Agenda Item No:5

Opus LGSS People Solutions - Governance

To:	**LGSS Joint Committee**		
Meeting Date:	**12 July 2018**		
From:	**LGSS Director of Business Services, Systems and Change**		
Electoral division(s):	**All.**		
Forward Plan ref:	**For key decisions Democratic Services can provide this reference**	*Key decision:*	**No**
Purpose:	**To provide a background to the establishment of Opus LGSS People Solutions and treatment in the LGSS Accounts of Opus-LGSS People Solutions Limited**		
Recommendation:	**The Joint Committee is asked to note the contents of the report.**		

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1. BACKGROUND

1.1. This paper sets out the background and the Governance arrangements for Opus LGSS People Solutions. The original paper that was distributed to the Joint Committee on 28th March 2018, is attached in Appendix 1.

1.2. The objective from creating Opus LGSS was to provide CCC and NCC with a route to have greater influence and control over the recruitment of agency workers and to secure in a more cost effective way of securing agency workers. The creation of a new company in partnership with Opus People Solutions (Opus), who are owned by Suffolk County Council (SCC) provided the opportunity to build on the existing success of Opus in SCC, avoiding the set up costs of CCC and NCC going it alone and allowing the LGSS owners to influence the direction of the company.

1.3. Opus LGSS People Solutions Ltd (Opus LGSS) went live with CCC in January 2017 and for NCC in August 2017 and has achieved savings for CCC of £165k in 2017/18 (Target - £65k) and for NCC savings in the first 8 months totalling over £325k (Target - £102k). The targets were developed as part of the planning and in the case of CCC were shared and discussed at SMT on several occasions and also went through in detail with Finance representatives on behalf of the S151 Officer The target for direct supply was based on what Opus thought was achievable and this was validated by the experience in Kent who also have their own agency. The main reason for the original savings targets being exceeded is that Opus LGSS have achieved a higher level of direct supply than originally forecast.

1.4. The operating model for Opus LGSS is that they act as a recruitment agency and register agency workers directly for opportunities in CCC and NCC and supplement this with an extended supply chain of direct agency providers for those assignments they cannot fulfil directly.

1.5. The approach has focussed on targeting direct savings for both Councils, spreading the overheads of Opus LGSS over a wider base in the short term and in the medium term create a surplus and a return via dividends to shareholders.

1.6. CCC and NCC had historically contracted for agency workers via either a managed service provider, via frameworks with specific agency providers or via a vendor neutral model . Under these previous supply models neither Council were totally satisfied with the provision as they did not feel the approach offered value for money and that they had little influence or control over the recruitment or quality of agency workers secure that form part of the overall workforce. This dissatisfaction led to off contract spend and a desire by the then Chief Executive Dr Paul Blantern at NCC and other Local Authority partners creating their own agency company [http://www.communitycare.co.uk/2014/07/18/councils-create-agency-supply-temporary-social-workers/.](http://www.communitycare.co.uk/2014/07/18/councils-create-agency-supply-temporary-social-workers/)

1.7. In addition to the desire of the NCC CEO to pursue the option of this approach was also supported by the then Director of Human Resources and CCC and this led to members of the LGSS Human resources team visiting Suffolk County Council (SCC) and Opus to review how the model worked in SCC.

1.8. The desire to look at alternative approaches resulted in options being developed to test the feasibility of moving away from the traditional Managed Service Provider (MSP) or Vendor Neutral approach.

1.9. A number of options were considered and the preferred option identified was to create a new company (called Opus LGSS People Solutions Limited) with Opus, CCC and NCC being owners and having joint control via LGSS. This offered the opportunity for CCC and NCC to secure agency workers directly and to meet their objectives. The option benefited from the experience already gained in Suffolk, the opportunity to share overheads and go live in a shorter time scale and with less risk than creating a standalone agency.

1.10. As a jointly owned local authority company it benefits from the Teckal exemption as defined in Section 12 of The Public Contract Regulations 2015 that defines where a procurement process is not required where a public contract exists between two entities within the Public Sector.
This exemption requires three primary control tests to be met including:

- Exercising control over the company, which includes joint control by multiple local authorities
- No more than 20% of the business of the company being with organisations other than the owners of the company
- No private sector capital participation in the company

The set up and on-going management of Opus LGSS has been structured to ensure these tests are met.

1.11. Whilst the creation of the new company, that is partly owned and controlled by CCC and NCC has meant that this part of the activity did not need to be put out to competition the opportunity was still taken to advertise and go to market for the extended supply chain that supports Opus LGSS to supply CCC and NCC and to date c90 agency providers are signed up to ensure continuity of supply.

1.12. Once approval was given a small project team was set up with a dedicated project manager and input from Procurement, Human Resources and LGSS Law who advised on the company structure, Shareholder Agreement and Service Agreement. The LGSS HR Director was the SRO until Mark Ashton, Director Business Services, Systems and Change took over this role after his appointment.

1.13. General Purposes Committee (GPC) gave approval for the creation of the new company in July 2016 with responsibility being delegated to the LGSS Managing Director. A subsequent update on the progress of the new company was provided to GPC in September 2017.

NCC Cabinet also gave approval for NCC to become part owners in the new company in November 2016, again the arrangements to facilitate this were delegated to the LGSS Managing Director.

2. Opus LGSS Company Structure

2.1. Opus LGSS People Solutions Limited was set up as a new company and a shareholder agreement exists between Opus, CCC and NCC as well as a service agreement between Opus LGSS, CCC and NCC.

2.2. The Board of Opus LGSS is made up of 4 Directors who each have equal voting rights. Two directors Mark Ashton and Paul White were put forward by the LGSS Managing Director to act as the shareholder representatives for CCC and NCC and there are also 2 Directors representing Opus. The shareholder agreement also details a number of reserved matters that need to be referred back to the Chief Executive of the shareholders in both CCC and NCC.

2.3. The shareholding of the company is currently based on Opus owning 60% of the shares and CCC and NCC owning 20% of the shares each.

2.4. Milton Keynes Council have recently also agreed to become a shareholder in the company and will go live in September 2018 and this will result in the CCC, MKC and NCC owning 48% of the shares between them. Whilst the % shareholding of CCC and NCC will reduce slightly this will be offset by an anticipated increase in the overall dividend payable as a result of MKC joining.

2.5. Board meetings for Opus LGSS are held monthly.

3. Issues

3.1. From a governance perspective Opus LGSS has the same issues and challenges as have recently come to light with LGSS Law in that the shareholding in the company is held by the respective Councils and therefore any financial implications as a consequence of the performance of the company, including payment of dividends, will fall to the account of the shareholding councils. The original intent was that these projected dividends would flow back to LGSS to be netted off against the delegated budgets of the respective councils, essentially being netted off against the overall cost of LGSS services to CCC and NCC. Constitutionally the LGSS Joint Committee has no direct control over Opus LGSS, but under current arrangements, the financial performance of Opus LGSS will impact on LGSS.

3.2. Even though the setting up of the governance arrangements for Opus LGSS were delegated to the LGSS Managing Director at the time, it is recommended that in light of the challenges with LGSS Law, the detailed financial arrangements in respect of dividend flows and accounting for any profits or losses are reviewed with each S151 Officer with recommendations being made to the respective Cabinet or Committee in each Partner

Authority in the autumn. The initial thinking being that any future dividends are paid directly to the owning Councils rather than via LGSS and that periodic updates are provided to the relevant Cabinet or Committee in each Partner Council. As part of this review there is also the opportunity for CCC and NCC to review who they wish to represent them on the Board of Opus LGSS.

3.3. It was always envisaged that the partner councils of CCC, NCC and MKC would eventually become shareholders of Opus LGSS, once their existing agency arrangements came to an end. Going forward if Opus LGSS were to identify potential new partners, the existing shareholders will need to decide the basis upon which new shareholders can join the arrangement, either as a shareholder or purely as a customer of the service.

4. Appendix 1

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