

## **CABINET – 17 July 2018**

### **ENGAGEMENT OF EXTERNAL ADVISORY SERVICES**

#### **Report by Director of Finance**

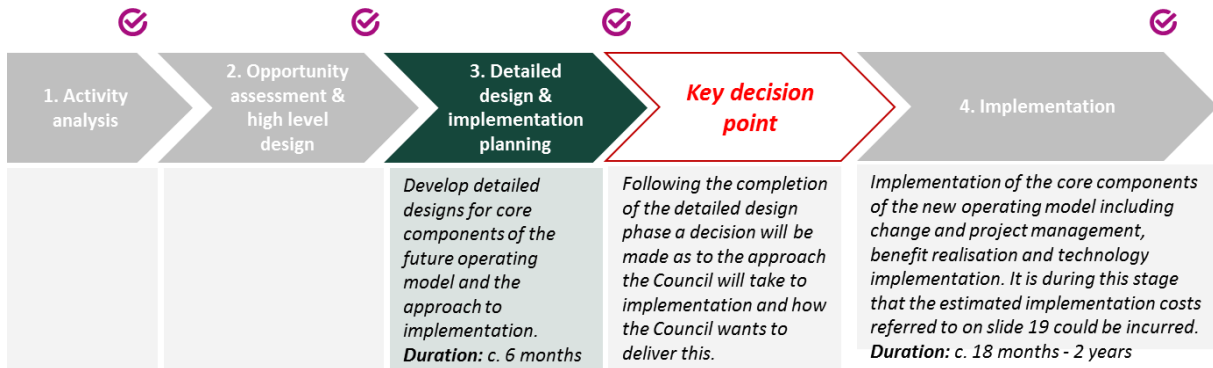
#### **Introduction**

1. The County Council continues to undergo major change and development at a fast pace in order to deliver the Thriving Communities Vision within a challenging financial context; Implementation of the £215m Housing and Growth deal is requiring a step change in the delivery of capital investment and strategic planning; As recently reported to Cabinet, the Council is taking the first steps in joint working arrangements with Cherwell District Council in an innovative new partnership; Finally, the cross-council Fit for the Future programme is working to ensure that the organisation as a whole is sustainable, resilient and ready to deliver better outcomes for residents as well as achieving savings required in the Medium Term Financial Plan.
2. This report seeks the agreement of Cabinet to the principle of engaging an external provider to deliver expert advisory services to the Council over the next three years on the Fit for the Future programme and other associated strategic change initiatives. The report also sets out the proposed procurement approach.

#### **Background**

3. Progress on Fit for the Future was most recently reported to the Audit and Governance and Performance Scrutiny committees in March 2018. These reports set out the activity analysis that was conducted in late 2017 and described a case for change based on the relatively low proportions of currently effort focused on front line service delivery, when compared with similar councils. This analysis led to the conclusion that there was significant opportunity for improvement in support processes and systems in-order-to deliver more efficiently while maintaining and improving the ability to meet residents' needs. Commercial opportunities for improving value for money in third-party-spend and for income generation were also identified.
4. The reports went on to describe the design and implementation programme underway in association with PwC that is targeting a potential £33m-£58m saving which would enable political choices to be made about investment in services in addition to meeting existing savings requirements.
5. To address the case for change and the opportunities subsequently identified the council is now progressing work in partnership with PwC to design in detail a new operating model for the council. This will develop a new approach to how the council does its business across seven 'layers', with the focus being

on taking a holistic whole council approach to designing each layer. The culmination of this activity is intended to be a report to Cabinet in September, formalising the case for change and seeking approval for implementation and delivering the change.



## Implementing Change and the Need for External Support

6. Due to capacity, the Council has been challenged in the past when attempting to deliver significant council wide change and transformation using internal resources only. However, these challenges have been overcome when supplementing internal resource with external advisory services. External support has enabled pace and momentum to be maintained and has injected capability in addition to capacity. This capacity and capability is critical to ensure the Council's savings requirements are achieved.
7. The development of a new operating model (as outlined at paragraph 5) will conclude by the end of July and a proposed approach will be presented to Cabinet in September for a decision to implement. The separation of these decisions (operating model and engagement of external support) provides Cabinet with choices on delivery and enables officers to be ready for implementation, sustaining the current momentum and pace of change. Sustaining this pace optimises savings opportunities and takes advantage of a time limited opportunity to make use of a unique value for money procurement route (see below).

## Procurement Options and Proposed Approach

8. The Council has undertaken an options appraisal (Annex 1) to examine various routes to market and their respective benefits and issues. Options considered include open competition along with the use of national and/or regional framework agreements. There are considerable time constraints associated with launching an open competition with the potential uncertainty around market response and the fact that the total needs are currently uncertain which would lead to higher pricing. There are two compliant framework agreements identified that have the potential to offer a solution to the Council.

9. Following a further examination of the two options it was identified that one framework contained a framework usage charge of around 5% of the total fee which would therefore constitute a considerable uplift to contractual costs and, in addition, the Council would be mandated to enter into a contractual relationship with the framework provider (Bloom) rather than the organisation who would actually undertake the service. The other framework was let by the London Borough of Islington. This framework was let nearly 4 years ago and so the set rates are low compared to current consultancy rates and there is flexibility to call off in stages. This means more exact specifications can be provided at each stage and the provider can price with more confidence. Given the issues set out above, it is recommended that the most agile and cost-effective procurement solution to the Council is a direct call-off against the London Borough of Islington Framework Agreement. This requires the Council to enter into an access agreement with Islington prior to the 11th August 2018 and then the Council has until 31 March 2020 to set out the stages required.

### **Contract type**

10. In addition to the options listed above, the Council should consider the nature of the partnership that will be entered into. Options and possible risks and benefits are listed below:

Contingent fee arrangement whereby the contract is set up in such a way that the external provider is financially incentivised to develop business cases that maximise the savings opportunity.

#### **Benefits**

- Clear narrative that may be easier to get buy in to
- Provides incentives to ensure the partner is equally keen to look for new opportunities and increase the savings opportunity.

#### **Risks**

- Can be very challenging to agree the exact nature of the risk / reward element and to scope the individual packages of work. This can be time consuming and frustrating for both sides, affect the relationship and compromise the delivery of the actual work.
- Feedback from others suggests that this can unhelpfully incentivise the partner organisation to relentlessly focus on maximising the opportunities for cost saving, without addressing fundamental issues such as longer-term customer focus or whole organisational change. This may therefore be detrimental to the longer-term health of the organisation.
- Less flexibility to adapt as the work proceeds.
- Risk of high cost so would have to be clear how this delivers value for money, requiring a dedicated officer to account for this.

A fixed fee arrangement as a whole or through a framework that enables individual projects to proceed as required.

#### Benefits

- Budget requirement is clear and agreed up front.
- Enables an ability to flex approach as the programme is implemented.
- Enables a broader approach to transformation – doing things differently for the good of our residents and communities, rather than focused purely on cost savings.
- Is more aligned to the desired culture change, the Council's values, vision and the agreed leadership qualities (commercial and innovation isn't just about making savings, it's doing things better)

#### Risks

- Likely that costs will be incurred upfront before the delivery of savings and/or benefits realisation.

### **Partnering**

11. Regardless of the type of contract arrangement, feedback from other authorities indicates there are many positives in structuring a longer term external 'strategic partner' arrangement. Particular benefits cited include:
  - The length of partnership creates continuity through permanency of the staff as they know they are working with the authority for a defined period of time
  - Relationships between the provider and authority are strong – little if any difference between contracted and Council staff. There is often a cultural connection and development.
  - Ideas, benchmarking and opportunities brought forward
  - Longevity of relationship a perceived as a strength.
  - Use of external partner to also share knowledge with staff.
12. However, it is also recognised that a more 'long-term' embedded approach could potentially lead to a dependency on the partner.

### **Proposed way forward**

13. Although the Council does need to make savings, the overarching objective is to create a sustainable, stable, resilient council for the future. Whilst there must be a strong focus on achieving savings, it should not be the only emphasis as we also need firm foundations around customers and thriving communities.
14. Historically, although the Council has made tough choices in the past around savings, there have been significant challenges to embrace the necessary traction and discipline of delivering a complex transformation programme at the necessary pace. This is not a criticism, more a reflection of capacity, capability and legacy.

15. Therefore, it is recommended that Cabinet agree to the proposal that the Council seeks external support and enters into a fixed fee arrangement (as it aligns best with our corporate vision, values and qualities) through a new call-off agreement under the London Borough of Islington Framework.

## **Financial Implications**

16. There is a requirement in the Medium Term Financial Plan agreed by Council in February 2018 to deliver £17.4m<sup>1</sup> of savings through transformation over the period 2019/20 to 2021/22. This report sets out a proposal to engage external advisory support to accelerate and focus the delivery of transformation savings. If savings are not made through this approach, an alternative approach to transformation will need to be agreed and the Medium Term Financial Plan revisited.
17. There are not direct funding implications of this report; concluding an access agreement with the Islington Framework will not in itself commit expenditure.
18. The full costs and benefits resulting from adopting the recommendations of the current suite of transformation planning have yet to be agreed and such costs, if agreed, will need to be incorporated into the Service and Resource Planning process and the Budget for 2019/20 and Medium Term Financial Plan to 2022/23 to be agreed by Council in February 2019.
19. Any financial benefits generated through transformation in addition to those required in the Medium Term Financial Plan would be available to support policy decisions relating to service levels or investment, agreed through the Service & Resource Planning process.

## **Legal Implications**

20. Assuming the access agreement is concluded, the intention is to agree subsequent call off contracts through the Islington framework. This approach will be subject to the Council's usual decision-making procedures with financial and legal implications authorised by Cabinet and where appropriate Council through the Service and Resource Planning process.

## **RECOMMENDATION**

21. Cabinet is **RECOMMENDED** to approve entering into an access agreement to the Islington procurement framework as set out in paragraph 15 for the provision of engaging expert advisory services to support and accelerate cross council transformation

LORNA BAXTER  
Director of Finance

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July 2018

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<sup>1</sup> £15.0m general transformation savings and £2.4m relating to ICT

## Options for delivering council wide change and transformation

### 1. Internal Delivery

Change and transformation could be delivered in house. However, the expertise, capability and capacity is not available to undertake the detailed work in all areas that are likely to be required. Business as usual work would compromise the internal resources availability and the speed of delivery.

Benefits	Issues
Timely (don't need to wait for a procurement process or the availability of external support)	Capacity – what could be stopped to enable internal staff to drive this through
Affordable in the short term	Lack of In-house capability and skills
Local knowledge	External input would be lacking
Skilled staff	Poor track record of traction and delivery
	Pace maybe compromised
	Discipline

### 2. Open Competition

An open procurement would be time consuming. A large amount of resource would be required to complete detailed tender documents and to evaluate all responses. The Council would have to be certain about what the requirements are. There is a chance that unsuccessful bidders decide to challenge the decision and cause further delays.

Benefits	Issues
Open competition to achieve value for money	Time (procurement, if full open procurement could be 6-9 months)
External experts that have delivered similar transformation programmes	Cost – the process of procurement will cost the council significant time and money.
Capacity would be added	The project could be delayed significantly by a challenge
External challenge and input	

### 3. Framework Agreement

Frameworks are agreements where the requirements have already been openly competed for and a framework of the approved suppliers has been created. This provides a faster route to contract than open competition as one only has to invite the approved suppliers. There are no minimum timescales as there are with an open competition and a much lower likelihood of challenge from the suppliers. The fact that suppliers are not openly competing (not having to complete a full tender) can mean that rates offered are good value. Frameworks can be 4 years in duration and can provide even better value for money if the call off is towards the end of the 4 years. This is because the original contracting authority will have kept annually increases to a minimum.

There are 2 existing frameworks that allow the Council to call off based on requirements. They are:

**a. The North-East Procurement Organisation’s Framework for Specialist Professional Services**

Bloom are the only supplier on the framework which allows a direct award to them and is therefore a quick route. However, Bloom charge 5% which would be a significant cost added to the total contract price. The contract would be with Bloom and they would act as a middleman between the Council and the external partner. Contractual issues would need to go to Bloom for them to deal with.

**b. Islington Council’s Framework for the Provision of Audit, Assurance and Advisory Services**

PricewaterhouseCoopers (PwC) are the only supplier on the framework and therefore this is also a quick route to contract. There is no cost to using this framework. Spend thresholds have been investigated and the commitment to two/three year arrangement can be procured within the required spend threshold. The rates remain very good as they have been fixed for 4 years and are lower than PwC rates on other frameworks.

The Council can sign an access agreement which would allow use of the framework up to 31 March 2020. Call off contracts can be let up to this date and but work can have dates that go beyond then.

<b>Benefits</b>	<b>Issues</b>
Open competition to achieve value for money has already been established	Framework is close to expiry and the Council must have a signed access agreement prior to 11 <sup>th</sup> of August 2018
External experts that have delivered similar transformation programmes	Direct Award so no competition
Capacity would be added	Doesn't allow for risk reward approach
External challenge and input	
Continue the well-developed relationships	
PwC have a good working knowledge of Oxfordshire allowing for no implementation period which would be needed for a new partner	