

## Flexible Use of Capital Receipts Strategy 2023/24

Since 2019/20, the Council has approved the flexibility to apply capital receipts to fund transformation projects as enabled by the Secretary of State's Direction and outlined in the Government's Statutory Guidance on the flexible use of capital receipts. The Government announced an extension in the direction within the February 2021 final settlement.

For 2023/24, the Council proposes to use the flexibility to fund up to £10m of qualifying transformation expenditure. The table below sets out the proposal to use £2.5m of capital receipts to fund specific projects. Further schemes which we may wish to fund through capital receipts may be identified during the year up to a maximum of £10m and these will be reported through the Performance and Resources Report (PRR).

The Council's use of capital receipts to fund transformation projects will be subject to the approval of robust business cases. The business cases will demonstrate that: the initiative will transform services, generate future savings or reduce future costs, and the expenditure being funded is for implementation or set up costs and not for on-going operational costs.

### Projects To Be Funded from Flexible Use of Capital Receipts 2023/24

The Council intends to apply £2.5m of capital receipts in 2023/24 to fund the following transformation projects.

<b>Project Description</b>	<b>Qualifying Expenditure</b>	<b>Budgeted Expenditure</b>	<b>Expected Savings *</b>
Smartcore	Investment in transformational project that supports HR, Procurement and Finance processes to enable automation and improved efficiency	£1.3m	Efficiencies and savings through improved processes, automation and enabling more tasks to be undertaken via self-service
Waste Service Transformation	Continuation of initiatives to incentivise recycling (rephased due to Covid restrictions)	£1.2m	Reductions in demand pressure and contract efficiencies to achieve savings in 2023/2025
<b>Total</b>		<b>£2.5m</b>	

*\*In most instances the ongoing savings do not depend solely on this investment. Delivering the forecast savings will also require the focus of other, existing resources.*

Expenditure on further activities to which the Council could potentially apply flexible use of capital receipts include the following:

- Any further investment on Children First Improvement Programme to transform the service for improved practice, efficiency and effectiveness.

- Any further work to support the transition of smarter ways of working to ensure that emerging organisational requirements and benefits are realised.

### Impact on affordability of Prudential Borrowing

The incremental impact on the County Council's Prudential Indicators of £2.5m additional Capital Expenditure in 2023/24 due to its Flexible use of Capital Receipts Strategy is as follows.

Prudential Indicators	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Capital Financing Requirement	+£2.5m	-	-	-£0.1m	-£0.1m
Operational Boundary	-	-	+£2.5m	-£0.1m	-£0.1m
Authorised Borrowing Limit	+£2.4m	-£0.1m	-£0.1m	-	-

### Flexible Use of Capital Receipts – Status on Projects Relating to 2021/22 Expenditure

The Government's Statutory Guidance requires that an update on the previous year's project status is reported. In 2021/22, the County Council incurred £4.4m of qualifying expenditure on eligible activities.

Project Description	Qualifying Expenditure	2021/22 Expenditure	Update on Position
Smartcore	Investment in transformational project, that supports HR, Procurement and Finance processes to enable automation and improved efficiency.	£2.7m	Project planned to complete in 2022/23
Insource & Procurement of IT Services	Service redesign to improve efficiencies and achieve savings.	£1.1m	Project planned to complete in 2022/23
Waste Service Transformation	Service redesign to improve efficiencies in waste collection and disposal contracts and continuation on initiatives with the district and boroughs to incentivise recycling (rephased from 2020/21 due to Covid-19 restrictions).	£0.6m	Delayed due to the pandemic
<b>Total</b>		<b>£4.4m</b>	

## Smartcore

The Smartcore programme is focused upon making business processes more efficient and economic through the replacement of the existing SAP system with Oracle Fusion.

The programme is based on a set of design principles that seek to establish a single source of truth for key data and information relating to Finance, HR, Payroll and Procurement and Contract Management Services; which will support strategic and operational decision making and planning, whilst also providing an opportunity to introduce productivity gains via business process improvements.

The successful implementation of the Smartcore Programme will deliver efficiencies through automation, self-service and improved business processes. The associated savings have been included within the budget process and any further efficiencies will be incorporated as the project progresses.

During 2021/22, £2.6m of expenditure was incurred as the project increased in pace. Costs associated with the programme delivery, project management, data migration, system creation and system licences are included within this expenditure total.

## Insourcing and Procurement of IT Services

The Council has set out its digital transformation strategy, in which it outlines how, over the coming years, the Council will reduce costs and improve services through embracing technology. This approach is wholly aligned with the broader technology adoption that can be seen in business and consumer domains across the public and private sectors and will embed ICT services as integral to Council operations.

In order to deliver this strategy, the ICT transformation programme was developed with the aim of future-proofing ICT services, by increasing agility and flexibility, so that they are better able to keep up with technology change and achieve the ICT department's vision.

Exiting from a traditional on-premise data centre model and moving all Council applications and services to a managed public cloud model is key to realising the ICT transformation programme.

This project is expected to deliver on-going savings of £0.750m per year through implementing this new delivery model. During 2021/22, £1.1m of expenditure was incurred.

## Waste Services Transformation

The County Council, along with our district and borough councils, need to increase recycling rates to meet increasing national targets and reduce its environmental impact and carbon footprint.

In West Sussex, 40% of all kerbside waste collected is made up of food waste, this material can be put through the process of anaerobic digestion which provides

a source of renewable energy. As the waste breaks down into biogas (a mixture of methane and carbon dioxide) it can power engines which produce heat, which is reused and the main output is electricity which can be used to power a facility, stored in batteries and sold back to the grid.

There are significant savings to the County Council from moving waste up the recycling hierarchy. The cost of disposing of waste is complex and drawing direct comparisons between various routes to disposal or recycling is difficult due to variations in transport routes and the structure of end point gate fees. It is however self-evident that, moving from a cost of disposal via the Refuse Derived Fuel (RDF) contract with a price that ranges between £112-£128 per tonne against a maximum gate fee of £89 per tonne for recycling to be processed at the Material and Recycling Facility (MRF), there is a financial incentive to move waste from the disposal route to recycling. In addition to the saving on the gate fee paid to process the waste, the Council also benefits from the sale of recyclate processed through the MRF, in 2021/22 the Council received £4.1m from sales.

Whilst the pandemic has impacted on the ability to drive this work forward, the County Council continues to explore and incentivise all household recycling and reduce demand pressure on the Council's waste services; in particular trials for segregation and disposal of food and absorbent hygiene products are being implemented and expanded across the County. During 2021/22, £0.6m of expenditure was incurred.

These projects align with the 'Strategic Options' decision that was taken by the County Council to make changes to the current contract with Biffa to enable the acceptance and processing of source-separated food waste and the production of RDF at the Mechanical and Biological Treatment Facility (MBT) at Brookhurst Wood, Horsham. This will take a proactive approach to securing future proof technology that delivers an anaerobic digestion facility required for delivering council services in the future.