnering with Orbis to review our procurement practices and implement early changes to policies and procedures for example establishing the Contracts Register.

The spend during 2023/24 and 2024/25 has been allocated according to the following table. The expected overspend of £26k is largely due to the additional commercial expertise needed and the further exit costs for the staff leaving the organisation.

Summary	2023/24	2024/25
	Spent	Forecast
	£'000	£'000
Commercial expertise to review companies' governance and performance; improve procurement and contract performance and ensure value for money;	645	492
Development and delivery of Strategic asset management strategy and plan (contractors)	120	83
Channel shift - improving service delivery and web offer	91	130
Vision for organisation, service restructure and implementation of staffing change delivering 2.4m savings in staff budget (including exit costs)	840	459
Savings implementation and service redesign and transformation	76	133
Transformation team (temporary) to manage the change	240	117
Total Spend	2,012	1,414

£3.426m

Part 2 - Future years 2025/26 to 2026/27 proposal

The intervention is a 3 to 5 year period. While building blocks have been established in years 1 and 2, further improvement and additional savings are required beyond March 2025. There is insufficient capability and capacity within the organisation to deliver this change and therefore the savings required. Therefore, the following resource plan is being established to clarify what is needed to deliver the next phase of the programme.

<u>Project</u>	<u>Activity</u>	<u>2025/26 to 2026/27</u>
Channel shift and service redesign	<p>A programme of activity to reduce the level of demand on resident services, therefore increasing productivity and producing efficiency savings. This includes additional resource and investment in technology. Projects include - forms and integration (automating manual processes); data and AI (understanding our business) and end to end service redesign and efficiency.</p> <p>This next phase will focus on high process areas such as planning, council tax and housing repairs.</p> <p>Savings of £1,050,000 and additional income</p>	£775,000
Organisation change	<p>Culture change across the organisation delivered through an Organisational Development programme. Contract and procurement process improvements. Also includes the cost of transformation.</p> <p>The Procurement and Transformation workstreams are expected to deliver annual savings of c.£1.7m by 2027/28.</p>	£675,000
Programme Management and PMO	<p>Programme management of transformation, PMO reporting and assurance, project management of 4 themes and projects, management of IRB and other supporting governance. This is a temporary team.</p> <p>Savings and efficiencies enabler</p>	£837,332
Contingency		£200,000
		Total £2,487,332

Benefits realisation

A requirement of flexible use of capital receipts is that the spend must deliver a return or savings. The key financial benefit areas that the programme is delivering include:

2024/25 Fit for the Future General Fund Savings (over 4 years)	£32m
Delivery of further General Fund Savings from 2025/26 to 2027/28 identified as at November 2024	£4.5m
Capital receipts from Assets Sales 2023/24 – 2024/25	£60m
Capital receipts from Asset Sales 2025/26 – 2027/28	> £100m

Protect further impairment of loans to Companies

c£200m

Capital receipts from Company Asset Sales

max £600m

Flexible Use of Capital Receipts Strategy 2025/26 to 2026/27

Summary

This Flexible Use of Capital Receipts Strategy outlines how Woking Borough Council will use recent capital receipts to continue to fund the organisation wide transformation programme as described in the Improvement and Recovery Plan, and the background and guidance that underpins it.

Background and guidance

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. 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.

As part of the finance settlement for 2016/17 the government announced new flexibilities allowing local authorities to use capital receipts received in 2016/17, 2017/18 and 2018/19 to be used to fund transformational expenditure, which can include redundancy costs. This was updated in August 2022.

This strategy provides background information with regards the statutory guidance on the flexible use of Capital Receipts and its application within this authority.

The key determining criteria to use when deciding whether expenditure can be funded by the new capital receipts flexibility is that it is forecast to generate ongoing savings to an authority's net service expenditure and examples of qualifying expenditure is outlined in Annex 1 of this strategy.

Objectives and purpose

Following statutory government intervention and the issuing of a Section 114 Notice in the spring of 2023, the council was required to put in place an Improvement and Recovery Plan. The Improvement and Recovery Plan was published in August 2023.

In February 2024, the Council adopted a Vision and Mission Statement designed to provide staff, residents, and partners with a clear understanding of the council's direction of travel.

Our vision "A financially and environmentally sustainable council delivering services that residents value in every part of the borough."

Mission statement A trusted and transparent council that:

- Lives within its means.
- Focuses its energy on services that make a difference to people in the borough.
- Works in partnership with all communities to deliver positive outcomes.
- Continually engages with residents to design more efficient and effective services.
- Invests in talent to deliver for Woking's future.

The Woking for All Strategy is the Council's corporate plan and is underpinned by and reflects the Improvement and Recovery Plan developed in response to Government intervention. The Strategy also takes account of the Council's statutory and legal responsibilities.

This flexible use of capital receipts strategy is intended to support the council in delivering its objectives outlined in the Improvement and Recovery Plan and take advantage of the extension of the flexibility where appropriate to use capital receipts to fund transformation projects with qualifying criteria.

Future Use of Capital Receipts Flexibility 2025/26 to 2026/27

This strategy earmarks £2,487,332 for transformative change during 2025/26 and 2026/27. The value of expenditure capitalised must not exceed the amount set out in the plan, including any updated plans, provided to the Secretary of State. If capital receipts generated are insufficient to meet these commitments, other funding sources will need to be identified or expenditure reduced.

The projects in Annex 1 have been included in this strategy as being potentially eligible for capital receipts funding to support their delivery (subject to its availability and their approval), with a description of the project, project objectives, and potential planned use of receipts.

The proposals in the table (subject to their approval) will directly or indirectly support the release of net financial benefits committed to in the budget. This list is not definitive and subject to availability of this value of receipts. Should further or more priority projects with qualifying expenditure be identified during the course of the year, further revisions will be made to the strategy and will be requested through the Medium Term Financial Strategy Update for resubmission to the government.

Disposals

Local authorities will only be able to use capital receipts from the sale of property, plant and equipment received in the years in which this flexibility is offered. They may not use their existing stock of capital receipts to finance the revenue costs of reform.

It is a condition that the disposal of assets by which the capital receipts are obtained must be disposals by the local authority outside the "group" structure. Here "group" has the same meaning as defined in "group accounts" in the Code of Practice on Local Authority Accounting, as issued by Chartered Institute of Public Finance and Accountancy (CIPFA), whether or not these transactions are consolidated into group accounts and irrespective of whether the authority produces group accounts.

Capital receipts are primarily used to fund capital investment which has a relatively short economic life, such as IT investment where borrowing is not economical. At the end of the financial year 2025/26 the council estimates to have sufficient capital receipts, with a pipeline of disposals of c. £50m, to meet the FCR commitments in the budget.

Impact of 2023/24 strategy on Prudential Indicators

The guidance requires that the impact on the council's Prudential Indicators should be considered when preparing a Flexible Use of Capital Receipts Strategy. These capital receipts have not been factored into the council's Capital Financing Requirement (CFR) by way of either reducing debt or financing capital expenditure.

Capital receipts which are allocated to fund the council's capital programme will be monitored throughout the year and will not be subsequently used to fund qualifying expenditure. Therefore, there will be no change to the council's Prudential Indicators that are contained in the Treasury Management Strategy Statement which will be presented to Full Council in March 2025 for approval.

The prudential indicators show that this strategy is affordable and will not affect the council's operational boundary and authorised borrowing limit.

In using the flexibility, the council will have due regard to the Guidance on Flexible Use of Capital Receipts issued by the Secretary of State under section 15(1)(a) of the Act, the requirements of the Prudential Code, the CIPFA Local Authority Accounting Code of Practice and the current edition of the Treasury Management in Public Services Code of Practice. Governance

It is a condition that local authorities applying this direction must send details of their planned use of the flexibility to the Secretary of State for each financial year in which the direction is used.

This should be sent as soon as is practicable after the council has determined and approved its strategy for the use of the direction but must be sent before the flexibility is used. Where local authorities update their plans during the financial year, an updated plan reflecting the changes must be sent to the Secretary of State. This requirement can be met by providing to the Secretary of State a copy of the authority's own planning documents.

By submitting the information set out to the Secretary of State the council will have met the condition; there is no further requirement to receive explicit consent in order to use the flexibility as set out in this direction. It is expected that the council will evidence compliance in full with this condition to their external auditors as necessary.

The strategy will be presented with the budget annually to Full Council for approval.

Annex 1 - Examples of qualifying expenditure

There are a wide range of projects that could generate qualifying expenditure and the list below is not prescriptive. Examples of projects include:

- Sharing back-office and administrative services with one or more other council or public sector body;
- Investment in service reform feasibility work, eg setting up pilot schemes;
- Collaboration between local authorities and central government departments to free up land for economic use;
- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;
- Sharing Chief-Executives, management teams or staffing structures;
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations;
- 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);
- Integrating public facing services across two or more public sector bodies (for example children’s social care, trading standards) to generate savings or to transform service delivery