

## CABINET

13 November 2012

<b>Title:</b> Annual Report on the Financial and Service Performance of the Elevate Joint Venture 2011/12	
<b>Report of the Cabinet Member for Customer Services</b>	
<b>Open Report</b>	<b>For Information</b>
<b>Wards Affected:</b> None	<b>Key Decision:</b> N/A
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<b>Accountable Divisional Director:</b> Jonathan Bunt, Divisional Director of Finance	
<b>Accountable Director:</b> Graham Farrant, Chief Executive	
<b>Summary:</b>  This report gives a summary of the first full year (2011-12) of the Elevate Joint Venture (JV). The JV is a partnership between the Council and Agilisys. There were three main objectives in creating the partnership: improved performance in the delivery of services; financial benefit to the Council through lower costs for delivery; and the creation of jobs. By the end of the first year of the contract, the Elevate JV delivered better services for lower cost and created 56 new jobs in the Borough.	
<b>Recommendation(s)</b>  The Cabinet is recommended to note the summary of performance of Elevate East London LLP for the first full year (2011/12) as detailed in the report.	
<b>Reason(s)</b> The performance summary in the report draws upon data reviewed and agreed monthly by Elevate and the Council's client team, and reported quarterly to the Council's Strategic Partnering Board and monthly to the Elevate LLP Board.	

### 1. Introduction and Background

- 1.1 The Council entered into a joint venture contract with Agilisys on 10 December 2010, thereby forming Elevate East London LLP. The initial transferring services were IT, B&D Direct, Revenues and Benefits, and Accounts Payable and Procurement. The performance of these services during 2011-12 is covered in this report.
- 1.2 This Elevate arrangement was procured using the OJEU competitive dialogue procedure, and allowed within the scope of the OJEU for the transfer of further services as the partnership developed. On 1 March 2012, two further services were transferred: Transactional HR and Payroll, and on 1 April 2012 parts of Assets and Commercial Services were also moved into the Elevate arrangement. These services are not

covered in this report as a bedding-in period is allowed before performance reporting. These services will be included in next year's annual report to Cabinet.

- 1.3 A report to Cabinet on 22 November 2011 gave a summary of the performance of the initial transferring services for the first six months of the contract. This report gives a summary of the performance of these services for the first full year of the contract.

## 2 Service Performance

- 2.1 A table summarising the performance of Elevate in delivering the initial transferring services is included as **Appendix 1**, which gives the details for both the Key Performance Indicators or KPIs (where deductions apply if they are not met) and the Performance Indicators or PIs. KPIs measure those aspects of service delivery that have most impact on the Council, whereas PIs provide a measure of underlying service performance and highlight areas for improvement. The targets are reviewed each year and are benchmarked against previous service levels and services of other Councils.
- 2.2 What the Council pays for each of the services gets less each year, as described below, and so this, alongside an expectation of improvement in performance on an annual basis, has the effect of making the targets increasingly more challenging year on year. Any deductions as a result of missed targets come from the 10% performance fee which is paid to Elevate on top of the cost of the services. 40% of this fee is dependent upon performance against the KPIs.
- 2.3 B&D Direct, comprising the contact centre and the two one stop shops, exceeded all the Key Performance Indicator (KPI) targets set each month during the year. The service also exceeded all three Performance Indicators (PIs)
- 2.4 The Revenues and Benefits service performed well but missed 16 monthly KPI targets (out of a total of 84 across 7 KPIs) over the course of the year, leading to £7,789 deductions being applied from the performance fee. The service recorded nine monthly PI failures across 108 monthly PI targets, and one failed target out of the four annual PIs.
- 2.5 In 2011-12 the total amount of money collected by the Revenues and Benefits Service for Council Tax, Housing Rent and Leaseholder income rose by £2.086m compared to the previous year.
- 2.6 The ICT service also performed well, but missed 5 monthly KPI targets over the year (out of a total of 156 across 13 KPIs), and just missed the annual target on customer satisfaction. These led to deductions of £1,155 from the performance fee. The service had just eight monthly failures during the year out of 84 across the seven monthly PIs measured.
- 2.7 The Accounts Payable service missed six of the monthly targets for invoices paid within 30 days, leading to a deduction of £5,082 from the performance fee, although it is recognised that responsibility for this indicator is shared between Elevate and the Council. The service met both annual PIs.
- 2.8 The majority of monthly targets across all the services were either met or exceeded. A relatively small number of monthly targets were missed as described above, but in each

case a review of the underlying causes was undertaken together with the Council, and Service Improvement Plans put in place to address all of those areas.

- 2.9 Another area of performance not covered by the KPIs and PIs is the transformation activity carried out by Elevate over the year. A number of key projects have been undertaken successfully by Elevate on behalf of the Council, including those that formed part of the Customer Access Strategy, and the implementation, funded by Agilisys, of the Oracle iProc system to overhaul the way purchase orders are placed within the Council. However, it is too early to report on the full realisation of the benefits of this activity. For 2012-13 onwards a new KPI and PI have been agreed by Elevate and the Council which will measure the cost, quality and schedule of transformation projects, and the quality of reporting information, respectively.

### **3. Financial Performance: Target Cost**

- 3.1. The Target Cost is the amount of money to be paid to Elevate each year for running the services. The target cost for 2011/12 was £21.523m and this comprised £18.998m for the three services that transferred at the start of the contract (B&D Direct, Revenues & Benefits and ICT), £1.900m management fee and £625k contribution to Elevate's overheads.
- 3.2. Over the ensuing seven-year life of the contract, Elevate is required to deliver significant savings on the target cost year-on-year starting with an 8% reduction in Yr 2. These savings will eventually lead to a target cost of £17.589m for the last full year of the contract (which includes £1.592m management fee and £625k overheads). Attached at **Appendix 2** is a schedule showing the target cost for each year of the seven-year contract life.
- 3.3. The base target cost for each of the three services was predominantly derived from the core base budgets that the Council held prior to service transfer though also reflected the way the managing partner, Agilisys, expected to run the services.
- 3.4. Although due diligence exercises were carried out by both parties prior to the signing of the contract, it was generally accepted that the core base budgets for each of the services did not necessarily represent the current expenditure levels of those services. For this reason the contract contains a risk sharing mechanism between the two partners in relation to any over or under spends in Elevate's year end accounts. In year 1 the risk sharing ratio is 80:20 (LBBD:Agilisys) and this ratio alters over the life of the contract to be 50:50 in year 2 then 20:80 (LBBD:Agilisys) to the end of the contract.
- 3.5. As is the case with many large, complex contracts a number of the contract clauses were drafted at a high level with the detail to be agreed and worked through by both parties post implementation. The contract allowed for this to occur and during 2011/12 both parties have worked together to resolve a number of embedding issues which included the allocation of costs and proposed target cost adjustments. As a result of this activity, for 2012/13 there is a net transfer of budgets from the Council to Elevate of £332k, including the uplift to the national insurance rate from April 2011 and the extra employers pensions costs identified after the start of the contract. Both partners worked to review and contain cost pressures throughout the year as expected under the contract.

- 3.6. For 2012/13 the target cost for the initial transferred services will decrease by £1.69m, and this represents a saving to the Council over the year in the cost of delivering those services.
- 3.7. At the end of 2011/12 Elevate have reported a balanced position, i.e. no surplus or deficit, after accounting for all potential costs and liabilities. This includes making provision for certain costs and risks yet to occur and these will be monitored by the Elevate Board throughout the year.

#### **4. Financial Performance: Procurement Gainshare**

- 4.1. In addition to the three operational services highlighted above, both the Accounts Payable and the Procurement functioned also transferred to Elevate. However, under the terms of the contract the Council is not charged for these services. Instead, the contract allows for Elevate to benefit from savings generated on procurement activity under a gainsharing arrangement.
- 4.2. For 2011/12 quarterly estimates of procurement savings were reported to and agreed by the Procurement Board consisting of officers from both parties. These agreed savings gave rise to procurement gainshare for Elevate and related to individual contracts or expense category lines where evidence was given of Elevate's influence on the procurement activity resulting in a reduced cost to the Council. The total of these savings for 2011/12 was £558k and Elevate's share was £223k based on a 60:40 split (LBBD:Elevate). These are considered to be permanent savings for which Elevate will invoice the Council on an annual basis.

#### **5. Financial Performance: Revenue Gainshare**

- 5.1. The Elevate contract provided an incentive to Agilisys as the managing partner to improve the collection of certain income streams. This incentive was the split of all monies collected above an agreed target 70:30 (LBBD:Agilisys).
- 5.2. For 2011/12, Council Tax has been agreed to be included for this incentivisation for monies collected above a target of 92.90% (based on the collection rate in 2010/11). The final collection rate was 94.13%. Under the contract this has given rise to a gainshare of £195k. The Council and Agilisys are still considering revenue gainshare for further income streams for 2012/13 and onwards.

#### **6. Job Creation**

- 6.1 As a result of Elevate's commitment to job creation, 56 local residents were placed into work by the end of the first full contract year. New employer engagement strategies and the creation of strategic relationships with key employers are helping to move towards the target of 110 new jobs created by 31 March 2013. In addition, 13 Apprentices have been recruited across the borough in a variety of roles in Elevate, Barking Enterprise Centre tenanted and non-tenanted businesses and in other organisations. Details are contained in **Appendix 3**.

## **7. Financial Implications**

Implications completed by: Jonathan Bunt, Divisional Director of Finance

- 7.1 Elevate delivered the services within the agreed target cost for 2011/12. Throughout the year, performance against the agreed indicators was monitored and deductions were made in line with the contract as detailed in **Appendix 1**.

## **8. Legal Implications**

Implications completed by: Eldred Taylor-Camara, Legal Group Manager

- 8.1 This report provides an account of how the Incremental Partnership Services Agreement between the Council and Elevate East London LLP and Agilisys Ltd has fared over the past year. There are no legal implications that flow from the report.

### **Background Papers Used in the Preparation of the Report:**

- Cabinet Report, 22/11/2011: Six Monthly Performance Review of Elevate Joint Venture and Proposal for Authority to Open Negotiations for the Transfer of Further Services;
- Monthly Monitoring reports: April 2011 – March 2012.

### **List of appendices:**

- **Appendix 1** - Summary of Performance 2011-12
- **Appendix 2** - Agreed Target Cost Reductions during the life of the contract
- **Appendix 3** - Jobs created up to March 2012