


Individual Mayoral Decision Proforma Decision Log No: <u>172</u>	 TOWER HAMLETS
Report of: Corporate Director Resources	Classification: Unrestricted
Smarter Together Programme – Grant Thornton Contract	

Is this a Key Decision?	Yes
Decision Notice Publication Date:	18 th August 2017
General Exception or Urgency Notice published?	Yes
Restrictions:	N/A
Reason for seeking an Individual Mayoral Decision:	The contract is a key part of delivering the Council's transformation programme and a swift decision is critical to ensure priority projects can be delivered.

EXECUTIVE SUMMARY

In July 2016 Cabinet approved £1.1m for the Council to work with a strategic partner to deliver change in its services.

The Council's Medium Term Financial Strategy (MTFS) identified the need to review services to achieve efficiencies in the light of Government cuts to the Borough's budget, so it has to save £58m over the period 2017-2020.

To assist in the delivery of what are a diverse range of proposals the Council undertook a legally compliant procurement exercise using a Framework of suppliers in order to identify and contract with a strategic partner who would support the Council in all aspects of the delivery of those savings proposals. The procurement exercise was won by Grant Thornton LLP. Their bid also included the ability to sub-contract to a number of other organisations which created a broad portfolio of skills which might prove necessary for the Council to achieve its objectives.

The original budget for the work was estimated by the Council by considering the types of work required and drawing upon the work previously undertaken with Members on an Outcomes Based Budgeting approach.

The budget was estimated on the best information available at the time, but additional budget is now required, in order to continue to achieve the transformation of Council services.

DECISION

The Mayor is asked to approve an extension to the original contract with a revised estimated budget increased over the original 3 years of the contract to £3.5m.

APPROVALS

1. Chief Finance Officer or his/her deputy

I have been consulted on the content of the attached report which includes my comments.

Signed  Date 18/08/17

2. Monitoring Officer or his/her deputy

I have been consulted on the content of the attached report which includes my comments.

I confirm that this decision:-

is urgent and subject to the 'General Exception' or 'Special Urgency' provision at paragraph 18 or 19 respectively of the Access to Information Procedure Rules.


Signed  Date 18/8/17

4. Mayor

I agree the decision proposed in the recommendations above for the reasons set out in paragraph 1.1 in the attached report.

Signed  Date 18/8/17

| Am on balance happy to sign, but each deployment needs to be carefully justified and scrutinised, by management with a parallel strategy that reduces the call on this contract. I expect to see regular update reports.



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Individual Mayoral Decision



Report of: Corporate Director, Resources

Classification:
Unrestricted

Smarter Together Programme – Grant Thornton Contract

Lead Member	Cabinet Member for Resources - Councillor Edgar,
Originating Officer(s)	Neville Murton (Divisional Director – Finance, Procurement and Audit)
Wards affected	All Wards
Key Decision?	Y
Community Plan Theme	

Executive Summary

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The original budget for the work was estimated by the Council by considering the types of work required and drawing upon the work previously undertaken with Members on an Outcomes Based Budgeting approach.

The budget was estimated on the best information available at the time, but additional budget is now required, in order to continue to achieve the transformation of Council services. This is because a number of unanticipated projects have occurred for example:

- Supporting the work following the OFSTED inspection in Children's Services
- The provision of the Corporate Programme Management Office (CPMO)
- Additional support to the programme management discipline, in advance of the recruitment to a number of substantive posts)

Also, where the work was anticipated the level of work required to achieve the savings targets is proving to be more challenging than originally envisaged and Grant Thornton's remit is to bring into consideration other areas of the Council from

which cashable savings may be derived and the opportunity needs to be provided for this to be explored on a case by case basis.

This document highlights:

- i. The original basis of the Grant Thornton contract,
- ii. The re-scoping exercise following their appointment,
- iii. Additional priorities added to the original scope of work,
- iv. The added value the contract provides to the Council enabling us to access a range of services, as presented by Grant Thornton and endorsed by the Corporate Leadership Team and,
- v. Proposals for continued use of the original contract recommending a revised budget for approval.

Recommendations:

- a) The Mayor is asked to approve an extension to the original contract with a revised estimated budget increased over the original 3 years of the contract to £3.5m.

1. REASONS FOR THE DECISIONS

- 1.1. The value of the initial contract sum needs to be increased in order to allow for further packages of work to be undertaken. Additional work packages in relation to the Council's Transformation Programme have been identified alongside other related work including actions to respond to the recent OFSTED report and its associated improvement plan and work for the Tower Hamlets Strategic Partnership and Community Plan development.

2. ALTERNATIVE OPTIONS

2.1. A further tender exercise could be undertaken. However, this presents the risk that a change in contractor in the middle of the programme may be significantly detrimental to the Council achieving the overall savings targets. Also considerable levels of work would need to be undertaken by any new contractor in order that they familiarise themselves with the business as a whole and it would be difficult to justify the double payment of fees as being Best Value for the Council particularly when adding in the cost of the procurement exercise itself. However the initial exercise which is still fairly recent in terms of changes in the market demonstrated that Grant Thornton's approach delivered value for money both in terms of the overall sum quoted, against the initial assessment of work required, and also in respect of the discounted day rates submitted by the tenderers against the day rates the bidders submitted to join the Framework from which the Council's procurement exercise was run.

2.2. The Council could consider directly hiring interim staff to support the projects. However, the current anticipated work packages that have been and would continue to be placed with Grant Thornton cover short term pieces of work requiring specialist input or where alternative approaches from outside the organisation have been shown to work. Interim staff with the required skills could be recruited but the nature of the packages would mean that a number of short term assignments would be required and would provide only patchy experience of where other alternative approaches used outside the Council (particularly within other public bodies) have been shown to work.

3. INTRODUCTION

3.1. In July 2016, Cabinet approved the procurement of a strategic partner to support and provide specialist expertise to the Council's savings and transformation programme over the MTFS period 2017-18 to 2019-20. Following a rigorous procurement exercise, the Council awarded a 3 year contract from September 2016 to Grant Thornton (GT) UK LLP.

3.2. The procurement was undertaken as a mini competition against a professional consultancy framework and achieved reductions over the day rates normally attributable to that framework.

3.3. As the final scope of the services was unknown at this point an estimated contract value of £1.2m over the MTFS period was set out in the tender documents with the provision of day rates from which the cost of future work packages could be derived. The original proposal included the following 3 broad work streams:

- Work stream 1: Project and Programme Management
 - Advising on the establishment of Programme Management Office principles and providing liaison link between the GT, its subcontractors and the Council's PMO (but did not include the provision of the resources for the initial operation of the PMO itself).

- Work stream 2: Developing the Outcome Based Budgeting (OBB) Approach
 - MTFS blue print, OBB methods/base budgets, member participation and review/integration of supporting strategies.
- Work stream 3: Evidence based transformation & savings
 - Integrating Outcome based accountability
 - Supporting member scrutiny and oversight
 - Supporting services to establish outcome based proposals for 2017/18 budgets
 - Developing an evidence based decision making framework
 - Supporting thematic programmes/developing evidence based accountability
 - Leadership, people and culture
 - Pilot Service Review (adults)
 - Supporting the council to deliver transformation priorities to September 2017

4. Details of the Report

4.1. The initial work streams were re-scoped into specific work packages as part of the contract. Each work package was supported by a Project Initiation Document which identified the costs and outcomes and was signed off by both Grant Thornton and the Divisional Director Finance for the Council. This re-scoping included a greater number of work packages than was originally anticipated but within the overall scope of the contract as the need for specific support became clearer following commencement of the detailed work. This also included the deletion of some areas which were not required. For example:

- i. Work stream 2 was not progressed as officers supported the workshops with members to identify proposals drawing on the previous Outcomes Based Budgeting approach.
- ii. The contractor was asked to provide the initial staffing for the PMO whilst recruitment took place rather than merely providing the essential liaison post. This took approximately 3 months but did allow the PMO to be established and support projects into development immediately following the Council budget decisions.
- iii. The contractor's staff within the PMO also provided support in developing a number of mayoral growth priorities.

4.2. As the Smarter Together Programme Board structure has developed the Boards have also played a role in shaping and requesting work to be undertaken under the contract to support delivery of the projects that they oversee and where there is added value to be provided by Grant Thornton and its subcontractors or the ability to draw on additional capacity to progress projects sooner.

4.3. The initial work packages agreed were:

- WP6 — PMO set up and interim support (GT)
- WP3 — Refresh supporting strategies to MTFS (CiPFA)
- WP7 — Support member engagement in MTFS (CFPS)
- WP2 — Business case and savings support (GT)
- WP12— Leadership, people and culture support (iMPOWER)
- WP8 — Demand management: all services (iMPOWER)

- WP10—Income generation, investment and commercialisation (GT/ CiPFA)
- WP11—Full Business Support review & implementation support (GT)

Note where the organisation in brackets is not GT this denotes the subcontractor consultant who actually undertook the work and had been specifically identified in Grant Thornton's original tender submission as a subcontractor

Additional work to original scope, 2016

4.4. At the commencement of the contract a number of new priorities directly linked to the council's MTFS and Transformation plan agenda were identified which were not in the original specification. These were added in October 2016 to the scope of work and are listed below:

- WP1 — Review Council's efficiency plan to DCLG (GT)
- WP4 — Review of service budgets – adults and children's services (GT)
- WP5 — Delivery of CiPFA Financial Management model (CiPFA)
- WP9 — Support development of mayoral growth priorities (GT)

4.5. The evolution of a number of additional strategic priorities across the organisation (e.g. Children Services Ofsted Review) meant that the Council has needed to and been able to draw additional expertise from Grant Thornton and its subcontractors.

4.6. The following work packages are currently planned and in train across the Council:

- WP3 — Refresh of support strategies to MTFS (CiPFA)
- WP 7b —Further support to members and scrutiny (planned) (CFPS)
- WP10 — Support to adult social care integration with health (iMPOWER)
- WP11 — OBA/OBB building capacity in the Council (RTK)
- WP13— Income generation, commercialisation and additional savings (start deferred to Aug 2017) (GT)
- WP16 — Demand management for Place (iMPOWER)
- WP17 — Further work on demand management in Adult Social Care (planned) (iMPOWER)
- WP19 — Review against CiPFA Good Governance Framework (planned) (GT)

4.7. The contract does allow for subcontracting to organisations that were not identified in the tender submission. This allows Grant Thornton to be able to access a very wide range of skills as and when required by the Council. **Collaborate** was one such consultant as an example who has been used to progress a piece of work on Strategic Partnerships and the Community Plan. Grant Thornton is also in discussions with a number of other organisations which may be needed as future work packages require.

Added value achieved through the sub-contractor approach

4.8. The Council has benefited from a robust and coherent approach to its transformation programme. In particular Grant Thornton are able to propose and the Council able to

agree works packages relating to other relevant areas which draw on Grant Thornton's wide range of skills and that of its subcontractors. The benefits that have been provided include:

- providing specialist support to Council officers to ensure development of robust business cases in line with the OBB principles,
- providing support to the PMO and programme board structure
- making specific recommendations to Adults and Children's finance teams on how to effectively monitor and account for savings and budget reductions,
- driving a consistent understanding of demand management and its links to service design as a means to tackle demand in social care (e.g. Early Help),
- developing growth proposals for the Mayoral priorities so that these are costed within the MTFS
- bringing a broad range of approaches to service design and delivery based on experiences elsewhere in local government
- Allowing for the cost effective acquisition of services across a range of disciplines.

4.9. The Council's Corporate Leadership Team has also considered areas in which the contract can offer support over the next year; five themes have been identified:

- Increase capability and Capacity*** – building strong corporate foundations and ensuring that people at all levels share the knowledge, skills and guidance to design and deliver effective change.
- Simplify priorities and programmes*** – flesh out the narrative that connects ambitions, transformation activities and services.
- Push ahead with the focus on outcomes*** – continue and accelerate the journey towards using fully outcomes based accountabilities.
- Radically re-think Services*** – fundamentally challenge service delivery models and resource allocation; rebuild around priority outcomes.
- Strengthen place based leadership and collaboration*** – focus the work of Council partners around a shared vision and create opportunities to pool resources and collaborate.

4.10. A range of opportunities based on the work delivered successfully elsewhere and focussed across the Council's directorates have been identified and will form the basis of developing work packages for consideration and approval.

5. COMMENTS OF THE CHIEF FINANCE OFFICER

5.1. The value of the work packages approved to date are currently estimated at £1.2m and there are a number of work packages in development or awaiting approval.

5.2. Taking into account the original commitments made in late 2016, work packages delivered thus far and additional work scoped to date, it is considered that the total budget requirement for the contract over the three year period would need to be increased to an estimated cost of £3.5m.

5.3. This increase reflects the changes in the original scope and in particular the additional work packages together with a further estimation of work necessary to deliver additional work packages as the Council's needs are established. Funding

for the increased cost will be met from the Council's Transformation Reserve which was established to meet the implementation costs of the Council's Transformation Programme or, where other funding sources exist, for example in respect of work associated with the OFSTED improvement plan from the resources identified for that purpose.

6. LEGAL COMMENTS

- 6.1. The nature of the contract is to support the Council across the delivery of all its functions and generally speaking for which the Council has the statutory duty and power to perform.
- 6.2. The Council has power by virtue of section 111 of the Local Government Act 1972, to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions. This allows the Council to engage Grant Thornton and its subcontractors under a contract as it is the clear intention of the contract to support the Council in the delivery of the varied functions across the Council.
- 6.3. The Council has a duty to ensure that there is continuing improvement in the delivery of its functions in terms of economy efficiency and effectiveness in accordance with section 3 of the Local Government Act 1999. This is the Council's Best Value Duty.
- 6.4. The Council must meet its Medium Term Financial Savings targets in order in part to comply with its Best Value Duty. It is therefore, considered necessary to increase the original spend under this contract in order to achieve overall Best Value in the delivery of the Council's functions. However, it is notable that the packages are currently being costed at the daily rates that were submitted under the original tender process and this will continue to be the case. Therefore, this is strongly suggestive that the rates themselves represent Best Value as they were subject to competition relatively recently.
- 6.5. The services that are the subject of the report are of a type that would usually require procurement in accordance with the Public Contracts Regulations 2015 in their own right. However, it is notable that the work packages themselves are of a type, nature and number that were anticipated under the original procurement. Also, an unequivocal methodology for determining the price of such future work was also included in the original tender. Therefore, these services do not count as a new award for the purposes of those regulations and as such a new procurement does not need to be run. The nature of this report is financial only in the sense that the Council needs to make greater provision for the cost of the services than it had originally planned.
- 6.6. It is unlikely that the decisions represented in this report will have an impact on persons who have a protected characteristic for the purposes of the Equality Act 2010. However, the Council must clearly show that it has considered the position appropriately at the point where the decisions in this report are still at a formative stage. However, in as far as the work provided by Grant Thornton results in the

changes to any services delivered by the Council it is clear that such elements should be considered as a part of each work package and the resultant transformation and the Council must be continually mindful of its duties under section 149 of the Equality Act.

7. ONE TOWER HAMLETS CONSIDERATIONS

- 7.1. The Council's Transformation Programme supports the Council priorities in relation to One Tower Hamlets and the Council's £58 million MTFS savings.

8. BEST VALUE (BV) IMPLICATIONS

- 8.1. The Strategic Partner contract is considered to deliver value for money in relation to supporting the delivery of the Council's transformation programme and the £58 million MTFS savings.

9. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 9.1. There are no 'Sustainable Actions for a Greener Environment' considerations contained within this report.

10. RISK MANAGEMENT IMPLICATIONS

- 10.1. The recommendation to approve the extension to the strategic partner contract mitigates the risks to the council's transformation programme in terms of the expertise and added value the contract provides.

11. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 11.1. There are no 'Crime and Disorder' considerations contained within this report.

12. SAFEGUARDING IMPLICATIONS

- 12.1. There are no 'Safeguarding Implications' considered within this report.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- NONE.

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

- ORIGINAL TENDER REPORT.

Officer contact details for documents:

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