

This report is public	
Transformation Contract Extension	
Committee	Executive
Date of Committee	6 January 2025
Portfolio Holder presenting the report	Portfolio Holder for Customer Focus, Councillor Chris Brant
Date Portfolio Holder agreed report	17 December 2024
Report of	Corporate Director Resources and Transformation, Stephen Hinds

Purpose of report

To outline a fourth phase of work to progress the Councils transformation programme and obtain approval to extend the contract with our partner to deliver this next phase.

1. Recommendations

The Executive resolves to:

- 1.1 Award a short contract extension to PA Consulting for a fourth phase and final phase of work to the value of £116,090.
- 1.2 Approve the transfer of £116,090 from the reserves earmarked for transformation, to fund this additional phase of work.
- 1.3 Receive the “Case for Change” and associated outputs, once delivered, to consider whether and how to take forward the proposed transformation programme.

2. Executive Summary

- 2.1 As part of the Council’s need and desire to transform its services and the way it works to be more efficient and effective, the council appointed a partner with a proven track record to undertake a piece of work to help our services identify these opportunities. The original 3-phase piece of work was carried out at an intense pace and is now complete, leaving the council with a solid evidence base to move forward in our transformation and change journey.
- 2.2 The work carried out in those three phases identified effectiveness changes totaling **£4.1m** over the projected project period, alongside **£2.4m** of additional income, whilst identifying cross-cutting effectiveness themes that would generate further income – thus showing the size of the prize if the Council operates and invests in an

effective transformation programme. In addition to the effectiveness and income changes, various service level options were developed with an option identified here generating a value of **£4.5m**, leaving the Council with options totaling **£11m** against a target of **£8.375m**. These figures are indicative and future work will be carried out to articulate the expected figures. As with all work, there is an element of “optimism” in those potential savings identified at this early stage. Following the government green book approach, it would be prudent to reduce our expectations of the amounts that can be delivered by 10%, thereby equating to a totality of circa **£10m**. As programmes are developed, these figures will be more accurately forecast in their savings delivery.

- 2.3 Driving this scale of transformation forward, which is needed to manage the financial challenges set out in the MTFS will require the council to have the right infrastructure and resources in place. This phase of work will help to confirm whether or not the Council has the right infrastructure and resources to drive this scale of transformation forward and which it needs to manage the financial challenges faced in the medium-term financial plan whilst improving how the Council operates and delivers its services.
- 2.4 The council also does not have the capacity to address some of the significant cross-cutting issues that have been identified throughout its transformation work to date.
- 2.5 These foundations include the development of a high-level business case that clearly sets out the costs and benefits of change, including a transformation road map that enables the delivery of the Council’s strategy and how to mobilise the programme with appropriate governance. As the transformation programme moves forward, further due diligence and validation will be required through the development of additional business cases for specific investments as our programme progresses.
- 2.6 During the procurement process and identification of a suitable partner for the initial three pieces of work, the council included an option to extend the initial three phases of work in the contract to a fourth phase if there was mutual agreement to do this based upon the ongoing findings (from the first three phases).
- 2.7 The recommendations are therefore to utilise the expertise, knowledge and capacity of the current partner by extending their contract for a fourth phase of work and to approve the transfer of £140k to fund this work to begin as soon as possible to ensure that valuable time is not lost and momentum for change is continued at the Council. An Executive decision is required as a fourth phase would exceed the contract value threshold for operational decisions to be taken by officers (£500k).

Implications & Impact Assessments

Implications	Commentary
Finance	Phases 1-3 were due to cost the council £400k net, £480k gross. The following table shows the costs of phases 1-3 and then the additional proposed cost of phase 4.

	Net £000	VAT £000	Gross £000
Original Contract	400	80	480
Additional Work	25	5	30
Sub Total 1-3	425	85	510
Phase 4	140	139	139
Forecast Total	541	113	649

Cost overruns on phases 1-3 took the gross cost of the contract over £500k.

A further £116k transfer from the transformation reserve is required to fund the fourth phase of work.

The following table shows how the Transformation Reserve has been utilised in 2024/25 and what level of reserve is forecast to be left at the end of the year and available to support transformation in the future.

Transformation Reserve	£000
Opening Balance	(1,705)
Budgeted use 2024/25	573
Forecast overspend (to be approved)	116
Phase 4	116
Forecast Closing Balance	(900)
Current Planned Spend 2025/26	575
Forecast Closing Balance 2026/07	325

Michael Furness, Assistant Director Finance (Section 151 Officer),
12 December 2024

Legal

This report concerns extension and award of the Cost Based Assessment Contract with PA Consulting for the additional phase as set out in the report. In terms of compliance with the procurement rules, the original contract specification refers to phase 4 in the following terms - *The Council is open to the possibility of a fourth phase of work which would be a mutually agreed piece of work implementing the outputs of the three prior phases.* This phase did not form part of the tender evaluation process hence no price was provided for this phase. It is important that this achieves value for money. In aggregate this piece of work also is above key decision threshold of £500k as the original contract value of £480k has exceeded and this extension would bring the value well above the £500k limit. In terms of procurement, a further transparency/award notification should be considered, or may indeed be required, in respect of the proposed phase 4 should it be awarded. It is therefore recommended that an appropriately informed direct award justification report/

	statement be compiled by Corporate Director and approved by Procurement – prior to award. Shiraz Sheikh – Monitoring Officer/Assistant Director Law & Governance, 23 December 2024			
Risk Management	This contract extension will provide the council with the additional resource and expertise to expedite the delivery of identified transformation changes, in turn support delivery of the transformation programme and future financial sustainability for the council. Celia Prado-Teeling – Performance Team Leader			
Impact Assessments	Positive	Neutral	Negative	Commentary
Equality Impact		X		N/A
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		Neutral
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		Neutral
Climate & Environmental Impact				N/A
ICT & Digital Impact				N/A
Data Impact				N/A
Procurement & subsidy				See Legal section above.
Council Priorities	This paper supports all Council Priorities			
Human Resources	N/A			
Property	N/A			
Consultation & Engagement	N/A			

Supporting Information

3. Background

- 3.1 Cherwell District Council is an ambitious authority, with a wide range of strategic priorities to improve the lives of our residents, develop our offer to business and make the district a great place to live, work and visit. As with many Councils, there are financial pressures that we need to address, not only regarding inflation and the cost of living crisis, but pressures on funding and our desires to achieve our ambitious district improvement programme. The Council recognises that we need to modernise our ways of working, improve our organisational maturity and ability to be more agile in the way we operate. This is recognised across all areas of the organisation.
- 3.2 The council recognises it must change how it works and transform across the whole organisation, empower its committed workforce, and embrace the opportunities that allow for more effective and efficient services.
- 3.3 As part of the Council's desire to transform our services and the way we work, the council sought a partner with a proven track record to undertake a consolidated 3-phase piece of work coordinated across all council service areas, running in conjunction/alongside our annual budget setting process.
- 3.4 The procurement programme for this acquiring a partner organisation was carried out utilising the Crown Commercial Services Framework (MCF3). A note on the Crown Commercial Services Framework (MCF3) can be found in Appendix 2.
- 3.5 The scope for the work was developed by the Corporate Director – Resources & Transformation and the Assistant Director – Customer Focus. This scope was reviewed by an independent professional to ensure the Council and was signed off by the Council's procurement professionals.
- 3.6 To ensure transparency in any appointment, the appointment panel consisted of the Assistant Director of Finance (S151 Officer), the Head of Finance (Deputy S151 Officer) and the Transformation Programme Lead. There was also a presentation element at which two members of the procurement team were in attendance and an independent professional.
- 3.7 Work commenced in July 2024, with the third phase being completed in November 2024.
- 3.8 With respect to project governance, the project was managed through a Project Board consisting of the following Council Officers:
- Corporate Director – Resources and Transformation (SRO)
 - Assistant Director – Customer Focus
 - Corporate Director – Communities
 - Assistant Director – Finance
 - Assistant Director – Law and Governance

Also, in attendance from the Council was the programme PM Officer. The meetings were also attended by key members of the PA Consulting Team alongside an independent professional. Note that the Panels who sat at the end of each phase consisted of the Project Board and the Assistant Director of Human Resources (as a non-voting panel member). It should also be noted that the Assistant Director of Customer Focus deputised for the SRO in their absence when required.

- 3.9 The project board met formally on a weekly basis, with the ability to meet as an when required outside of these weekly meetings.
- 3.10 After each phase was completed, an additional “closing” meeting was undertaken with the project board and the Assistant Director of Human Resources (who was a non-voting panel member) to ensure that actions, recommendations and conclusions were recorded before moving onto the next phase. A summary of these findings can be found in paragraphs 3.14 – 3.16
- 3.11 In addition, this transformation work was reported to Corporate Leadership Team (CLT) as a standing item at the weekly CLT meeting. Regular communications to staff were received via all-staff briefings and email communications.
- 3.12 Members were kept abreast of the programme through updates at the monthly Executive Business Planning Meeting (BPM) (as a standing item as required) meetings, monthly Chief Executive Briefing meetings and relevant portfolio holder updates. There was also a presentation to members at the CLT/Executive awaydays on 10 July and 12 September 2024. It was agreed that a briefing would be given to a panel of members regarding the process and ways forward, in advance of a full Executive away day in January.

Summary of Work

- 3.13 The initial work was split into 3 phases, each phase being detailed below:
- **Phase 1.** Created a services catalogue and costed baseline for all service areas. Quantitatively defined service outputs and outcomes, allocated staff effort and budgets to provide a clear view of current services and their delivery costs.
 - **Phase 2.** Identified potential changes to baselines relating to the below levers of cost:
 - Demand Changes. These related to decisions outside of the budget holder’s control that will drive upward movement in the baseline data, agreed as part of Phase 1 (such as increases in service demands leading to increased cost pressures, increasing costs for existing provision etc).
 - Effectiveness Changes – providing current service levels more efficiently and/or effectively. These related to the following types of effectiveness opportunities:
 - Service area specific effectiveness changes (e.g., HR only).
 - Common effectiveness changes (e.g., same action relating to two or more service areas commonly relating to non-staff cost reductions such as printing).

- Cross-cutting effectiveness opportunities that have dependencies with one or more additional service areas.
 - Areas given a blanket “stretch” target of 20% of controllable spend
- **Phase 3.** Considered a range of service level options that could be provided (at a high level for each service). This provided insights to inform where to prioritise to ensure resources are best aligned to the strategic priorities. It should be noted that the outcome of Phase 3 is indicative only. It is recognised that any changes to service levels would require member approval. At this stage the report confirms initial indications from officers, should future savings be required from service level reductions

3.14 As part of the initial phase, Panel 1 provided a description of current staff (as full-time equivalents or “FTE”) and non-staff costs; the services being delivered and a costing for each service.

Service Areas also presented initial thinking of Demand and Effectiveness changes, which the Panel provided a steer on ahead of Phase 2.

- A total of **108** indicative Demand and Effectiveness Changes were presented at Panel 1;
- Of which, **51** were progressed into Phase 2.

3.15 Using the approved baseline of services (agreed at Panel 1), proposals for Demand and Effectiveness Changes were developed by the Service Leads and supporting teams on the basis that they maintained current service levels. Demand Changes were developed based on robust analysis of the drivers of current activity and the quantification of what changes will impact the Council in the future. Effectiveness Changes identified different ways to deliver the same level of service, at lower cost. The teams applied analysis of existing processes and data, comparing against good practice and consideration of the drivers of inefficiency. These **proposals** were presented at Panel 2:

- A total of **24 Demand Changes** and **82 Effectiveness Changes** were presented at Panel 2, including the 51 progressed from Phase 1;
- A total of **16 Demand Changes** and **53 Effectiveness Changes** were agreed at Panel 2.

Demand and Effectiveness Changes requiring further work following Panel 2

In addition to the Demand Changes, several opportunities identified by the Service Leads required an uplift in resourcing but did not fit the qualification criteria. These were not presented at Panel 2. The Service Leads and supporting teams were instead directed to bring these back as improved service level options at Panel 3. There were several Effectiveness Changes that either could not be quantified at the time or were dependent on certain events or decisions taking place. These will provide our Council with greater opportunity in the future to develop.

3.16 Using the approved proposals for Demand and Effectiveness Changes from phase 2, current service level costs were re-calculated and agreed. Service Leads, in

working with their teams, produced and costed up six different service levels options (minimum, intermediate 1, intermediate 2, current, improved 1, and improved 2):

- Minimum is defined as the minimum level of service that fulfils legal and statutory requirements (and “acceptable” requirements).
- Intermediate service level options are step changes in service between minimum and current
- Improved service level options offer up to two levels of investment to increase levels of service above current.

Risks associated with different service level options were defined and scored using the Council’s scoring matrix.

At Panel 3, Service Leads presented the proposed service levels, with definitions of the services offered, total cost, FTE and, where applicable, income for each plus their risk profile.

- 3.17 Accompanying these phases, work was undertaken to understand the Council’s levels of activities carrying out various tasks and duties, which is vital in identifying how cross-cutting effectiveness and new ways of working can be implemented, alongside being a critical input into the development of the new Target Operating Model (TOM), the findings of which are included in that stream of work. The programme of work also looked at organisational culture, taking various streams of activities the Council has undertaken and summarised a high-level view on organisational culture at Cherwell.
- 3.18 Upon completion, the primary 3-phase piece of work was carried out at an intense pace and is now complete, having identified an indicative £4.1m of effectiveness changes (as outlined in table 1, with the draft summary report included in Appendix 1), plus additional income streams over the life of the programme whilst maintaining current service levels of circa £2.4m (as outlined in table 2, net of associated costs correct at the time of the data being produced), leaving the council with a solid evidence base to move forward in our transformation and change journey. There were a number of cross-cutting initiatives. It should be noted that some effectiveness changes and income streams were able to be brought online for the 2025/26 financial year to assist with the coping of budget pressures, and these have been presented via the annual budget setting process. The work carried out in Panel 3 identified how the Council could, if it needed to and wanted to, select levels of service delivery, and the indicative example developed through this process showed how an additional £4.5m of savings could be made through changes in service levels throughout the organisation. Whilst a significant element of the additional income is derived from a new government funding stream, there are high level of uncertainty relating to its continuous deployment, especially taking into account future local government funding reforms.
- 3.19 As with all work, there is an element of “optimism” in those potential savings identified at this early stage. Following the government green book approach, it would be prudent to reduce our expectations of the amounts that can be delivered by 10%, thereby equating to a totality of circa £10m. As programmes are developed, these figures will be more accurately forecast in their savings delivery.

Table 1: Summary of Effectiveness Changes across the Council

2025/26 to 2027/28 (Cherwell District Council)	Saving Target Aim @ 20%	Effectiveness Saving	Income Generates
<u>Service Area</u>			
Customer Focus	551,000	-278,759	0
Digital Innovation	313,000	-84,584	0
Environment 1		-1,075,081	-175,000
Environment 2	2,527,000	-49,990	-6,400
Finance	835,000	-645,000	0
Growth & Economy	159,000	0	0
Housing & Wellbeing	1,253,000	-447,349	364,256
Human Resources	248,000	-115,738	0
Law & Governance	469,000	-40,000	0
Planning & Development	936,000	-474,385	-314,400
Property	753,000	-751,474	0
Regulatory Services	334,000	-55,039	0
	8,378,000	-4,017,400	-131,544

Table 2: Additional Income Streams

Cherwell District Council	Additional Income
<u>Service Area</u>	£'000
Customer Focus	-5
Environmental Services (1)	-1,944
Planning and Development	-443
Total	-2,392

3.20 With respect to the Cultural aspect, the review showed that the Council has staff that are committed to providing the best services possible, but the findings, and those behaviours observed through the exercise identified that further work is needed to ensure our transformation journey is successful. Three key areas were identified relating to siloed ways of working, delegation and accountability and resistance to change.

4. Details

4.1 After the findings of the first two phases, and in the build up and delivery of Phase 3, a number of work streams were needed to be urgently undertaken to ensure that the Council can maintain delivery momentum by creating effective delivery planning (including budget sizing and resources planning), thus identifying work that needed to be carried out in the potential fourth phase of work

4.2 It is important that the Council needs to agree our ambition for change, develop a high-level business case that clearly sets out the costs and benefits of change, including a transformation road map that enables the delivery of the Council's strategy and how to mobilise the programme with appropriate governance. This being the case, the Council has identified the following activities that are required to achieve this in the first instance and due to the need to expedite our transformation work, to keep momentum and create capacity to deliver, the Council requires external support to do this.

4.3 The Council identified four key activities that would enable this, and these four activities are:

Activity 1: Support Development for a high-level case for change

Support the Council to (soft) mobilise the transformation streams identified in the Transformation review process by creating a programme initiation document and support the development for the Council’s case for change.

Activity 2: The agile delivery for process automation

Support the Council in identifying the best way to deliver the agile work programme based on the findings where we have identified areas where process automation could bring the biggest benefits.

Activity 3: Shifting Culture

Provide support to the Council to help better understand the organisation’s cultural context and help the Council move towards its new vision.

Activity 4: Addressing off-contract spend

Provide practical support to address the issue surrounding off-contract spend (where we have identified over 200 suppliers who are not on the contracts register with spend totalling over £21m).

4.4 Referring back to the original tender, the contract specification identified that the Council anticipated additional work may be needed to maximise the benefit of the process and enable the Council to deliver its new significant transformation schemes. Section 2 of the contract specification, the section relating to the scope of the contract, it states that “ The Council is open to the possibility of a fourth phase of work which would be a mutually agreed piece of work implementing the outputs of the three prior phases” and that section three stating “Tenderers should base their proposals on achieving the key deliverables within a maximum 4 months term for the three primary phases...”. These two sections are clear on the ability to carry out a fourth element as the 4 months is clearly defined to the first three phases, and the fourth phase being mutually agreed and based on what comes out from the first three phases.

4.5 On this basis, the Council requested that our current partner build a proposal that addressed the four activities, with the deliverables outlined in the table below.

Title	Description
Programme set up & support development of a high-level case for change – Development of a PID	Supporting the Council to soft mobilise the programme developing a programme initiation document (PID) identifying the following information: <ul style="list-style-type: none"> • resource approach • procurement options, if appropriate • governance arrangements • RAID approach to development • change management process • future programme team roles and responsibilities

Programme set up & support development of a high-level case for change – Case for change	To support the Council’s transformation team in producing a high-level case for change. Please note this will be a document produced by the Council but requires the support of our procured partner.
Process Automation	Produce value stream maps, creating related prioritisation programmes which has a consolidation of relevant outputs.
Shifting culture	<p>To build upon the analysis completed during the cost-based services review by:</p> <ul style="list-style-type: none"> • Running engagement activities with leadership and staff across the Council to generate greater insight on leadership sentiment. • Identify steps the Council needs to consider developing a culture that enables its One Council vision, such as: Identifying the levers, the Council can pull. This could include social levers such as; power structures and communities and organisational levers such as communications and learning & development (not an exhaustive list) • Identifying behaviours (particularly in relation to leadership) to embed the Council values and to support the One Council vision. <p>This would then cumulate in a report for the Council reviewing the points above.</p>
Review of Contracts	Following on from the contract analysis in the cost-based services review, the Council would like practical recommendations to improve our contract management – encapsulating governance, processes and structures. This should take the form of a simple report with observations and recommendations regarding the organisation, processes and governance.

4.9 The quote for the scope of work, delivering to our requirements is £116k. It should also be noted that the work regarding contracts would cost £12k, therefore, whilst an extremely useful piece of work (the Council has identified £21m of “off-contract” spend), the cost is potentially prohibitive and will not be taken forward and would be looked to delivered potentially internally.

4.10 As outlined in the delivery requirements, this work will produce a Case For Change and identify the future governance arrangements (including member approvals) for the future, organisation-wide overarching transformation programme. At this point the Executive would be asked to approve a new transformation programme on the base of the Phase 1-3 report and the case for change with a clearer understanding of the costs of the change programme management. Also note that further due

diligence and business cases would then follow for specific work elements that would require approval in the normal governance and approval mechanisms.

- 4.11 If, through the findings and recommendations of this work any further external report is required to support and enable the delivery of the transformation programme, a new procurement exercise would be undertaken. This thereby ensures that the Executive has the fullest possible information before being asked to approve a new programme of work.

5. Alternative Options and Reasons for Rejection

- 5.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: Undertake a new competitive procurement exercise for the key deliverables outlined in paragraph 4.5 above (the Case for Change). The council could undertake a new competitive procurement exercise.

Benefits

- Would give other suppliers an opportunity to tender for this work.

Dis-benefits

- A new partner would lack the tacit knowledge and understanding that the current partner has gained through the initial three phases of work.
- A competitive procurement exercise would take at least 4-weeks to undertake once Executive approval obtained on 6 January 2025, require more council resources and lead to a loss in momentum.
- A new procurement exercise is unlikely to attract much interest from suppliers as only two including our current partner tendered for the original contract and the other party (if interested) is unlikely to be happy to follow another suppliers approach and they would be required to pick up where they left.
- Opportunity for current partner to challenge this process (phase 4) as it was scoped as an option in their existing contract

This option was discounted due to the dis-benefits outweighing the benefits.

Option 2: Progress with existing resources and without external expertise

Benefits

- No immediate budget requirement

Dis-Benefits

- The council does not have the expertise and capacity to deliver this next phase so it is likely to take significantly longer as resources will need to develop the necessary capability and this would lead to a loss in momentum. Given this, the assurances on outputs could not be at a level that where the risk of potentially jeopardising the transformation outcomes is minimised, thereby increase the risk of reliance on reducing service levels to meet our financial requirements.

- Additional time would be required to mobilise resources without negatively impacting service delivery, which could include back filling posts to create the capacity needed. A budget would be needed for any back-fill arrangements

This option was discounted due to the need for the council to progress with delivery of the transformation as quickly as possible in order to deliver change with proper skills and resources to enable the transformation.

6 Conclusion and Reasons for Recommendations

- 6.1 In conclusion, the council has identified the key activities required to drive forward transformation. Maintaining momentum is essential to delivering transformation and achieving long-term financial sustainability.
- 6.2 The council possesses a significant amount of capability and knowledge with regard to service delivery and this will be key to transformation. Supported by the expertise and capacity of a trusted partner will ensure that the council is best placed to drive this next phase of transformation forward whilst also achieving best value.

Decision Information

Key Decision	Yes
Subject to Call in	Yes
If not, why not subject to call in	N/A
Ward(s) Affected	N/A

Document Information

Appendices	
Appendix 1	PA Consulting Draft Summary Report on Transformation
Appendix 2	Information on Crown Commercial Services
Background Papers	None
Reference Papers	None
Report Author	Stephen Hinds, Corporate Director Resources and Transformation
Report Author contact details	Stephen.Hinds@Cherwell-dc.gov.uk

Corporate Director Approval (unless Corporate Director or Statutory Officer report)	N/A - Report of Corporate Director
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