



REPORT TO: SPECIAL MEETING OF MORAY COUNCIL ON 22 FEBRUARY 2022

SUBJECT: USE OF CAPITAL RECEIPTS TO FUND TRANSFORMATION

BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)

1. REASON FOR REPORT

- 1.1 To request Council's approval to use capital receipts to fund a specified range of transformation or service redesign projects, in the terms permitted by Scottish Government as set out in Local Government Finance Circular No 4/2019.
- 1.2 This report is submitted to Council in terms of Section III (A) (2) of the Council's Scheme of Administration relating to consideration of capital and revenue budgets and long-term financial plans.

2. RECOMMENDATION

2.1 It is recommended that Council:

- i) **approves the use of capital receipts to fund expenditure estimated at £290,000 in 2021/22 on the Improvement and Modernisation Programme and Digital Services, as set out in section 4 of this report; and**
- ii) **notes that annual recurring savings of at least £3,195,000 are projected to be achieved from this and the last three years' investment of capital receipts.**

3. BACKGROUND

- 3.1 Local authorities are required to use capital receipts to fund capital expenditure. Scottish Ministers are empowered by the Local Government Scotland Act 2003 to vary proper accounting practices by issuing statutory guidance. The Cabinet Secretary for Finance, Economy and Fair Work wrote to the COSLA Spokesperson for Resources on 10 December 2018 stating his intention to issue guidance enabling capital receipts to be used to fund service transformation. The statutory guidance was issued on 28 March 2019 as Local Government Finance Circular No 4/2019.

- 3.2 The Guidance covers expenditure in the financial years 2018/19 to 2021/22. To be funded from capital receipts, expenditure must be on a transformation or service redesign project where incurring up-front costs will transform service delivery in a way that reduces costs and/or demand for services in future years and generate on-going savings. Following the pandemic, use of capital receipts to fund covid-related costs was also permitted as one of the short-term financial flexibilities for local authorities. As the Council planned to invest in transformation projects this flexibility has not been exercised to date but it is being extended into 2022/23, whilst the period of funding for transformation ends on 31 March 2022.
- 3.3 The Guidance requires a report to be presented to Council for approval to use capital receipts to fund qualifying expenditure. The report is required to set out the total estimated cost of each project; the expected savings or service demand reduction; details of the expenditure and the amounts and value of capital receipts to be used. Without the approval of Council capital receipts cannot be used for this purpose.
- 3.4 Previous reports have been made to Council on 8 May 2019 for use of capital receipts in 2018/19 (paragraph 8 of the Minute refers), on 12 February 2020 (paragraph 11 of the Minute refers) for use of capital receipts in 2019/20 and on 10 March 2021 (paragraph 7 of the Minute refers) for use of capital receipts in 2020/21..

4. USE OF CAPITAL RECEIPTS 2021/22

- 4.1 Capital receipts of £1,127,000 have been generated in 2021/22 as at 31 December 2021. It is proposed to fund qualifying expenditure in 2021/22 from these receipts as set out below.
- 4.2 The Council, at a special meeting on 12 December 2018, approved an Improvement and Modernisation Programme (IMP) (paragraph 5 of the Minute refers). There have been regular update reports to Policy and Resources Committee and latterly to Education, Communities and Organisational Development Committee, and to Council, with the latest update on the overall programme to Council on 15 September 2021 (paragraph 23 of the Minute refers). It is proposed that expenditure incurred on projects forming part of IMP is funded from capital receipts. Expenditure of £533,000 has been incurred to date and current estimates are that expenditure of £215,000 will be incurred in 2021/22, with total savings from IMP currently projected at £1,415,000 from those areas where savings have been currently quantified.
- 4.3 In addition to costs directly attributable to IMP, the Council has a Business Change Officer in the ICT service. The cost of this post in 2021/22, including oncosts, is £60,000. The Council is a member of the Digital Office for Scottish Local Government, for an annual membership fee of £15,000. These costs relate to the support for change which digital services can bring about and the postholder has been supporting work carried out in relation to the Education admin review and other work under IMP and it is proposed that these costs in 2021/22 are funded from capital receipts.

- 4.4 The overall position of proposed investment and forecast savings is summarised in the table below:

Project	Cost 2018 to 2021 £000s	Projected Cost 2021/22 £000s	Actual Savings 2018 to 2021 £000s	Projected Savings 2021/22 £000s	Projected future savings £000s	Total projected savings £000s
IMP	459	215	86	-	1,390	1,476
Digital Services	287	75	44	-	150	194
Service restructure	398	-	1,112	53	-	1,165
CAT	53	-	189	-	-	189
Total	1,197	290	1,431	53	1,540	3,024

- 4.5 No further savings in respect of the programme of Community Asset Transfers (CAT) of town halls is anticipated as the facilities have been transferred to community groups.
- 4.6 No further savings in respect of service restructures were anticipated but further savings of £53,000 were realised in 2021/22 from a temporary post which had come to an end.

5. **SUMMARY OF IMPLICATIONS**

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

Use of capital receipts to fund transformation assists in achieving the Council's priority of being financially sustainable.

(b) Policy and Legal

This report is made following statutory guidance issued by Scottish Ministers under section 12 (2)(b) of the Local Government in Scotland Act 2003, on proper accounting practices.

(c) Financial implications

The financial implications are addressed through the report. One-off investment in transformation totalling £290,000 added to one-off investment of £1,197,000 in 2018/19 to 2020/21 is currently projected to generate recurring annual savings of £3,024,000.

(d) Risk Implications

There are risks that projected savings are not achieved by the investment in transformation. Risks are mitigated by closely monitoring progress in achieving savings.

(e) Staffing Implications

There are no staffing implications arising directly from this report.

(f) Property

There are no property implications arising directly from this report.

(g) Equalities/Socio Economic Impact

There are no implications for equalities or the socio-economic duty arising directly from this report.

(h) Climate Change and Biodiversity Impacts

There are no implications for climate change and biodiversity arising from this report.

(i) Consultations

The Corporate Management Team has been consulted in the preparation of this report.

8. CONCLUSION

8.1 The Council has generated capital receipts of £1,127,000 in 2021/22 to date and retains unused capital receipts from 2020/21 of £2,722,000 . This totals £3,849,000, which sum is available to invest in transformation projects, following approval by Council. Expenditure of £290,000 in 2021/22 is recommended. Savings of £1,431,000 have been generated with £53,000 forecast for 2021/22 and a further £1,540,000 anticipated in future years.

Author of Report: Lorraine Paisey, Chief Financial Officer
Background Papers:
Ref: LP/LJC/

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