




DELEGATED DECISION WRITTEN STATEMENT

ISSUE FOR DECISION	<p>Amendments to the Procurement Gain Share Arrangements for the Elevate Joint Venture with Agilisys</p> <p>Approval is sought for the Chief Executive to agree the terms and approve the Council entering into a Deed of Variation to reflect the new revised procurement gain share arrangements for the Elevate Joint Venture with Agilisys in accordance with the decision of Cabinet on 26 March 2012.</p>	
Value	Additional value to the Council against the current arrangement is dependent on future value of the savings identified (option pursued and finance comments sections of the report for detail)	
Name of Officer responsible	Jonathan Bunt Chief Finance Officer	
Service	Ward (s): All	Borough Wide: Yes
Finance and Resources	All	Yes
File Reference and where held	Register of Officer Decisions	
BACKGROUND AND OPTION PURSUED	<p>Background</p> <p>On 10 December 2010, the Council entered into an Incremental Partnership Agreement (IPA) with Elevate East London LLP ("Elevate") under which the Council transferred its ICT, B&D Direct, Revenues and Benefits, and Accounts Payable and Procurement services (the "Initial Transferring Services") to the management of Elevate.</p> <p>Procurement Service Background</p> <p>Under the terms of the IPA, the Council is not charged a fee for the delivery of the Procurement Service. Instead, the IPA allows for Elevate to benefit from savings generated on procurement activity under a savings gain sharing arrangement under which the cost of running the procurement service is underwritten by Agilisys, the Council's strategic partner in the Elevate joint venture partnership.</p> <p>Prior to the transfer to Elevate, the provision of the procurement and accounts payable services cost the Council approximately £770,000. As no fee was payable, the budgets for those services were taken as a saving to meet the costs of other parts of the Elevate contract.</p> <p>The contract with Elevate provided for all identified and agreed procurement savings on in scope services to be split 60% to the Council and 40% to Elevate. It is from this 40% that the cost of the procurement and accounts payable teams would be recovered by</p>	

	<p>Agilisys. If the amount of gain share due to Elevate is less than the cost of the teams, the shortfall is paid to Elevate by Agilisys. Similarly, if there is a surplus of gain share over the cost of the service, that is paid over to Agilisys. This provides the incentive for Agilisys as the Managing Partner of Elevate to continue to invest in the development of the service.</p> <p>As part of the tendering and contract finalisation with Agilisys, it was made clear that not all Council spend would be available for gain share and that certain expenditure types and categories would remain out of scope. Those explicitly identified as out of scope for gain share were:</p> <ul style="list-style-type: none"> • Capital • Social Care (Adults and Children) <p>Up to 31 March 2012, approximately £565,000 of procurement savings were identified with £226,000 due to Elevate as gain share. Also during 2011/12, Agilisys invested in the procurement service by adding extra category manager resources and funding the implementation of the i-procurement module of Oracle.</p> <p>For 2012/13 and onwards, in the light of a lower than originally expected procurement spend by the Council, a new arrangement for the provision of Procurement and Accounts Payable has been requested by both partners.</p> <p>Given the investment made in good faith by Agilisys on the basis of the expected level of spend, the Elevate Board agreed to reimburse Agilisys £638,000 of its outlay from under spends across all budgets within Elevate for the 2011/12 financial year.</p>
<p>OPTIONS CONSIDERED</p>	<p>As per 26 March 2013 Cabinet Paper and notes of that meeting on proposed Variation to Procurement Savings the other options considered were:</p> <ul style="list-style-type: none"> • Keep existing 60/40 arrangement • Move to a 80/20 split plus fixed council contribution towards cost of the procurement service • Move from a 60/40 to a 90/10 plus fixed contribution towards cost of the procurement service • Move to a fixed fee for the procurement service and remove the gain share clause. <p>Discussions between parties have resulted in the option recommended to Cabinet (and approved) which retains the incentives for all stakeholders and contains elements of more than one of the options described above.</p> <p>Option Pursued – the option agreed by Cabinet on 26 March 2013 was as follows:</p>

	<ul style="list-style-type: none"> • £200,000 annual LBBB contribution towards the cost of the Elevate Accounts Payable service until end of contract (total £1.1m) • 60/40 gain share split on £565,000 banked savings for the remaining of the contract term (approximately £226,000 Elevate gain share, annually) • 80/20 gain share split on the next £5m of agreed savings post 1st April 2012. Above the £5m cap, the savings will be split at 90/10 <p>Add Adults Social Care to savings gain share arrangements at 90/10 which are outside the £5m cap above on a case by case basis.</p>
	<p>Cabinet decision</p> <p>After considering the above as contained and set out in a supporting report, Cabinet on 26 March 2013, agreed:</p> <ol style="list-style-type: none"> 1. Subject to confirmation that (a) social care savings would be considered on a case-by-case basis, and (b) HRA services would be considered separately from the proposed variation, that the Incremental Partnership Services Agreement between the Council and Elevate East London LLP and Agilisys Ltd be varied to make amendments to the Procurement Gain Share arrangements as detailed in paragraph 3.2 of the report; and 2. To delegate authority to the Chief Executive, in consultation with the Head of Legal and Democratic Services and the Cabinet Members for Housing and Adult Services and HR, to finalise terms and agree all legal agreements and ancillary documentation necessary to fully implement and effect the proposals. <p>Subsequent clarifications with the Cabinet Member for Housing resulted in all expenditure within the Housing Revenue Account being explicitly included as in scope for procurement gain share under the revised arrangement.</p> <p>The Chief Executive is now being asked to make and implement the decision delegated to him above.</p>
COMMENTS	The required consultations have now been undertaken and approval of each stakeholder is documented in this report.
CORPORATE PROCUREMENT COMMENT	None

FINANCE COMMENTS	<p>Implications completed by: Jonathan Bunt, Divisional Director of Finance</p> <p>The change of the procurement gain share from 60:40 to 80:20 and then 90:10 LBB: Elevate will assist the Council to meet its agreed savings targets from the Elevate partnership as a higher proportion of procurement gains will be retained. The revised agreement would transfer an element of the financial risk of providing the Procurement service within Elevate from Agilisys to the Council. All savings identified and agreed prior to this financial year will continue on a 60:40 split.</p>
FINANCE SIGN OFF Chief Finance Officer	<p>I Jonathan Bunt confirm that I have been consulted on the on the variation to the Incremental Partnership Agreement with Elevate East London LLP (as per Cabinet decision dated 26 March 2013) and that Financial Services has advised and commented on the on the variation to this contract.</p> <p>Signed: </p> <p>Chief Finance Officer</p>
LEGAL COMMENT	<p>Implications completed by: Eldred Taylor-Camara, Legal Group Manager</p> <p>The LBB Legal Practice was consulted during the process and provided legal advice and assistance with the preparation of the Deed of Variation to the original partnership contract.</p>
LEGAL SIGN OFF Fiona Taylor, Head of Legal and Democratic Services	<p>I Fiona Taylor, Head of Legal and Democratic Services confirm that I have been consulted on the on the variation to the Incremental Partnership Agreement with Elevate East London LLP (as per Cabinet decision dated 26 March 2013).and that the Legal Practice has advised and commented on the variation to this contract.</p> <p>Signed: </p> <p>Date: <u>25/09/13</u></p>
Member Consultations <p>I confirm that I have been consulted on the variation to the Incremental Partnership Agreement with Elevate East London LLP (as per Cabinet decision 26th March 2013).</p> <p></p> <p>Councillor Mick McCarthy Cabinet Member for Housing</p> <p>Date: <u>25/9/13</u></p>	

I confirm that I have been consulted on the variation to the Incremental Partnership Agreement with Elevate East London LLP (as per Cabinet decision 26th March 2013).

L Reason

.....
Councillor Linda Reason
Cabinet Member Adult Services and HR

Date: *25-9-13*

Chief Officer Decision:

Being satisfied that the terms set out in the Deed of Variation reflect the variations, amendments and conditions approved by Cabinet in its decision of 26 March 2012, and having consulted the Head of Legal and Democratic Services and the Cabinet Members for Housing and Adult Services and HR, I hereby agree for the Council to enter into the Deed of Variation (a copy of which is attached hereto) to vary the procurement savings gain share arrangements in the original Incremental Partnership Agreement with Elevate East London LLP dated 10 Dec 2010 in manner agreed by Cabinet and as detailed in paragraph 3.2 of the report;.

Chief Executive Signature

Graham Farrant
.....
Graham Farrant, Chief Executive

Date

25 September 2013

Contact Officer

Name Jonathan Bunt

Telephone Number

0208 724 8427

Title LBBB Chief Finance Officer

BACKGROUND
PAPERS

Cabinet Report – 26 March 2013 and minutes

<p>CONSULTATION</p> <p>- Internal</p> <p>- Members</p> <p>Work Address Civic Centre, Dagenham, RM10 7BN</p>	<p>Internal</p> <ul style="list-style-type: none"> • Graham Farrant, Chief Executive • Jonathan Bunt, Chief Finance Officer • Eldred Taylor-Camara, Legal Group Manager • Head of Legal and Democratic Services <ul style="list-style-type: none"> ○ Cabinet Member for Housing ○ Cabinet Member Adult Services and HR
--	--

*The departmental Register of Decisions is a public document and is open to inspection by the public.