

**FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY 2022/23 - 2024/25****1 BACKGROUND**

- 1.1 In the 2022/23 Provisional Local Government Finance Settlement the following was announced:

***Extension of the flexibility to use capital receipts to fund transformation projects***

*We are also announcing a 3-year extension from 2022-23 onwards of the existing flexibility for councils to use capital receipts to fund transformation projects that produce long-term savings or reduce the costs of service delivery. We will provide further details on the extension in due course.*

- 1.2 On 4 April 2022, the Department of Levelling Up, Housing, and Communities confirmed this extension and published Guidance and a Direction.
- 1.3 The Council has previously produced strategies over the period 2016/17 to 2021/22 in respect of the previous flexibility. This Strategy has been updated and produced for the period 2022/23 to 2024/25 in the light of the new extension and revised Guidance.

**2 OBJECTIVES AND PURPOSE**

- 2.1 This Strategy is intended to enable the Council to potentially take advantage of this flexibility if appropriate. The Strategy forms part of the delivery of the East Suffolk Strategic Plan and particularly supports the theme of Financial Sustainability. The East Suffolk Strategic Plan focusses on the five key themes of:

- Economic Growth
- Enabling Communities
- Financial Sustainability
- Digital Transformation
- The Environment

- 2.2 The objectives of this Strategy are to:

- Outline the methodology for funding projects using this flexibility;
- Identify actual and potential capital receipts that could be utilised to fund transformation projects;
- Identify projects that are considered to be eligible and which could be funded by this method;
- In subsequent years, report on the progress of projects approved in previous years.

**3 METHODOLOGY**

- 3.1 For the first year of this Strategy, 2022/23, it will be approved by Full Council and then submitted to the Secretary of State in accordance with the Guidance. For 2023/24 and

2024/25 it will be approved by Full Council as part of approval of the Council's Budget. If required, a revised Strategy can be prepared during the course of the year to reflect significant changes to both the range and potential funding value of eligible projects.

- 3.2 Key projects will be monitored by the Strategic Plan Theme Delivery Groups, with oversight across the Council being maintained by the Financial Sustainability Theme Group.
- 3.3 To make use of this flexibility, capital receipts must arise in the period 2016/17 to 2024/25, and qualifying expenditure must take place in the same period. For example, a capital receipt realised in 2016/17 could finance a project in 2024/25, but not in 2025/26. Capital receipts realised before 2016/17 cannot be used.
- 3.4 If projects are identified in the Strategy, they can still be financed in whole or in part from other sources, e.g. revenue budgets. Having approved the Strategy, the Council is not obliged to fund these projects from capital receipts. It is Council policy that capital receipts are not relied upon to fund any expenditure until they are realised and as new capital receipts might not necessarily be available during the period of the Strategy, it is essential that eligible projects should only proceed if alternative sources of funding have been identified. Inclusion in the strategy does not constitute a commitment to fund through capital receipts as this decision needs to be taken in the light of the Council's overall revenue and capital financing requirements, nor does inclusion in the strategy constitute approval to progress a project.
- 3.5 For 2022/23, Cabinet will determine the actual financing when approving the Council's Capital Programme outturn and financing for the year. For 2023/24 and 2024/25, the Council will approve the budgeted funding of the projects in the strategy when approving the Budget and the Capital Programme for the year.

#### 4 ELIGIBLE CAPITAL RECEIPTS AND IMPACT ON PRUDENTIAL INDICATORS

- 4.1 As at May 2022, the position in respect of eligible Capital Receipts regarding this flexibility is shown below. It should be noted that the flexibility excludes Right-To-Buy capital receipts. It should also be noted that it is Council policy that capital receipts are not relied upon to fund any expenditure until they are realised. Consequently, the planned use of the flexibility shown in Section 5 does not exceed the amount of eligible receipts currently realised and available. This summary will be updated in each annual strategy.

	2022/23	2023/24	2024/25	2025/26
	£000	£000	£000	£000
<b><i>General Fund Capital Receipts Received</i></b>				
Melton Hill	-5,385	0	0	0
<b><i>Anticipated General Fund Capital Receipts</i></b>				
Lowestoft Eastern Edge Beach Huts	-1,015	0	0	0
<b>Allocated against capital expenditure</b>				
Lowestoft Beach Huts	400	0	0	0
<b>Potentially available for Flexible Use</b>	<b>-6,000</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 4.2 As it is Council policy not to rely on capital receipts until they are realised, 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. Consequently, the use of these receipts under this flexibility will have no effect on the Council's Prudential Indicators.

## **5 ELIGIBLE PROJECTS AND USE OF CAPITAL RECEIPTS 2022/23**

- 4.1 A summary of projects identified included in this Strategy as being potentially eligible for capital receipts funding is summarised below, with a description of the project, project objectives, and potential planned use of receipts. This list is not definitive and further potentially eligible projects could be identified during the course of the year – if this is the case, further revisions will be made to the Strategy. The transformation costs associated with the North Felixstowe project; Set Up of East Suffolk Services Ltd (ESSL) Local Authority Trading Company; and rebalancing Port Health are highlighted as priority projects for the potential use of this funding flexibility.

Project	Description and Progress	Service Transformation / Savings	Lead Team	Cabinet Portfolio	Planned Use of Receipts 2022/23
					£000
<b>North Felixstowe Garden Neighbourhood – Priority Project</b>	<p>Key leisure-led regeneration programme in Felixstowe focused upon the creation of new leisure centre to replace ageing and expensive leisure centres, and housing development. Programme could entail development of housing by ESC either directly or through a development company to generate significant future income streams. ESC has made provision for capital expenditure in the Capital Programme, but significant revenue expenditure also likely to be incurred on Planning, design, and feasibility work. ESC land in the programme could facilitate development or potentially generate capital receipts generating investment interest / reducing debt.</p> <p>Progress – Ongoing – medium term regeneration programme spanning around 6 – 7 years.</p>	<p>Replacement of leisure centres estimated to reduce net costs by around £400k pa when fully operational. Significant capital receipts and/or income streams could also potentially be generated.</p>	Regeneration	Deputy Leader & Economic Development	1,350
<b>Set Up of East Suffolk Services Ltd (ESSL) Local Authority Trading Company – Priority Project</b>	<p>Business Case to set up ESSL approved in June 2021, to replace current Joint Venture arrangements from July 2023. Services include refuse collection, recycling, street cleansing, grounds maintenance, car parking, building maintenance, and facilities management. ICT infrastructure, systems, support service arrangements, asset procurement, and company structure to be established. Service improvements, cost savings and efficiencies to be identified and implemented. Total transformation costs are estimated to be in the region of £1.6m, and are currently budgeted to be met from the Transformation Reserve. A further potential financing alternative is for these costs to met by ESSL itself.</p> <p>Progress – Company established, notice served for termination of Joint Venture, project on track for transfer of services in 2023.</p>	<p>Business Case identified ongoing cost savings of £000 from 2023 onwards. Estimated ongoing savings are now estimated to be around £000. Service and environmental improvements to also be delivered.</p>	SMT	Customer Services and Operational Partnerships	1,600

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<b>Rebalance Port Health – Priority Project</b>	<p>Rebalancing Port Health service in response to legislative changes and delays. Develop commercial offer for other Port Health Authorities and central competent agencies to generate additional income and enhance the reputation of the service. Continued DEFRA transition funding should be the source of funding for rebalancing the service, but worst case scenarios could entail ESC needing to fund some short term costs.</p> <p>Progress - Ongoing</p>	<p>Development of potential revenue income streams. Short term costs of c.£500k potentially required to reduce staffing costs by around £162k per month.</p>	Port Health	Community Health	500
<b>Operation of the Gateway to Homechoice Choice-Based Lettings Scheme</b>	<p>Allocation of social housing in conjunction with other Local Authority Partners. Attendance at the Gateway to Homechoice Project Board and the Operational Group to oversee the delivery of the CBL system.</p> <p>Progress - Ongoing</p>	Potential reduction in operating costs	Housing Needs	Housing	
<b>Implementation of Inspection Strategy</b>	<p>A cyclical inspection programme to ensure properties are inspected and reviewed.</p> <p>Progress - Ongoing</p>	Potential reduction in operating costs	Asset Management	Customer Services and Operational Partnerships	
<b>CCTV remodelling</b>	<p>Identify opportunities to improve the efficiency of the CCTV system, including identifying savings and opportunities to add functionality.</p> <p>Progress - Ongoing</p>	Potential reduction in operating costs	Contract Management	Communities, Leisure and Tourism	
<b>Accommodation Project</b>	<p>Review office accommodation needs to ensure sufficient space post pandemic and post Brexit.</p> <p>Progress - Ongoing</p>	Potential reduction in operating costs	Port Health	Community Health	
<b>Transformation of Council accommodation to deliver workplace strategy</b>	<p>Review the council's accommodation strategy, building on changes made during the pandemic.</p> <p>Progress - Ongoing</p>	Potential rationalisation of Council accommodation requirements and delivery of cost savings e.g. travel, energy, etc.	Asset Management	Customer Services and Operational Partnerships	100

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					£000
<b>Printing Procurement</b>	Tendering for Elections and Electoral Registration printed material.  Progress – Contract to be tendered	Potential reduction in costs due to implementation of multi-year contract	Electoral Services	Resources	
<b>Cemeteries and Closed Churchyard Review</b>	Review and revise the burial service provided by the Council and how the cemetery assets / closed churchyards are managed.  Progress – 90% complete	Potential reduction in operating costs	SMT Projects	Deputy Leader & Economic Development	
<b>Delivery of Growth and Development Projects</b>	Design, management and delivery of projects to deliver income and economic growth, e.g. East Point Pavilion and Post Office, Lowestoft.  Progress – East Point Pavilion complete, other projects in progress	Development of potential revenue income streams	Asset Management	Customer Services and Operational Partnerships	
<b>Property Investment</b>	Increase return on investment in the Council's property portfolio.  Progress – Ongoing	Development of potential revenue income streams and potential cost reductions	Asset Management	Customer Services and Operational Partnerships	
<b>Building Control Consultation Services</b>	Building Control surveying advice is much sought after and our client base continues to ask for our services to be employed outside of East Suffolk. Consultation charging is currently effective within Planning and may be applicable to Building Control consultation advice.  Progress - Ongoing	Development of potential revenue income streams and potential cost reductions	Building Control	Planning and Coastal Management	
<b>Asset Management System Development</b>	Implementing the efficient use of the Asset Management module within Uniform to enable the Asset Management team to work digitally and efficiently, this includes digitising and streamlining the ownership, acquisitions, lease, maintenance and other processes within asset management. This is a complex and long term project.  Progress - 10% complete	Efficiency savings and reduction in operating costs	Business Solutions	Customer Services and Operational Partnerships	50

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<b>Land Registry – Land Charges LLC1 data migration</b>	Work with HMLR on Land charges data migration for changes to Land Charge Services.  Progress - 10% complete	Efficiency savings and reduction in operating costs	Business Solutions	Customer Services and Operational Partnerships	
<b>Public Access / Customer Service Delivery Model</b>	Review services customer services team currently deliver to ensure it evolves to take advantage of the channel choice and shift, and further strategic digital transformation work.  Progress - Ongoing	Efficiency savings and reduction in operating costs	CS Operations	Customer Services and Operational Partnerships	
<b>Channel Shift Overall Programme</b>	Over-arching programme to oversee channel shift - the movement of traditional forms of contact and processes to digital means, freeing up vital resources to assist those who cannot use digital channels or have more complex enquiries. This includes online services such as self-service portals, e-forms, payments and also other means of communication such as incoming/outgoing post.  Progress – 50% complete	Efficiency savings and reduction in operating costs	Business Solutions	Customer Services and Operational Partnerships	
<b>Asset Management System for Housing/building maintenance</b>	Re-procure an Asset Management System for Housing. System use is being investigated alongside the Building Services team in Operations/Asset Management as they have similar needs.  Progress – Concept stage	Efficiency savings and reduction in operating costs	Housing Maintenance	Housing	
<b>Housing Maintenance - new software for Mobile Working, Scheduling and Job Management</b>	Implementation of Total Mobile software in Housing Maintenance: Procure and implement software that will deliver Orchard job tickets to maintenance operatives on a mobile device (tablet). The software will allow better data collection regarding jobs undertaken for management purposes as well as streamlining the service delivery.  Progress – 10% complete	Efficiency savings and reduction in operating costs	Housing Maintenance	Housing	

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<b>Orchard Tenants Self Service portal - phase 2</b>	Implement Orchard Digital Self Appointing Repairs. This will provide a new digital channel for Tenants to report responsive repairs, and move traffic away from telephone based reporting.  Progress - Ongoing	Efficiency savings and reduction in operating costs	Tenancy Services	Housing	
<b>Garden Waste Service improvements</b>	Identify and implement ongoing improvements to the garden waste service to ensure it is delivered efficiently.  Progress - Ongoing	Efficiency savings, reduction in operating costs, and potential increased income.	Contract Management	Customer Services and Operational Partnerships	
<b>Assistive Technology Project for independent Living</b>	An exploratory project to test a range of novel technologies, to support residents to continue to live independently in their own home. The goal is delivery of new services for our Landlord's service and the ESC Home Improvement Agency (HIA) for private sector homes.  Progress - Ongoing	Efficiency savings and reduction in operating costs	Housing Transformation	Housing	
<b>EV pool vehicles</b>	Install EV charging point and EV pool cars at Port Health offices.  Progress - Ongoing	Cost reduction.	Port Health	Environment	
<b>Beech Close - Retrofit</b>	Existing HRA assets earmarked for retrofit refurbishment under decarbonisation programme.  Progress – Investigation stage	Cost reduction.	Housing Development / Housing Maintenance	Housing	
<b>Orchard Green - Retrofit</b>	Existing HRA assets earmarked for retrofit refurbishment under decarbonisation programme.  Progress – Investigation stage	Cost reduction.	Housing Development / Housing Maintenance	Housing	
<b>Low emissions Fleet</b>	Deliver a low emissions fleet – with rollout commencing in Jan 2021.  Progress – 50% complete	Cost reduction and environmental improvements	Contract Management	Customer Services and Operational Partnerships	



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					£000
<b>Managing East Suffolk Land for sustainability</b>	<p>Maximise the number of areas of open space that ESC can manage in a way that promotes conservation.</p> <p>Progress – 25% complete</p>	Cost reduction and environmental improvements	Contract Management	Customer Services and Operational Partnerships	