

<b>DECISION-MAKER:</b>	Cabinet
<b>SUBJECT:</b>	Budget Matters
<b>DATE OF DECISION:</b>	27 August 2024
<b>REPORT OF:</b>	<b>COUNCILLOR FIELKER LEADER OF THE COUNCIL</b>

<b><u>CONTACT DETAILS</u></b>			
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<b>STATEMENT OF CONFIDENTIALITY</b>
<p>Appendix 1 of this report is not for publication by virtue of category 7A (obligation of confidentiality) of paragraph 10.4 of Southampton City Council's ("the Council's") Access to Information Procedure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>

<b>BRIEF SUMMARY</b>
<p>This report summarises budget matters relating to the appointment of an interim transformation partner to support the successful implementation of the Council's "adapt   grow   thrive" organisational transformation programme.</p>

<b>RECOMMENDATIONS:</b>		
	(i)	To approve the release of transformation funding as detailed in Appendix 1 from reserves or the Exceptional Financial Support (EFS) facility.
	(ii)	To approve the appointment of Newton Europe Ltd ("Newton Europe") as an interim transformation partner to commence 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 interim transformation partner.
<b>REASONS FOR REPORT RECOMMENDATIONS</b>	
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 EFS from the government. This is a key component in enabling the Council to achieve long-term financial sustainability.
2.	Appendix 1 sets out the confidential and commercially sensitive terms relating to this report and the appointment of the interim transformation partner.
3.	This appointment follows, and directly relates to, the completion of a diagnostic phase of work by the proposed interim transformation partner, Newton Europe.
4.	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.
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>	
5.	<b>Do not proceed with the implementation of transformation proposals.</b> This option was rejected as it would result in the Council failing in its plan to become financially stable.
6.	<b>Undertake a procurement process to appoint an alternative transformation partner.</b> 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.	<b>Proceed with the transformation proposals using only existing Council resources and/or temporary staff appointments.</b> This option was rejected as the Council does not possess sufficient skills, knowledge and, crucially, capacity to implement the proposals itself without external assistance and support.
<b>DETAIL (Including consultation carried out)</b>	
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.	Consideration of whether the Council wishes 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, will be the subject to a further report to Council in September 2024.
14.	The report in September 2024 will set out the full scope of work that would be undertaken by a lead Transformation Partner and other key considerations, including detail of the proposed commercial model, demonstration of value for money, and the accompanying assurance mechanisms that the Council will use to manage any future commercial relationship.
15.	In view of the Council's financial challenges, it is imperative that the Council ensures that all elements of the implementation of its transformation programme are commenced immediately to realise savings as early as possible. This therefore requires a period of interim transformation partner support until a decision on the full implementation phase can be taken. Approval is sought for an interim agreement with Newton Europe covering September and October 2024.
16.	Approval of the interim arrangement set out in this report, along with the exempt appendix, in no way prejudices or pre-empts any future decision regarding the appointment of a transformation partner for the full implementation phase.
<b>RESOURCE IMPLICATIONS</b>	
<b><u>Capital/Revenue</u></b>	
17.	The resource implications are contained in Appendix 1 to this report. Costs attributable to the interim transformation partner support will be funded from reserves or a drawdown of the EFS facility depending on which is most financially efficient.
<b><u>Property/Other</u></b>	
18.	Not Applicable.

<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
19.	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.
<b><u>Other Legal Implications:</u></b>	
20.	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.
<b>RISK MANAGEMENT IMPLICATIONS</b>	
21.	Cabinet is asked to note that this report concerns the Interim Implementation Phase only; the risks associated with continuing to the full Implementation Phase will be contained in the full Council report in September 2024.
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
22.	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).

<b>KEY DECISION?</b>	<b>Yes</b>
<b>WARDS/COMMUNITIES AFFECTED:</b>	Not Applicable
<b><u>SUPPORTING DOCUMENTATION</u></b>	
<b>Appendices</b>	
1.	Transformation Funding - Confidential
<b>Documents In Members' Rooms</b>	
1.	Not Applicable
<b>Equality Impact Assessment</b>	
<b>Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.</b>	<b>No</b>
<b>Data Protection Impact Assessment</b>	
<b>Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.</b>	<b>Yes</b>
<b>Other Background Documents</b>	
<b>Other Background documents available for inspection at:</b>	
<b>Title of Background Paper(s)</b>	<b>Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)</b>
1.	16 July 2024 Cabinet – "Transformation Update":

	<a href="https://www.southampton.gov.uk/modernGov/ieD/onDetails.aspx?Id=2461">https://www.southampton.gov.uk/modernGov/ieD/onDetails.aspx?Id=2461</a>	
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