

<b>11 October 2023</b>		<b>ITEM: Urgent Item</b> 110676
<b>Cabinet</b>		
<b>RESOURCES TO SUPPORT THE COUNCIL'S BUDGET PROCESS</b>		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Yes	
<b>Report of:</b> Steven Mair, Chief Finance Officer/S151 Officer		
<b>Accountable Assistant Director:</b> N/a		
<b>Accountable Director:</b> Steven Mair, Chief Finance Officer/S151 Officer		
<b>This report is</b> Public		

## Executive Summary

The Council has to achieve £18.2m of revenue savings for 2024/25 by February 2024. This is a major challenge and one the Council will need immediate support to achieve.

This report proposes the appointment of advisors that will facilitate the delivery of the budget and provide change portfolio support and assistance.

## Recommendation

- 1. It is recommended that the Council enter into a contract for services with PWC through to February 2024 for the value specified in the financial implications to support the Council's change and budget processes.**

## Commissioners Comments

Commissioners have been engaged in the consideration of securing resources to support the budget process. Commissioners are supportive of the recommendation as laid out, to appoint advisors, bringing both the necessary capacity and capabilities to support Thurrock in delivering a savings proposal for Member approval. Given the scale of savings at £18.2m, and the need to operationalise ahead of the start of 2024/25, a hybrid option using a mix of external and in house capacity is the best option to move ahead. It is essential that skills transfer occurs to in house staff, and that plans are made in anticipation of the end of this contract in February 2024, ensuring continuity.

## 2. Introduction and Background

- 2.1 The financial position of the Council is extremely challenging in terms of the scale of the financial impact, the time it will take the Council to recover from this and the range of issues to be dealt with. The position will undoubtedly regularly change and resolving all the known matters will take at least 5 years.
- 2.2 The last financial analysis identified long term debt of £680m and an annual budget deficit of £15m in 2028/29 after the assumed successful conclusion of a great deal of work that is being undertaken and is planned to continue and develop further to improve the Council's financial position. This position remains under review.
- 2.3 A key element of this work is identifying ongoing revenue savings of £18.2m in both 2024/25 and 2025/26 and then £13.65m in each of the following three years and ensuring that it is fully implemented and managed.
- 2.4 £18.2m for each of two years is clearly a major challenge for the Council but once achieved will have a very significant impact on the Council's future financial sustainability.

## 3. Issues, Options and Analysis of Options

- 3.1 The Council has 4 major streams of financial expenditure reduction which are underway (these are only one part of the financial improvement programme)
- sell £1.035bn of **investments** to the fullest extent possible and pay down debt and in doing so ensure the governance, project management, budgetary control etc of this programme of work is properly undertaken.  
  
This work is being led by the Council significantly supported by advisors and has recently been reported to Cabinet.
  - generate at least £150m of **capital receipts** and pay down debt. This is under review and will be updated in subsequent reports.  
  
This work is likewise being led by the Council and supported by external advisors and reports to Cabinet for approval for disposals.
  - reduce reliance on borrowing to fund GF **capital programme** to avoid increasing debt and improve its capital strategy.  
  
This work is being undertaken by the Council and will be reported during October/November
  - save **£18.2m from the revenue budget** for next 2 years and a further £13.65m 7.5%, for each of the following 3 years. This may change over time.

The Council does not have a track record of identifying and implementing revenue savings of this magnitude and as can be seen above is undertaking a wide range of major financial activity at the same time.

Work has commenced much earlier for 2024/25 than for 2023/24, with a more robust process, quality assurance and planned supporting documentation. Nevertheless achieving £18.2m of savings will be extremely demanding.

3.2 Options were considered to ensure in order to secure the delivery of this revenue budget target along with all the other work required. The pros and cons of each option are shown below.

Option	Pros	Cons
1. In House	<ul style="list-style-type: none"> <li>• Most economical</li> <li>• Local knowledge will be fully available</li> <li>• Experience gained by staff will very beneficial for future development</li> <li>• Existing relationships with services can be called on</li> </ul>	<ul style="list-style-type: none"> <li>• In house resources already heavily stretched on many workstreams</li> <li>• Risk thus of non delivery because staff pulled across too many workstreams</li> <li>• Lack of knowledge of what works in other Councils and may be useful in Thurrock</li> <li>• Staff will not be able to dedicate themselves to this workstream alone</li> </ul>
2. External	<ul style="list-style-type: none"> <li>• Dedicated additional experienced resources will be available to undertake the work</li> <li>• Learning from elsewhere will be readily accessible and useable</li> <li>• Single focus teams will be able to ensure full time work on this initiative</li> <li>• Will bring in addition to revenue savings support for the delivery of a PMO to ensure delivery of the programme and monitoring</li> </ul>	<ul style="list-style-type: none"> <li>• Most expensive option</li> <li>• Need to start from scratch because of lack of local knowledge</li> </ul>
3. Hybrid ie mix of in house and external	<ul style="list-style-type: none"> <li>• Cost will be reduced in comparison to the fully external option</li> <li>• Local knowledge will be fully available</li> <li>• Experience gained by staff will very beneficial for future development</li> <li>• Existing relationships with services can be called on</li> </ul>	<ul style="list-style-type: none"> <li>• More costly than in house option</li> </ul>

	<ul style="list-style-type: none"> <li>• Dedicated additional experienced resources will be available to undertake the work</li> <li>• Learning from elsewhere will be readily accessible and useable</li> <li>• Single focus external teams working with in house resources will be able to ensure a large degree of full time work on this initiative</li> </ul>	
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3.3 Given the imperative to achieve the revenue savings of £18.2m the hybrid option is considered most likely to achieve that.

3.4 Further to the above it was then considered whether to go to market or to utilise a framework and direct award. In considering this previous work is a very relevant consideration. This is outlined below.

3.5 The Council has previously procured from the framework PWC to undertake 8 weeks of work that covered:

**Define an execution plan to realise revenue savings, which articulates a credible strategy on how you will reach a sustainable financial position over the next six years,** while addressing the immediate requirement to identify and release savings this financial year

Ensuring the Council understands what **capacity, and capability** is required to drive the change over the next years.

**Develop a future operating model for Thurrock Council, which will move the Council away from direct service. delivery to community leadership.** By articulating a coherent vision for the locality and re-designing the organisation to better understand local need, utilise spend to build local markets, commission and collaborate to drive local change, TBC will ensure that its people and communities can thrive despite significantly reduced Council expenditure budgets.

3.6 In addition PWC also undertook work on:

**Help the Council build a functioning transformation team,** with a common purpose and clarity on what behaviours are associated with success. Team members bring different strengths, ways of working and diversity of thought. Harnessing this and directing it to working productively, effectively and with the right culture from the outset it critical to achieving the Councils goals.

Ensure the **PMO infrastructure is geared up to facilitate decision making**. The Council will need to drive change at a rapid pace, making continuous decisions in an uncertain environment. This will mean that the Council’s governance structure will have to remain agile but provide sufficient challenge and rigour to avoid risk escalation. PWC experience from shaping and delivering similar programmes with other organisations in crisis will help Thurrock find a balance that works for your organisation.

**Provide targeted support to augment and develop Thurrock internal capacity, in particular to develop the next version of the IRP**. The Council recognises that this programme represents a step up from previous change programmes. Thurrock therefore need access to a different skills set across to deliver the programme successfully. PWC support is flexible and scalable at short notice, so that the Council has access to the capacity and capabilities needed while also building internal capabilities to reduce reliance on external consultants in the longer term.

3.7 The pros and cons of each option are shown below.

Option	Pros	Cons
1 Market	<ul style="list-style-type: none"> <li>• Most competitive</li> <li>• Opens the proposals up to alternative exploration/ideas</li> </ul>	<ul style="list-style-type: none"> <li>• Knowledge acquired and input from PWC would be partially/wholly lost with a new adviser</li> <li>• The work is planned to complete in full by February 2024 and in part by November 2023. A competitive process and delivery of the scale of change would be unlikely to meet these timeframes</li> <li>• In house staff would need to establish from scratch working relationships and spend time raising the awareness and understanding of a new- supplier</li> </ul>
2. Direct Award	<ul style="list-style-type: none"> <li>• Continuation of current workstreams</li> <li>• No learning period required for the current provider</li> <li>• No learning period required for the in house staff</li> <li>• Acceleration of current plans more easily undertaken</li> </ul>	<ul style="list-style-type: none"> <li>• No benefit from competition – either financial or proposals</li> </ul>

	<ul style="list-style-type: none"> <li>No loss of pace given the tight time frame to November/February</li> </ul>	
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3.8 Lastly consideration was given to the level of support needed, five options being considered and shown below.

<b>OPTIONS EXPLORED</b>										
<b>Activity</b>	<b>A</b>		<b>B</b>		<b>C</b>		<b>D</b>		<b>E</b>	
	<b>8 weeks</b>	<b>Benefit</b>	<b>10 weeks</b>	<b>Benefit</b>	<b>10 weeks</b>	<b>Benefit</b>	<b>22 weeks</b>	<b>Benefit</b>	<b>22 weeks</b>	<b>Benefit</b>
		<b>£'000</b>		<b>£'000</b>		<b>£'000</b>		<b>£'000</b>		<b>£'000</b>
OBC future op model										
Cross cutting										
Contact Management	#	600			#	600	#	600	Either	600
Corporate Services Re Design	#	900			#	900	#	900	#	
Governance			#							
Supporting B Cases 24 Opps (£9m)			#							
Identify additional Opportunities			#		#		#		Or	
OBC for Parks and Open Spaces					#	900	#	900		
OBC for Garden Waste					#	650	#	650		
OBC for workforce planning					#	2200	#	2200		
Change Portfolio	#				#		#			
Change Portfolio Ongoing							#			
Perform Plus Diagnostic					#		#			
Full BC corporate services							#		#	
Full BC workforce planning/spend							#			
Outline B C 2 additional options									#	
	<b>3</b>	<b>1500</b>	<b>3</b>		<b>8</b>	<b>5250</b>	<b>11</b>	<b>5250</b>	<b>4</b>	<b>600</b>
<b>Fee £'000</b>	<b>280</b>		<b>640</b>		<b>480</b>		<b>773</b>		<b>490</b>	

3.9 In considering these the overall conclusion was drawn that option D would bring the most benefit to the Council, arising because:

1. The concentration on some of the key business cases including taking through to detailed design the cross cutting one provides the right concentration of effort. This is alongside the workforce planning and agency spend plans where a large proportion of the cross-cutting savings will be found.
2. As the Council builds up PMO capacity (numbers) and capability (skill) their oversight of other business cases will be welcome and necessary to give the Council assurance on deliverability.
3. The performance plus, whilst challenging, will the Council an opportunity to test the model for driving out productivity gains.
4. The overall longer period of 22 weeks offsets the risk that the Council has in managing a set of changes and budget savings at pace and with a great deal of complexity at a time when it is replacing most of SLT and building a new PMO and change team.

#### 4. Reasons for Recommendation

- 4.1 The Council has to achieve £18.2m of revenue savings for 2024/25 by February 2024. This is a major challenge and one the Council will need immediate support to achieve.

#### 5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 The report is attached to an ED2 for a very urgent decision for the reasons set out.

#### 6. Impact on corporate policies, priorities, performance and community impact

- 6.1 The revenue budget savings are needed as part of the financial strategy to secure the Council's financial sustainability and arise from the IRP and the Council's financial position.

#### 7. Implications

##### 7.1 Financial

Implications verified by: **Jo Freeman/Karen Ind**

The table below sets out the indicative fee for each option. There is also the ability to charge up to a cap of 6% of the fee for expenses incurred.

	<b>Option 1</b> £K	<b>Option 2</b> £K	<b>Option 3</b> £k	<b>Option 4</b> £K	<b>Option 5</b> £K
Fee	280	640	480	773	490
Expenses Cap 6%	17	38	29	46	29
<b>Total</b>	<b>297</b>	<b>678</b>	<b>509</b>	<b>819</b>	<b>519</b>

The recommended option (option 4) is a one-off revenue cost of £773K plus up to 6% expenses (£46K) in 2023/24 which will be funded from the Transformation Fund of £12m. This is an invest to save proposal which is intended to deliver £5.25m of recurrent savings from 2024/25 onwards and start to build up 2025/26 also.

The savings identified need to be recurrent savings that can be built into the base budget. They must reduce spend or increase income for the General Fund. Savings that are predominantly for ring-fenced budgets such as the Housing Revenue Account or grants will not be considered part of the deliverables of this project.

The fee is to be paid in stages as the work is completed and will be fully paid by the end of the project in February 2024. There is no retention payment being held to be released once savings have been delivered in 2024/25.

Therefore, there is a risk that this work will be done and fully paid for before implementing the savings programme and the savings cannot be fully realised. This will be minimised by clearly identifying project owners, with business cases supporting the proposals and a structured approach to managing delivery and tracking of the savings options in all aspects

The project needs to start immediately if the full-year benefit of savings is to be realised in 2024/25 as time will be needed for implementation.

## 7.2 Legal

Implications verified by: **Jayne Middleton-Albooye / Kevin Molloy**

The option of selecting a contractor via direct award from a framework would be compliant with national legislation if the Council is able to demonstrate that the chosen bid was the most economically advantageous available. This contract was selected via Cross Council Assurance Service Framework (CCAS) put in place by Barnet Council. Lot 2 Advisory will be utilised for the purposes of engaging PWC. PWC are the only provider in this Lot. The PwC proposal offers a 10% discount from published framework rates and would therefore represent the most economically advantageous solution.

## 7.3 Diversity and Equality

Implications verified by: **Rebecca Lee**

There are no specific diversity and equality implications arising from this proposal.

## 7.4 Other implications (where significant) – i.e. Staff, Health Inequalities, Sustainability, Crime and Disorder, or Impact on Looked After Children

None relevant

## 8. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

None relevant

## 9. Appendices to the report

None

## Report Author:

Steven Mair

Chief Finance Officer/S151 Officer