

# CABINET

Tuesday, 26 March 2013  
(1:00 - 1:12 pm)

**Present:** Councillor L A Smith (Chair), Councillor J L Alexander, Councillor H J Collins, Councillor L A Reason and Councillor P T Waker

**Also Present:** Councillor A K Ramsay

**Apologies:** Councillor R Gill, Councillor C Geddes, Councillor M A McCarthy, Councillor J R White and Councillor M M Worby

## 123. Declaration of Members' Interests

There were no declarations of interest.

## 124. Proposed Amendments to the Procurement Gain Share Arrangements for the Elevate Joint Venture with Agilisys

The Cabinet Member for Customer Services presented a report on proposals to vary certain aspects of the gain share arrangements that apply to the procurement service provided on behalf of the Council by the joint venture company Elevate East London LLP ("Elevate").

The Cabinet Member explained that when the Partnership Agreement was first entered into the Accounts Payable and Corporate Procurement functions were not charged for by Elevate. Instead, the contract allowed for Elevate to benefit from savings generated on procurement activity under a savings gain sharing arrangement. The contract provided for all identified and agreed procurement savings on 'in scope' services to be split 60% to the Council and 40% to Elevate, and it was from the 40% that the cost of the Accounts Payable and Corporate Procurement functions would be recovered by Elevate, with any surplus / shortfall being paid to / met by Agilisys . The intention was that the arrangement would act as an ongoing incentive for Agilisys, as the Managing Partner of Elevate, to continue to invest in the development of the service.

In light of the lower than expected procurement spend by the Council and additional investment by Agilisys in areas relating to procurement, a new arrangement for the provision of Accounts Payable and Corporate Procurement services was requested by both partners in order to better reflect the new position while continuing to provide an incentive for continual improvement.

The Cabinet Member advised that a range of options had been considered by the parties and a composite solution was proposed as follows:

- A fixed annual contribution to the Accounts Payable service of £200,000, payable from 1 April 2012;
- All pre-2012/13 savings continue at their agreed rate. This represented approximately £226,000 from identified savings of £565,000;
- The next £5m of agreed savings in each year to be split 80:20 (Council:Agilisys);

- Above that cap, any agreed savings would be split 90:10 (Council:Agilisys);
- Social care (Adult Services) expenditure would be considered as an 'in scope' service and added to the services for which gain share could be earned by Elevate. All social care savings would be at 90:10 (Council:Agilisys) and would be outside the £5m savings cap.

It was noted that in the event that the composite solution was not agreed, the partners would revert to the existing contractual arrangement and gain share would be paid according to those terms. The Cabinet Member also advised that Elevate's charge for abortive costs incurred on work undertaken in preparation for the renewal of the Housing Repairs and Maintenance contract, which the Council subsequently decided would be provided in-house on the expiry of the current contract, had been reduced from £217,000 to £148,600 following further discussions between the parties.

Arising from the discussions on the proposals, the Cabinet Member for Adult Services and Human Resources stated that she would wish for social care projects to be determined on a case by case basis.

In respect of whether or not Housing Revenue Account (HRA) services should be considered as an 'in scope' service, the Divisional Director of Finance advised that as a starting point for the discussions to date it had been assumed that those services were 'in scope' and the gain share arrangements would apply. However, it was noted that the legal position had still to be determined and the Cabinet Member for Housing suggested that no commitment should be made until that matter had been resolved and the implications fully understood, particularly as the Incremental Partnership Services Agreement currently made no reference to HRA services.

**Cabinet agreed:**

- (i) 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
- (ii) 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.