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CITY OF
WOLVERHAMPTON
COUNCIL

Resources and Equality Scrutiny Panel

Thursday, 16 March 2023

Dear Councillor

RESOURCES AND EQUALITY SCRUTINY PANEL - THURSDAY, 16TH MARCH, 2023

I am now able to enclose, for consideration at Thursday, 16 March, 2023 meeting of the Resources and Equality Scrutiny Panel, the following report that was unavailable when the agenda was printed.

Agenda No	Item
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9	<u>Yoo Recruit Review (report to follow) (Pages 3 - 22)</u>
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[Michelle Rowe, Locum Solicitor, to present report]

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YOO Recruit

Resources and Equality Scrutiny Panel
15 March 2023

Presenter: **Jin Takhar**
Head of Equality, Diversity and Inclusion



Agenda Item No: 9

Council Owned/Involved Bodies

Annual Governance Statement (AGS) – Monitoring of Council Bodies

Bodies

Council Bodies

as our auditors Grant Thornton have done
Audit and Risk Committee on 25 July 2022)
how we ensure good governance in them
and Equality panel on 29.6.22 and
then deep dive into governance of
bodies on 14 July at residents Housing and
Communities Panel
to be that we have good arrangements in place
to consider there to be good arrangements in
place
the way in which the Council monitors its
owned/involved bodies (and issues) in other authorities – eg
Thurrock as the latest example
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Council companies has been a focus of auditors nationally as our auditors Grant Thornton have done
Annual Governance Statement (which was approved by Audit and Risk Committee on 25 July 2022)
is a heavier focus on monitoring of Council Bodies and how we ensure good governance in them
so presentation on overall approach went to Resources and Equality panel on 29.6.22 and
governance and Ethics Committee in November 2022 - and then deep dive into governance of
specific bodies at future panels including WVL arrangements on 14 July at residents Housing and
Communities Panel

Key conclusion is that the Monitoring Officer has confidence that we have good arrangements in place to oversee the performance of these bodies. Auditors consider there to be good arrangements in place based on the Annual Audit Review in January 2023

There will continue to be careful consideration given to the way in which the Council monitors its owned/involved bodies and learns the lessons from best practice (and issues) in other authorities – eg Thurrock as the latest example



Yoo Recruit

- As the Council does with other linked bodies it is currently reviewing how Yoo Recruit is operating and the future options – the Committee has asked for an update on the current review to be brought to the Committee.
- This is the “deep dive” review that takes place every 3 years
- The review and the proposed way forwards will be brought to Cabinet after the election
- Yoo Recruit Ltd, a company wholly owned by the Council, is the route through which the Council provides the vast majority of its temporary staffing. It has proved to be a cost effective way of controlling the cost and availability of temporary staff.
- The Council recognises that recruitment and retention is a strategic risk that all local authorities and many public and private sector bodies are facing and has been added to the Council’s strategic risk register – linked here - [Appendix 2 for Strategic Risk Register.pdf \(moderngov.co.uk\)](#)
- It is important that the role of Yoo Recruit is seen in the context of the wider work in the authority to strengthen the existing Human resources team and provide improved support in recruitment and retention.

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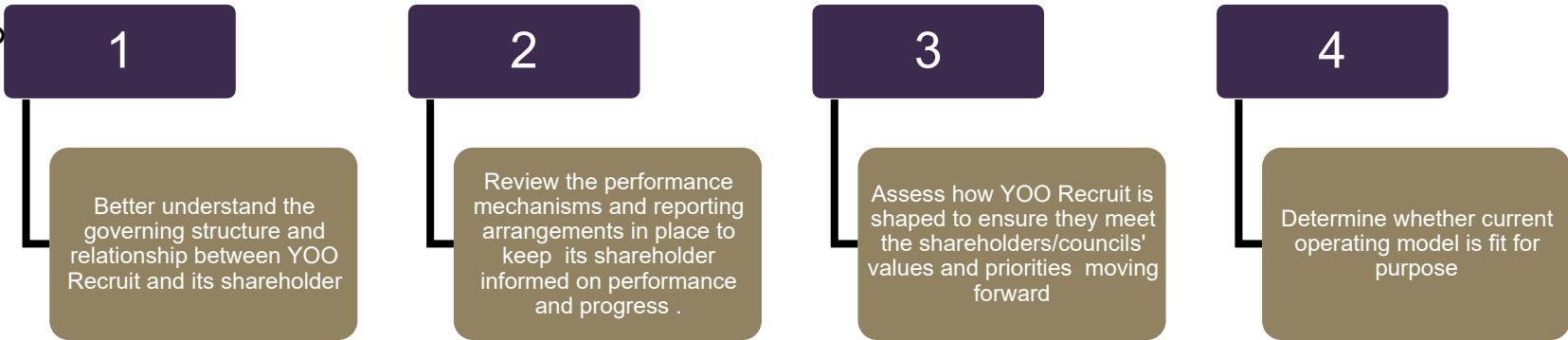


Purpose of the Current Review

This presentation provides a high level review of YOO Recruit (YOO).

The objectives of the review are to:

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Methodology

The desktop review has concentrated on the following areas:



Financial Statements / Accounts



Governance Structure and arrangements



Performance reporting



Service Level Agreements



Vendor Agreement



Cabinet Reports (2014 – 2018)

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Interviews took place and were held with:

Human Resources

Finance

Commercial Services

YOO Recruit Board of Directors



Background (1)

- Between October 2011 and September 2012 the Council spent £7.6 million on temporary workers ('temps'). This is partly due to the organisational changes that had occurred at the Council and partly because this total spend included interim managers and consultants
- At the time the Council were signed up to using the Birmingham Gateway system which was an online managed service which we paid 2% of our agency spend to Birmingham City Council for the right to use. Based on the historic £7.6 million spend this would equate to a spend of £152,000 per annum on the Gateway.
- Temporary agencies make money by charging a mark-up on all temporary workers that are employed by the Council.
- The potential justifications for an In house recruitment agency at the time were:
 - *Having a Council strategy for implementing the Living Wage across more people working in the City, many of whom will be residents of the City.*
 - *It would build on the Council's trusted brand, with more people being able to have the security of working for a good employer by bringing work in-house from a number of different agencies.*
 - *It would support the Council's skills agenda by being able to target training and employment opportunities to temporary staff, so they have more opportunities for permanent employment.*
 - *The emphasis for the Agency will be about getting new people into work not just placing the same temporary workers again and again. This means that the long-term aim is the placement of permanent workers as well as temporary workers.*

Background (2)

Proposed Benefits for the City of Wolverhampton Council

- Viable business model/option for the council to retain temporary staff to cover permanent vacancies /meet business needs /Organisational change.
- Critical part of the council strategy at the time for implementing the Living Wage across more people working in the city
- Build on the Council's desire to build a trusted brand with more people being able to have the security of working for a good employer
- Support the Council's skills enhancement agenda by being able to target training and employment opportunities to temporary staff – with greater opportunities for permanent employment.
- Financial savings

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Cabinet Resources Panel 23 July 2013

- The Cabinet (Resources) Panel were presented with the following 5 options for the future provision of temporary staff:
- Option 1: Do nothing and continue to use the Birmingham City Council Gateway;
- Option 2: Create a Wholly Owned Company to provide temporary staff;
- Option 3: Create a joint venture with a private sector partner to provide temporary staff;
- Option 4: Consolidate the use of all the temporary staffing agencies through a single agency;
- Option 5: Create a Wolverhampton City Council Gateway.
- Cabinet approved the creation and structure of YOO Recruit; being a Council wholly owned limited company as a temporary staffing agency
- Approved the trading name to be "YOO Recruit Limited"
- Officially opened on 1 February 2014 as the Council's contracted supplier for temporary and interim workers



Background (3)

Future Options for YOO Recruit.

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- The business developed significantly since it was established in 2013 . It was identified that to support the next stage of development and growth of YOO Recruit there was a need to invest in management skills, capacity and IT systems.
- The objectives for the future development of YOO were;
 - Continue the growth of the business
 - Improve the quality of service provided to customers and workers
 - Ensure compliance with legislation
 - Reduce reliance on the Council
 - Deliver the change in the most cost-efficient way

Equality Diversity and Inclusion (EDI) Team

Business development and growth

- Several options presented as follows;
 - YOO Recruit makes the investment
 - YOO Recruit is sold
 - The Council outsources the sourcing of temporary staff to an external provider
 - YOO Recruit partners with an external provider and forms a joint venture company
 - YOO Recruit partners with an external provider using a management contract.

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Background (4)

Cabinet Resources Panel 1 November 2016

- Approved the recommendation to partner with an external provider (using a management contract) for the provision of recruitment services. This followed a detailed options appraisal.
- Adecco (UK) Ltd were awarded the contract to be the management partner and to take over the operational management of YOO Recruit.
- Adecco (UK) Ltd provided YOO recruit with recruitment systems and a managed recruitment service for the provision of temporary staff .

Business Case to enter into Partnership with Adecco

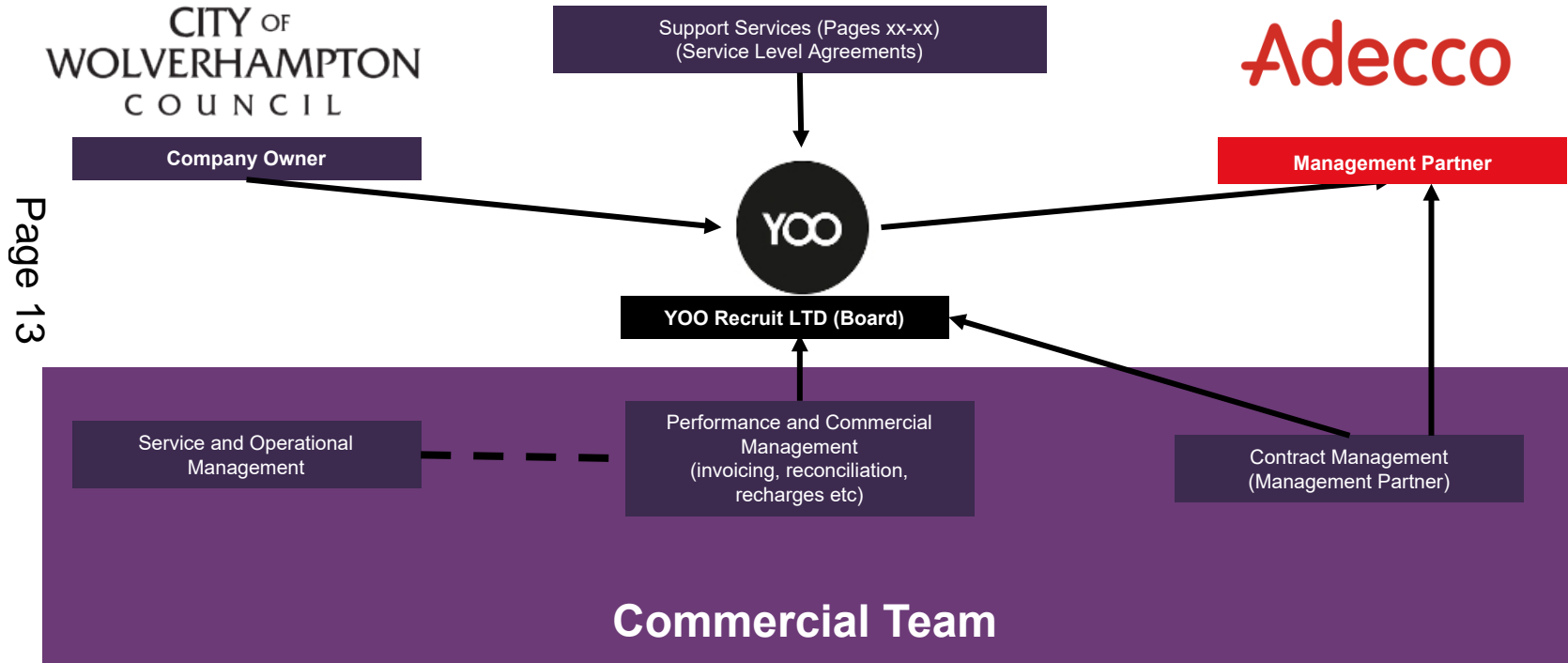
- YOO Recruit had grown significantly with a turnover rising to £7.3 million in 2015-2016 returning a net profit after taxation of £266,000 (in its second year of operations)
- Business had developed significantly since it was established. Investment required in systems and management to further develop and explore more opportunities including trading with third parties.
- The level of net profits did not provide a sustainable amount of retained profit to make the investments required in systems and management to develop the business.
- Investment would aim to continue the growth of the business, improve the quality of the service, reduce reliance on the council, deliver the change in the most effective way and investment in management skills, capacity and IT systems.



This recommended delivery model continues to give the Council ownership of YOO recruit and control of the YOO Recruit brand whilst avoiding the direct cost of investment .

A clear shareholder and provider split exists, meaning that the council can incentive the Local Authority Trading Company to realise efficiencies and develop service offerings.

Governance Structure



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YOO Recruit Contract: 2018 Service Level Agreements (1)

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Support Service	SLAs
Finance (August 2018)	<ul style="list-style-type: none"> • Internal accountancy and payment service to be provided to YR by CWC • Financial responsibility for affairs of YR will remain the responsibility of YR under Management Agreement through Board • Processing of Payments • Financial planning • Banking and cash flow management • Company accounts • Agresso system support
HR (October 2018)	<ul style="list-style-type: none"> • HR will support the achievement of YOO Recruit strategic plans and objectives through timely support and advice
ICT (October 2018)	<ul style="list-style-type: none"> • Provision of IT support and infrastructure • Support for the mobile workforce • System audits • Project management • Continual improvement • Support for events
Legal (August 2018)	<ul style="list-style-type: none"> • Legal advice for relevant areas • Clear, concise and cost effective legal service



YOO Recruit Contract: 2018 Service Level Agreements (2)

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Support Service	Service Level Agreement
Procurement & Commercial (Sept 2018)	<p>Advice and guidance on procurement services and commercial aspects of services</p> <p>Pre-contract management: initiate, facilitate and lead on meetings to discuss contracts due for renewal and or services being delivered</p> <p>Procurement process</p> <p>Post-contract management – review and audit existing third party suppliers and contractors</p> <p>Work with MP to ensure delivery of service to standard</p> <p>Support YR to achieve strategic objectives</p> <p>Relationship management (board, stakeholders, partners)</p> <p>Updates on SSIP</p> <p>Performance review</p> <p>Mystery shopper surveys</p>
Information Governance	Ad Hoc Support
Comms	Ad Hoc Support



Financial Performance (1)

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Financial Year		2015 / 16	2016 / 17	2017 / 18	2018 / 19	2019 / 20	2020 / 21	2021 / 22
Amount		£000						
Turnover		7,333	10,088	9,387	10,579	10,136	11,583	14,173
Cost of Sales		(6,674)	(9,177)	(8,959)	(10,380)	(9,960)	(11,366)	(13,863)
Gross Profit		659	911	428	199	176	217	310
Administrative Expenses		(314)	(464)	(318)	(150)	(151)	(151)	(128)
Operating Profit / (Loss)		345	447	110	49	25	66	182
Interest Receivable / (Payable)		(16)	(7)	1	1	1	0	0
Profit / (Loss) on Ordinary Activities Before Taxation		329	440	111	50	26	66	182
Tax on profit on ordinary activities		(63)	(88)	(21)	(10)	(5)	(12)	(35)
Net Profit / (Loss) for the Period		266	352	90	40	21	54	147



Financial Performance (2)

- Net Profit increasing between 2015- 2017, decreasing between 2017 – 2020 (due to investment required in ICT systems and management arrangements) then increasing again between 2019 – 2021. Thus net profit for 2018 -2019 and 2019 -2020 being quite small
- The increase in net profit forecast for 2021 -2022 is aligned to turnover and increasing significantly without overheads increasing.
- “We suspect the increase in turnover is in part due to Covid roles and part levels of agency staff that have been required to cover sickness absence” – Adecco UK LTD
- YOO Recruit do not charge transfer fees for temporary posts moving to permanent positions (saving for the council)
- As at 31st March 2022 , balance sheet showed net asset of £609,091. Profit/Loss account accumulative stands at £609,088 .
- Each year the YOO Recruit directors have the option of agreeing dividend payments , which would be paid to the council as the shareholder . Profits however, have been retained as reserves for cashflow purposes .

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Governance

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- Yoo Recruit is wholly owned by the Council
- Yoo Recruit Ltd board made up of a number officers appointed by the Cabinet to the board – no payments made to the directors
- Yoo Recruit forms part of the regular review of Linked Bodies – as a result:
 - Regular updates given to Cabinet members/Leader of the Opposition
 - Forms part of Linked Bodies assessment in Annual Governance Statement and mid-year AGS
- Current contract with Adecco expires in August 2024 so now is the time to consider different options going forward
- Yoo Recruit is audited by external auditors – latest accounts detailed [here](#) – has had a clean bill of health
- The Council ultimately has the power to decide, as it does with all companies that it owns, whether to continue to operate Yoo Recruit or to move to a different approach.
- Monitoring Officer view is that currently there are very limited risks from the current operating model and that the arrangements in place are satisfactory



National Picture; Has the landscape changed ? (1)

- There are key challenges facing public sector recruitment. Many public sector employers believe the pool of potential talent is growing . The influx of candidates from the private sector is on the increase, but beneath the surface, this opportunity potentially raises as many problems as it does solutions. While the quantity of candidates may be growing, their quality and relevance for the public sector may not always be. (HR Most Influential Readers Guide)
- Neil Carberry (CEO of Recruitment & Employment Confederation (REC) states that the Public Sector will continue to experience unprecedented talent shortages and they will need help from experts.

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National Picture; Has the landscape changed? (2)

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- The West Midlands Board (WME Board) approved the business case to offer the West Midlands Temporary Workforce Strategy and Regional Agency Provision for Local Authorities.
- Opus People Solutions, which are wholly owned by the public sector, has been awarded the framework contract for providing agency services to the West Midlands region.
- Opus People Solutions have demonstrated a real appetite for being a strategic partner to work with our local authority members in addressing some of the current issues experienced by our temporary workforce – WME are confident that Opus People Solutions will be able to work alongside local authorities to tackle some of these challenges.
- Opus People Solutions was established in 2014 as a solution to the large temporary resourcing costs many local authorities face following traditional methods of recruiting staff. Their strong heritage and understanding of the local authority market combined with substantial recruitment expertise and the fact they are committed to investing back into the public sector makes them an ideal partner.
- Opus People Solutions have the framework agreement now in place to offer the temporary recruitment service to all local authorities in the West Midlands

Options and Conclusion

- The aim of the review was always to assess whether the current approach was fit for purpose and as part of that assessment the views of the current provider Adecco are being sought.
- The operation of YooRecruit provides very limited risk and is legally compliant
- Options going forward will include:
 - *Continuing with current model potentially with a few minor modifications*
 - *Assessing other options including using other existing arrangements*
 - *Directly contracting with an external provider*
- These options are being worked through and a full options appraisal will form part of the report to Cabinet.
- Time line
 - Report to Cabinet on proposed way forwards in June/July 2023

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