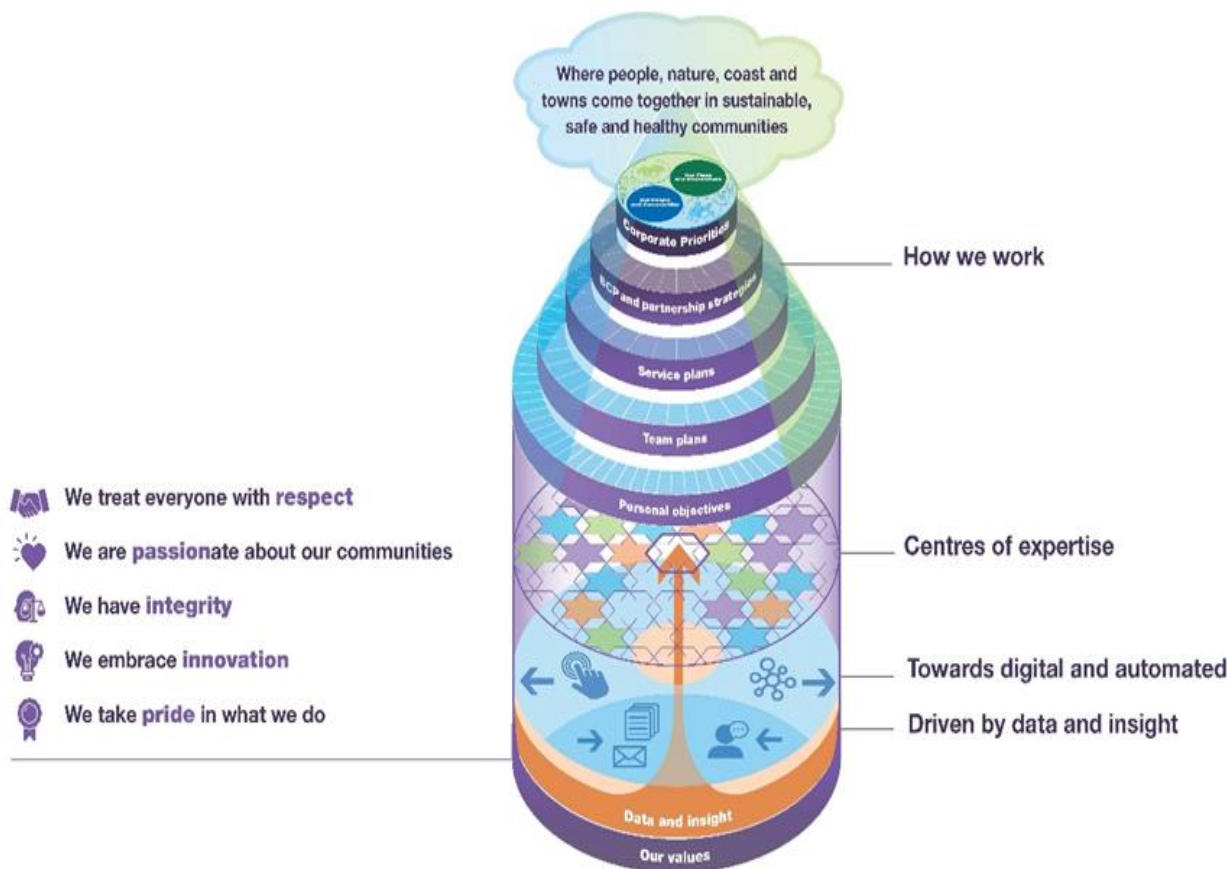


# **Transformation Investment Programme**

## **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.
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.

**Figure 1: Our Operating Model**



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 be adopted as the 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.
- 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.
- 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.
- h) July 2024 (as part of the 2023/24 financial outturn report). Reduced the transformation investment programme to £50.48m to reflect.
- (£1.65m) Remove the annual recharge of internal base revenue costs both 2023/24 and 2024/25.

The current consolidated position in respect of the transformation investment programme is set out in figure 2 below.

**Figure 2: Consolidated Transformation Programme Table** Simplification in progress

Transformation Investment Programme		2020/21	2021/22	2022/23	2023/24	Total	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	Actual £m	Actuals £m	Estimate £m	Total £m	Estimate £m	Estimate £m	Estimate £m	Total £m
Capital Spend	<b>Expenditure</b>											
	Capital expenditure	1.19	0.05	0.76	0.89	2.89	0.71	3.60				3.60
		1.19	0.05	0.76	0.89	2.89	0.71	3.60				3.60
	<b>Funding</b>											
	Prudential Borrowing (funded from General Fund MRP)	0.00	0.00	(0.56)	(0.89)	(1.45)	(0.71)	(2.16)				(2.16)
Revenue Spend	Prudential Borrowing (funded from HRA land tfr)	(1.19)	(0.05)	(0.20)	0.00	(1.44)	0.00	(1.44)				(1.44)
		(1.19)	(0.05)	(0.76)	(0.89)	(2.89)	(0.71)	(3.60)				(3.60)
	<b>Expenditure</b>											
	One-off costs - including data and insight and capability	0.31	5.32	12.90	7.21	25.74	3.39	29.13				29.13
	Redundancy costs	0.00	0.56	0.01	3.26	3.83	9.07	12.90				12.90
	Contingency	0.00	0.00	0.00	0.00	0.00	2.15	2.15				2.15
	Staff costs apportioned to Transformation	0.00	0.00	2.70	0.00	2.70	0.00	2.70				2.70
		0.310	5.880	15.61	10.47	32.27	14.61	46.88				46.88
	<b>Funding</b>											
	Assumed fundable by Capital Receipts/Capital Direction	(0.31)	(3.88)	(15.61)	(10.47)	(30.27)	(14.61)	(44.88)				(44.88)
Total	Contributions from outside of the General Fund	0.00	(2.00)	0.00	0.00	(2.00)	0.00	(2.00)				(2.00)
		(0.31)	(5.88)	(15.61)	(10.47)	(32.27)	(14.61)	(46.88)				(46.88)
Total	<b>Total expenditure</b>	<b>1.50</b>	<b>5.93</b>	<b>16.37</b>	<b>11.36</b>	<b>35.16</b>	<b>15.32</b>	<b>50.48</b>				<b>50.48</b>
	<b>Total funding</b>	<b>(1.50)</b>	<b>(5.93)</b>	<b>(16.37)</b>	<b>(11.36)</b>	<b>(35.16)</b>	<b>(15.32)</b>	<b>(50.48)</b>				<b>(50.48)</b>

Transformation Investment Programme		2020/21	2021/22	2022/23	2023/24	Total	2024/25	Overall	2025/26	2026/27	2027/28	Overall
Ongoing base revenue budget of the council		Actual £m	Actual £m	Actual £m	Actual £m	Actuals £m	Estimate £m	Total £m	Estimate £m	Estimate £m	Estimate £m	Total £m
Revenue Budget	<b>Expenditure</b>											
	Licences and other revenue costs of the programme	0.34	2.24	2.08	2.75	7.41	4.50	11.91	4.50	4.50	4.50	25.41
		0.34	2.24	2.08	2.75	7.41	4.50	11.91	4.50	4.50	4.50	25.41
	<b>Savings and efficiencies</b>											
	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)	(14.20)	(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				(0.91)	(0.91)	(0.91)	(1.81)	(0.91)	(0.91)	(0.91)	(4.53)
	Staff savings - Included within budgeted 23/24 services savings proposals				(5.76)	(5.76)	(5.76)	(11.52)	(5.76)	(5.76)	(5.76)	(28.81)
	Additional 2023/24 in-year savings				(0.89)	(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							0.00	(3.09)	(3.09)	(3.09)	(9.27)
	2026/27 Estimate: Identified Transformation Savings							0.00		(0.66)	(0.66)	(1.32)
	2027/28 Estimate: Identified Transformation Savings							0.00			(0.08)	(0.08)
		0.00	(3.95)	(7.10)	(14.66)	(25.71)	(28.47)	(54.18)	(31.56)	(32.22)	(32.30)	(150.25)

Funding Implications on the revenue budget		2020/21	2021/22	2022/23	2023/24	Total	2024/25	Overall	2025/26	2026/27	2027/28	Overall
		Actual £m	Actual £m	Actual £m	Actual £m	Actuals £m	Estimate £m	Total £m	Estimate £m	Estimate £m	Estimate £m	Total £m
Revenue Budget	<b>One-off Capital Investment</b>											
	Minimum Revenue Provision and interest implications	0.00	0.28	0.28	0.47	1.03	0.69	1.72	0.87	0.59	0.59	3.77
		0.00	0.28	0.28	0.47	1.03	0.69	1.72	0.87	0.59	0.59	3.77
	<b>One-off Revenue Investment</b>											
	Revenue foregone on asset disposed off	0.00	0.00	0.00	0.88	0.88	0.96	1.83	1.04	1.04	1.04	4.94
		0.00	0.00	0.00	0.88	0.88	0.96	1.83	1.04	1.04	1.04	4.94

## 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
<b>£16.38m</b>	<b>Total 2022/23 costs</b>

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. The £11.361m of expenditure incurred in **2023/24** can be analysed as follows

£0.822m	Laptops
£0.066m	Other Capital Expenditure
£4.815m	Strategic Investment Partner – work package costs
£3.262m	Redundancy costs
£1.709m	Internal direct staff costs *
£0.606m	ICT costs
£0.081m	Agency staff costs
<b>£11.361m</b>	<b>Total 2023/24 costs</b>

*	£0.51m ICT Services
	£0.43m Project Management Office and Communications
	£0.36m People & Cultural Services
	£0.20m Procurement and Commissioning
	£0.14m Financial Services
	£0.06m Other Services

7. In respect of the £15.32m of expenditure estimated in the current year **2024/25** financial year this can be analysed as principally.

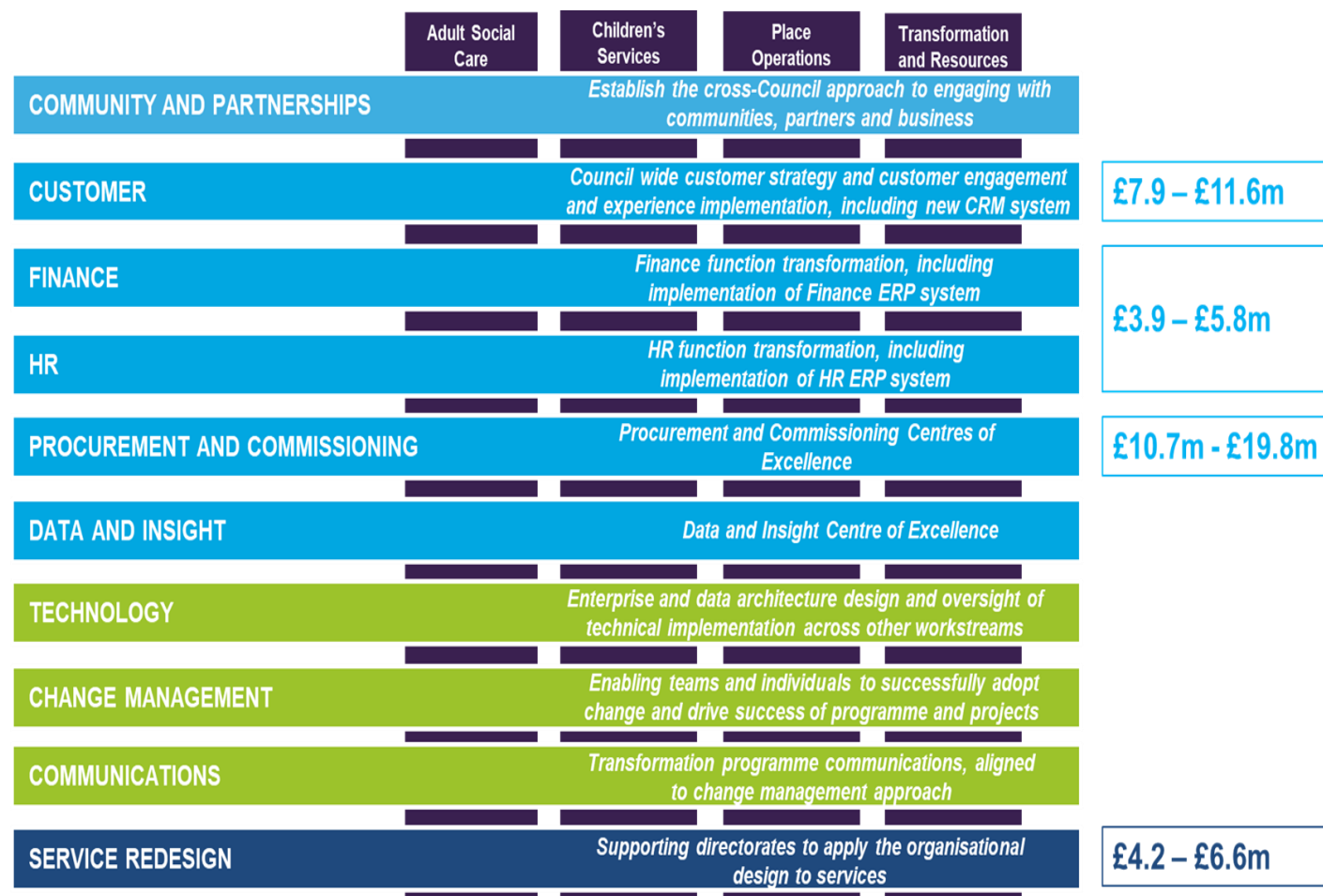
£0.34m	Laptops
£0.36m	Other Capital Expenditure
£9.07m	Redundancy costs from reducing the headcount of the authority
£2.91m	Internal direct staff costs *
£2.15m	Contingency
£0.49m	IT costs
<b>£15.32m</b>	<b>Total remaining costs 2024/25</b>

*	£0.95m ICT Services
	£0.75m People & Cultural Services
	£0.74m Financial Services
	£0.18m Other Services
	£0.17m Procurement and Commissioning
	£0.12m Project Management Office and Communications

## Transformation Savings

8. 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

9. 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.

(e) The Council's estate and accommodation project.

### Transformation Savings

10. 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
<b>(£7.100m)</b>	<b>Total Savings 2022/23 onwards</b>
11. The (£7.56m) of additional ongoing savings delivered in **2023/24** can be analysed as follows.
 

(£5.761m)	Staffing savings including £2.3m from increasing the vacancy drag.
(£0.906m)	Third party spend.
(£0.625m)	Utility (Electricity/Gas) savings from contract arrangements
(£0.265m)	Third party spend.
<b>(£7.557m)</b>	<b>Total additional savings from 2023/24 onwards</b>
12. 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 as Appendix 5a to the February 2024 budget report for 2024/25. This includes savings assumed in respect of the service specific transformation programmes in Children's and Adult Services.
13. Currently, the programme is focused on the final piece of work with the council's strategic investment partner, KPMG, in respect of the Customer Relationship Management technological platform. This investment 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.
14. Transformation Programme Managers have worked closely with heads of service and directors throughout the vision and validate activity. Care has been taken to ensure the correct categorisation of the 2024/25 savings and to avoid duplication or double counting.
15. 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. The Voluntary Redundancy scheme headcount reductions have been made easier to translate into deliverable savings by the council

making the most of the new systems for financial management, customer relationship management, data analysis and artificial intelligence.

### **Flexible Use of Capital Receipts (FUCR)**

16. 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.
17. 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 (pre-2016) 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
18. 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.
19. For 2022/23 the Council has funded the £15.61m of revenue expenditure on its transformation programme via the FUCR set out as follows.

<b>(£5.069m)</b>	<b>31.3.22 Brought Forward Capital Receipts</b>
(£19.039m)	In-year capital receipts (excluding those from vehicle sales)
£0.136m	Costs of disposal
£15.610m	Transformation Investment Programme expenditure
<b>(£8.362m)</b>	<b>31.3.23 Capital Receipts carried forward.</b>

Capital receipts delivered 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.



20. For 2023/24 the Council has funded £11.558m of revenue expenditure on its transformation programme via the FUCR set out as follows.

<b>(£8.362m)</b>	<b>31.3.23 Brought Forward Capital Receipts</b>
(£4.545m)	In-year capital receipts.
£0.029m	Costs of disposal
£10.473m	Transformation Investment Programme expenditure
£0.656m	Children's Services service specific transformation expenditure
£0.429m	Adult Social Care service specific transformation programme
<b>(£1.320m)</b>	<b>31.3.24 Capital Receipts carried forward.</b>

Capital receipts delivered included the councils share of the Bargates site, 35 Willis Way Fleet Industrial Park Poole and 3 of the remaining units previously owned by the council on the Airfield Industrial Park in Christchurch.

21. In relation to 2024/25 the Council is planning to spend £17.553m of revenue expenditure on its transformation programme funded via the FUCR as follows.

<b>(£1.320m)</b>	<b>31.3.24 Forecast Brought Forward Capital Receipts</b>
(£16.384)	Forecast in-year capital receipts.
£0.057m	Costs of disposal
£14.610m	Transformation Investment Programme expenditure
£1.050m	Children's Services service specific transformation expenditure
£1.893m	Adult Social Care service specific transformation programme
<b>(£0.094m)</b>	<b>31.3.25 potential capital receipts to be carried forward</b>

Capital receipts currently forecast in 2024/25 include those from Southbourne Crossroads, the former deport site in Cambridge Road, the Christchurch By-pass car park, the south part of Beach Road Car Park, Christchurch Civic Centre, Wessex Fields, and the former private car park at Upper Terrace Road. Proposals to generate a healthy pipeline of capital receipts to support the council's future financial health and sustainability continues and this may include the disposal of Poole Civic Centre and any asset no longer identified as suitable for either its current, or a potentially alternative, service delivery.