

## CABINET

23 NOVEMBER 2010

## REPORT OF THE CABINET MEMBER FOR CUSTOMER SERVICES AND HUMAN RESOURCES

<b>Title:</b> Governance Arrangements for New Joint Venture with Agilisys	<b>For Decision</b>
<p><b>Summary:</b> This paper is by way of a follow up to the report that was presented to Cabinet on the 28 September 2010 and outlines the governance arrangements that will be put in place to ensure the new Joint Venture performance arrangements are robust.</p> <p>A pictorial representation of the proposed governance arrangement is presented by way of a diagram at Appendix 1.</p> <p><b>Wards Affected:</b> None</p>	
<p><b>Recommendation(s)</b></p> <p>The Cabinet is asked to:</p> <ul style="list-style-type: none"> <li>(i) Approve the governance arrangements for the joint venture with Agilisys as detailed in this report; and</li> <li>(ii) Recommend the Assembly: <ul style="list-style-type: none"> <li>a. That the two Council representatives on the Elevate Board be the Portfolio Holder for Customer Services and Human Resources and the Corporate Director of Finance and Resources;</li> <li>b. That a Member be appointed as the nominated deputy for the Portfolio Holder for Customer Services and Human Resources and the Divisional Director of Assets and Commercial Services and the Divisional Director of Corporate Finance be appointed as the nominated deputies for the Corporate Director of Finance and Resources;</li> <li>c. That the Member representation on the Strategic Partner Board be the Portfolio Holder for Finance, Revenues and Benefits, who will Chair the Board, the Portfolio Holder for Customer Services and Human Resources, and a non-Cabinet Member; and</li> <li>d. That the necessary amendments to the Council's Scheme of Delegation be made to reflect the responsibilities for managing the Elevate Limited Liability Partnership agreement, the Strategic Partner Agreement and the Service Contract with Elevate and other associated legal documents.</li> </ul> </li> </ul>	

<b>Reason(s)</b>		
In order to ensure that the Elevate Joint Venture is governed and the Service Contract is managed and monitored in such a way as to deliver the expected outcomes on the part of the Council and its partner, Agilisys Limited.		
<b>Comments of the Chief Financial Officer</b>		
The development of Elevate enables the Council to deliver better services at less cost and to make savings as part of the overall Medium Term Financial Strategy. The governance arrangements presented in this report provides assurance that expected benefits are realised.		
Elevate is a critical strand of the Council's plan to significantly reduce its budgets.		
<b>Comments of the Legal Partner</b>		
The governance arrangements and the legal structure of the Elevate Limited Liability Partnership have been established on the advice of external legal and financial advisers. The Council Legal Partner is satisfied that the legal structure, the governance arrangements for the Elevate Limited Liability Partnership and the internal arrangements for the proper management and monitoring of the Elevate Limited Liability Partnership, the Service Contract and the associated legal documents are in compliance with all legal requirements and the Council's Constitution.		
<b>Head of Service:</b> Sue Lees	<b>Title:</b> Divisional Director Strategic Asset Management and Capital Delivery	<b>Contact Details:</b> Tel: 020 8227 3300 E-mail: sue.lees@lbbd.gov.uk
<b>Cabinet Member:</b> Cllr John White	<b>Portfolio:</b> Cabinet Member, Customer Services and Human Resources	<b>Contact Details:</b> Tel: 020 8724 8013 E-mail: john.white@lbbd.gov.uk

## 1. Background

- 1.1 At its meeting on 28 September 2010 the Cabinet agreed, amongst other things, that "The Corporate Director of Finance and Resources put in place appropriate internal arrangements for the proper monitoring and management of the Joint Venture and Partnering Agreement and the Services Contract through a new Commercial Services Unit".
- 1.2 In line with that decision officers have developed governance, monitoring and management arrangements for the Elevate Joint Venture and for other large Council contracts in the future.
- 1.3 The arrangements that have been developed cover:
  - Governance structures post-financial close

- The establishment of a Commercial Services Unit to manage a range of large Council contracts and a Transformation Unit to assist the rest of the organisation deliver its modernisation programme

## **2. Proposal**

### **2.1. Governance structures post-financial close of the Joint Venture.**

2.1.1 The proposed governance arrangements for Elevate will be made up of:

- The Strategic Partner Board;
- The Elevate Limited Liability Partnership (which is the Service Delivery organisation); and
- The Commercial Services Unit which will provide the appropriate clienting arrangements.

2.1.2 A diagram showing the proposed governance structure can be seen at **Appendix 1**. Agilisys has agreed to this proposal.

### **2.2 The Strategic Partner Board**

2.2.1 The Strategic Partner Board's role will be one of influencing the activities of Elevate.

2.2.2 The Strategic Partner Board will meet monthly to discuss the strategic direction of the partnership, and will receive quarterly performance and risk reports.

2.2.3 It is further proposed that the agenda of the Strategic Partner Board includes a monthly consideration of the Fostering Opportunities agenda (this part of the contract is about the creation of new jobs in Barking and Dagenham) as the arrangements proposed by Agilisys include elements to be provided by Agilisys direct rather than through Elevate. Those elements have been secured for the Council by Agilisys being party to the Service Contract.

2.2.4 Attached at **Appendix 2** are draft Terms of Reference for this board and provide additional explanation of the functions which the board will be performing.

2.2.5 Membership of the Strategic Partner Board is shown on Appendix 1. The seat for Union representation will be reserved for the Union representative of staff within Elevate. This position will be held for a two-year period, and to assure independence can only be held by a union representative with no personal connections to employees of Elevate.

### **2.3 Elevate Limited Liability Partnership Board**

2.3.1 The activities of Elevate will be controlled by the Limited Liability Partnership Board of Elevate. The Council will have two representatives on the Elevate Board and it is proposed that this be the Portfolio Holder for Customer Services and Human Resources and the Corporate Director of Finance and Resources. Similarly Agilisys will also have two representatives on the Elevate Board.

2.3.2 The Member representative on the Elevate Board, and his/her deputy, will be required to declare an interest every time either an Elevate matter, or a Council

matter which may impact upon future Elevate opportunities, comes before the Cabinet and might have a prejudicial interest depending on the business, in which case the Member should not participate in the discussion and the decision-making on that matter.

- 2.3.3 There will be an independent Chair appointed, but in the early stages this role may be taken by Elevate Board representatives in rotation. Officers within Elevate will service the Elevate Board and be held to account by it.
- 2.3.4 In the event of a dispute that results in deadlock at the Elevate Board, escalation will be to a senior officer within the partner organisations. In the case of the Council this will be the Chief Executive. If there is no resolution through this process, then the LLP agreement will provide a buyout mechanism in favour of the Council in the first instance. This does not impact upon the continuity of the service contract.
- 2.3.5 The Elevate Board will meet monthly, after the Strategic Partner Board, and will agree the annual Business Plan of Elevate and receive regular performance and business development reports.
- 2.3.6 Certain legal and contractual matters, known as 'reserved matters' will require unanimity at the Elevate Board, effectively meaning that certain decisions cannot be made by Agilisys, Elevate's managing partner, without the full approval of the Council through its two representatives on the Board. This would include, for example, matters such as changes of terms and conditions for employees, the addition of another partner into the Elevate Limited Liability Partnership, extension or amendment to services provided, etc.

## **2.4 The Commercial Services Clienting Function**

- 2.4.1 Located within the Finance and Resources Department, a new Commercial Services Unit has been created to negotiate and to project manage the letting of major contracts. This Unit will also manage and monitor high value contracts ensuring that benefits are realised and house the commissioning functions for Procurement and Revenues and Benefits. It is anticipated that, over time, other large contracts will be managed by this unit.
- 2.4.2 Alongside the Unit will sit an Information Communication Technology and Transformation Unit which will monitor the Information Communication Technology and One B&D elements of the contract and support the Council's transformation programme.
- 2.4.3 Attached at **Appendix 3** is the structure of the Commercial Services unit, and the Transformation Unit.
- 2.4.4 The Commercial Services unit will provide the clienting function and will be responsible for managing the performance of the contract for each of the services being delivered by Elevate to the Council. The Commercial Services unit will receive monthly performance reports from Elevate, and will manage the contract using the mechanisms within the contract (the Payment Mechanism) to ensure that the Council receives its expected level of performance, and only makes contractual payments after deductions if there is a performance failure.

- 2.4.5 The Commercial Services Unit will provide regular performance reports to the Corporate Management Team (CMT) through the Performance Board element of the CMT agenda, and the CMT will then provide regular reports to Cabinet. Performance reports will also be presented to the Strategic Partner Board.
- 2.4.6 Decisions on further service transformation, new services to transfer into Elevate, or other amendments to the contract, will be driven through the Strategic Partner Board from the Transformation Board (an officer Board set up to manage Council transformation in a planned and efficient way), and into CMT (with their remit of Council Programme Board). Decisions will then be actioned through the Commercial Services unit.

## **2.5 The Service Delivery Organisation ( Elevate East London LLP)**

- 2.5.1 Elevate is the Service Delivery Organisation, and is responsible for the delivery of services under contract to the Council. At this stage the services that this will cover are:
- Revenues and Benefits
  - Procurement and Accounts Payable
  - B&D Direct and One Stop Shops, including Careline and Mobility Services.
  - Information and Communication Technology

There is scope to transfer further services into Elevate upon the instruction of Cabinet.

- 2.5.2 Staff will transfer (by way of Transfer of Undertakings (Protection of Employment) Regulations) from the Council into Elevate. On a day to day basis Elevate's activities will be managed by Agilisys as the managing partner of Elevate and it will deliver those services to and on behalf of the Council.

## **3. Membership and Selection of the Council Representation on the Strategic Partner Board and the Elevate Limited Liability Partnership Board.**

- 3.1 It is proposed that membership of the Strategic Partner Board will comprise of:
- Three (3) elected Members of the Council, namely the Portfolio Holder for Finance, Revenues and Benefits, who will Chair the Board, the Portfolio Holder for Customer Services and Human Resources, and a non-Cabinet Member)
  - One (1) trade union representative from the workforce of Elevate
  - The Council's Corporate Management Team (5)
  - One (1) Fostering Opportunities Officer (Divisional Director of Regeneration and Economic Development to lead)
  - The Divisional Director of Assets and Commercial Services
  - Three (3) Agilisys representatives
  - Two (2) Elevate representatives.
- 3.2 There are no voting activities on this Board as it is not a decision making Board.
- 3.3 The Council appointments to the LLP Elevate Board and the Strategic Partner Board will be approved by Assembly on 8 December 2010.

3.4 As referred to in paragraph 2.3.1 the proposal is that there are two Council representatives (Members of the Board) on the Elevate Board. It is proposed that these roles are filled by the Portfolio Holder for Customer Services and Human Resources and the Corporate Director of Finance and Resources. It is further proposed that the Divisional Director of Assets and Commercial Services and the Divisional Director of Corporate Finance be appointed to deputise for the Corporate Director of Finance and Resources when and if required, and that a Member be appointed to deputise for the Portfolio Holder for Customer Services and Human Resources when and if required.

3.5 The appointment of the independent Chair of Elevate will be by way of interview by the Board of Elevate and will require commensurate remuneration. The level of remuneration will be set by the Board of Elevate by reference to market remuneration for equivalent posts.

#### **4. Council Scheme of Delegation**

4.1 The Council's Scheme of Delegation (Part C) will be expanded to reflect the commercial services function and in particular the clienting arrangement.

#### **5. Financial Issues**

5.1 The cost of the establishment of the Commercial Services Client Unit will be funded from existing resources. There are a small number of new posts (no more than 2 or 3 depending on internal applications) which may require filling externally as we may not have the skills internally, however most posts will be filled by people displaced through other Council restructures.

#### **6. Legal Issues**

6.1 The governance and legal structure of Elevate has been established on the advice of external legal and financial advisers. The Council's Legal Partner is satisfied that the structure is in compliance with all legal requirements and the Council's instructions.

#### **7. Other Implications**

7.1. **Risk Management** - There are no intrinsic risks associated with the proposals of this report. Introducing adequate governance arrangements will allow for the Council to ensure contract compliance.

7.2 **Staffing Issues** - The Commercial Services Unit is a new team that has been created to negotiate and to project manage large contract letting. The team will be recruited to from internal (by way of redeployees and internal appointments) and external applicants.

7.3 **Customer Impact** - No specific implications at this stage.

**8. Options appraisal**

- 8.1 The proposal put forward within this paper is a requirement for the good governance of such a large contract. Without accepting this option, the contract is at risk of not being managed adequately and therefore the benefits not being realised.

**9. Background Papers Used in the Preparation of the Report:**

Cabinet Report 28 September 2010– Business Case and Appointment of Preferred Bidder for Joint Venture Strategic Partnership

**10. List of appendices:**

Appendix 1 – Joint Venture Governance Structure

Appendix 2 – Terms of Reference for the Strategic Partnership Board.

Appendix 3 – The structure of the Commercial Services and Transformation Unit