

## CABINET

19 November 2013

<b>Title:</b> 2012/13 Annual Report on the Financial and Service Performance of the Elevate Joint Venture	
<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> No
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<b>Summary:</b>  This report gives a summary of the second full year (2012-13) 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 second full year of the contract, the Elevate JV had delivered better services for lower cost and created 123 new jobs in the Borough, 13 more than the target.	
<b>Recommendations</b>  The Cabinet is recommended to note the summary of performance of Elevate East London LLP for its second full year (2012/13) as detailed in the report.	
<b>Reasons</b>  The performance summary in the report draws upon data reviewed and agreed monthly by Elevate and the Council's client team, and reported 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 2012-13 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.

- 1.3 A report to Cabinet on 13 November 2012 gave a summary of the performance of the initial transferring services (phase one) for the first year of the contract. This report gives a summary of the performance of those services, and the further added services (phase two) for the second full year of the contract.

## **2. Service Performance**

- 2.1 A table summarising the performance of Elevate in delivering the phase one and phase two 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 the Council has decided are most critical to achieving the goals of the contract, 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, missed just one of the Key Performance Indicator (KPI) targets set each month during the year, resulting in a deduction of £1,711 from the performance fee. The service missed just two of the monthly Performance Indicators (PIs) (two out of a total of 72 across the six PIs).
- 2.4 The Revenues and Benefits service performed well and missed 4 monthly KPI targets (out of a total of 100 across nine KPIs) over the course of the year, leading to £3,439 deductions being applied from the performance fee. The service recorded 27 monthly PI failures across 84 monthly PI targets, 5 failures across the 8 quarterly PIs and one failed target out of the four annual PIs.
- 2.5 In 2012-13 the total amount of money collected by the Revenues and Benefits Service for Council Tax, Housing Rent and Leaseholder income rose by £4.737m compared to the previous year.
- 2.6 The ICT service performed well, but missed 6 monthly KPI targets over the year (out of a total of 144 across 12 KPIs). These led to deductions of £1,372 from the performance fee. The service met all of its PIs.
- 2.7 The Accounts Payable service missed 1 of the monthly targets for invoices paid within 30 days, but the deduction of £827 was waived as it is recognised that responsibility for this indicator is shared between Elevate and the Council and in this case it was Council activity that led to the target being missed. The service met all its 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 For 2012-13, the Council agreed a new key performance indicator (KPI) and a new performance indicator (PI) to measure the performance of transformation project activity delivered to the Council by Elevate. These indicators measured: (a) the cost, quality and schedule of transformation projects (KPI); and (b) the quality of reporting information (PI). Service performance levels were above the target levels for both indicators during the year.
- 2.10 A number of key projects were successfully completed by Elevate on behalf of the Council during the year, this included: (a) MyAccount Phase 2 - additional functionality added to the self-service portal of the Council's website to allow housing rents accounts to be managed online by residents; (b) Income management - replacement of the system for taking card payments for services to ensure Council compliance with industry regulations; and (c) ICT service management - replacement of the system for managing ICT service requests to allow employee self-service and reduction in licensing costs. A number of other key projects were also delivered with Elevate support, but were scheduled to continue into 2013/14. These included the ICT project to support the transfer of the Housing Repairs service back to the Council and a contribution towards the implementation of the One Oracle programme (finance and HR system replacement).
- 2.11 In terms of benefits realisation for project investments made by the Council in the previous financial year (2011-12), Elevate have been successful in delivering its target cost reductions and procurement savings for 2012/13 through the operation of the investments made by the Council (e.g. MyAccount, IVR system, ICT Service Management Tool) and by Agilisys (e.g. implementation of the iProcurement electronic purchasing system). It is too early to report the benefits achieved from the investments made in 2012/13.
- 2.12 Of the phase two services, HR and Payroll missed four out of a total of 48 monthly PIs leading to a deduction of £3,172 from the performance fee. HR and Payroll also missed five of their 85 monthly PIs. All other phase two services met all of the KPIs and PIs.

### **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 2012/13 was £23.839m and this comprised £17.668m for the initial three services that transferred at the start of the contract (B&D Direct, Revenues & Benefits and ICT), £1.767m management fee and £625k contribution to Elevate's overheads, plus £407k adjustment for new pressures, £3.172m for the additional services added this year (Property Services, Technical Support, PFI, HR Transactional & Payroll) and £200k contribution to Accounts Payable.

### Elevate Target Operating Cost

Description	2012/13 Amount £'000's	2016/17 Amount £'000's
Initial Services TOC - B&D Direct, Revenues & Benefits and ICT (per 7 year Financial Model)	17,668	15,422
Management Fee (10% of Initial Services TOC)	1,767	1,542
Contribution towards Elevate's Overheads	625	625
<b>Initial Elevate Target Operating Cost</b>	<b>20,060</b>	<b>17,589</b>
Changes to Initial Services	407	407
Additional Services added 2012/13 - Property Services, Technical Support, PFI, HR Transactional & Payroll	3,172	2,797
Contribution towards Accounts Payable	200	200
<b>Revised Elevate Target Operating Cost</b>	<b>23,839</b>	<b>20,993</b>

- 3.2 Over the ensuing seven-year life of the contract, Elevate is required to deliver significant savings on the initial transferred services on the target cost year-on-year which started 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 for the initial transferred services (which includes £1.542m management fee and £625k overheads), plus a further £3.404m totalling £20.993m. Attached at Appendix 2 is a schedule showing the target cost for the initial transferred services for each year of the seven-year contract life.
- 3.3 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 2012/13 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, during 2012/13 there was a net transfer of budgets from the Council to Elevate of £635k, a schedule is attached detailing these. Both partners worked to review and contain cost pressures throughout the year as expected under the contract.
- 3.4 At the end of 2012/13 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 in line with standard accounting practice and these will be monitored by the Elevate Board throughout the year.
- 3.5 For 2013/14 the target cost for the initial transferred services will decrease by £1.126m, and this represents a saving to the Council over the year in the cost of delivering those services.

#### 4. Financial Performance: Procurement Gainshare

- 4.1 Under the original terms of the contract, delivery of the Accounts Payable and Procurement services was free of charge to the Council, with costs being re-couped via Procurement Savings Gainshare at a 60:40 (Council:Agilisys) split of any realised procurement savings.
- 4.2 This arrangement was amended for 2012/13 onwards so that the Council now pays a contribution of £200k per year towards the cost of Accounts Payable and there is a reduced Agilisys gainshare in any Procurement savings achieved. The new gainshare split for savings on purchases and contracts finalised post 1 April 2012 is now at 80:20 (Council:Agilisys) up to a cap of £5m of savings. After the cap, any gains are split 90:10 (Council:Agilisys). For any procurement completed prior to April 2012 where a saving was achieved, a 60:40 split will continue for the life of the contract.
- 4.3 Procurement savings delivered by Elevate over the full 12 months period in 2012/13 are £3.36m. This includes savings to which the gainshare arrangement doesn't apply (e.g. capital spend, DSG). Gainshare is applicable to £2.3m giving rise to a payment of £594K to Agilisys through a combination of savings at 60:40 and 80:20.
- 4.4 During 2012/13, assisted by the Elevate Corporate Procurement Team, the Council procured a new corporate agency workers' contract through an innovative e-auction process and this alone has been the source of £1m in savings. This translated into £800k savings for the Council with £200k gainshare payable to Agilisys.

#### 5. Financial Performance: Revenue Gainshare

- 5.1 The Elevate contract provided an incentive to Agilisys as the managing partner to improve the collection of specified income streams. This incentive was to split all of the monies collected above the agreed target 70:30 (Council:Agilisys).
- 5.2 For 2012/13, Council Tax, Benefits Overpayments & Council Tax Arrears were all agreed to be included for the incentivisation for monies collected above agreed targets. Final collection for all three areas was £1.241m above the target set. Under the contract this has given rise to a gainshare of £372k payable to Agilisys. The Council and Agilisys are still considering revenue gainshare as incentivisation for further income streams for 2013/14.

##### 2012/13 Gainshare

Income Stream	Surplus £'000's	LBBG Gainshare (70%) £'000's	Agilisys Gainshare (30%) £'000's
Council Tax Collection	513	359	154
Council Tax Arrears Collection	204	143	61
Housing Benefits Overpayments Collection	524	367	157
<b>Total</b>	<b>1,241</b>	<b>869</b>	<b>372</b>

## **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 helped to exceed by 13 the target of 110 new jobs created by 31 March 2013.

## **7. Financial Implications**

Implications completed by: Jonathan Bunt, Chief Finance Officer.

- 7.1 The report provides an update on performance during the 2012/13 financial year, including specific financial performance. There are no direct financial implications as a result of this report.

## **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: None**

### **List of appendices:**

- **Appendix 1:** Summary of Performance 2012-13
- **Appendix 2:** Agreed Target Cost Reductions during the life of the contract
- **Appendix 3:** Jobs created up to March 2013