

CABINET

22 January 2019

Title: Core Support Services post-Elevate - Design Options Appraisal	
Report of the Cabinet Member for Finance, Performance and Core Services	
Open Report with Exempt Appendix 1 (relevant legislation: paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972 as amended)	For Decision
Wards Affected: None	Key Decision: Yes
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Accountable Director: Hilary Morris, Commercial Lead	
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Summary <p>The Elevate East London LLP (Elevate) joint venture between the Council and Agilisys was formed on 10th December 2010 and at the same time the Council entered into a seven-year contract with Elevate for a range of services including ICT, Revenues and Benefits and Customer Services (B&D Direct), Procurement and Accounts Payable. This creation of this new entity was a response to the challenges faced by the Council at the time in terms of poor performance in these service areas and financial pressures.</p> <p>In 2015, the Council and Agilisys negotiated a three-year extension to the Services Contract. No further extensions to the Services Contract are available post December 2020 meaning the Council now needs to consider the options available to it for the future delivery of these services.</p> <p>It is recognised that this has been a successful partnership and that significant improvements have been made in service delivery alongside meeting and exceeding the saving targets set.</p> <p>This report provides an analysis of the different options available for each of the Elevate services and recommends a preferred option.</p>	
Recommendation(s) <p>The Cabinet is recommended to:</p> <p>(i) Agree that ICT services be delivered by an in-house provision for; strategic ICT, policy and specialist applications support and that other packaged ICT services be delivered via outsourced arrangements;</p>	

- (ii) Agree that Customer Services be delivered primarily by an in-house provision with the option that specialist areas, such as the out-of-hours and Careline services, can be delivered via an outsourced arrangement;
- (iii) Agree that all other Elevate services (procurement, accounts payable, revenues and benefits, including financial assessments) to be delivered in-house;
- (iv) Delegate authority to the Chief Operating Officer, in consultation with the Cabinet Member for Finance, Performance and Core Services and the Director of Law and Governance, to agree the terms for an orderly planned exit of the Elevate East London joint venture and the timescales for and potential phasing of services being transitioned to agreed new arrangements;
- (v) Approve a budget of £9.7m to be spent on the proposed exit of the Elevate contract and the implementation of the new operating models for all Core Support Services, noting that anticipated savings from implementation of changes are a minimum of £7.8m per annum from 2021/22 and a positive return on investment is forecasted; and
- (vi) Delegate authority to the Chief Operating Officer, in consultation with the Deputy Leader, Cabinet Member for Finance, Performance & Core Services and the Director of Law to undertake all steps to implement the above recommendations including negotiations and to conduct the procurement and enter into any deeds of variations / contracts / agreements and all other necessary or ancillary agreements with any successful bidder(s) and/or other related parties in accordance with the strategy set out in this report.

Reason(s)

To assist the Council in achieving its vision and priorities, particularly in respect of a “well run organisation”, thus enabling services to meet the changing face and operational nature of the Council post 2020.

1. Introduction and Background

- 1.1 The Elevate East London LLP (Elevate) joint venture between the Council and Agilisys was formed on 10th December 2010 and at the same time the Council entered into a seven-year Service contract with Elevate for a range of services; ICT, Revenues and Benefits, Customer Services (B&D Direct), Procurement and Accounts Payable
- 1.2 In 2015 the Council and Agilisys negotiated a three-year extension to the Services Contract at the same time the Council embarked on an ambitious transformation programme which has fundamentally re-shaped the Council and the services it delivers. This programme has seen the creation of innovative new delivery vehicles such as Be First and BDSIP and new internal services such as MyPlace and Community Solutions.

- 1.3 The re-shaping of services currently within Elevate, as well as the re-shaping of the wider group of 'core' support services within the Council to align with these new service blocks forms the next stage of the Council's transformation programme.
- 1.4 The creation of Elevate in 2010 was in response to some significant performance issues and recognition of the new financial pressures on the Council. Over time Elevate has provided a number of key benefits to Barking and Dagenham. As well as providing improvements to service delivery and financial savings, Barking and Dagenham has benefited from wider socio-economic outcomes from the Joint Venture such as the support for local businesses that has been achieved through the BEC and the Youth Zone. Some of the service delivery benefits from the JV are highlighted in the table below:-

Promised	Delivered
Savings of £84m from; <ul style="list-style-type: none"> • Savings on delivery of the 4 transferring services (£18m) • Procurement Savings (£16m) • Additional income from improved revenue collection (£8m) • Savings indirectly the responsibility of Elevate (£42m) 	Savings of £97.8m <ul style="list-style-type: none"> • Savings on delivery of the 4 transferring services (£4m) • Procurement Savings (£27.5m) • Additional income from improved revenue collection (£17.4m) • Savings indirectly the responsibility of Elevate (£48.9m)
Guaranteed improvements to transferring services	<ul style="list-style-type: none"> • Contact Centre - at time of transfer 20% calls answered – now 87% and £1.1m cheaper • ICT – performing at top quartile when benchmarked (but at a relatively higher cost) • Revs & Bens - Service had significantly overspent in the previous two years (2008) – now within budget and performance improved
Commitment to create jobs in the Borough	400 jobs were created and majority of Elevate workforce is made up of local people
Shared services with other London Boroughs	No services were shared (Elevate had no track record on which to secure future sales to other boroughs)
The addition of expertise to the council's existing transformation team	The creation of online services and new technology in the contact centre (webchat, IVR etc)
Acceleration of benefits realisation to deliver savings earlier Consultancy rates at half the market price	<ul style="list-style-type: none"> • Immediate £2.6m saved • Consultancy rates at agreed (below market) rate

- 1.5 In consideration of the options available to the Council to deliver the Elevate services post 2020, a series of options appraisals have been undertaken and in addition, Gartner, the recognised IT specialists, were contracted to provide a detailed options appraisal of ICT. Separate options appraisals were then carried out

by the Transformation Programme Team for Revenues and Benefits, Accounts Payable and Procurement and for Customer Services. Each of the options appraisals used a series of pre-agreed evaluation criteria in assessing each option, with the option scoring the highest mark leading to a final preferred option.

- 1.6 An Outline Business Case (OBC) summarising these options appraisals was then developed. It was agreed further work would be undertaken to validate the assumptions to test the optimum operating model for each of the services under consideration.
- 1.7 This report now presents the Final Business Case for Elevate Services and makes recommendations on the new operating model for each of these services. The Final Business Case is at Appendix 1 in the exempt section of the agenda as it contains commercially confidential information (relevant legislation - paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended)) and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

2. Proposal and Issues

- 2.1. There is a requirement to transform the current in-house Core services as well as the services currently being delivered through the Elevate joint venture, to address the structural changes achieved by the successful implementation of Ambition 2020 Transformation Programme and the creation of a new kind of Council. Core services are defined as HR, Finance, Legal & Democratic services, Commissioning, Policy & Participation, and Communications and Marketing. These support services must reflect the changing face and operational nature of the Council post 2020 as well as deliver a new operating model for the Elevate Services. The services must deliver more efficient, streamlined and commercialised support services which are sector leading, responsive, agile and fit the current and future structure / size of the Council.
- 2.2. It should be noted though that there is uncertainty about the demand for Core services post 2020 as it is not clear whether the Council owned trading companies such as Be First, the Barking and Dagenham Trading Partnership (BDTP) and the School Improvement Partnership (BDSIP) will require some or all of the Council's core services as they develop. These trading companies have the option of purchasing their Core service support from other providers from March 2020 and are not required to give formal notice of their intention to withdraw from these services until October 2019. Whilst initial soundings have been sought as to their willingness to buy back, it is too early for them to provide a definitive view. Additionally, there are other programmes which may alter the demand for Core services such as the Customer Experience and Digital Programme (CED).
- 2.3. However, even with this uncertainty, with the exception of the Customer Services out-of-hours service, Careline and some aspects of packaged IT services, it is recommended the remaining Elevate services are brought back in-house and integrated into the new recommended target operating model for Core services.
- 2.4. The Final Business Case (FBC) is based on prudent assumptions and market soundings and reflects the significant challenges of undertaking a transformation project of this size. No assumptions have been made regarding income growth that

may arise from providing support services to the commercial entities or other organisations.

- 2.5. Compared to the current costs, the proposed arrangements are forecast to deliver annual savings of £7.8M in 2021/22 with increased savings estimated in subsequent years. It should be noted, with the expiry of the Elevate contract in December 2020, full year savings will not be realised during financial year 2020/21 – much of this shortfall can be met from projected savings arising from the restructuring of other (non-Elevate) core services e.g. savings from establishing a Transactional processing hub, restructuring as a result of the Core Services target operating model implementation. The table below provides the savings breakdown for 2020/21 and 2021/22.

Table: Projected Core Savings

Savings	20/21 £000	21/22 £000
MTFS Savings Target	5,000	5,000
Elevate Services projected savings:	2,105	4,688
Other Core (non-Elevate) savings	2,845	3,165
Net Forecast Programme Saving	4,949	7,853
Estimated (Shortfall) /Surplus	(51)	2,853
Other historical targets not previously met: (Democratic Services £141k, PA team £90k, SMT £95k, Leisure £290k)	(616)	(616)
Overall (Shortfall) / Surplus	(667)	2,237

Note: Figures in brackets represent shortfall

Table: Breakdown of Projected Elevate Savings

Elevate Savings	20/21 £000	21/22 £000
Management Fee and Gainshare savings	1,065	3,548
Other Operational costs	(161)	(536)
Benefits Remodelling	726	726
Improved collection rates	475	950
Total Elevate Savings	2,105	4,688

3. Options Appraisal

3.1. Five main options have been considered for each of the services within Elevate. Where appropriate, within each option, consideration has been made of the type of delivery vehicles available and a high-level assessment of each vehicle in addressing the Council's requirements.

- **Joint Venture** – delivery of one / multiple services via one strategic partnership arrangement;
- **Outsource Delivery** - services outsourced via a competitive tendering process to specialist support service operators;
- **Shared Service** - Sharing Services across a number of public sector bodies potentially with ability to trade;
- **In House Delivery** - the Council to deliver core support services directly.
- **Traded Service** – delivery of services through a council owned or commercial vehicle;

3.2. As part of the options appraisal a Market Sounding exercise was undertaken during June 2018. This was designed to test the market's appetite for providing the range of core services either individually or as a package of services. The exercise helped to feed in to the evaluation of the various options. These options are summarised below.

Option 1 – Joint Venture

3.3. This is the “no change” option which would seek to maintain the current approach to the delivery of the services managed within the Joint Venture (JV) vehicle. However, as the existing Elevate contract is due to expire in December 2020 and there is no opportunity to extend it, some form of competitive tendering of the services would need to be carried out. Whilst the option exists for the Council to set up a new JV vehicle with another partner, this was rejected as it was not considered economically viable on the basis of the relatively low values of the services under consideration measured against the cost of setting up such a vehicle.

3.4. The option is not consistent with the overall Council vision, and on its own would not enable the council to respond to the challenges it faces including meeting its savings target.

3.5. The ability to make further efficiencies would be very limited and there would also be little scope to increase resilience or provide a wider range of services to other bodies.

Option 2 – Outsource

3.6. This option would see processes and job functions that are currently carried out by Elevate contracted out in their entirety to commercial third-party suppliers who will deliver against a defined output specification / Key Performance Indicators. This option would take longer to implement, requiring the packaging of the services and development of detailed output specifications and contract documentation, a competitive tendering process, evaluation, contract award and mobilisation. It is anticipated that this process would take at least 12 – 18 months. Whilst the timescales involved do not rule out this option, large scale outsourcing of services was not considered attractive either by the Council or by suppliers through the market sounding exercise.

- 3.7. Although once implemented, early savings could be achieved through outsourcing, it is considered that this type of arrangement would restrict the ability to deliver further efficiencies. This is particularly the case if the economic or legislative environment significantly changes or the approach to the delivery of other services within the council undergoes structural changes as is the case currently with LBB. Entering into a contract with a for profit organisation for such a range of services would lock the council into medium to long term financial commitments and so was deemed less flexible than some of the other options. Changes in scope can be expensive and would limit the ability of the service users to make changes where they impact on the contract thereby in the long run potentially being a more expensive option.
- 3.8. The Market Sounding exercise undertaken during June 2018 indicated limited interest and appetite from the market for the type of large-scale outsourcing which a number of authorities had implemented in the past. Suppliers were more interested in strategic partnerships for the delivery of specialist services where they would have the flexibility to re-engineer to add value and deliver financial benefits.
- 3.9. Whilst wholesale outsourcing of these services is not considered as the optimal solution at this stage, the opportunity exists to adopt a hybrid solution and have the flexibility to contract for specific specialist services within the overall scope, thus ensuring maximum flexibility in service delivery as well as cost certainty. For these types of services, the market is far better placed to deliver these and can provide greater resilience and value for money through economies of scale. The hybrid option has been recommended for IT and Customer Services.
- 3.10. For IT, the proposal is to set up an in-house team responsible for IT Strategy, customer and supplier management and certain applications support with other packaged, commoditised services such as cloud infrastructure or hosting being outsourced.
- 3.11. For customer services the proposal is for an in-house customer services function with possibility of an outsourced out-of-hours and Careline function. This will enable the Council to develop the customer services to better meet its vision and requirements for 2020, with closer alignment of the activities of Community Solutions and MyPlace. The Council has already made significant investment in technology and its web and digital capability, and an in-house option provides the opportunity to derive maximum benefit from these investments as well as provide greater control and flexibility in any future investment decisions within a rapidly evolving customer services technology sector. The Council's investments in digital channels and better integration with back office functions through its new integration platform is resulting in an increased shift by customers to lower cost digital channels which will continue to deliver financial savings which are unlikely to be achieved through an outsourced model.

Option 3 – Shared Services

- 3.12. 'Shared services' refers to two or more authorities providing a given service on a joint basis but can take many different forms. Sharing may take place between neighbouring authorities or non-neighbouring authorities and may be provided via a joint in-house department or they may be jointly outsourced. The key rationale for local authorities which have decided to share their service provision with other local authorities is often financial. They may also seek service improvements and improved internal processes. A further rationale may be to tap into greater levels of expertise, through the sharing of specialist resources and the increased resilience of the service.

Any desired savings and efficiencies can be undermined with such a model as differing service requirements and processes emerge. Lack of joint ethos and different organisational cultures also tend to create challenges in achieving successful outcomes via a shared service.

- 3.13. Examples of shared service initiatives are OneSource, sharing support services between Havering, Newham and Bexley; the East Midlands Shared Services between Nottingham City Council and Leicestershire County Council involving the sharing of back office services including human resources, payroll and finance; and the Cabinet Office National Shared Service centre for HR & Payroll, Accounts Payable and Receivable and Finance.
- 3.14. A number of neighbouring London boroughs were approached during May/June 2018 to test their appetite for shared services. Whilst there was some interest in discussing collaboration opportunities for specialist services and joint procurements, there was not sufficient interest to warrant pursuing the shared services option further at this stage; however, this does not preclude reviewing shared services options in the future.

Option 4 – In-house delivery

- 3.15. The in-house option is the service being operated within the structure of the council. This option results in staff, who may be subject to TUPE, transferring into the council and being managed within the council organisational and management structure. This option does not exclude the service being delivered primarily in-house but with a procured supply chain for some elements of the service, to secure the most economically advantageous service offer.
- 3.16. The proposal to bring the procurement service back in-house will provide the opportunity to consolidate with other in-house procurement and contract management resources to create strategic procurement and commercial capability that is able to better support the Council's commissioning and strategic management functions as well as deliver financial savings through removal of duplication of resources. Many of the Council's contracts are now 2nd or 3rd generation and the ability of an external provider to continue to deliver gainshare savings is now limited. An in-house strategic function will be in a better position to review commercial arrangements across the entire commissioning cycle which will yield greater benefits over the longer term.
- 3.17. Central Government's proposals on Welfare Reform and the continuing delays in the implementation of Universal Credit (UC) is creating a huge amount of uncertainty which would result in potential outsourced suppliers charging a premium for the delivery of Benefit services. The in-house option is recommended at least for the next few years whilst UC is being implemented as it allows the Council to better support customers receiving benefits during this period of uncertainty. The in-house option will allow the Council to build more resilience and capacity by bringing together the benefits and financial assessments functions and integrate better with the Community Solutions interventions and activities to support the vulnerable members of the local communities.
- 3.18. It is proposed to bring in-house the functions of accounts payable and revenue collection. This will allow the Council to consolidate elements of these functions within the proposed broader transactional hub for Core services, enabling further

efficiency savings through streamlining and automation of business processes and generic working allowing better demand management.

- 3.19. For Revenues, it is forecast that by 2020, there is likely to be an increase in net collectable debt of about £66m resulting in growth pressures in the level of resourcing required. Again, through streamlining of collection processes, a better alignment of resources at the appropriate points of customer contact, more efficient ways of working and a closer alignment between the Community Solutions interventions to address the causes of debt and better targeting of the enforcement function, there will be improvements in both the absolute levels of collection rates and collection level per FTE.

Option 5 – Traded Service

- 3.20. An increasing number of local authorities have set up local authority trading companies (LATCs). Local authorities must establish a company if they wish to carry on trading activities for profit. Barking and Dagenham has already established a trading company (B&D Trading Partnership) which oversees a number of subsidiary companies providing services to LBBD as well as other organisations such as schools as well as a separate School Improvement Partnership Company BDSIP. Whilst the option exists for the Council to set up a new trading services vehicle, this was rejected as it was not considered economically viable on the basis of the relatively low values of the services under consideration measured against the cost of setting up and maintaining such a vehicle.
- 3.21. Trading opportunities were discussed with B&D Trading Partnership to assess the potential for some services, specifically Accounts Payable and any other transactional services (such as payroll) to be incorporated into their trading structure. Following a number of meetings, it was agreed that this was not going to be possible at this stage, mainly for three reasons:
- B&D Partnership did not feel that these services fitted in with their current strategic direction;
 - B&D Partnership went live in April 2018 and were facing significant challenges in transforming the services within existing scope and hence they do not have the capacity to integrate these additional services within the timescales discussed; and
 - B&D Partnership felt they needed to understand the marketplace for these services and their competitiveness
- 3.22. Notwithstanding the above, in principle, the B&D Trading Partnership would be keen to explore the possibility of adding certain services to those already within its commercial scope at a future point. Whilst the opportunity exists to transfer one or more services to B&D Trading Partnership in the future, further work will be needed to clearly identify and get agreement on how the investment in new systems and processes required within existing services will be funded and how any savings and / or income are treated. The treatment of pension and other costs will need to be agreed such that the trading vehicle is not unduly loaded with extra costs that are not sustainable in the marketplace resulting in an uncompetitive service provision.
- 3.23. There was interest in considering over the medium / longer term, the potential for a trading transactional processing function. This would provide the Council the

opportunity to consolidate transactional activity arising from some Elevate and in-house core services and to re-engineer / streamline over the next few years. This would enable LBBD to make some savings from these services as well as develop a streamlined transactional processing function that could be competitive in the marketplace. Once the transactional processing function has been established, streamlined and made efficient consideration will be given post 2020 as to how this may be able to become a traded service.

4. Implementation

- 4.1. The Council's preferred option for a phased exit of the Elevate contract would alleviate some of the considerable challenges associated with a "big bang" exit and transfer in December 2020. Accordingly, a draft phasing plan has been developed and agreed with Agilisys which sees the various components of the Elevate services transferring over to the Council in stages, allowing for process streamlining and some minor structural alignment. .
- 4.2. A phased exit means that some, or all, of the services will be transitioned to the new operating models prior to December 2020 and this principle has been agreed by all parties.
- 4.3. A high-level timeline has been discussed with the exact dates and the phasing of services transferring being subject to more detailed discussions. These discussions will take place from January and will involve service leads on both sides to ensure inter-dependencies, operational and organisational issues are resolved and a smooth transfer is achieved.
- 4.4. As part of the exit, a number of procurement initiatives will have to be undertaken this could include the creation of a new framework to enable access to specialist services and skills such as those currently provided on a draw down basis.
- 4.5. Whilst the primary reason for a phased exit is non-financial and is to alleviate the challenges with a big bang exit there are benefits to bringing these back early such as:
 - Having procurement services delivered from within the Council prior to tendering for some of the services that may be outsourced such as the customer services out of hours and careline functions, or the commoditised elements of the IT service will reduce the possibility of conflict of interest challenges in the event Agilisys bid and are successful and therefore help to ensure a smooth transition of services.
 - Having the Elevate PMO function working alongside the Council's PMO function to support the continued Transformation and Change programme as well as assisting with the design of the detailed operation model for ICT service will be beneficial.
 - Engaging the market at an earlier point would mean being able to deliver an integrated Assistive Technology solution that better meets the Council's requirement's in advance of the current contract end date.
 - Commencing the re-engineering of the processes within Revenues and Benefits earlier will deliver closer integration with and the timely and appropriate levels of intervention from Community Solutions which will lead to better outcomes for local communities and the Council at an earlier point in the transformation.

The TUPE Regulations are likely to apply to some or all of these proposals and full consultation with the unions and staff affected will take place on any proposals at the earliest opportunity.

- 4.6. In February 2017, Assembly agreed funding for implementation of the Transformation programme and Members were advised this funding did not include provision for the design or implementation of the Core Support Services Programme. Cost efficiencies elsewhere in the Transformation programme have enabled the design stage of the core support services programme to be funded from within the agreed transformation funding however, funding is now required for both the implementation of the Elevate Exit Strategy and the Core Support Services Programme.
- 4.7. The table below provides a summary of the implementation costs to deliver the core programme which are expected to be circa £9.7m.

Table – Implementation Costs

Costs	18/19 £000	19/20 £000	20/21 £000	21/22 £000	Total £000
Elevate Exit (Resource)	178	1,015	922	208	2,322
Implementation (Resource)	189	934	949	176	2,248
Technology & Automation		1,000	1,000		2,000
IT Transition (Resource)	197	907	22		1,125
Digital Archiving Project	100	500			600
Redundancy provision				1,440	1,440
Total Cost	663	4,356	2,892	1,824	9,736

Note that the business case assumes there are no costs of buying back assets from Elevate, subject to legal confirmation. All assets provided by the Council at the commencement of the elevate contract would transfer back to the Council. A full asset list has been requested from Elevate which will confirm whether Elevate have purchased any assets that would need to transfer to the Council and any associated cost implications. There are no implementation costs beyond the 2021/22 financial year.

Comparing the projected savings with the costs over a typical period for a business case of this nature (i.e. 5 – 7 years), the following table summarises the return on investment

Table – Costs v Savings

	18/19 £000	19/20 £000	20/21 £000	21/22 £000	22/23 £000	23/24 £000	24/25 £000	Total £000
Total Cost	(663)	(4,356)	(2,892)	(1,824)	0	0	0	(9,736)
Savings	0	0	4,949	7,853	8,480	9,057	9,634	39,973
Net Savings	(663)	(4,356)	2,057	6,029	8,480	9,057	9,634	30,237

Note: Figures in brackets represent costs/shortfall

4.8. Savings arise from a number of sources but in the main:

- Reduced headcount across the Core resulting from harmonised working practices (economies of scale) and consolidated management structure, particularly within the proposed transaction hub.
- Streamlined business processes and greater use of automation in manual processing – especially with regard to the Accounts Payable function;
- Remodelling of the Council Tax support scheme resulting in better targeted, focussed and joined up support with ComSol to the most vulnerable members of the Community
- Further reductions in employment costs arising from a shift in the balance of tasks performed by professional officers vs. administrative officers; and
- Increases in income as a result of exploiting new sources of revenue and increasing the yield from existing sources, such as the LBBB Film Studio and income from advertising

4.9. The Return on Investment (ROI), namely the savings made from the initial cost invested, is a ratio of just over 4:1. So for every £1 invested the Council will save £4.10 over the period of the business case. This is a significant ROI.

5. Consultation

- 5.1. A wide range of internal and external stakeholders were engaged with and provided valuable input during the investigative and design phases of the programme. This included staff and managers at Elevate and LBBB, Local Authorities and suppliers.
- 5.2. An Equality Impact Assessment has been undertaken to ascertain the impact of proposed changes to current service delivery.
- 5.3. The Outline Business Case was considered and endorsed by Programme Board on 11 January 2018 and Corporate Strategy Group on 15 February 2018.
- 5.4. The Final Business Case for Elevate Services was considered and endorsed by Programme Board on 12 November 2018 and by the Corporate Strategy Group on 15 November 2018.

6. Financial Implications

Implications completed by: Chris Randall, Interim Transformation Programme
Financial Accountant

- 6.1. The reconfiguring of how both the services currently provided by Elevate and the other Core Services provided internally is required in order to achieve the ongoing annual savings target currently included within the Council's medium-term financial plan against these services. The majority of savings will be general fund; however, some will accrue to the housing revenue account where core service provision impacts this area. The estimated one-off cost of transforming these services as the Elevate contract is exited is £9.7m, and it is likely there will also be some marginal additional annual revenue costs associated with IT applications. It should be noted that the costs of transforming the Core Services of the Council was never included in the original cost envelope approval of £27m as this was seen as phase II of the transformation.
- 6.2. The potential funding sources for transformation of the core services and any costs associated with the exit from the Elevate contract are a mixture of earmarked reserves (£3m budget support reserve), technical adjustments to unused accounts payable control accounts £4m] and capital receipts from shared ownership residential property purchases £3m. Should these not be sufficient some of the costs which meet the standard definition of capital expenditure could be funded by borrowing, but this would be as a last resort.

7. Legal Implications

Implications completed by: Suzan Yildiz, Deputy Head of Legal Services

- 7.1. The Council is a best value authority and is therefore obliged to make arrangements to secure under the Government Act 1999, Section 3 (1)) a continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 7.2. The preferred option given that the Service Contract entered into by the Council and Elevate East London (Elevate) the limited liability partnership set up between the Council and Agilisys cannot be extended beyond 9th December 2020, is to bring the Service Contract and the Elevate partnership to an end.
- 7.3. The report presents a Business Case and makes recommendation of a new operating model for the Elevate services. The phased exit of the Elevate partnership and Service Contract will require some lengthy discussion with Agilisys to ensure that the exit and transfer shall be undertaken in a seamless manner without underwriting any Elevate liabilities including any pension obligations or having an impact on the delivery of the services.
- 7.4. The Council will have to ensure in due course that the any services that are to be outsourced under the new operating model shall comply with the Corporate procurement process.
- 7.5. Finally, the Transfer of undertaking Regulations 2014 (TUPE) is to apply on the transfer back of some of the services to the Council and those services which are to

be outsourced to third parties. The TUPE Regulations imposes the Duty to inform and the Duty to consult which needs to be undertaken during the phased exit process.

8. Other Implications

- 8.1. **Risk Management** – Detailed risk analysis has been carried out for the programme and a risk and issues register maintained. High level risks and issues and associated mitigations have been regularly reviewed by the PMO and reported to the Corporate Performance Group.

Many of the identified savings are dependent on efficiency improvements from investment in new technology, changes in working practices and the streamlining of business processes. This will require some up-front investment of resource and staff time, and work to ensure compatibility of systems.

There is the potential for a short-term increase in staff turnover. This could result in the temporary loss of key skills and experience and staffing capacity.

None of the identified risks are believed to be insurmountable and with careful planning and robust risk management, it should be possible to minimise their potential impact.

- 8.2. **Contractual Issues** – The Elevate East London LLP (Elevate) joint venture between the Council and Agilisys expires on 9th December 2020 and no further extensions are available. To minimise the risk to all parties, it has been agreed that a phased exit would be preferred over a “big bang” exit at the end of the contract.
- 8.3. **Staffing Issues** - TUPE is likely to be considered to be applicable to these proposals; Elevate staff may be subject to TUPE. Staff and Unions will be consulted on the changes proposed and opportunities provided to apply for positions within any new structures, as part of the restructuring process and to retain necessary skills and experience.
- 8.4. **Corporate Policy and Equality Impact** – The proposals for Elevate services contained within this report are in line with the independent Growth Commission’s recommendations and the Transformation Strategy. They will contribute to delivering the vision and aspirations for the borough as set out in the Borough Manifesto, in particular around supporting the Local Environment. The proposals will also result in the improved efficiency and effectiveness of the services. In particular, the proposals will contribute to the Council’s priorities; *‘Build a well-run organisation’* and *‘Ensure relentlessly reliable services’* as set out in the Corporate Plan.

An Equalities Impact Assessment (EIA) is attached to this paper. The EIA will be regularly reviewed and updated as plans progress. The proposals will not have any negative impact on any of the protected groups and residents should not see a difference in the service they receive. In fact, the proposals present an opportunity to review the services in question to ensure they provide a relentlessly reliable service. A phased approach to exiting the contract and implementing the new arrangements will ensure there is no disruption to services and any impacts are managed effectively. Any staff affected by the changes will be managed under the TUPE process and will be subject to a separate consultation and EIA.

- 8.5. **Property / Asset Issues** – In the short-term following transfer of Elevate staff to the Council, it is expected these staff will remain in their normal locations. Longer term there may be opportunities for property rationalisation in line with the Council's Asset Management Strategy.

Public Background Papers Used in the Preparation of the Report: None.

List of appendices:

- Appendix 1: Full Business Case (exempt document)
- Appendix 2: Equalities Impact Assessment