

DECISION-MAKER:	Cabinet Council
SUBJECT:	Transformation Implementation Partner
DATE OF DECISION:	17 September 2024 (Cabinet) 18 September 2024 (Council)
REPORT OF:	Councillor Fielker The Leader of the Council

<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY	
<p>Appendix 1 of this report is not for publication by virtue of categories 3 (commercial sensitivity) and 7A (obligation of confidentiality) of paragraph 10.4 of Southampton City Council's ("the Council's") Access to Information Procedure Rules, as contained in the Council's Constitution.</p> <p>It is not in the public interest to disclose this information as the report contains confidential and commercially sensitive information in relation to one of the Council's suppliers. It would prejudice the Council's ability to operate in a commercial environment and obtain best value in contract negotiations and would prejudice the Council's commercial relationships with third parties if they believed the Council would not honour obligations of confidentiality.</p>	
BRIEF SUMMARY	
To approve the appointment of Newton Europe as the council's Transformation Implementation Partner to support the adapt grow thrive programme.	
RECOMMENDATIONS:	
Cabinet:	
	(i) To approve the release of transformation funding as detailed in 'Resource Implications' from reserves or the Exceptional Financial Support (EFS) facility
	(ii) To approve the appointment of Newton Europe Ltd ("Newton Europe") as transformation partner to support the implementation of "adapt grow thrive" transformation savings proposals
	(ii) To delegate authority to the Chief Executive following consultation with the Leader of the Council to take all necessary actions,

		including finalising contractual and commercial arrangements, in order to complete the appointment of the transformation partner.
Council:		
	(i)	To approve the release of transformation funding as detailed in 'Resource Implications' from reserves or the Exceptional Financial Support (EFS) facility
REASONS FOR REPORT RECOMMENDATIONS		
1.	This proposed appointment is a key element in the organisational transformation of the Council in order to reach a position in which its General Revenue Fund budget is balanced in future years without the need for Exceptional Financial Support from the government. This is a key component in enabling the Council to achieve long-term financial sustainability.	
2.	This appointment follows, and directly relates to, the completion of a diagnostic phase of work by the proposed transformation partner, Newton Europe.	
3.	It was intended from the outset that an implementation phase of the transformation programme would follow the diagnostic phase if that diagnostic phase was successful in identifying transformation activities and financial savings opportunities of sufficient scale and impact to support the commissioning of the second phase.	
4.	Appendix 1 sets out the confidential and commercially sensitive terms relating to this report and the appointment of the transformation implementation partner.	
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED		
5.	Do not proceed with the implementation of transformation proposals. This option was rejected as it would result in the Council failing in its plan to become financially stable.	
6.	Undertake a procurement process to appoint an alternative transformation partner. This option was rejected as the implementation phase of this element of the transformation programme was envisaged in the original procurement process and subsequent appointment of Newton Europe. The implementation phase directly relates to the diagnostic phase; the implementation phase has been designed by Newton Europe as a result of the diagnostic phase and, therefore, this appointment enables continuity and speed in proceeding with the implementation phase.	
7.	Proceed with the transformation proposals using only existing Council resources and/or temporary staff appointments. Whilst the council already has an experienced core Projects & Change team, this option was rejected as the Council does not possess sufficient capacity to implement the proposals itself within the required timeframe without external assistance and support.	
DETAIL (Including consultation carried out)		
8.	The Council undertook a process in the 2023/24 financial year to appoint a transformation partner to undertake a Diagnostic Phase (the "Diagnostic Phase"), primarily relating to the Wellbeing (Children & Learning) and	

	Wellbeing & Housing areas of the Council. This process envisaged that the transformation partner could be appointed to undertake a subsequent Implementation Phase (the “Implementation Phase”) at the sole discretion of the Council.
9.	The route to market identified for this process was a further competition through the Crown Commercial Service RM6187 Management Consultancy Framework Three Agreement (“MCF3”). This framework includes a maximum framework price against which bidders provide their price to ensure best value is evidenced. Following the competitive process, the Council we received 2 bids and Newton Europe were identified through a Most Economically Advantageous Tender evaluation as the successful supplier.
10.	Newton Europe was appointed in March 2024 to undertake the Diagnostic Phase as the result of an urgency decision by the (previous) Chief Executive taken under delegated powers on 22 December 2023.
11.	This Diagnostic Phase was primarily focused on identifying the potential financial savings, associated benefits and process improvements that could be achieved across Children’s Services and Adults Social Care through a subsequent Implementation Phase of transformation activity. The Diagnostic Phase has now been completed and has successfully achieved its aims and objectives.
12.	Following the completion of this diagnostic phase, and other work carried out by all areas of the council, the full scope of the council’s Transformation Programme, named “adapt grow thrive”, was approved by Cabinet in July 2024 (see ‘background papers’ for detail). This report set out that in order for the council to successfully deliver its transformation plan, external support would be required throughout the implementation phase of the programme.
13.	On 27 August 2024 Cabinet approved the appointment of Newton Europe as the Council’s interim transformation partner to initiate implementation activity covering September and October 2024.
14.	This report seeks approval to proceed with Newton Europe as its main transformation partner for the full Implementation Phase, covering the period up until the end of the 2027/28 financial year.
15.	This report sets out the scope of work to be undertaken by Newton Europe as lead Transformation Partner and other key considerations, including detail of the proposed commercial model and the accompanying assurance mechanisms that the council will use to manage any future commercial relationship.
16.	The scope of the partnership support from Newton Europe covers two main areas: <ol style="list-style-type: none"> 1. Providing implementation resource and leadership to collectively deliver specific key programmes of activity within the Adults & Health, Children’s Services and Schools & SEND Transformation Portfolios, ensuring the savings associated with these programmes are delivered. 2. Support across the wider adapt grow thrive programme in capacity as a transformation partner to support with the strategic delivery of the programme and the following identified targeted complex issues: <ul style="list-style-type: none"> • Development of a demand and capacity planning model with the finance and analytics teams to help construct a long term MTFS.

	<ul style="list-style-type: none"> Supporting the evolution of the prevention business case to factor in identified opportunities across the transformation portfolio and identify near term opportunities.
17.	<p>Adults & Health and Children’s Services Transformation</p> <p>The core focus of Newton’s implementation support will be on our key programmes of activity within our Adults & Health and Children’s Services Portfolios. The July Cabinet Report set out the detailed scope of the activity contained within these portfolios. A summary of the specific areas that Newton will be implementing is given below. This includes the types of performance indicators that will be used to measure the success of this work.</p>
18.	The specific programmes of activity set out below are expected to deliver a combined annually recurring saving to the council of £23,000,000 by 2026/27.
19.	Newton Europe will also provide strategic support to the remaining activity in both the Adults & Health and Children’s Services Portfolios, along with the Schools & SEND Portfolio. The combined total savings expectations across these three portfolios, including the specific programmes outlined below, is c£30,000,000pa.
20.	<p>Adult Social Care & Health</p> <p>Newton’s focus within Adult Social Care & Health will be on implementing the following key programmes of activity:</p> <ul style="list-style-type: none"> Living and Ageing Well Whole Life Pathways Service Productivity and Redesign
21.	<p>Living and Ageing Well</p> <p>Improvements will be delivered through four main initiatives:</p> <ul style="list-style-type: none"> Hospital Discharge Decision-making – Reduce the number of older adults requiring expensive long-term care via hospital discharge decisions Reablement Demand and Effectiveness- Reduce long-term homecare demand by maximising the throughput and efficacy of the reablement service. Community Decision Making - Reduce the number of older adults requiring expensive long-term care via community decisions Physical Disabilities Support Model - Increase the number of service users with their ideal, most independent setting and support <p>Success will be measured by tracking performance indicators, including:</p> <ul style="list-style-type: none"> Reduction in starts into residential and nursing placements Reduction in the level of domiciliary care support received to support older adults at home, more independently Reducing the needs of those starting at the front door for the first time Increasing the support of those with domiciliary care support at home to be fully or more independent, and increase the active progression/enablement to reduce the level of support of service users
22.	<p>Whole Life Pathways</p> <p>The programme aims to ensure that individuals using our service will be able to access appropriate, strengths-based, independent, person-centred</p>

	<p>outcomes of care that are in-line with the Care Act and meets their needs, leading to enhanced independence and a better quality of life.</p> <p>Improvements will be delivered through five main initiatives:</p> <ul style="list-style-type: none"> • Moves - Relocating individuals to settings that maximise their independence. • Step-downs - Reducing overprovision of care within settings. • Progressions - Gradually upskilling individuals to progress towards eventual moves/step-downs. • Transitions - Improving alignment with Children’s teams for seamless transitions. • Continuing Health Care (CHC) - Ensuring appropriate funding setups for individuals with health needs. <p>Success will be measured by tracking performance indicators, including:</p> <ul style="list-style-type: none"> • Number of service users moving/stepping down to a more independent support level
23.	<p>Service Productivity and Redesign</p> <p>This programme is targeting productivity improvements across all areas of Adult Social Care. Whilst many improvements will be cross cutting across teams/practitioners, a structured approach in providing additional support on the staffing areas with the largest spend will be deployed.</p> <p>Improvements will be delivered through a combination of reviewing and redesigning process flows to streamline activity and reduce workload in non-value adding activities and performance visibility, supported by caseload management tooling and processes.</p> <p>Success will be measured by tracking performance indicators, including:</p> <ul style="list-style-type: none"> • Productivity gains across teams leading to savings
24.	<p>Children’s Services</p> <p>Newton’s focus within Children’s Services will be on implementing the following key programmes of activity:</p> <ul style="list-style-type: none"> • Managing Demand • Right Child Right Home
25.	<p>Managing Demand</p> <p>This programme is focussed on providing more targeted support to families to reduce the number of care entrants, and increasing the number of children who can safely return to their families. This will be achieved through:</p> <ul style="list-style-type: none"> • Launch of the ‘Family Help’ service, focused on prevention, targeted early intervention, assessment and meeting need to prevent higher level statutory intervention. • Redesign and relaunch of the Children’s Resource Service (MASH). • Implementation of the Family Safeguarding Model – recruitment of specialist adult workers embedded in Family Safeguarding Teams, supporting more children to remain with their families. • Strengthening family group conferencing as a way to keep families together. • Launching a new ‘Building Bridges Service’ (within existing resource), targeting the families and foster carers who need urgent or intensive help.

	<ul style="list-style-type: none"> Supporting reunification of children in care back to their families (where this is the right plan for them) and promoting other permanence options such as adoption, special guardianship orders and long-term fostering. <p>Success will be measured by tracking performance indicators, including:</p> <ul style="list-style-type: none"> Reduction in the number of new care entrants annually Achieving permanence for children who are currently blocked
26.	<p>Right Child Right Home</p> <p>This programme aims to reduce the proportion of Children in non-ideal placement types and reduce the average cost of provision. It will:</p> <ul style="list-style-type: none"> Maximise the proportion of children and young people who receive support from SCC's own placements as opposed to those provided by private companies. Maximise the proportion of children and young people who benefit from support in the placement type that is ideally suited to their needs, avoiding less than ideal matches which could lead to placement disruption. Placing and supporting children in stable, good quality, and value for money placements. Provide suitable accommodation for families who require this in order for children to return home from care. Ensure sufficient and suitable local accommodation for care leavers, enabling us to keep them close to their support networks and reducing costs. Ensure the most cost-effective accommodation for families who have no recourse to public funds, reducing the impact on council budgets. <p>Success will be measured by tracking performance indicators, including:</p> <ul style="list-style-type: none"> Reduction in the residential caseload Support an increased number of children in-house Reduction in the average cost of residential care
27.	<p>Support across the wider adapt grow thrive programme.</p> <p>This includes specific support with the following targeted complex issues:</p> <p>Demand and Capacity Planning Model</p> <p>To support the council to improve the data and evidence that is used as part of the annual business planning cycle, a demand planning model will be developed, focused on people-based demand, that will inform the demand on council services and the forecast across the 10-year horizon. To include:</p> <ul style="list-style-type: none"> A model to support and challenge the 5-year financial planning horizon A model to support strategic planning for 10-year horizon Guidance for senior leaders on how to use the model and, based on the scenarios that the model is showing for given sets of inputs, suggested questions to ask through the strategy and budget planning process and of decision makers. A revised annual planning cycle utilising the decision-making forums of the council, the availability of the data, insights and directorate planning work to inform budget planning <p>Prevention Business Case</p> <p>To support the council to enhance both the short-term prevention agenda delivering a minimum of £1m of savings towards the council's budget</p>

	<p>challenge and the 10-year prevention strategy, with a particular focus on the near-term activity that needs to be progressed.</p> <ul style="list-style-type: none"> • Consolidate the prevention activity across the transformation portfolio into a single delivery plan, exploring areas where the £1m target can be increased through either additional opportunities or extension of already identified opportunities to other areas. Analytical support to extract the prevention elements from the portfolio and consolidate into one prevention overview • Identifying opportunities to make the delivery of the prevention work more efficient and more impactful • Drafting of a single aligned prevention plan, alongside key stakeholders, that maximises short term benefit from prevention and initiates the delivery of the long-term strategy
28.	<p>Delivery Approach and Timescales</p> <p>Appendix 2 sets out the proposed resourcing approach and delivery timescales.</p>
29.	<p>Newton Europe has a proven track record of delivering savings within the public sector, having worked on over 100 similar programmes and with over 40 local authorities. Appendix 3 gives a sample of some of the reference sites of previous work delivered.</p>
30.	<p>A key element of the delivery approach is that Newton Europe resources will be embedded within the service areas and teams going through the changes, working alongside, and with, council staff. This helps to ensure that the changes being implemented are fully sustainable and that council staff are fully involved with delivering the improvements.</p> <p>The implementation will be delivered forming a full-time hybrid team, with Newton Europe providing specialist transformation capability covering programme management, benefit realisation, operations, behavioural change and digital tooling. This will:</p> <ul style="list-style-type: none"> • Create dedicated delivery capacity to support across significant transformation scope to ensure delivery of areas which are of most critical financial importance • Supplement existing SCC capabilities with specialised transformation capabilities, including with respect to solution diagnosis & design, behavioural science, performance visibility & management techniques and the development of advanced digital tools • Provide the agility to react quickly when things change, protecting delivery of the target outcome
31.	<p>Summary implementation plans are included in Appendix 2. These set out that the implementation activity relating to the key activity in Adults & Health and Children’s Services are planned to take place through until the end of 2025, with the bulk of the activity happening within the first 12 months of implementation. The programme timeline will remain under constant review and work will not finish until all of the agreed performance indicators and deliverables have been achieved.</p>
32.	<p>Contract Terms</p> <p>The total contract value is £9,000,000. Appendix 1 sets out the confidential and commercially sensitive terms relating to this report and the appointment of the transformation implementation partner.</p>

33.	The successful completion of Newton Europe’s implementation activity will be monitored and managed through the tracking and achievement of specific key performance indicators relating to each programme, which are linked to the achievement of the ultimate financial benefit.
34.	Examples of the types of indicators that will be used to measure success are included in the programme summaries above. The full set of metrics to be included in the formal contract documentation will be agreed prior to finalising the contract terms. These will be tracked and monitored through a specific financial monitoring group as part of the transformation programme governance, and regular updates on progress will be provided through both Cabinet and Overview and Scrutiny Committees.
35.	Payment milestones will be monthly and agreed to align with the timescales and profile of effort set out in the implementation plans. The final profile will be agreed as part of finalising the contract terms.
36.	Alongside the on-going monitoring of the performance measures and delivery progress through the normal transformation programme governance, the contract will be subject to dedicated quarterly ‘checkpoint’ reviews. These reviews will ensure that benefit delivery is on track and the council will have the ability to delay upcoming payments for a set period if expected benefits are significantly off-track.

RESOURCE IMPLICATIONS

Capital/Revenue

37.	<p>The report recommends the approval of a contract to the value of £9M, with the following profile.</p> <p>Table 1 Profiled expenditure</p> <table border="1"> <thead> <tr> <th></th> <th>2024/25 £M</th> <th>2025/26 £M</th> <th>Total £M</th> </tr> </thead> <tbody> <tr> <td>Contract Spend</td> <td>4.9</td> <td>4.1</td> <td>9.0</td> </tr> </tbody> </table> <p>The expenditure on this contract can be classified as transformation spend that will result in savings, therefore there are 3 potential routes to funding this expenditure.</p> <ol style="list-style-type: none"> 1. To utilise the allocation given within exceptional financial support should this be confirmed as available by government £10.6M 2. To utilise the transformation reserve £4.66M 3. To fund from capital receipts flexibilities – amount subject to receipts being available <p>The budget will need to be established in the general fund account and funded by the most financially efficient method at the close of this financial year bearing in mind EFS is only in place for 2024/25.</p> <p>The confidential appendix provides more detail on the financial aspects of the contract and the elements in place to ensure value for money.</p>		2024/25 £M	2025/26 £M	Total £M	Contract Spend	4.9	4.1	9.0
	2024/25 £M	2025/26 £M	Total £M						
Contract Spend	4.9	4.1	9.0						

	Should the council utilise borrowing to fund this expenditure the ongoing revenue cost will be circa £0.8M for 20 years subject to prevailing Public Works Loans Board interest rate
<u>Property/Other</u>	
38.	Not Applicable.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
39.	The Council has the necessary statutory powers in the Local Government Act 1972 and Localism Act 2011 to proceed with the recommendation of this report.
<u>Other Legal Implications:</u>	
40.	The Council must comply with the obligations contained in the Public Contract Regulations (2015) and the appointment of Newton Europe is consistent with those obligations. The proposed procurement route complies with this.
RISK MANAGEMENT IMPLICATIONS	
41.	Failure to deliver the required actions and associated transformation programme within the required timeframe would prevent the council from setting a balanced budget 2025-26. The implementation of the transformation programme activity is also a key aspect of the EFS “minded to” decision. This risk is being managed on the Corporate Risk register, with the programme governance and structure as set out in this report and associated appendices acting as key mitigations to prevent this risk from materialising. Reporting to Cabinet on the overall budget position is provided through the regular Budget/MTFS updates.
POLICY FRAMEWORK IMPLICATIONS	
42.	The recommendations of this report are consistent with, and not contrary to, the Council’s Policy Framework. It will support delivery of the priorities and outcomes set out in the Southampton City Strategy 2015 – 25 and the Southampton City Corporate Plan 2022 – 30 (updated in 2024).

KEY DECISION?	Yes
WARDS/COMMUNITIES AFFECTED:	Not Applicable
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Exempt Report
2.	Newton Delivery Approach
3.	Newton References
Documents In Members’ Rooms	
1.	Not Applicable
Equality Impact Assessment	
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	No

Data Protection Impact Assessment		
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.		Yes
Other Background Documents		
Other Background documents available for inspection at:		
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)	
1.	16 July 2024 Cabinet – “Transformation Update”: https://www.southampton.gov.uk/modernGov/ieDecisions/details.aspx?id=2461	