

Opus LGSS People Solutions Ltd

To: LGSS Joint Committee

Meeting date: 23rd February 2018

From: LGSS Director of Business Services, Systems & Change – Mark Ashton

Purpose: To update the LGSS Joint Committee in relation to the governance arrangements and treatment in the LGSS Accounts of Opus-LGSS People Solutions Limited

Recommendation: For information only

Background:

Officers were asked to explore an opportunity to enter into an arrangement with Opus People Solutions (Opus) who are owned by Suffolk County Council (SCC) and who currently supply agency workers to SCC. Officers met with the Chairman and Operations Director of Opus People Solutions to explore the opportunities for CCC to utilise this model, with the aim of reducing the costs which CCC historically incurred through the Guidant contract for agency workers. Officers also explored the potential for further savings through expanding this arrangement to others partners such as Northamptonshire (NCC) and Milton Keynes (MKC) with a “sharing in success” business model. NCC have now joined the partnership and discussions are being held with MKC.

Following approval by GPC Committee at the end of July 2016, delegating authority to the LGSS Managing Director, new arrangements with Opus LGSS People Solutions (Opus LGSS) were put into place as planned in January 2017.

Opus LGSS was created as a partnership with Opus People Solutions, who are owned by Suffolk County Council, to supply and manage Cambridgeshire County Council’s requirements for temporary/interim workers. This replaced the previous arrangement with Guidant Group.

Opus LGSS was incorporated on 27th October 2016 by Opus People Solutions and LGSS on behalf of Cambridgeshire County Council who are part owners in the company (One third share ownership with CCC and Opus owning the remaining two thirds).



In August 2017 Northamptonshire County Council (NCC) also joined the arrangement and became a shareholder in Opus LGSS People Solutions Ltd, at which time the ownership of the company was as follows:

- Opus People Solutions Ltd – 60 shares (60%)
- CCC – 20 shares (20%)
- NCC – 20 shares (20%)

Governance:

The company is a private company limited by shares governed through a formal Shareholder Agreement including a schedule of Reserved matters. This shareholders' agreement sets out the basis on which new parties, the most recent situation being NCC, shall be admitted and the terms and conditions on which the parties have agreed to carry on a joint venture through the Company and sets out their respective rights and obligations as its shareholders.

In addition and as part of the overall governance arrangement LGSS have appointed two Non-Executive Directors to the Board of Opus LGSS People Solutions Ltd:

- Mark Ashton (appointed 5th January 2017)
- Paul White (appointed 5th January 2017).

Formal board meetings are held quarterly and informal board meetings on the months in between.

Shareholder Loan:

The Shareholder Agreement makes reference to a Shareholder Loan and sets out how any such loan would be repaid in the event of default or any form of shareholder deadlock, so it is safe to assume that a shareholder loan was always envisaged.

In December 2016 there were a number of informal discussions with Opus People Solutions, where they indicated that it was highly likely that the new company, Opus LGSS, would need a short term working capital loan, in order to manage its cash flow through the early phase of its development and growth. A figure of £200k was discussed but was never formally agreed in any Opus LGSS Board meeting, nor was a rate of interest mentioned or agreed. An unsecured loan of £200k, at an interest rate of 10% (a rate used by Suffolk CC in other similar investment vehicles) was put in place, approved by the Opus People Solutions board. As this is a subject that is covered by Reserved Matters, the loan and the terms thereof, should not have been entered into without the prior written approval of all shareholders.

The loan served its purpose during the early stages of the arrangements with CCC from January 2017 and subsequently when NCC joined in August 2017 but has now been repaid (December 2017). Opus People Solutions acknowledge that they did not follow the formal process set out in the Shareholder Agreement and whilst the failure by them to follow due process has had little or no impact, they will ensure they do so in the future.