

## **Appendix 1**

### **REVISED FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY 2023/24**

#### **Use of Flexible Capital Receipts in previous years**

1. As per the Statutory Guidance, there is a need to include details on projects approved in previous years, including a commentary on whether the planned savings or service transformation have been/are being realised in line with the initial analysis.
2. Middlesbrough Council implemented a Flexible Use of Capital Receipts Strategy for the first time in 2021/22 under the Statutory Guidance and a report was approved by Council on 20 October 2021.

#### ***2021/22***

3. The Flexible Use of Capital Receipts Strategy for 2021/22 approved by Council on 20 October 2021 included proposed projects along with estimated costs and potential savings. Progress against the approved Strategy for 2021/22 was monitored throughout the financial year as part of regular budget monitoring arrangements and reported accordingly as part of the current quarterly budget monitoring reports to Executive, along with any updates to the Strategy as proposals were developed and expenditure was incurred. The final schedule of expenditure on projects to transform services that were funded through flexible use of capital receipts for 2021/22 and the associated estimated annual revenue savings or future cost avoidance, was reported as part of the Revenue and Capital Budget – Year-End Outturn position 2021/22 report to Executive on 14 June 2022, and was also shown in the Strategy for 2022/23.
4. Entries were made in the Council's accounts in 2021/22 for these having due regard to the Local Authority Accounting Code of Practice, including the effect on the Council's Investment Strategy.

#### ***2022/23***

5. The Strategy for 2022/23 was approved by Council on 7 September 2022. Table 1 summarises the projects to transform services that were proposed to be funded through flexible use of capital receipts for 2022/23 which totalled approximately £2.7m, along with the estimated projected costs, and the associated estimated annual revenue savings or future cost avoidance. In some cases, there is a direct link between a project and the realisable financial benefit, however in others it is difficult to quantify and the project contributes to enabling savings or costs avoidance in other areas or provides a wider benefit, which would not otherwise be realised.
6. Delivery against the 2022/23 Strategy was reported through quarterly monitoring reports and the final year-end position against the Strategy was reported as part of the Revenue and Capital Budget – Year-End Outturn position 2022/23 report to Executive on 20 June 2023.

**Table 1 Flexible Use of Capital Receipts 2022/23 Proposed**

Project	Further Details	Estimated Investment Required 2022/23 £000	Estimated ongoing annual savings £000
Children's Services	<b>Funding for transformation of Service and Children's Services Ofsted Improvement Plan to improve services and outcomes</b>		
	Specialist agency teams in Referrals & Assessments to improve the "front door model"	1,100	Cost avoidance
	Workforce Development - set up costs for the creation of a Social Worker Academy to reduce the requirement for agency staff	349	420
	Workforce Development - specialist training to reduce the requirement for agency staff	105	
	Children's Services Ofsted Improvement Plan - Additional posts linked to compliance and support to drive improvement and transformation	265	Enabling & Cost Avoidance
Children's Services Ofsted Improvement Plan - Additional posts to improve and embed good practice	875	Enabling	
<b>TOTAL</b>		<b>2,694</b>	<b>420</b>

7. At year-end only £755,000 of capital receipts were received and for which transformation expenditure qualified under the Government regulations, i.e. that future ongoing cost/demand savings could be identified. Table 2 provides the projects to transform services that were funded through the Flexible Use of Capital Receipts for 2022/23 along with the final costs for 2022/23, and the associated estimated annual revenue cashable savings or future cost avoidance. Entries were made in the Council's accounts for these having due regard to the Local Authority Accounting Code of Practice, including the effect on the Council's Investment Strategy.

**Table 2 – Flexible Use of Capital Receipts 2022/23 Actual**

Project	Further Details	Investment Required 2022/23 £000	Estimated ongoing annual savings £000
Children's Services	<b>Funding for transformation of Service and Children's Services Ofsted Improvement Plan to improve services and outcomes</b>		
	Workforce Development - set up costs for the creation of a Social Worker Academy to reduce the requirement for agency staff	451	641
	Children's Services Ofsted Improvement Plan - Additional posts to improve and embed good practice	304	Enabling
<b>TOTAL</b>		<b>755</b>	<b>641</b>

## **2023/24 Original Planned Use of Flexible Capital Receipts**

8. The planned use of flexible capital receipts in 2023/24 was set out in the budget and MTFP report approved by Council on 27 February 2023. The plan incorporated £3m of expenditure on transformation and other eligible expenditure within an overall MTFP strategy that forecast flexible receipts in year in excess of £9m, the balance of receipts assumed to be used to finance the capital programme.
9. The main emphasis of the Flexible Use of Capital Receipts Strategy in 2023/24 is within Children's Services associated with expenditure within the Children's Financial Improvement Plan targeted to realise savings in expenditure and cost avoidance arising from a range of projects.
10. Table 3 summarises the planned projects to transform services, achieve cost avoidance that were proposed to be funded through flexible use of capital receipts for 2023/24 totalling approximately £3m, including the estimated projected costs, and the associated estimated annual full year revenue savings or future cost avoidance. In some cases, there is a direct link between a project and the realisable financial benefit, however in others it is difficult to quantify and the project contributes to enabling savings or costs avoidance in other areas or provide a wider benefit, which would not otherwise be realised.
11. The estimates of transformational expenditure were made on a prudent basis, and it was noted that there may be a need to review and revise the original plan dependent upon whether the initial planned projects were delivered given the significant transformation work required within Children's Services which presents the single biggest risk to the Council's financial sustainability.
12. It was noted that if it was necessary to increase the use of capital receipts on a flexible basis during 2023/24 above that contained in the Strategy, that an amended plan and strategy would be submitted for approval by Council, and notified to DLUHC as required by the statutory guidance.

**Table 3 - Original Planned Use of Flexible Capital Receipts 2023/24 (as approved by Council in February 2023)**

<b>Project</b>	<b>Further Details</b>	<b>Estimated Investment Required 2023/24 £000</b>	<b>Estimated ongoing full year net savings £000</b>
<b>Children's Services</b>	<b>Children's Services Financial Improvement Plan</b>		
	Support to deliver Children's Financial improvement Plan	300	4,722
	Family Support - set up and lead in costs for the creation of in-house team and reduction in the use of high cost external provision	200	included in above
	Integration of specialist agency team required in Safeguarding & Care Planning to improve "Children in Need and Child Protection", and transition into business as usual. This will also led to the removal of 2 other managed Teams by using current staff to provide the service	800	included in above
	Set up and lead in costs for the implementation of various projects to Increase the in-house residential offer to reduce expenditure on external placements by purchase and/or refurbishment of additional properties to develop additional bedspaces.	500	included in above
	Creation of new Children's Services Assistant Director post to drive transformation and cost reductions	100	enabling
<b>Corporate</b>	Support to deliver corporate savings programme	400	8,824
	Service reconfiguration, restructuring or rationalisation of management and staff (only statutory elements included) associated with achieving the ongoing savings	500	included in above
	Support required to respond to Best Value Improvement Notice	100	enabling
<b>Adult Social Care</b>	Adult Social Care - implementation of improvement plan and transformation in readiness for CQC inspection	100	enabling
<b>TOTAL</b>		<b>3,000</b>	<b>13,546</b>

## Revised Planned Use of Flexible Capital Receipts 2023/24

13. A number of schemes within the original plan for 2023/24 for £3m approved by Council in February 2023 have not progressed as originally intended and a number of new projects have been added for which the expenditure qualifies under the regulations for flexible use of capital receipts funding.
14. As reported in the Quarter One Revenue and Capital Budget Forecast Outturn considered by the Executive on 23 August 2023, the Council's level of forecast annual revenue expenditure materially exceeds its income resulting in a forecast overspend of £11.563m. Over the year to the end of Quarter Two, a range of measures have been taken to reduce expenditure through the development of Financial Recovery Plans to contain expenditure within the 2023/24 approved budget. The Quarter Two financial forecast is an overspend of £8.556m as set out in the Quarter Two Revenue and Capital Budget Forecast Outturn elsewhere on this agenda, and work will continue to manage the overspend down further.
15. However, in order to achieve financial sustainability, it is necessary for the Council to develop implement a further range of transformational and efficiency plans to secure cost reduction and income growth within 2023/24 and into 2024/25 and future years.
16. In addition, a number of proposed transformation projects are in development which will be brought forward to the Executive in December as part of the 2024/25 budget development process, which will be considered for approval by Council in February 2024 along with the annual FUoCR Strategy for 2024/25.
17. In order for expenditure within the 2023/24 revised plan to be funded from flexible use of capital receipts, assets must be sold and cash received by the Council before 31 March 2024. The capital receipts forecast for 2023/24 prior to any Executive decisions regarding the Asset Review is set out in the revised Capital Programme for 2023/24 to 2025/26 contained in the Revenue and Capital Budget – Forecast Outturn position at Quarter Two 2023/24 report to this Executive and is shown in Table 4 below. Table 4 also shows the additional capital receipts proposed for approval by the Executive as set out in the Asset Review report contained elsewhere on this agenda.

**Table 4 – Analysis of Forecast Capital receipts**

<i>Forecast capital receipts</i>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Receipts from approved asset disposals	3.155	5.469	4.811	-	13.435
Additional Receipts proposed in Asset Review report	10.600	7.412	4.000	5.050	27.062
Total Available Receipts subject to Executive approval	13.755	12.881	8.811	5.050	40.497

18. This will provide the opportunity to fund a number of new management interventions set out in the revised plan at Table 5 below within 2023/24 from flexible use of capital receipts. Where expenditure that qualifies for inclusion in the revised FUoCR strategy has previously been approved from revenue resources, finance officers will seek to optimise the application of flexible capital to ease financial pressures upon the revenue budget and limited reserves.

**Table 5 - Revised Planned Use of Flexible Capital Receipts 2023/24**

Project	Further Details	Currently funded from	Estimated Cost with potential to apply FUoCR in 2023/24 subject to receipt of cash by 31/03/24 £m	Estimated ongoing full year effect net savings from 2024/25 onwards  £m
<b>Corporate Transformation</b>	Additional cost of Interim Section 151 Officer post above budget to drive transformation in Council's financial management arrangements and deliver financial recovery	Corporate Contingency	0.095	Enabling
	Consultancy support to establish comprehensive policy and methodology for setting and review of fees and charges to optimise income	Corporate Contingency	0.029	Enabling
	Development and implementation of a Corporate Finance Dashboard to support more effective budgetary control - Qlikview migration from Alteryx to Power BI and Purchase of Power BI Licences	Corporate Contingency	0.026	Enabling
	Middlesbrough Independent Advisory Improvement Board costs to support delivery of improved culture, governance, and financial recovery	Corporate Contingency	0.022	Enabling
	Support to deliver corporate transformation savings programme	Change Fund	0.040	Enabling
	Consultancy to support corporate level transformation - Stage 1	Change Fund	0.040	Enabling
	Consultancy to support corporate level transformation - Stage 2	Change Fund	0.150	Enabling
	<b>Legal &amp; Governance Transformation</b> HR - additional Business Partner to drive transformation	Change Fund	0.013	Enabling
	Data and analytics - additional resources to support transformation	Change Fund	0.060	Enabling
	Short term project resource and expertise to develop and source transformation opportunities	Change Fund	0.060	Enabling
Interim ICT specialist to progress digital transformation	Change Fund	0.072	Enabling	

<b>Finance</b>				
Transformation	Financial improvement - Interim finance lead - financial strategy, business partnering to improve VFM and support transformation programme	Corporate Contingency	0.103	Enabling
Transformation	Finance specialist finance improvement to support transformation	Change Fund	0.064	Enabling
Procurement compliance	Additional resource to support the enforcement of compliance in procurement to achieve cost efficiency in supplies and services	Change Fund	0.025	Enabling
Debt Review	Additional resource in Resident and Business Support to target reduction in aged debt and increase income of Council Tax, Business Rates and Sundry Debt	Change Fund	0.169	1.584
<b>Children's Services</b>				
Family Support	Family Support - set up and lead in costs for the creation of in-house team and reduction in the use of high cost external provision	Children's Care	0.300	0.727
Internal residential	Set up costs for the implementation of various projects to Increase the in-house residential offer to reduce expenditure on external placements by purchase and/or refurbishment of additional properties to develop additional bedspaces.	Children's Care	0.100	enabling
Staffing	Integration of specialist agency team required in Safeguarding & Care Planning to improve "Children in Need and Child Protection", and transition into business as usual. This has led to the removal of 2 of 3 managed teams and will led to the eventual removal of the remaining managed team by May 2024 using current staff to provide the service	Children's Care	0.800	1.200
	Review of staffing establishment	Change Fund	0.070	Cost reduction
	Use of market weighted allowances to attract permanent staff to reduce use of agency staff.	Children's Care	0.813	enabling
	Recruitment costs to attract permanent staff to reduce use of agency staff	Children's Care	0.007	enabling
Transformational Support	Specialist Children's Services Financial Consultant drive transformation and cost reductions	Corporate Contingency	0.098	enabling

	Specialist Children's Services manager to drive service improvement	Children's Care	0.080	enabling
Placements	Dedicated Placement Manager to drive transformation in placements	Children's Care	0.052	enabling
	Improvement Lead for Review of Placements	Change Fund	0.060	1.500
Internal fostering	Increase capacity by increase in fees to internal carers to allow for existing carers to increase places and attract more to take up as a carer, in order to reduce need for Independent Fostering Agency (IFA) placements and any subsequent External residential placements	Children's Care	0.750	0.460
<b>Education &amp; Partnerships</b>				
Integrated Transport Unit	Integrated Transport Unit - external resource for review	Change Fund	TBC	TBC
<b>Adult Social Care</b>				
Transformation review	Transformation Lead and 5 reviewing staff to undertake reviews and transformation project including activity identified in Assistive Technology Transformation, developing the prevention hub, and review of the Connect Service	Change Fund	0.201	1.900
<b>TOTAL</b>			<b>4.299</b>	<b>7.371</b>

## Monitoring the Strategy

19. Delivery against the updated strategy will be monitored throughout the remainder of the financial year as part of regular budget monitoring arrangements and be reported accordingly as part of the current quarterly budget monitoring reports to Executive including the realisation of cashable capital receipts that will enable the release of committed revenue funding that will enable projects to commence prior to receipt of cashable receipts.
20. It should be noted that the final financing position on the strategy will be determined as part of the accounts closure process at 31 March 2024.
21. The legitimacy of the use of the Strategy has been determined by the Council's s151 Officer to be in accordance with the statutory regulations.

## The Prudential Code

22. The Council will have due regard to the requirements of the Prudential Code and the impact on its prudential indicators from implementing the proposed Strategy. The capital expenditure prudential indicators will be amended and approved as appropriate.



23. The indicators that will be impacted by this Strategy are set out below:

- Capital financing requirement will be increased by an estimated £4.299m in 2023/24 as these capital receipts were intended to support schemes within the existing Investment Strategy that are now budgeted to be financed by prudential borrowing. Schemes financed by prudential borrowing are reflected within the prudential indicators as set out within the Treasury Management Strategy and included as part of the budget.
- Financing costs as a percentage of net revenue stream (%), noting that the savings generated from these projects will meet the debt financing costs arising from the additional borrowing. The current indicative cost of borrowing the estimated £4.299m in 2023/24 is approximately £0.400m p.a.

24. The prudential indicators show that this Strategy is affordable and will not impact on the Council's operational boundary and authorised borrowing limit set by the Council for 2023/24. However, this will need to be closely monitored as part of the current quarterly budget monitoring reports to Executive.

25. 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 the projects within the Council's Statement of Accounts.