

WEST NORTHAMPTONSHIRE COUNCIL

CABINET

13TH JULY 2021

Cabinet Member with Responsibility for HR and Corporate Services: Councillor Mike Hallam

Report Title OPUS – Governance and Delivery

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List of Appendices

None

1.0 Purpose of Report

1.1 The purpose of this report is to set out the previous arrangements in place between Northamptonshire County Council (NCC) and Opus People Solutions (OPUS), which was an agreed part of the North (NNC) and West (WNC) Blueprints. The report will also set out the proposed revised model of shareholding as a result of the changes which have taken place in Northamptonshire both in the Local Government Reorganisation which has abolished Northamptonshire County Council and created two new unitary Councils and the establishment of the Children’s Trust which is also a user of Opus.

2.0 Executive Summary

2.1 OPUS is a joint venture company that was set up as a shared service with several local government partners – Northamptonshire, Cambridgeshire (CCC) and Milton Keynes (MKC); within a model developed by Suffolk County Council (SCC).

- 2.2 OPUS was developed to ensure partners received value when they need to recruit temporary resource and positively manage this market and significant spend. This has been particularly prevalent under Covid times and with the demands of Local Government Reorganisation and the changes impacting on Northamptonshire's two new councils. Although the council continues to directly employ its own workforce, it sometimes needs to engage some level of employed and temporary and agency resource. OPUS also provides the opportunity to recruit locally, initially on the basis of a fixed term temporary contracts which can then easily be converted into permanent posts.
- 2.3 Prior to Vesting Day, both Shadow Authority Executives formally agreed that OPUS shall be the provider of agency resource for the new unitary councils and the transition has already been implemented to ensure all sovereign councils were using OPUS. They act as a direct supplier as well as co-ordinating with a wide range of other agencies to source temporary employees.
- 2.4 To ensure the joint venture recognises the abolition of NCC and the creation of NNC, WNC and NCT, the agreements in place require amendments to reflect the new entities.

3.0 Recommendations

- 3.1 It is recommended that Cabinet:
- a) Note the decisions made by Milton Keynes Council and Cambridgeshire County Council in relation to the Shareholding.
 - b) Agree to the addition of the Northamptonshire Children's Trust as a new shareholder of Opus.
 - c) Agree to the proposed changes to the shareholding of each of the existing shareholders
 - d) Agree to the proposed amendments to the Dividend Policy
 - e) Agree to delegate responsibility for the negotiation on behalf of West Northamptonshire Council of a revised Shareholder agreement to the Executive Director of Corporate Services.

4.0 Reason for Recommendations

- 4.1 To ensure that Opus shareholding reflects the changes brought about through Local Government Reorganisation and the creation of the Northamptonshire Children's Trust.
- 4.2 To support the continuation of Opus in order that West Northamptonshire Council will have greater influence over the quality and pay of agency workers, achieve financial savings by reducing agency costs and achieve a continued supply of agency workers to support the ongoing efficient delivery of staff to the Council
- 4.3 To enable the Head of Paid Service to have arrangements in place to meet the fluctuating demands of the Council.

5.0 Report Background

5.1 Overview

5.1.1 OPUS is a wholly owned local authority trading company, (Cambridgeshire, Northamptonshire, Milton Keynes and the founding council, Suffolk), employing professional recruitment staff. OPUS has been supplying temporary workers since 2004 and was formed as a company in 2015. Opus is an ethical employer and pays its staff at least the living wage and has no staff on zero hours contracts. All workers engaged via Opus on behalf of WNC are paid in line with our organisational policy which is not determined by Opus and again none of these workers are on zero hours contracts.

5.1.2 In 2016, in partnership with the Head of Procurement of LGSS work was undertaken to develop a joint venture partnership with the intention to:

- Have greater influence over the quality and pay of agency workers
- Achieve financial savings by reducing agency costs
- Achieve a continued supply of agency workers

The objectives set out (as detailed above) have been achieved since inception.

5.1.3 In November 2016 NCC Cabinet gave approval to:

- Proceed with the creation of the new agency recruitment company and for NCC to be a part owner of that that company alongside (CCC) and OPUS
- For the new company to provide temporary agency workers into NCC
- Delegated authority to the LGSS Managing Director to set up the joint arrangements and appropriate company structures to ensure continuity of supply of agency workers into NCC in the future
- The Cabinet Paper in November 2016 also summarised a number of other options including the option to go to the market to secure a new provider that was discounted as being unlikely to meet the three objectives detailed above.

5.1.4 Cambridgeshire County Council (CCC) became a shareholder in the joint venture in January 2017. This was closely followed by Northamptonshire County Council (NCC) who became a shareholder in August 2017 and Milton Keynes Council (MKC) joined as a shareholder in September 2018.

5.1.5 The joint venture relies on Teckal exemptions under Public Contracts Regulations, which has been validated by legal teams across all shareholding authorities (SCC, CCC, NCC and MKC).The joint venture organisational governance provides a seat on the board of directors for all shareholders and the existing Service Agreement term is until 8th January 2022 with the initial term being 4.5 years.

5.2 What has the joint venture delivered?

5.2.1 The joint venture performance since going live in NCC is set out below. As well as supporting the strategic direction of NCC, and the structure changes in the organisation, OPUS made 814 placements in the 2020/21 financial year and as at 31 March 2021, 500 active placements were in place.

5.2.2 Of the placements made in 2020/21 (excluding social work), 88% were filled via OPUS' own talent pool where there was no requirement to utilise third party agencies. (OPUS also contract with over 150 other agencies to ensure choice but ensure that these agencies sign up to their ethical

compliance checks). Placements supplied from the OPUS talent pool ensures control on quality and reduces the cost to the council.

5.2.3 Since the company has been incorporated the OPUS joint venture has realised the following financial performance:

Financial year	Net profit / (loss)	Commentary
2017/18	£131k (loss) (Actual)	Initial period, loss expected due to set-up costs. CCC – from Jan 17 NCC – from Aug 17
2018/19	£129k profit (Actual)	Set-up costs recovered MKC – from Aug 18
2019/20	£320k profit (Actual)	£200k dividend paid to Shareholders
2020/21	£407k profit ((Actual)	Increase demand due to Covid response roles. £330k dividend voted for shareholders
2021/22	£344k profit (Forecast)	

5.2.3 In addition to the financial performance of the joint venture, the councils have received the following benefits:

- 10% of annual spend on agency staff has been saved by the councils in the first 4 years, to March 2021.
- Strong relationships with operational management and the wider organisation via OPUS teams embedded on site, delivering quality recruitment solutions, at pace which provides significant savings to both the time and resource of CCC, NCC and MKC.
- Excellent customer satisfaction (96%), compliance (100%) and direct fill rate levels (88% direct fill rates outside of social work) across all sites (reported into board members and contract leads on a monthly and quarterly basis).
- Opus uphold and enforce CCC, NCC and MKC policies and processes and have supported the organisations through recruitment freezes, CEAP, ERP implementation & management of off-contract spend.
- Social work is one of the most challenging ‘hard to fill’ sectors, where demand outstrips supply, resulting in not one single agency being able to fill all roles. Opus is 1st in terms of supplying the highest number of qualified social workers in MKC and 2nd highest in CCC and NCC, only behind the largest national agency who operate under our supply chain on standardised terms. In addition to the excellent performance of providing quality compliant workers Opus robustly manage and regulate the supply chain.
- Significant and robust supply chain of over 150 agencies, all on standardised terms which enable OPUS to fill the all roles across all job categories, even in hard to fill areas

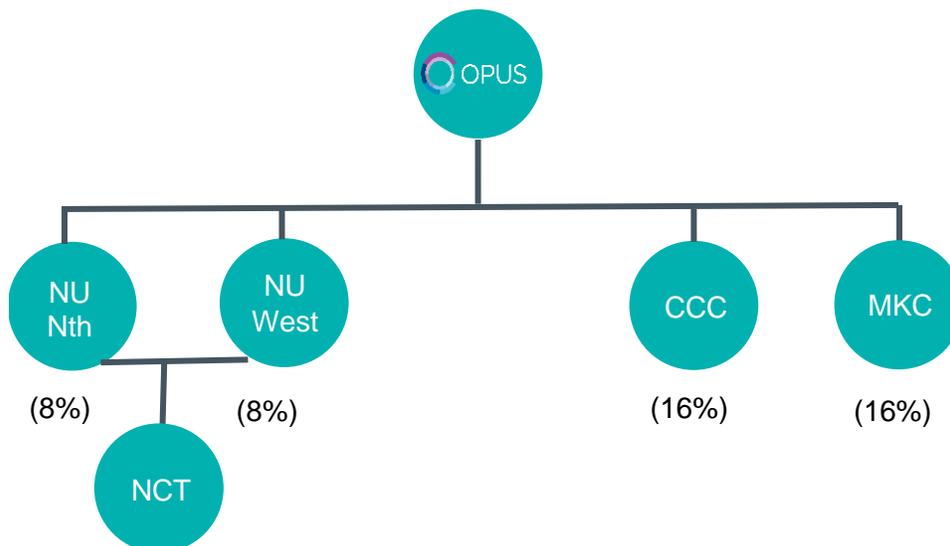
- The supply chain is managed via a Dynamic Purchasing System which enables new supply agencies to be added at any time which gives flexibility and opportunity to on-board local niche agencies
- Opus is working in partnership with NCT in relation to recruitment strategy and specific projects to gain improvements in recruitment and retention of qualified social workers, both permanent and temporary.
- Approximately 450 placements were set-up and transferred over to NNC and WNC on 1st April 2021, with a further 25 placements set-up in NNC on 16th May 2021.

5.3 Structure

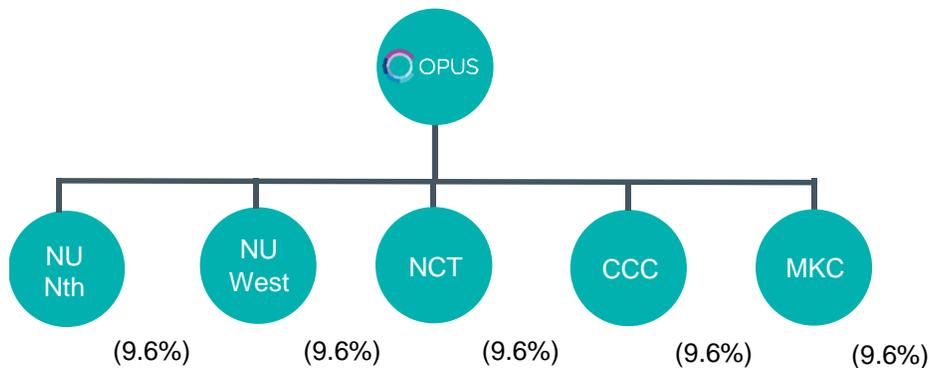
5.3.1 There have been negotiations with partners in the joint venture to reflect the Local Government Review in Northamptonshire, new customer bases and the transition from LGSS. This has included supporting NCT and working with our District and Boroughs in transitioning to OPUS.

5.3.2 In terms of the changes in NCC and the creation of 3 new entities, Opus continues to provide recruitment services to the new entities under the Successor Rights provision in place under the existing Services and Shareholder Agreements. Administrative amendments are required to the agreements to reflect NNC, WNC and NCT adopting the model for its agency requirements.

5.3.3 The following shows the proposed changes to the joint venture arrangements as well as the actions required. It is important to note, that there will be no change to each party's control in the joint venture as a result of these amendments. The current Shareholding structure is as shown the in diagram below:



The proposed amendments to shareholding would be as follows:



5.4.4 The dilution of shareholding being in CCC and MKC (16% down to 9.6 each) and increasing Northamptonshire partners overall shareholding from 16% to 28.8%.

5.4.4 The proposed shareholding changes have already been approved in CCC (March 2021) and in MKC (January 2021).

5.4.5 The Opus joint venture offers a shareholding in the business, including a right to a dividend and a seat on the Board which gives complete transparency of financial and operational performance, input and influence on the strategic direction of the company. In addition, there are a number of Reserved Matters where all shareholders must give approval. None of these change as a consequence of the proposed changes to individual shareholdings in the business.

5.5 Shareholding

5.5.1 In conjunction with these proposed shareholding amendments, the Opus Board also want to change the way that any future Dividends are distributed. Currently, once the Opus Board has approved that a Dividend will be a payable, all dividends are distributed in accordance with the relative shareholdings. In the future the Board are recommending that dividends are distributed on the basis of Gross Margin generated on the throughput of work by each of the shareholding entities.

5.5.2 Any profit and loss reserves as at 31 March 2021 will be allocated to the existing shareholders in line with the existing shareholding held. An element of reserves will be retained within the business for working capital purposes, however if distributed in the future, will be distributed on the existing shareholding prior to the changes which take effect from 1st April 2021.

5.5.3 This change will be beneficial to the Northamptonshire partners as this will recognise their contribution in terms of spend in the joint venture in recent times. The proposed dividend policy changes have already been approved in CCC (March 2021) and in MKC (January 2021).

6.0 Issues and Choices

6.1 The arrangements with OPUS are governed by individual service agreements that run until 8th January 2022. Choices with regard to OPUS and shareholding and dividend changes were part of the consideration, prior to vesting day.

7.0 Implications (including financial implications)

Resources and Financial

As with any company, as a Shareholder, there are potential liabilities if a loss is made.

Legal

Northamptonshire County Council was abolished on 1st April 2021 and the two new unitary Councils were created. The transition regulations transferred the assets and liabilities of NCC to the two new Councils on a 50/50 basis. The current shareholding is there for 8% for each Council.

The proposed changes will increase the shareholding from 8% to 9.6% which increases both the potential dividend and the potential liability of the Council.

On 1st November 2021 the Children's Trust was established which has taken over the Children's Service from NCC. As a result, the arrangements with Opus of the former NCC Children's Services have been taken over by the Children's Trust. The Trust are therefore proposed to become a new shareholding on an equal basis with the two new Councils.

As a result of these changes the existing Shareholder agreement would need to be amended to recognise NNC, WNC and NCT; Opus will lead on the drafting of these amendments to include the shareholding and dividend arrangements in negotiation with West Northamptonshire Council and the other Councils.

Risk

The risk is that the council incurs additional financial liabilities if Opus is not successful. If these changes are not agreed there is a further risk that the Council will incur the costs of Opus through use but will not receive the dividend rewards, but the potential liabilities in the event of failure are also reduced.

Consultation

Consultation has taken place with the other Councils. There is no requirement for formal consultation in relation to this report.

Consideration by Overview and Scrutiny

None.

Climate Impact

None.

Community Impact

None

Equalities

The Council is already involved in this arrangement and the proposed decision does not impact on those service arrangements and as a result there are no equalities impacts in relation to this report.

8.0 Background Papers

8.1 Blueprint Change Request – November 2020