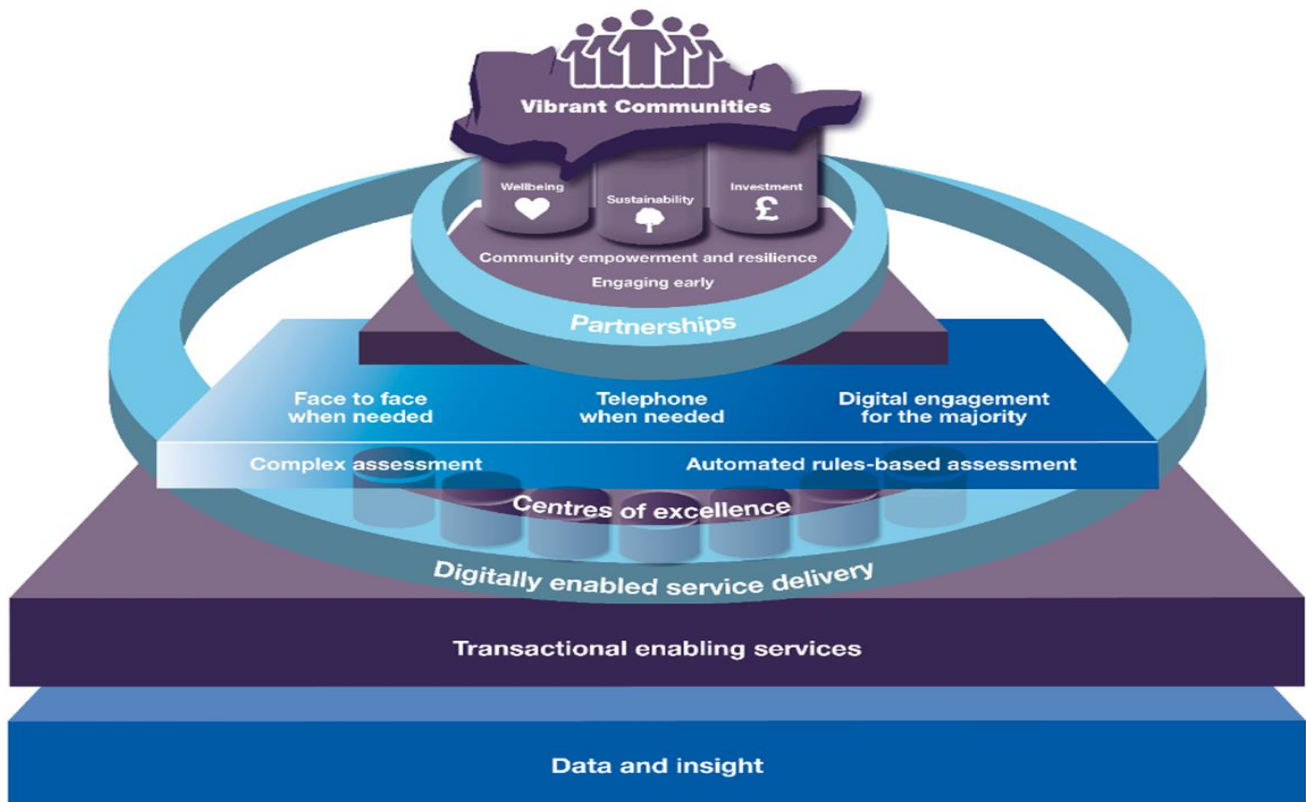


Transformation Investment Programme 2024/25

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.
 - g) February 2024 (as part of the 2024/25 budget report). Reduced the transformation investment programme to £52.13m to reflect.
 - (£4.7m) Reduction in the annual recharge of internal base revenue costs to £0.8m for both 2023/24 and 2024/25.

The current consolidated position in respect of the transformation programme including the financial forecast position for 2024/25 is set out in figure 2 below.

Figure 2: Consolidated Transformation Programme Table

Transformation Investment Programme		2020/21	2021/22	2022/23	Total	2023/24	2024/25	Overall	2025/26	2026/27	2027/28	Overall
One-off / time-limited budget provision for the delivery of the programme		Actual £m	Actual £m	Actual £m	Actuals £m	Forecast £m	Estimate £m	Total £m	Estimate £m	Estimate £m	Estimate £m	Total £m
Capital Spend	Expenditure											
	Capital expenditure	1.19	0.05	0.76	2.00	1.26	0.34	3.60				3.60
		1.19	0.05	0.76	2.00	1.26	0.34	3.60				3.60
	Funding											
	Prudential Borrowing (funded from General Fund MRP)	0.00	0.00	(0.56)	(0.56)	(1.26)	(0.34)	(2.16)				(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)				(1.44)
		(1.19)	(0.05)	(0.76)	(2.00)	(1.26)	(0.34)	(3.60)				(3.60)
	Expenditure											
	One-off costs - including data and insight and capability	0.31	5.32	12.90	18.53	8.06	2.93	29.52				29.52
	Redundancy costs	0.00	0.56	0.01	0.57	4.11	8.22	12.90				12.90
	Contingency	0.00	0.00	0.00	0.00	0.11	1.64	1.75				1.75
	Staff costs apportioned to Transformation	0.00	0.00	2.70	2.70	0.84	0.83	4.36				4.36
		0.310	5.880	15.61	21.80	13.12	13.62	48.53				48.53
	Funding											
	Assumed fundable by Capital Receipts/Capital Direction	(0.31)	(3.88)	(15.61)	(19.80)	(13.12)	(13.62)	(46.53)				(46.53)
Total	Contributions from outside of the General Fund	0.00	(2.00)	0.00	(2.00)	0.00	0.00	(2.00)				(2.00)
		(0.31)	(5.88)	(15.61)	(21.80)	(13.12)	(13.62)	(48.53)				(48.53)
Total expenditure		1.50	5.93	16.37	23.80	14.38	13.96	52.13				52.13
Total funding		(1.50)	(5.93)	(16.37)	(23.80)	(14.38)	(13.96)	(52.13)				(52.13)
Transformation Investment Programme												
Ongoing base revenue budget of the council												
Expenditure		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	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	Overall Total £m
Revenue Budget	Licences and other revenue costs of the programme	0.34	2.24	2.08	4.66	2.60	4.50	11.76	4.50	4.50	4.50	25.26
		0.34	2.24	2.08	4.66	2.60	4.50	11.76	4.50	4.50	4.50	25.26
	Savings and efficiencies											
	Transformation Programme Savings	0.00	(3.95)		(3.95)			(3.95)				(3.95)
	Budgeted savings from 2022/23											
	2022/23 In year - Savings delivered			(7.10)	(7.10)	(7.10)	(7.10)	(21.30)	(7.10)	(7.10)	(7.10)	(42.60)
	Budgeted savings from 2023/24 excluding any previously unidentified savings											
	3rd Party savings - Included within budgeted savings proposals				0.00	(0.91)	(0.91)	(1.81)	(0.91)	(0.91)	(0.91)	(4.53)
	Staff savings - Included within budgeted 23/24 services savings proposals				0.00	(5.76)	(5.76)	(11.52)	(5.76)	(5.76)	(5.76)	(28.81)
	Additional 2023/24 in-year identified savings					(0.89)	(0.89)	(1.78)	(0.89)	(0.89)	(0.89)	(4.45)
	Budgeted savings from 2024/25											
	2024/25 Budget: Identified Transformation savings						(13.81)	(13.81)	(13.81)	(13.81)	(13.81)	(55.25)
	2025/26 Estimate: Identified Transformation Savings								(3.09)	(3.09)	(3.09)	(9.27)
	2026/27 Estimate: Identified Transformation Savings									(0.66)	(0.66)	(1.32)
	2027/28 Estimate: Identified Transformation Savings										(0.08)	(0.08)
		0.00	(3.95)	(7.10)	(11.05)	(14.66)	(28.47)	(54.18)	(31.56)	(32.22)	(32.30)	(150.25)
Funding Implications on the revenue budget												
One-off Capital Investment		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	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	Overall Total £m
Revenue Budget	Minimum Revenue Provision and interest implications	0.00	0.28	0.28	0.56	0.47	0.79	1.81	0.87	0.59	0.59	3.86
		0.00	0.28	0.28	0.56	0.47	0.79	1.81	0.87	0.59	0.59	3.86
	One-off Revenue Investment											
	Revenue foregone on asset disposed off	0.00	0.00	0.00	0.00	0.88	1.04	1.91	1.04	1.04	1.04	5.02
		0.00	0.00	0.00	0.00	0.88	1.04	1.91	1.04	1.04	1.04	5.02

Transformation Expenditure

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.

6. In respect of the £28.34m of expenditure estimated either in the current year **2023/24** or in the next financial year **2024/25** this can be analysed as principally.

£1.16m	Laptops
£0.44m	Other Capital Expenditure
£12.33m	Redundancy costs from reducing the headcount of the authority
£5.12m	Internal direct staff costs *
£4.97m	Strategic Investment Partner – work package costs
£1.75m	Contingency
£1.67m	Apportioned staff costs
£0.90m	IT costs

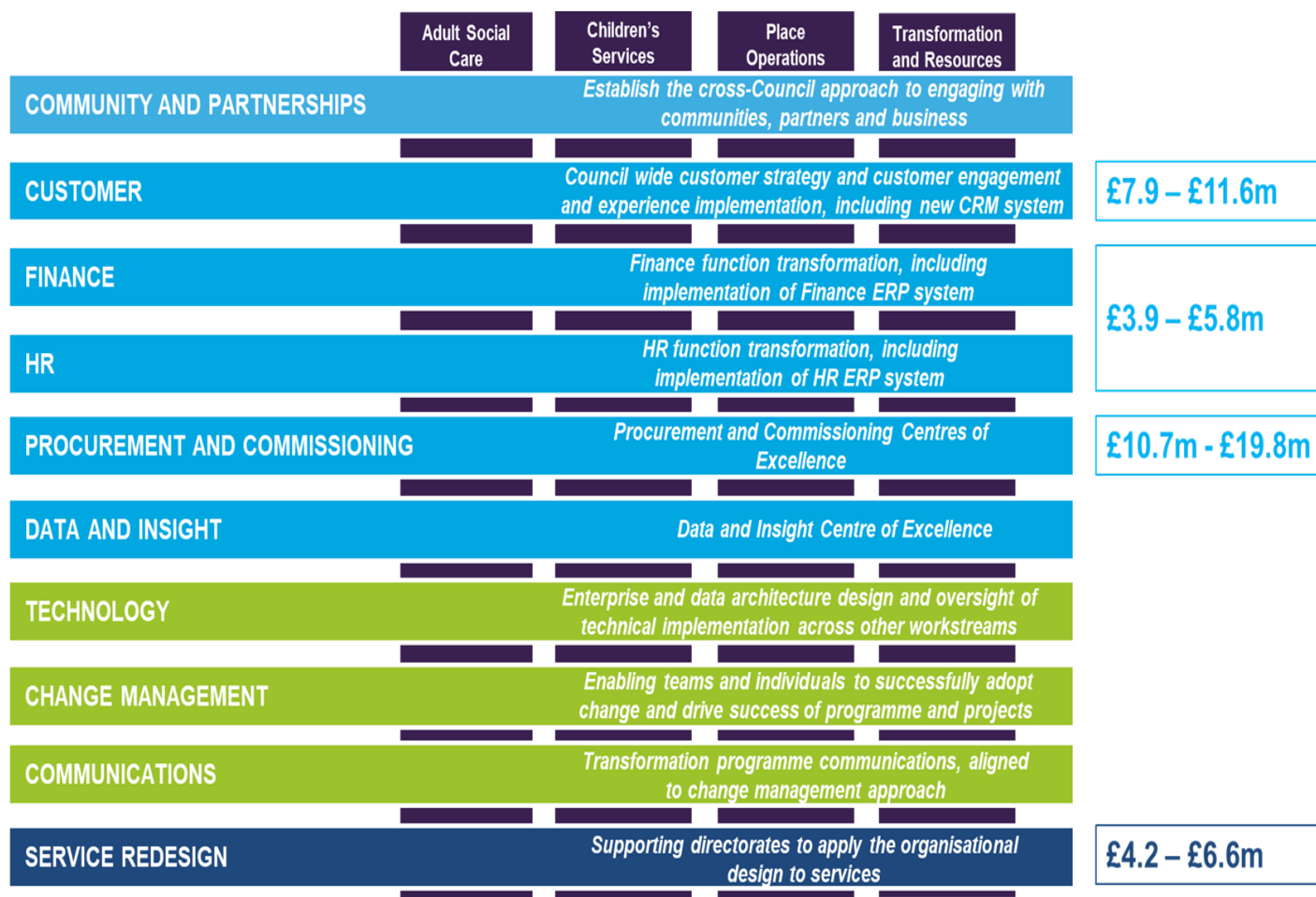
£28.34m Total remaining costs 2023/24 and 2024/25

*	£1.62m	People & Cultural Services
	£1.50m	ICT Services
	£0.92m	Financial Services
	£0.71m	Project Management Office and Communications
	£0.37m	Procurement and Commissioning

Transformation Savings

7. The savings from the programme can be broken down into 10 separate workstreams with the total original business case 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 3: Transformation savings workstreams.



5

8. Savings from the transformation investment programme are therefore specifically associated with.
- Reduction in employee headcount through the consolidation of common roles/work.
 - Reduction in employee headcount through the consolidation of organisational layers/structures.
 - Reduction in third-party spend through more robust procurement and contract management. This will include smarter ways of working such as the digital mail and the reduction of spend throughout the council by the centralisation of spending on items such as stationery, photocopying and printing.
 - Review of the corporate structure to enable the council to continue to reflect and realign its management structure to ensure we are continuously improving towards being the organisation that we aspire to be and to ensure we deliver our priorities for our residents. This includes the integration of the library services with customer facing services and community hubs.
 - The Council's estate and accommodation project.

Transformation Savings

9. The (£7.1m) of ongoing savings delivered in **2022/23** 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
(£7.100m)	Total Savings 2022/23 onwards

10. In respect of the current 2023/24 financial year the additional ongoing savings currently being forecast can be analysed as follows.

Savings identified in the original 2023/24 Budget.

(£5.761m)	Staffing savings including £2.3m from increasing the vacancy drag.
(£0.906m)	Third party spend.

Additional savings identified in 2023/24

(£0.625m)	Utility (Electricity/Gas) savings from contract arrangements
(£0.265m)	Third party spend.
(£7.557m)	Total additional savings from 2023/24 onwards

11. Details of the Transformation savings being assumed for 2024/25 onwards are separately identified and laid out as part of detailed savings and efficiency schedule included in the budget report at Appendix 5a.
12. At this time, the programme is focused on the final pieces of work with the council's strategic investment partner, KPMG, in respect of the Customer Relationship Management technological platform and consideration of a potential new Debtors system (referred to as Quote to Cash (Q2C)). These investments will help move us to further forward with the implementation of the Target Operating Model and put us in a position to make further headway with service redesign and benefit realisation. The next step will be the ongoing support to services specific transformation investment programmes and to ensure the fulfilment of the programme's objectives.
13. Transformation Programme Managers have worked closely with heads of service and directors throughout the vision and validate activity and given the priority of setting a balanced budget focus of attention was on identification of savings as part of the MTFP. Care has been taken to ensure the correct categorisation of savings and to avoid duplication or double counting.
14. Work at this point, having not yet completed all the system and process changes has not identified any further savings over and above everything already set out in the MTFP, indeed the transformation work already done to date helps to make those savings easier to achieve. Further savings from the Voluntary Redundancy scheme should be easier to implement by making the most of the new systems for financial management, customer relationship management, data analysis and artificial intelligence.

Flexible Use of Capital Receipts (FUCR)

15. 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, for a further three years to 31 March 2025 in April 2022, and for a further 5 years to 31 March 2030 as part of the 2024/25 local government finance settlement.
16. 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
17. 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.
18. 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) | 31.3.22 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) | 31.3.23 Capital Receipts carried forward. |
- Capital receipts in-year included £12.6m for the Wessex Trade Industrial Centre in Poole, and £5.642m for most of the units the council owned at Airfield Industrial Estate, Christchurch.
19. For 2023/24 the Council is planning to fund 16.061m of revenue expenditure on its transformation programme funded via the FUCR set out as follows.
- | | |
|------------------|---|
| (£8.342m) | 31.3.23 Brought Forward Capital Receipts |
|------------------|---|

(£11.890m)	Forecast in-year capital receipts.
£13.115m	Transformation Investment Programme expenditure
£0.760m	Children's Services service specific transformation expenditure
£0.545m	Adult Social Care service specific transformation programme
(£5.812m)	31.3.24 Forecast Capital Receipts carried forward.

Forecast capital receipts include those received for the Councils share of the Bargates site, 35 Willis Way Fleet Industrial Park Poole and 3 of the remaining 5 units previously owned by the council on the Airfield Industrial Park in Christchurch (2 did not sell at auction). The forecast receipts include those from Southbourne Crossroads, the former depot site in Cambridge Road and the Christchurch By-pass car park.

20. In relation to 2024/25 the Council is planning to spend £15.375m of revenue expenditure on its transformation programme funded via the FUCR as follows.

(£5.812m)	31.3.24 Forecast Brought Forward Capital Receipts
(£7.453m)	Forecast in-year capital receipts.
£13.615m	Transformation Investment Programme expenditure
£0.946m	Children's Services service specific transformation expenditure
£2.455m	Adult Social Care service specific transformation programme
£3.751m	Remaining Capital Receipts to be identified by 31.3.25

Capital receipts currently forecast in 2024/25 include those from Beach Road South Car Park, Christchurch Civic Centre, the remaining 2 units on Airfield Industrial Park in Christchurch and the former private car park at Upper Terrace Road. Proposals to generate the residual £3.751m of capital receipts required to fund the transformation programme will be brought forward for Council consideration in due course. This may include the Poole Civic Centre and any asset no longer identified suitable for either its current or a potentially alternative service delivery.