

DECISION-MAKER:	Chief Executive
SUBJECT:	Urgent resource requirements to support improvement and transformation activities
DATE OF DECISION:	22nd December 2023
REPORT OF:	Mike Harris, Chief Executive

<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY

N/A

BRIEF SUMMARY

The council is undertaking a number of improvement and transformation activities which require support from a range of specialist roles. In order to progress this work at pace, additional capacity is required over and above current and approved resource levels.

This report seeks approval to fund additional urgent resources to deliver the People Related Spend project, Strategic Procurement Programme (SPP) and the Asset Development and Disposal Programme (ADDP).

RECOMMENDATIONS:

- (i) To approve funding and spend of £1,122,600 for key activity as detailed in the report
- (ii) Agrees to amend the flexible use of capital receipts strategy to reflect the new categories of spend and potential totals anticipated on transformation.

REASONS FOR REPORT RECOMMENDATIONS

The Medium Term Financial Strategy report agreed at Council in July 2023 (<https://www.southampton.gov.uk/modernGov/documents/s62315/Report%20-%20Medium%20Term%20Financial%20Strategy%20Update.pdf>)

set out the financial position of the Council over the period of 2023/24 to 2026/27. This position was a sizeable gap of £30M in year rising to £65M in 2026/27 that needed to be addressed. Work began immediately on identifying cost control measures to start to bring the council's expenditure into line with the budget.

For the council to become a sustainable organisation transformation plans needed to be built on and improvement plans drawn up to ensure the organisation. Further MTFS reports were taken in October and November detailing the high level progress including the need to review resources required to establish the plans and then to deliver these.

To support the council's exceptional financial support application it is important that the council shows progress on detailed transformation and improvement plans with savings to bring the council to a balance position.

Work on this has begun however the pace of progress needs to be much quicker to ensure we can demonstrate to staff, residents and stakeholders how we will achieve a sustainable organisation.

In order to gain this pace, working with the Improvement Board, a requirement for additional capacity has been identified. This capacity will enable us to draw up the plans and business cases for change, as well as implement a robust governance process ensuring the change is embedded in the organisation.

In order to fund this costs of change we will need to generate significant capital receipts from disposing of assets. This report also requests resource to establish a team to generate those capital receipts to fund the transformational change that is required. This may also generate savings from a consolidation of our property.

Whilst decision on the resources detailed is being taken as an urgent one, further work will continue on the defining the resources required. The decision around these resources will form part of the council tax and budget setting papers to Full Council.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

To absorb all activity within existing resource levels. However, this will mean projects take far longer and savings will not be achieved until further into the future. Also, existing resource can continue to work on other things that are important to the council.

To delay the decision, this was rejected, as urgent progress is needed to deliver the activities detailed.

DETAIL (Including consultation carried out)

There are several key priorities that have been identified as requiring urgent additional capacity. The definition of urgent has been defined as resources which are required immediately, recruitment that needs to begin immediately and/or before the end of February 2024, in order to make progress in a timely manner. The Chair of Overview and Scrutiny Management Committee was consulted on the appropriateness of the urgency decision, (as required by the constitution) and having reflected that the need for additional pace in transformation activity was clear in the November OSMC meeting was supportive of the decision being made in this manner. The Improvement Board has urged additional pace in our transformation delivery.

The Asset Development and Disposal Programme (ADDP) will be undertaking a review of all corporate and operational assets and commercial and investment assets to

identify if best consideration would be achieved by retention, development or disposal. The outcomes expected from this programme include the development of homes, commercial premises/businesses, jobs, learning and skills opportunities, enhanced public realm, increased spending in the city supporting culture, restaurants, and retail etc. The direct financial benefits from the council will be through capital receipts, council tax, business rates and revenue savings.

The programme has targeted financial benefits of c. £85m and dedicated and specialist resource is required to deliver this high value programme of activity over the next two years and needs to be put in place as soon as possible. Activity supported by external partners in early January will enable prompt engagement with a range of investors and other parties who the council is already exploring opportunities with. A dedicated team of other professional roles, either directly employed, or secured through framework providers, will enable prompt delivery of the workshop activity in January. The projected spend in the 23/24 year is £538,700.

A project team is required to review people related spend (not including salary related costs) and associated Human Resources (HR) policies, to reduce spend across the council as much as possible. This includes allowances, expenses, variable payments (e.g. honoraria), working hours, redundancy payments, and external learning and development. The intention is for the project to run from January 2024 to March 2025, with spend in 23/24 of £65,000. The project team will be made up of employees from within HR, legal, projects & change, finance, with the potential to draw in new strategic expertise alongside enabling more time for the unions to participate and support other transformation activity. The aim is to implement changes as soon as they can be, bearing in mind the exploratory and analysis work required, and required negotiation with our unions. The savings target for this project is £1m per annum from 2025/26.

As a result of work instigated by the Improvement Board, further opportunities to drive efficiencies in Childrens and Adults services have been identified. Consultants will be procured to take these efficiencies forward and drive even greater value from the demand led services, where it is challenging to further reduce costs. A first phase piece of work will be commissioned in the 23/24 financial year. Given the substantial scale of potential organisational, process and systems change in social care, additional support to facilitate this, is also proposed.

A recent report to the Improvement Board recommended the appointment of a dedicated Transformation Director to ensure that all strands of the programme are cohesive subject rigorous governance and benefit realisation standards. There is currently work underway improving Debt management in the authority, some resources are required to maintain momentum in this programme.

RESOURCE IMPLICATIONS

Capital/Revenue

A summary of the estimated additional urgent resource required for the projects and funding sources is shown in the table below.

Activity	Projected 2023/24 spend
Asset Development & Disposal	£538,700
People related spend project	£65,000

Social Care improvement partner and transformation support	£433,800
Strategic transformation capacity	£85,100
Total	£1,122,600

It is proposed that these posts will be funded by from capital receipts in 2023/24~~2024/25~~, either utilising the flexible use of capital receipts strategy or the allowance of 4% for direct costs of disposal of an asset.

The current available capital receipts total is around £900,000, at present the maximum costs for 2023/24 exceed the available receipt levels. Further receipts in 2023/24 are anticipated which will allow the full request above to be funded.

Spend will only proceed on those areas indicated to the extent that capital receipt funding is available for 2023/24 and recruitment or procurement work will only proceed once it has the go ahead to the extent funding is available. Further approval will be sought for continuing spend into 2024/25 at the council budget setting meeting. Many posts will be on an agency or interim basis, so will have the capability to cease at short notice.

The Flexible Use of Capital Receipts Strategy previously agreed by Council has been updated to reflect this and is attached in Appendix 1. The update is needed as the areas of spend must be stated in the Strategy per Government requirements to allow the spend to be covered by capital receipts. The changes are limited to the detail of the projects to be supported by the use of the strategy, in paragraph 8, table 1.

By using capital receipts in this way, they are not available to finance the capital programme. Qualifying expenditure, to be chargeable to receipts, must comply with the requirement within the strategy that: "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 a way that reduces costs or demand for services in future years for any of the public sector delivery partners."

The report and consideration of urgency, has been prepared following consultation with the Leader of the Council, Cabinet Member for Finance and Change, the Chair of Overview and Scrutiny, Executive Director for Corporate Resources and Director of Legal and Governance.

Property/Other

The ADDP is specifically involved in reviewing property assets and the Asset Management Plan. Any decisions relating to specific properties will be put forward under the appropriate governance as the programme develops.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

Local Government Acts 1972 and 2000 and Localism Act 2011.
<u>Other Legal Implications:</u>
None
RISK MANAGEMENT IMPLICATIONS
The council's transformation programme is currently under review and will include a detailed resource plan, it is likely that there will be differing or additional resource requirements to align with the priorities of the transformation programme.
Spending on the above areas to be managed in such a way that it stays in line with the capital receipts available during 2023/24.
The detailed scope and benefits of the projects that this paper is seeking additional resource for have not been fully developed, therefore there is a risk that the resource requirements may change once more detail is known and the scale of benefits may change.. It is nonetheless vital that more detailed business cases are developed from outline status so that benefits can be confirmed and included within the MTFs
Organisational change will require ongoing engagement with staff and Trade Unions, so that the principles, purpose and implementation of changes are shared and understood.
Competition for some of the roles required within the project teams is fierce at present, coupled with a lack of qualified and experienced individuals in some specialisms. This can be in part counteracted through utilising agency workers in the short term and convert to and/or recruit fixed term employees. We may also need to stop some other work in order to move employees to these projects in the short term.
POLICY FRAMEWORK IMPLICATIONS
As detailed in the report in relation to revisions to the Flexible Use of Capital Receipts Strategy.

KEY DECISION?	Yes/
WARDS/COMMUNITIES AFFECTED:	None Directly
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Flexible Use of Capital Receipts Strategy 2023/24
2.	

Documents In Members' Rooms

1.		
2.		
Equality Impact Assessment		
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.		No
Data Protection Impact Assessment		
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.		No
Other Background Documents		
Other Background documents available for inspection at:		
Title of Background Paper(s)		Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	Consultant's Report on Social Care opportunities	Paragraph 3
2.	Outline Business cases for ADDP & People related spend	Paragraph 3
3.	Improvement Board Minutes	Paragraph 3

FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY 2023/24

<u>BACKGROUND</u>	
1.	<p>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.</p> <p>The Secretary of State is empowered to issue Directions allowing revenue expenditure incurred by local authorities to be treated as capital expenditure and therefore funded by capital receipts.</p>
2.	<p>In the Spending Review 2015, the Chancellor of the Exchequer announced the Government would allow local authorities to spend up to 100% of their capital receipts on the revenue costs of transformation projects, to support local authorities to deliver more efficient and sustainable services.</p>
3.	<p>The Secretary of State for Communities and Local Government issued a Direction in March 2016, giving local authorities greater freedoms to use capital receipts to finance expenditure, up until 2018/19. Allowing local authorities to treat qualifying expenditure on transformation projects as capital expenditure and to fund it from capital receipts received after April 2016. Qualifying expenditure was defined as:</p> <p><i>“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 a way that reduces costs or demand for services in future years for any of the public sector delivery partners.”</i></p>
4.	<p>This was extended in 2018/19 as part of the Local Government Finance Settlement for a further three years until 2021/22.</p> <p>Then, in the 2022/23 Provisional Local Government Finance Settlement it was announced <i>“a 3-year extension from 2022-23 onwards of the existing flexibility for councils to use capital receipts to fund transformation projects that produce longterm savings or reduce the costs of service delivery”</i>.</p> <p>On 4 April 2022, the Department of Levelling Up, Housing, and Communities confirmed this extension and published Guidance and a Direction.</p>
5.	<p>To take advantage of this freedom, the Council must act in accordance with the Statutory Guidance issued by the Secretary of State. This guidance requires the Council to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy, with future Strategies included within future Annual Budget documents.</p>
6.	<p>The Council produced its first strategy for 2022/23, which was approved by Council in November 2022. This Strategy gives an updated view but very little has changed given the short time since approval.</p>
PROPOSED INVESTMENTS	

7.	The Council will use the powers under the Government's Statutory Guidance on the flexible use of capital receipts, to fund up to £3.00M qualifying transformation expenditure on the projects summarised in Table 1 below. In some cases, there is a direct link between a project and the realisable financial benefit. In others, the project contributes to enabling the savings, requiring other existing resources.
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8.	Table 1				
	Project	Description	Planned Use of Capital Receipts (£M)		Expected Savings
			2022/23	2023/24	
	Organisation Restructure	A more focused and streamlined Executive Management Team (EMT), to prioritise strategic development and long-term planning, performance and delivery of strategy.	0.25		Increased efficiency through better re-aligned services. Enable redirection of some resource to support and expand operational capacity and move towards delivering aspects of the Operating Model. <i>(Estimated savings range £0.3M to £0.4M pa, TBC)</i>
	Automation	Investment across the Council's processes to enable automation and improved efficiency	0.15	0.40	Efficiencies and savings through improved processes, automation and enabling more tasks to be undertaken via self-service. <i>(Savings TBC)</i>
	Partnership Delivery Models	Increased efficiency through joint working.		0.50	The specific impacts will be considered as the new service delivery models are developed. The target is to provide savings of 10% on existing budgets. <i>(Savings TBC)</i>
Fees & Charges Review	Assessing income streams across the council to ensure they are appropriate and review process for income collection.	0.05	0.05	Potential increase in charges, leading to higher income. Efficiencies in associated processes, providing better customer experience and potentially reducing resources. <i>(As an illustrative example of savings, 1% on discretionary fees and charges would yield around £0.3M pa)</i>	

	SCC Transformation	A review of the SCC operating model. Review the way that we deliver ASC services. Strategic transformation capacity People related project	0.50	0.80 0.44 0.09 0.07	To support the achievement of the organisational vision, goals and corporate plan that implement a revised operating model, service design and process reviews to drive efficiencies and better meet customer need. To promote independence, preventative mindset and improve the way we work with people accessing our services including carers and providers. <i>(Estimated Saving Range £3M to £5M pa)</i> Senior staff and support which will facilitate savings across the programme HR related - review policies and procedures (savings tbc)
	Asset Development and Disposal Programme	Review of council owned assets*		0.54	A programme to develop and implement the proposals to retain, dispose and develop the Council's Assets so as to maximise the utilisation and benefit to the authority.
	CareDirector	Second phase of implementation.	0.20		Efficiencies and savings through improved processes. Better integration with other agencies. <i>(Savings TBC)</i>
	Fleet Telematics & Modernisation	To modernise and use the fleet effectively. Telematics will also enable the transition to an electric fleet.	0.05	0.05	Potential saving in fuel costs from efficiencies in route planning and driving techniques. <i>(Estimated Saving up to £0.1M pa)</i>
	TOTAL		1.20	2.94	Potential savings range - so far - (£3.6M to £5.8M), with work to confirm potential in some areas
<p>*costs directly attributable to the sale of assets can be charged against the sale proceeds up to 4%, which can and will occur irrespective of this strategy</p> <p>NB The table shows preliminary estimates, where known of the potential for savings, more detailed worked is needed in some of the areas specified. Not all projects will result in a direct budget saving but will provide efficiencies in service delivery, allowing resources to be better utilised.</p>					

9.	<p>In future years, the Council's flexible use of capital receipts to fund projects will continue to be subject to development of robust business cases. The business cases will be required to demonstrate that:</p> <ul style="list-style-type: none"> • the initiative will transform service delivery, • generate on-going future savings or reduce future costs, and • the costs being funded are implementation or set up costs and not ongoing operational costs.
10.	<p>Projects identified in the Strategy 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. 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.</p> <p>For 2022/23, the actual financing will be approved as part of the Council's Capital Programme outturn and financing for the year.</p>
11.	<p>This strategy is based on prudent assumptions of future capital receipts and current available receipts which have not been budgeted to fund the capital programme.</p>
<p><u>IMPACT ON PRUDENTIAL INDICATORS</u></p>	
12.	<p>The council will have due regard to the requirements to the Prudential Code and the impact on the prudential indicators</p>
13.	<p>The capital receipts proposed to be used as part of this strategy are already built into the Council's current capital programme for this purpose and therefore have not been factored into the Council's Capital Financing Requirement (CFR) so the utilisation of these receipts for capital receipts flexibility will have no impact on the Council's prudential indicators, as set out in the Council's Capital Strategy.</p>
14.	<p>The prudential indicators show that this strategy is affordable and will not affect the Council's operational boundary and authorised borrowing limit, given the low values.</p>