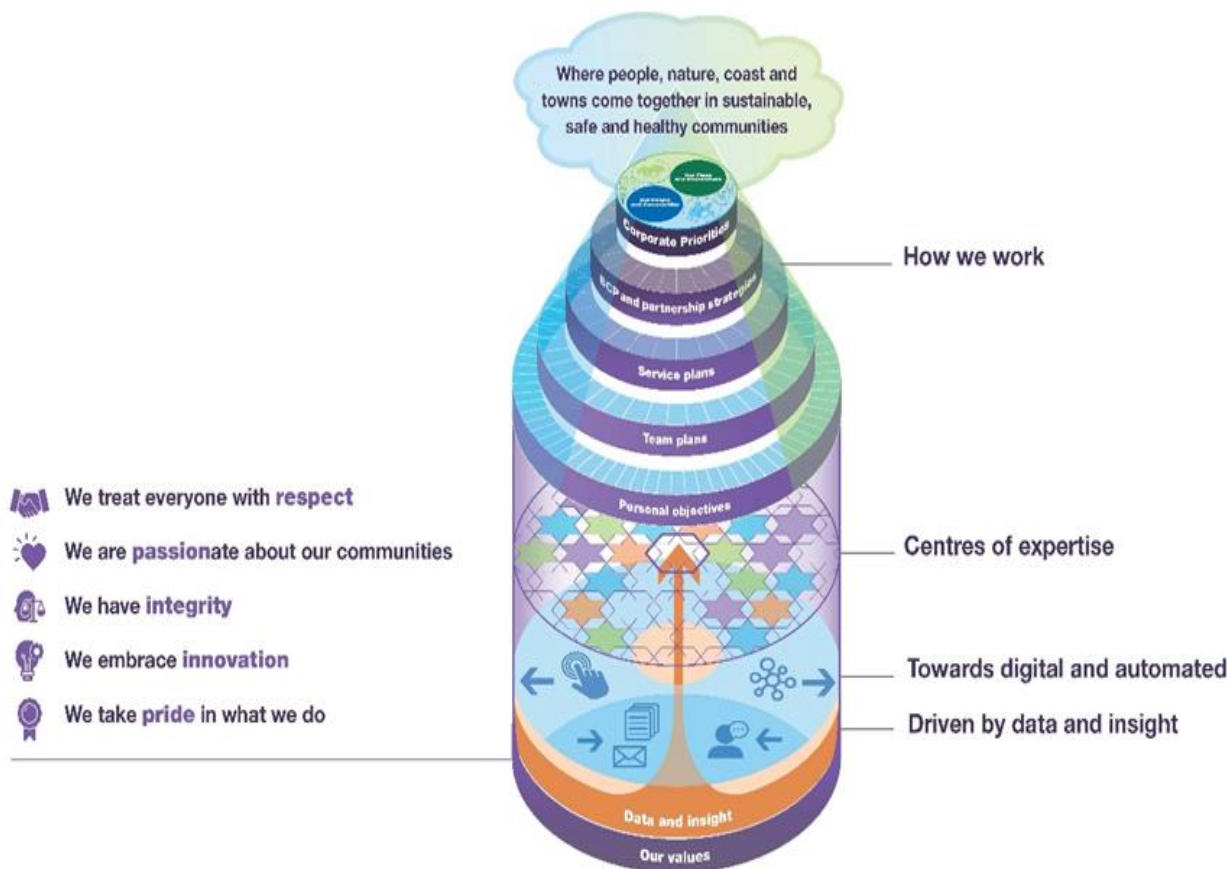


Transformation Investment Programme

Including the Flexible Use of Capital Receipts

1. As might be expected the council inherited a range of legacy staffing arrangements, processes and systems and therefore had 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 was delivered by the adoption of a radically different operating 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, was designed to enable the council to become the leading digital and insight driven local authority in the UK. Specifically, these were an investment in a Customer Relationship Management (CRM) system, investment in an Enterprise Resource Planning (ERP) system (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 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 was 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.
5. Resource not spent in 2024/25 will in the first instance transfer into 2025/26.
6. Figure 2 below provides a summary table of the return on investment for the transformation investment programme to the end of March 2025. This indicates that at the end of the 2024/25 financial year the council have made net revenue savings of **£35m** (£49.6m - £14.5m) for a total one-off estimated investment of **£39m**. The 2025/26 budget report indicated that a minimum net annual ongoing revenue saving of £21m per annum could be anticipated moving forward for a further one-off investment which would be a maximum of £9m in 2025/26.

Figure 2: Summary of Return on Investment

Summary Table	2020/21 Actual £m	2021/22 Actual £m	2022/23 Actual £m	2023/24 Actual £m	2024/25 Actual £m	Total Actuals £m
One-Off Investment (Capital and Revenue)	1.50	5.93	16.37	11.36	4.25	39.41
Ongoing Revenue Savings	0.00	(3.95)	(7.10)	(14.66)	(23.88)	(49.59)
Ongoing Revenue Licensing & Financing Costs	0.34	2.52	2.36	4.10	5.21	14.52

6. A more detailed consolidated position in respect of the transformation investment programme is set out in figure 3 below.

Figure 3: Main 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	2023/24 Actual £m	2024/25 Actual £m	Total Actuals £m
Capital Spend	Expenditure						
	Capital expenditure	1.19	0.05	0.76	0.89	0.42	3.31
		1.19	0.05	0.76	0.89	0.42	3.31
	Funding						
	Prudential Borrowing (funded from General Fund MRP)	0.00	0.00	(0.56)	(0.89)	(0.42)	(1.87)
Revenue Spend	Prudential Borrowing (funded from HRA land tfr)	(1.19)	(0.05)	(0.20)	0.00	0.00	(1.44)
		(1.19)	(0.05)	(0.76)	(0.89)	(0.42)	(3.31)
	Expenditure						
	One-off costs - including data and insight and capability	0.31	5.32	12.90	7.21	2.46	28.20
	Redundancy costs	0.00	0.56	0.01	3.26	1.37	5.20
	Contingency	0.00	0.00	0.00	0.00	0.00	0.00
	Staff costs apportioned to Transformation	0.00	0.00	2.70	0.00	0.00	2.70
		0.31	5.88	15.61	10.47	3.83	36.10
	Funding						
	Assumed fundable by Capital Receipts	(0.31)	(3.88)	(15.61)	(10.47)	(3.83)	(34.10)
Total	Contributions from outside of the General Fund	0.00	(2.00)	0.00	0.00	0.00	(2.00)
		(0.31)	(5.88)	(15.61)	(10.47)	(3.83)	(36.10)
Total	Total expenditure	1.50	5.93	16.37	11.36	4.25	39.41
	Total funding	(1.50)	(5.93)	(16.37)	(11.36)	(4.25)	(39.41)

Transformation Investment Programme Ongoing base revenue budget of the council		2020/21 Actual £m	2021/22 Actual £m	2022/23 Actual £m	2023/24 Actual £m	2024/25 Actual £m	Total Actuals £m
Revenue Budget	Expenditure						
	Licences and other revenue costs of the programme	0.34	2.24	2.08	2.75	3.64	11.05
		0.34	2.24	2.08	2.75	3.64	11.05
	Savings and efficiencies						
	Transformation Programme Savings	0.00	(3.95)				(3.95)
	Budgeted savings from 2022/23						
	2022/23 In year - Savings delivered			(7.10)	(7.10)	(7.10)	(21.30)
	Savings from 2023/24						
	3rd Party savings - Included within budgeted savings proposals				(0.91)	(0.91)	(1.81)
	Staff savings - Included within budgeted 23/24 services savings proposals				(5.76)	(5.76)	(11.52)
	Additional 2023/24 in-year savings				(0.89)	(0.89)	(1.78)
	Savings from 2024/25						
Revenue Budget	2023/24 In year - Savings delivered					(9.23)	(9.23)
		0.00	(3.95)	(7.10)	(14.66)	(23.88)	(49.59)

Funding Implications on the revenue budget		2020/21 Actual £m	2021/22 Actual £m	2022/23 Actual £m	2023/24 Actual £m	2024/25 Actual £m	Total Actuals £m
Revenue Budget	One-off Capital Investment						
	Minimum Revenue Provision and interest implications	0.00	0.28	0.28	0.47	0.69	1.72
		0.00	0.28	0.28	0.47	0.69	1.72
	One-off Revenue Investment						
	Revenue foregone on asset disposed off	0.00	0.00	0.00	0.88	0.88	1.75
		0.00	0.00	0.00	0.88	0.88	1.75

Transformation Expenditure

7. 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.

8. 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

£11.361m Total 2023/24 costs

*	£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

9. The £4.25m of expenditure incurred in **2024/25** can be analysed as follows.

£0.33m	Laptops
£0.09m	Other Capital Expenditure
£1.47m	Internal direct staff costs *
£1.37m	Redundancy costs from reducing the headcount of the authority
£0.63m	Strategic Investment Partner – work package costs
£0.29m	IT costs
£0.07m	Governance review and coroners

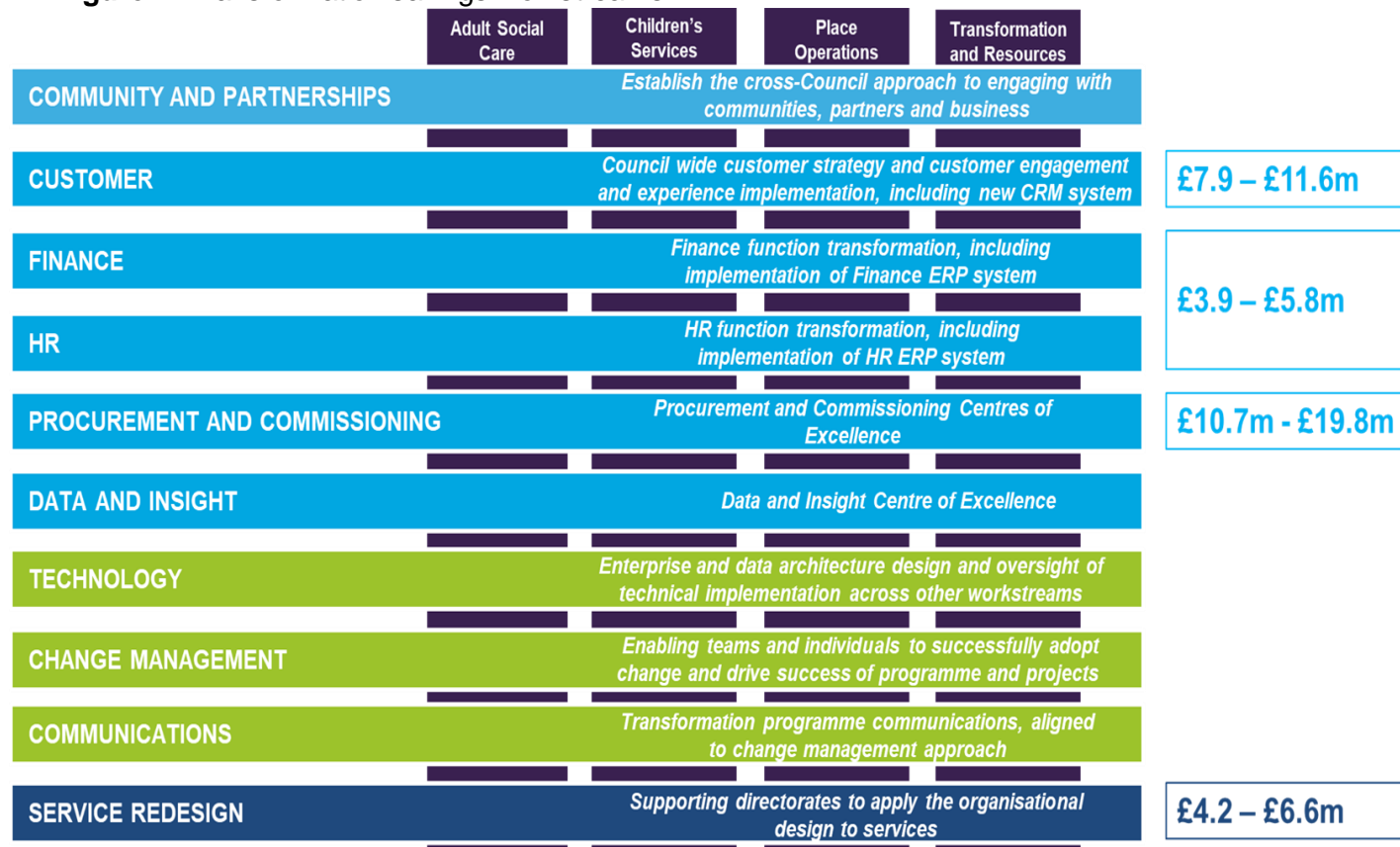
£4.25m Total 2024/25 costs

*	£0.58m	ICT Services
	£0.38m	Project Management Office
	£0.29m	People & Cultural Services
	£0.16m	Financial Services
	£0.05m	Other Services
	£0.01m	Procurement and Commissioning

Transformation Savings

10. 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 4: Transformation savings workstreams.



5

11. 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

12. 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

13. 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.
(£1.171m)	Third party spend.
(£0.625m)	Utility (Electricity/Gas) savings from contract arrangements
(£7.557m)	Total additional savings from 2023/24 onwards

14. The (£9.23m) of further additional ongoing savings delivered in 2024/25 as set out elsewhere within the July 2025 Financial Outturn for 2024/25 report can be analysed as follows.

(£1.560m)	Wellbeing Directorate (Budgeted £3.433m).
(£2.207m)	Children's Directorate (Budgeted £2.707m)
(£3.829m)	Operations Directorate (Budgeted £3.829m)
(£1.126m)	Resource Directorate (Budgeted £1.262m)
(£0.503m)	Authority-wide Transformation Savings (Budgeted £0.503m)
(£9.225m)	Total further additional savings from 2024/25 onwards

15. Details of Transformation savings being assumed for 2025/26 onwards were set out as part of the 2025/26 budget report.

Service Specific Transformation Programmes

16. Building on the success of the main Transformation Investment Programme Cabinet and Council have also agreed a number of service investment programmes within both Adult Social Care and Children's Services. For a one-off investment of £5m the Council is aiming to lever annual savings of circa £11m per annum by 2027/28. As at the end of March 2025 £0.31m of the ongoing savings have been delivered with £2.42m of the upfront investment incurred as set out in Figure 5 below.

Figure 5: Service Specific Transformation Programme

Service Specific Investment Programmes		2020/21 Actual £m	2021/22 Actual £m	2022/23 Actual £m	2023/24 Actual £m	2024/25 Actual £m	Total Actuals £m
Revenue Spend	Expenditure						
	Children's Service Specific Investment Programme	0.00	0.00	0.00	0.66	0.60	1.25
	Adult Social Care -Assistive Technology	0.00	0.00	0.00	0.20	0.16	0.36
	Adult Social Care -Transfer of catering services to Tricuro	0.00	0.00	0.00	0.14	0.07	0.21
	Adult Social Care - July 2023 Business Case	0.00	0.00	0.00	0.09	0.51	0.60
		0.00	0.00	0.00	1.09	1.34	2.42
	Funding						
	Assumed fundable by Capital Receipts	0.00	0.00	0.00	(1.09)	(1.34)	(2.42)
		0.00	0.00	0.00	(1.09)	(1.34)	(2.42)
	Savings and efficiencies						
	Children's Service Specific Investment Programme	0.00	0.00	0.00	0.00	(0.22)	(0.22)
	Adult Social Care -Assistive Technology	0.00	0.00	0.00	0.00	(0.07)	(0.07)
	Adult Social Care -Transfer of catering services to Tricuro	0.00	0.00	0.00	0.00	(0.02)	(0.02)
	Adult Social Care - July 2023 Business Case	0.00	0.00	0.00	0.00	0.00	0.00
	Adult Social Care - UEC Transformation Net Savings	0.00	0.00	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	(0.31)	(0.31)
Total	Net Position of Service Specific Transformation	0.00	0.00	0.00	1.09	1.65	2.74

17. Once the main and the service specific Transformation Programmes are combined, they demonstrate that at the end of the 2024/25 financial year the council has made net revenue savings of **£35m** (£49.9m - £14.5m) for a total one-off estimated investment of **£42m**. The 2025/26 budget report indicated that a minimum net annual ongoing revenue saving of £23m per annum could be anticipated moving forward for a further one-off investment which would be a maximum of £11m in 2025/26.

Figure 6: Combined Transformation Investment & Service Specific programmes

Summary Table	2020/21 Actual £m	2021/22 Actual £m	2022/23 Actual £m	2023/24 Actual £m	2024/25 Actual £m	Total Actuals £m
One-Off Investment (Capital and Revenue)	1.50	5.93	16.37	12.45	5.59	41.83
Ongoing Revenue Savings (actual and budgeted)	0.00	(3.95)	(7.10)	(14.66)	(24.20)	(49.90)
Ongoing Revenue Licensing & Financing Costs	0.34	2.52	2.36	4.10	5.21	14.52

Flexible Use of Capital Receipts (FUCR)

18. 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.

19. 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
20. 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.
21. 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) |
| £0.136m | Costs of disposal |
| £15.610m | Transformation Investment Programme expenditure |
| (£8.362m) | 31.3.23 Capital Receipts carried forward. |
- 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.
22. For 2023/24 the Council has funded £11.558m of revenue expenditure on its transformation programme via the FUCR set out as follows.
- | | |
|------------------|---|
| (£8.362m) | 31.3.23 Brought Forward Capital Receipts |
| (£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 |
| (£1.320m) | 31.3.24 Capital Receipts carried forward. |

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.

23. For 2024/25 the Council has funded £5.168m of revenue expenditure on its transformation programme funded via the FUCR as follows.

(£1.320m)	31.3.24 Forecast Brought Forward Capital Receipts
(£6.992m)	In-year capital receipts.
£0.175m	Costs of disposal
£3.830m	Transformation Investment Programme expenditure
£0.596m	Children's Services service specific transformation expenditure
£0.742m	Adult Social Care service specific transformation programme
(£2.969m)	31.3.25 Capital Receipts carried forward

Capital receipts delivered included those from Southbourne Crossroads Car Park and Christchurch Civic Centre.