

## Flexible Use of Capital Receipts Strategy 2024/25

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 current extension of the flexibility will cease in March 2025 but in December 2023, Government launched a consultation to extend the flexibility to 2030 and broaden the definition of the flexibility. The details of the consultation are being considered by officers and a response will be submitted by the deadline of 31 January 2024.

For 2024/25, the Council proposes to use the flexibility to fund up to £10m of qualifying transformation expenditure. The table below sets out specific projects which could qualify for the use of capital receipts. Further schemes maybe identified during the year which meet the use of capital receipts criteria. In this case, these schemes will be reported through the Performance and Resources Report (PRR).

The Council’s use of use of capital receipts to fund transformation projects will continue to be subject to development and approval of robust business cases. The business cases will need to demonstrate that:

- The initiative will transform services, generate future savings or reduce future costs; and
- The costs being funded are implementation or set up costs and not on-going operational costs.

### Potential 2024/25 Projects To Be Funded from Flexible Use of Capital Receipts

The Council intends to apply capital receipts of up to £10m in 2024/25. Projects which are likely to qualify for the capital receipts flexibility include:

Project Description	Qualifying Expenditure	Expected Savings *
Smartcore	Investment in transformational project that supports HR, Procurement and Finance processes to enable automation and improved efficiency.	Efficiencies and savings through improved processes, automation and enabling more tasks to be undertaken via self-service.
Smarter Ways of Working	Investment in transformational project to support the transition of smarter ways of working to ensure that emerging organisational requirements and benefits are realised.	Efficiencies and savings through a reduced corporate estate and improved business practices.
Adults Improvement Programme	Investment in transformational project which supports the Adult Social Care Strategy 2022-2025 to improve service delivery and produce long-term savings.	Efficiencies and savings generated through improved and effective service delivery.

*\*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.*

## Impact on Affordability of Prudential Borrowing

The incremental impact on the County Council's Prudential Indicators of £10.0m additional Capital Expenditure in 2024/25 due to its Flexible use of Capital Receipts Strategy is as follows.

Prudential Indicators	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Capital Financing Requirement	+£10.0m	-£0.1m	-£0.1m	-£0.1m	-£0.2m
Operational Boundary	£0.0m	£9.9m	-£0.1m	-£0.1m	-£0.2m
Authorised Borrowing Limit	+£9.9m	£0.0m	-£0.1m	-£0.1m	-£0.2m

## Flexible Use of Capital Receipts – Status on Projects Relating to 2022/23 Expenditure

In 2022/23, the County Council incurred £4.2m of qualifying expenditure on eligible activities.

Project Description	Qualifying Expenditure	2022/23 Expenditure	Update on Position
Smartcore	Investment in transformational project, that supports HR, Procurement and Finance processes to enable automation and improved efficiency.	£4.1m	Project is in delivery.
Insource & Procurement of IT Services	Service redesign to improve efficiencies and achieve savings.	£0.2m	Project is expected to complete in 2023/24.
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).	(£0.1m)	Project is expected to complete in 2023/24. Project delivery has been directly affected by the pandemic.
<b>Total</b>		<b>£4.2m</b>	

### Smartcore

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

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 2022/23, £4.0m of expenditure was incurred. Details on 2023/24 spend is set out in Appendix E. Costs associated with the programme delivery, project management, data migration and system creation are included within this expenditure total.

### **Insourcing and Procurement of IT Services**

The Council is in the process of setting 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 has been developed. The programme aims to future-proof 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.

The project is expected to conclude in 2023/24 with a procurement to replace the Security Information and Event Management solution and the commissioning of a data and digital maturity assessment to evaluate service level maturity and to reflect on the organisations digital service transformation.

As this project enters its final stages, the service have been successful in delivering on-going savings of £0.750m per year through the implementation of this new delivery model. During 2022/23, £0.2m 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 RDF contract with a price that ranges between £135- £145 per tonne against a maximum gate fee of £100 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 recycle processed through the MRF, in 2022/23 the Council received £4.4m from sales.

Whilst the pandemic has impacted on the ability to drive this work forward, the County Council has continued 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 2022/23, reviews of the expenditure and outcomes of these projects were undertaken with district and borough partners and following challenge on what could be charged to capital receipts, a credit balance of £0.1m was returned to the Capital Receipts account.

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 refuse derived fuel (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.

New legislation is now in place and Section 45A of the Environment Act 2021 and the Government's Simpler Recycling policy requires food waste to be separately collected at the kerbside from other household waste from March 2026. Over the next 24 months, the County Council will work with district and boroughs, operator of the Mechanical and Biological Treatment plant and operators of the transfer stations to reconfigure facilities. The capital programme includes £7.5m to fund the required changes.