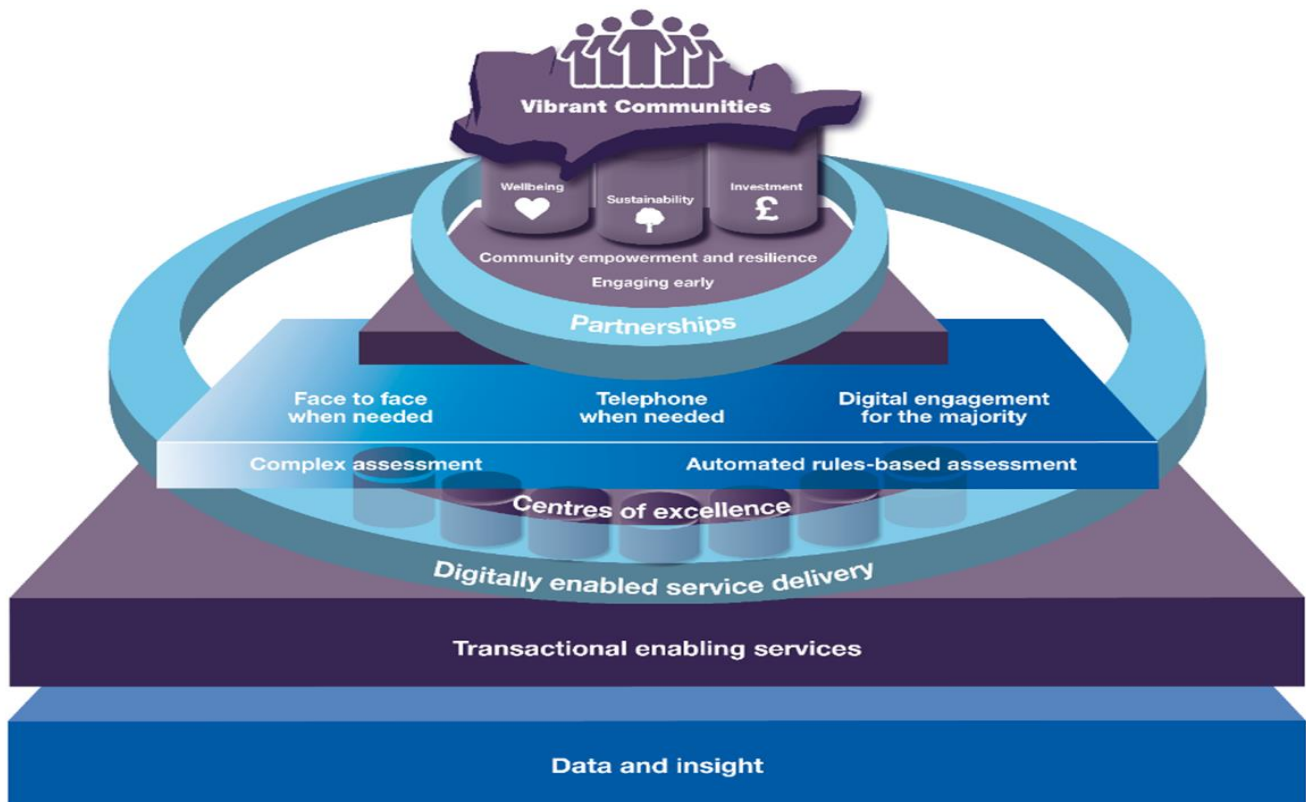


Transformation Investment Programme 2022/23

Including the Flexible Use of Capital Receipts

1. As might be expected the council has inherited a range of legacy staffing arrangements, processes and systems and therefore has an opportunity to remove duplication, remove inefficiencies, and to leverage economies of scale whilst improving governance. Much of this formed the foundation of the argument for establishing the new council alongside the opportunity to fundamentally transform public services. Achievement of these benefits will be delivered by the adoption of a radically different operational model and specifically via;
 - Investment in technology
 - Investment in data and insight
 - Investment in new ways of working
 - Engaging and empowering our communities
 - Leveraging our partnerships
 - Creating equity in pay & conditions
 - Investing and rationalising the civic estate
2. Investment in three core technologies, along with the rationalisation and effective integration of our core service technologies, will enable the council to become the leading digital and insight driven local authority in the UK. Specifically, these are the investment in the Customer Relationship Management (CRM) system, investment in the Enterprise Resource Planning (ERP) systems (Finance and Human Resources), alongside establishing an appropriate data platform.

Figure 1: Our new Operating Model



3. A high-level business case was presented to Cabinet in November 2019 which set out the original scope of the council's organisation design project, which was facilitated by KPMG, and identified that it could potentially deliver up to £43.9m of gross annual savings by year 4 based on an investment of £29.5m. The original profile of these savings was assumed to accumulate as £7.8m in year 1 growing to £16.5m in year 2, £36.9m in year 3 and £43.9m in year 4. It should be highlighted that these savings will impact on the whole council including both General Fund and Housing Revenue Account (HRA) services.
4. Council on 7 July 2020 agreed to the extension of the project to a £38m programme referencing the accelerated leap forward in different ways of working because of the Covid-19 public health emergency and the need to accelerate the pace at which we generate savings and efficiencies. This report also approved the procurement of a strategic partner, approved oversight of the programme by a Cabinet Working Group as part of the governance arrangements and set out that the £43.9m must now be adopted as our minimum expectation of savings and efficiencies. Key milestones in the development of the Transformation Investment programme can therefore be set out as follows.
 - a) November 2019. First presented to Cabinet based on a report, costing £314,650, commission from KPMG.
 - b) June 2020 Cabinet (July Council). Establishment of a £37.62m budget for the implementation of the programme.
 - c) February 2021 (part of the 2021/22 budget report). Increase in the budget to £44.52m to allow an additional £6.9m for redundancy costs.
 - d) February 2022 (part of the 2022/23 budget report). Further increase in the budget to £67.86m to reflect the following additional elements
 - £20.09m Inclusion of internal base revenue budget staff costs, £6.7m for 3 years, where staff are not available to support day to day or statutory improvement duties, and will be apportioned and charged against the transformation investment programme.
 - £1.75m Investment in the data and insight capability
 - £1.5m Extra contingency
 - e) February 2023 (as part of the 2023/24 budget report). Reduced the transformation investment programme to £57.36m to reflect.
 - (£10.5m) Reduction in the annual recharge of internal base revenue costs to £3.2m for 3 years in line with the evidence base.
 - f) July 2023 (as part of this 2022/23 Financial Outturn report). Reduce the transformation investment programme to £56.87m to reflect
 - (£0.5m) Reduction in the annual recharge of internal base revenue costs to £2.7m for 2022/23. Ongoing review needed for future years.

The current consolidated position in respect of the transformation programme including the financial outturn position for 2022/23 is set out in figure 2 below.

Figure 2: Consolidated Transformation Programme Table

Transformation Investment Programme One-off / time-limited budget provision for the delivery of the programme		2020/21 Actual £m	2021/22 Actual £m	2022/23 Actual £m	Total Actuals £m	2023/24 Estimate £m	2024/25 Estimate £m	Overall Total £m
Capital Spend	Expenditure							
	Capital expenditure	1.19	0.05	0.76	2.00	0.90	0.70	3.60
		1.19	0.05	0.76	2.00	0.90	0.70	3.60
	Funding							
	Prudential Borrowing (funded from General Fund MRP)	0.00	0.00	(0.56)	(0.56)	(0.90)	(0.70)	(2.16)
Revenue Spend	Prudential Borrowing (funded from HRA land tfr)	(1.19)	(0.05)	(0.20)	(1.44)	0.00	0.00	(1.44)
		(1.19)	(0.05)	(0.76)	(2.00)	(0.90)	(0.70)	(3.60)
	Expenditure							
	One-off costs - including data and insight and capability	0.31	5.32	12.90	18.53	9.03	2.37	29.93
	Redundancy costs	0.00	0.56	0.01	0.57	4.11	8.22	12.90
	Contingency	0.00	0.00	0.00	0.00	0.67	0.68	1.35
	Staff costs apportioned to Transformation	0.00	0.00	2.70	2.70	3.20	3.19	9.09
		0.310	5.880	15.61	21.80	17.01	14.46	53.27
	Funding							
	Assumed fundable by Capital Receipts/Capital Direction	(0.31)	(3.88)	(15.61)	(19.80)	(17.01)	(14.46)	(51.27)
Total	Contributions from outside of the General Fund	0.00	(2.00)	0.00	(2.00)	0.00	0.00	(2.00)
		(0.31)	(5.88)	(15.61)	(21.80)	(17.01)	(14.46)	(53.27)
Total expenditure		1.50	5.93	16.37	23.80	17.91	15.16	56.87
Total funding		(1.50)	(5.93)	(16.37)	(23.80)	(17.91)	(15.16)	(56.87)

Transformation Investment Programme Ongoing base revenue budget of the council		2020/21 Actual £m	2021/22 Actual £m	2022/23 Actual £m	Total Actuals £m	2023/24 Estimate £m	2024/25 Estimate £m	Overall Total £m
Revenue Budget	Expenditure							
	Licences and other revenue costs of the programme	0.34	2.24	2.08	4.66	4.50	4.50	13.66
		0.34	2.24	2.08	4.66	4.50	4.50	13.66
	Savings and efficiencies							
	Transformation Programme Savings	0.00	(3.95)		(3.95)			(3.95)
	Programmed 2022/23 savings = £8.7m (extra £1.2m)							
	2022/23 In year - Savings delivered			(7.10)	(7.10)	(7.10)	(7.10)	(21.30)
	2022/23 In year - Savings remaining to be delivered				0.00	(1.60)	(1.60)	(3.20)
	Originally programmed 2023/24 savings = £18.7m (extra £10m)							
	3rd Party savings - Included within budgeted savings proposals				0.00	(0.91)	(0.91)	(1.81)
	3rd Party savings - Remaining to be identified				0.00	(9.09)	(9.09)	(18.19)
	Originally programmed 2024/25 savings = £43.9m (extra £25.2m)							
	Staff savings - Included within budgeted 23/24 services savings proposals				0.00	(5.76)	(5.76)	(11.52)
Staff savings - Remaining to be itemised		0.00	(3.95)	(7.10)	(11.05)	(24.46)	(19.44)	(19.44)
						(43.90)		(79.41)

Funding Implications on the revenue budget		2020/21 Actual £m	2021/22 Actual £m	2022/23 Actual £m	Total Actuals £m	2023/24 Estimate £m	2024/25 Estimate £m	Overall Total £m
Revenue Budget	One-off Capital Investment							
	Minimum Revenue Provision and interest implications	0.00	0.28	0.28	0.56	0.47	0.69	1.72
		0.00	0.28	0.28	0.56	0.47	0.69	1.72
	One-off Revenue Investment							
Revenue Budget	Revenue foregone on asset disposed off	0.00	0.00	0.00	0.00	1.00	2.52	3.53
		0.00	0.00	0.00	0.00	1.00	2.52	3.53

Transformation Expenditure 2022/23

5. The £16.37m of expenditure incurred in 2022/23 can be analysed as follows.

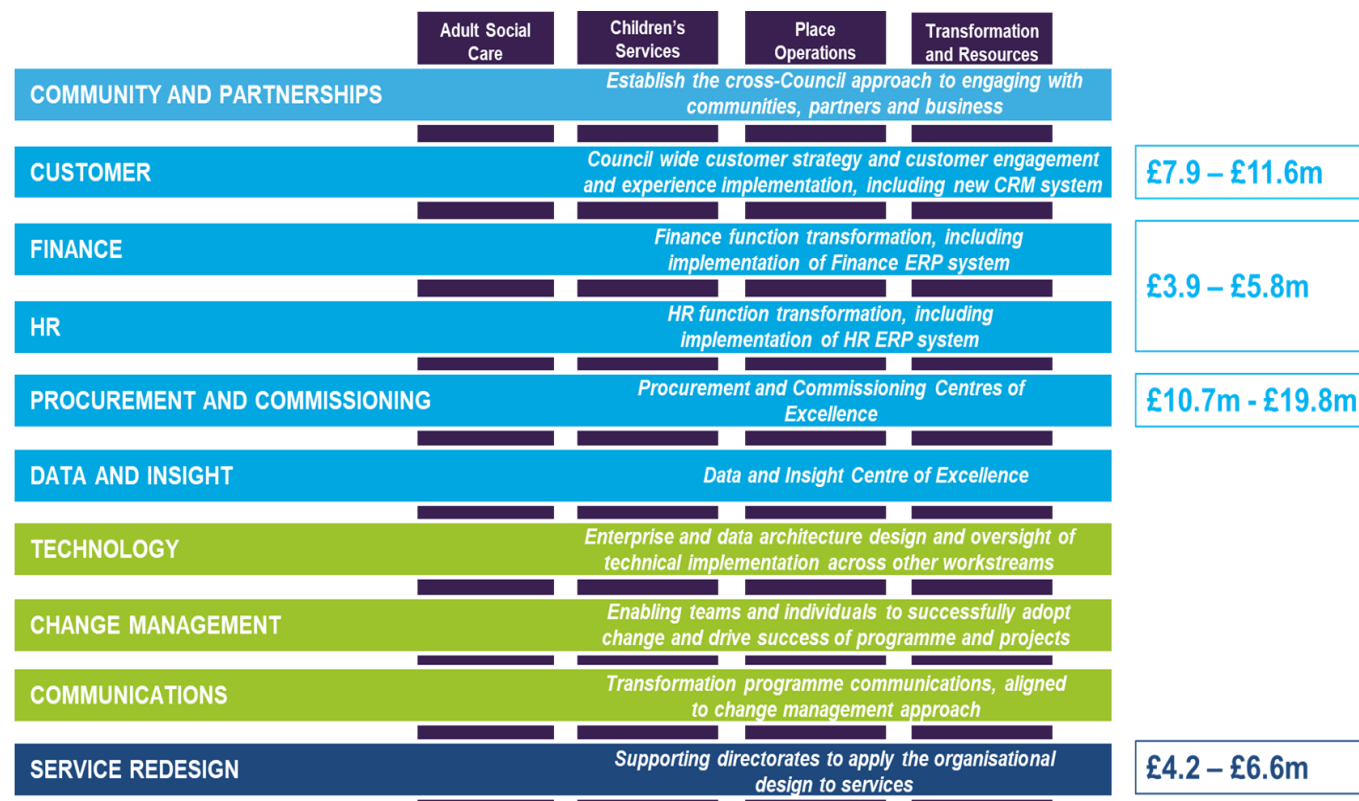
£0.76m	Laptops
£11.03m	Strategic Investment Partner – work package costs
£1.65m	Internal direct staff costs
£0.09m	Agency staff costs
£0.01m	Redundancy costs
£0.14m	ICT costs
£2.70m	Apportioned staff costs
£16.38m	Total 2022/23 costs

The work packages costs of the strategic investment partner include those supporting the delivery of the new integrated Finance and Operations (Enterprise Resource Planning) system.

Transformation Savings

6. The savings from the programme can be broken down into 10 separate workstreams with the total estimate being in the range £26.7m to £43.8m. These workstreams, and the savings they are assumed to deliver, can be articulated as follows.

Figure 14: Transformation savings workstreams.



5

7. In reflecting on the savings, the Council will need to consider the risk associated with the timing, and value of any assumptions subsequently hard coded within its medium-term financial plan (MTFP). Work is ongoing to consider the deliverability of the savings with the MTFP update report, which is presented as a separate report to

July Cabinet, looking to develop a financial strategy designed to present robust achievable savings for 2024/25 and avoid building a budget which includes unidentified savings. This new approach will mean the unidentified savings included in Figure 2 will be replaced with a schedule of savings known to be deliverable in support of the 2023/24, 2024/25 and future years budgets.

The (£7.1m) of savings delivered in 2023/24 can be analysed as follows.

(£3.327m)	Third Party expenditure reductions
(£1.726m)	Implement of new Smarter Staff Structures
(£1.141m)	Estate workstream - lease surrender, operating costs civic buildings
(£0.793m)	Business Support savings via vacancy management
(£0.111m)	Cost recovery – additional income

8. To aid delivery of the unidentified savings in 2023/24 the February 2023 budget report for 2023/24 approved a recommendation that sought to strengthen commissioning, procurement, and contract management arrangements. The variances which materialised in the final quarter of 2022/23 provide further evidence of the impact that ongoing control over expenditure can have on the cost profile of the organisation.

Flexible Use of Capital Receipts (FUCR)

9. As part of 2015 Spending Review (SR15), the government announced that to support local authorities to deliver more efficient and sustainable services it would allow local authorities to spend up to 100% of their fixed asset receipts on the revenue costs of service reform and transformation. Guidance on the use of this flexibility stipulated that it applied to the three financial years to end March 2019. However, this was extended for a further three years to 31 March 2022 as part of the 2018/19 local government finance settlement and for a further three years to 31 March 2025 in April 2022.
10. The current guidance makes it clear that local authorities cannot borrow to finance the revenue costs of service reforms or improvements. In addition, local authorities can only use capital receipts from the disposal of property, plant and equipment assets received in the years the flexibility is offered. Local authorities may not use any existing stock of capital receipts to finance the revenue costs of reforming their services. Set up and implementation costs of any new processes or arrangements that will generate future ongoing savings and/or transform service delivery to reduce or improve the quality-of-service delivery in future years can be classified as qualifying expenditure. Costs associated with business-as-usual activity and the council's statutory duty to improve cannot be classified as qualifying expenditure. The ongoing revenue costs of any new processes or arrangements can also not be classified as qualifying expenditure. In addition, the guidance issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003 specifies that.
 - The key determining criteria to use when deciding whether expenditure can be funded by the new capital receipts flexibility is that it is forecast to generate ongoing savings to an authority's net service expenditure.

- In using the flexibility, the council will have due regard to the requirements of the Prudential Code, the CIPFA Local Authority Accounting Code of Practice and the current edition of the Treasury Management in Public Services Code of Practice

11. Council has previously engaged with both CIPFA Consultancy and the External Auditor to provide assurance that any such costs which it wishes to fund from the FUCR accords with the statutory guidance.
12. For 2022/23 the Council has funded the £15.61m of revenue expenditure on its transformation programme via the FUCR set out as follows.

(£5.069m)	Brought Forward Capital Receipts
(£19.039m)	In-year capital receipts (excluding those from vehicle sales)
£0.156m	Costs of disposal
£15.610m	Transformation Investment Programme expenditure
(£8.342m)	Capital Receipts carried forward

Capital receipts in-year included £12.6m for the Wessex Trade Industrial Centre in Poole, and £5.642m for the majority of the units the council owned at Airfield Industrial Estate, Christchurch.