Agenda Item No: 4

Opus East Joint Venture Overview

To:	Shareholder Sub-Committee
Meeting Date:	16th October 2025
From:	Executive Director of Finance and Resources
Electoral division(s):	All
Key decision:	No
Forward Plan ref:	Not Applicable
Executive Summary:	The purpose of this report is to provide further information to Sub-Committee Members regarding the shareholding arrangements of the Opus East Joint Venture as requested at the previous Sub-Committee in June 2025.
Recommendation:	The Sub-Committee is asked to note the content of the report.

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1. Creating a greener, fairer and more caring Cambridgeshire

1.1 For the Council to deliver on its seven ambitions, it needs a workforce with the right skills and expertise to deliver services to our communities and those who use our services.

1.2 Whilst our ambition is to have a predominantly permanent workforce to ensure continuity of service, there will always be occasions where we need to engage temporary workers, whether to cover sickness absence, vacancies or to bring in temporary additional capacity for specific pieces of work.

1.3. Where this is required, the council's priority is to engage these additional workers in the most cost-effective way.

2. Background

2.1 In July 2016 the former General Purposes Committee approved the creation of a new company, known at that time as Opus LGSS People Solutions. The Company was established so that the council could access agency staff without the margins charged by private sector providers and so that it would benefit from direct access to a wider pool of staff resources.

2.2 Cambridgeshire County Council and Opus (who are owned by Suffolk County Council) were the initial shareholders. The report to committee outlined the intention and benefits of other local authority partners, who were then part of the local government shared service known as LGSS, joining as shareholders at the end of their existing contractual arrangements with other providers.

2.3 Northamptonshire County Council joined the arrangement as planned in August 2017 and Milton Keynes Council joined as a shareholder in September 2018.

2.4 At that time consideration of the on-going arrangements for the joint venture were delegated to the then Managing Director of LGSS in consultation with the Chair of the General Purposes Committee and the council's Section151 Officer.

2.5 The initial Service Agreement ran for five years until 8th January 2022 and was subsequently extended for a further five-year period until January 2027 following a decision to do so by the (then named) Strategy and Resources Committee in 2021.

2.6 Built on a shared commitment to improve workforce planning, reduce recruitment costs, and retain value within the public sector, the Joint Venture (JV) was created under a Teckal compliant structure, giving each council a seat at the Board and co-ownership of a public sector led recruitment solution.

2.7 In the 1999 judgment of Teckal (C-107/98) the European Court of Justice established an exemption from public procurement for the award of contracts by a public authority to a separate entity provided certain requirements were met. Those requirements were that:

- The contracting authority must exercise sufficient control over the separate entity
- The separate legal entity must carry out the essential part of its activities for its owner authority/ies ("the essential activity test").

2.8 Under the Teckal exemption a contracting authority may award contracts directly to an organisation that it has control over and does the majority of its work for the contracting authority (which should mean that no more than 20% is for external clients).

2.9 Opus People Solutions (East) Limited (formerly Opus LGSS) was established to address local authority challenges around agency staffing. Its aims were to:

- Achieve greater influence over the quality and pay of agency workers
- Achieve financial savings by reducing agency costs
- Achieve a continued supply of agency workers
- Secure resilient, high quality temporary supply

2.10 Since the dissolution of LGSS in October 2020, Cambridgeshire has had its own contractual arrangements in place.

2.11 Recruitment delivery models range from traditional procurement-led approaches like neutral or master vendors, often focused on margin control, to more collaborative models that support long-term workforce needs. The Opus East Joint Venture is different. As a publicly owned, Teckal compliant partnership, its purpose is to reinvest value back into local government and prioritise transparency, control, and public sector outcomes. Rather than focussing only on filling roles, the joint venture works with councils to reduce reliance on agency spend, convert temporary workers to permanent employees where possible, and support sustainable workforce planning through expert sector knowledge.

3. Shareholder Arrangements

3.1 Cambridgeshire County Council (CCC) became a shareholder in the joint venture in January 2017 (30% shareholding for CCC / 70% Opus).

3.2 This was closely followed by Northamptonshire County Council (NCC) who became a shareholder in August 2017 (20% shareholding each for CCC and NCC / 60% Opus) and this was agreed as part of the initial Heads of Terms prior to CCC and NCC joining the Joint Venture.

3.3 Milton Keynes Council (MKC) joined as a shareholder in September 2018 (16% shareholding each for CCC, NCC and MKC / 52% Opus). Up until this point, dividends were shared between the shareholders on a shareholding percentage basis.

3.4 In 2021 the NCC disaggregation created West Northamptonshire (WNC), North Northamptonshire (NNC) and Northamptonshire Children's Trust (NCT). As part of the disaggregation, the shareholdings changed as follows: 9.6% each for CCC, WNC, NNC, NCT & MKC / 52% Opus.

3.5 At this point the dividend policy was amended to ensure that dividends were shared between the council shareholders on a different and more equitable basis, and from 2021 dividends have been now based on the utilisation of the service with the amount of gross margin being used to distribute the dividend for each council.

3.6 The following table shows what the expected dividend could have been for CCC if we had remained the only shareholder of the Joint Venture, at 30% shareholding. The calculations show that CCC would have received £132k in dividends under that model, versus the £239k received since the inception of the Joint Venture using the gross margin contribution. As such CCC gains from this approach. For example, CCC made up 25.9% of the total gross profit generated in 2024/25, therefore its dividend was Net Profit After Tax multiplied by 48% (the non Suffolk share), then multiplied by 25.9%. This means the dividend percentage share is based on a larger gross profit figure as it is generated from five councils.

Year	Spend	Net Profit %	Net profit B4 tax	Net Profit after tax	Dividend (30% shareholder)	Actual dividend paid to CCC	Variance
2017/18	8,254,782	(0.8%)	(64,449)	0	0	0	0
2018/19	8,282,449	0.5%	43,552	0	0	0	0
2019/20	7,171,141	1.2%	84,989	64,981	19,494	32,000	(12,506)
2020/21	7,172,111	1.4%	98,953	75,658	22,697	52,800	(30,103)
2021/22	12,177,835	1.2%	142,004	108,574	32,572	70,000	(37,428)
2022/23	11,666,977	0.8%	94,971	72,614	21,784	35,160	(13,376)
2023/24	18,214,081	0.7%	126,534	96,746	29,024	39,144	(10,120)
2024/25	14,165,279	0.2%	29,172	22,305	6,691	10,300	(3,609)
	87,104,655		**576,623**	**440,878**	**132,263**	**239,404**	**(107,141)**

3.7 Suffolk carry the liabilities for staff within the Joint Venture (JV) as well as other costs and thus the higher margin agreed from inception. The return for the company has fluctuated over the years for various reasons. Higher profits in 2020, 2021 and 2022 were a result of Covid and there being significant numbers of people needed for testing centres, track and trace etc. These roles were therefore able to be made 'Direct' which means the JV made more gross profit. Post Covid the recruitment market has seen demand significantly increase in 2022 and 2023 (vacancies outstripped available candidates) and then drop off in 2024 and 2025 (candidates outstrip vacancies).

3.8 These factors have a significant impact on the company's ability to make surplus and with a high percentage of increased roles being in residential care, social work and other shift-based roles, there is a much higher reliance on agencies in these sectors which generates lower gross margin. Coupled with high inflation, increased employment costs and market uncertainty over the last couple of years, the overheads for the JV have naturally increased. With the JV being larger and five councils involved, this does enable it to combat overhead increases and fluctuations more easily through economies of scale, more so than would be the case if the JV was with CCC solely

4. Looking forward

4.1 Cambridgeshire's current Service Agreement runs until January 2027 before which consideration will need to be given to whether to extend the arrangement.

4.2 In light of Local Government Reform, consideration will need to be given to the future of the joint venture model and as such it has been agreed to hold a strategic workshop with all partners to explore the Joint Venture's future delivery options.

4.3 Any future proposals will be focused on protecting and enhancing the model as a sustainable, local authority-led alternative.

5. Significant Implications

5.1 Finance Implications

There are no financial implications contained in this report. The financial performance of the company and the financial benefits derived were set out in the previous report to Committee in June 2025.

5.2 Legal Implications

There are no legal implications in the content of this report. Should consideration be given in the future to extending the contractual arrangements, due legal consideration and procurement requirements will be taken into account.

5.3 Risk Implications

Utilisation of the Opus contract and the partnership working arrangements that are derived from it seek to reduce the risk of escalating costs as well as having workforce gaps that impact on service delivery.

6. Source Documents

Strategy and Resources Committee - 21 September 2021