
Report to Unity Partnership Limited Shareholder Committee

Date: 11 February 2019

Subject:

Unity post acquisition update

Report of:

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Corporate and Commercial Services and
Managing Director of Unity Partnership Ltd

For Information

Portfolio holder:

Councillor Abdul Jabbar, Deputy Leader and
Cabinet Member for Finance and Corporate
Resources

Sign-off:

Ray Ward 6th February 2019

Summary of the issue:

The purpose of this report is to provide the Shareholder Committee with a 6 monthly update on the progress of the Unity Partnership Ltd following the acquisition of Kier's shares in it on 2nd July 2018.

Recommendations:

The Shareholder Committee are asked to note

1. the progress of the Unity Partnership Ltd since its status as a wholly owned Council limited Company.
2. the work to consolidate payroll systems.
3. the commencement of the restaging of the Pensions tri-annual auto enrolment statutory process.

Executive Summary:

The first 6 months of Council ownership has been one of progress for the Unity Partnership, continuing to improve its working relationship with the Council, whilst maintaining its identity as a commercially based limited company.

Its financial position is robust and in line with the Council's expectations for both this financial year and 2019-20. This is despite a very poor handover of financial data and transactional management from Kier, which we are continuing to seek to resolve and which will result in the late filing of accounts with companies House. A budget proposal to deliver saving of £1.4m will be achieved as required in the current financial year.

It is developing a Business Infrastructure Unit which will act as a co-ordination point for all services being provided by the Council, Unity and a small number of third parties, to our

schools. All services will have Council branding, however, Unity will have responsibility for their commercial success. This is aligned to a Council budget proposal to deliver savings of £750k in 2019-20 and a further £750k in 2020-21.

Unity is developing its culture of being effective and efficient at transactional processing, as well as offering a consultancy service in a number of different specialisms such as property, business change, highways and ICT.

More work needs to be done to ensure that the required capability and capacity are in place to meet the requirements of the Council and other customers in an ever-changing environment.

Through the joint development of work plans and establishing a financial structure for 2019-20, Unity has an improving view of the requirements of the majority of services.

Work is underway between Unity and the Council to develop a revised operating model to deliver the Council's Asset Management Strategy and the budgetary challenges associated with it. However, it is currently seeking to establish a much improved understanding of the Council's requirements of Property Services and, whilst it is recognise that demand will always have a strong reactive element, the work, which is aimed at clarifying Unity's understanding of future planned works, will also develop a robust process for the receiving of instructions from the Council, to carry out works.

Unity's rectification work on HR and Payroll services has resulted in their stabilisation, however, it is apparent that they do not currently offer its customers the tools needed manage their working lives in these demanding times. Therefore, plans are in development to replace the current business systems to rectify this situation.

Every three years the council is required to re-enrol staff into a relevant pension scheme – staff then have the option to remain opted in or to opt out. The next re-enrolment will commence in March and will run through to August 2019. A report at Part B of the agenda provides more detail.

Schools' ICT now report into Unity, the staff in the function remain as Council employees it is just management arrangements that have changed. It has recently taken over responsibility for supporting the Agresso system for all ICT related functions. It is anticipated that this approach will be extended to other ICT systems in the coming months. In addition, both Unity and the Council are undertaking consultation on their respective ICT functions, recognising that there is no longer a requirement for the current client / supplier relationship.

Unity's Exchequer and Customer Service functions are going to be the focus for the Council's Digital by Design programme from which both organisations will benefit; Unity from efficiencies and the Council from effectiveness. The Revenues and Benefits function will be one of the early project areas.

External sales are also developing, particularly for Property Services which has seen the return of two schools purchasing from Unity.

The Business Consultancy Service is within the scope of the Councils review of its Design and Assurance activity.

A review of policies has been undertaken to ensure alignment with those of the Council and have now been implemented. Unity also now purchase a range of support services from the Council, including accommodation, insurance, Information Governance, HR support and Health and Safety. These were formerly mostly sourced from Kier. This change was a major factor in supporting the delivery of the £1.4m in year savings and the additional £250k budget proposal for 2019/20. We have also developed a new set of performance indicators which will be fully reported on to the next Shareholder Committee and will form the basis of future reports.

Unity had significant success at the recent TOP awards which bears testament to the quality of service provision in many of their functions.

It has also successfully integrated its apprenticeship and social values approach with those of the Council and are, to some extent, demonstrating exemplar behaviours in both of these areas.

Unity's long term sickness record has not been acceptable, however, due to an emphasis on ensuring that colleagues are treated in a fair and reasonable way, this has been significantly improved in recent weeks.

1. Financial overview

1.1 Historical Context

The financial performance of Unity at the time of the purchase was forecast by Kier as follows:

	2018-19	2019-20	2020-21	2021-22
	£000	£000	£000	£000
Turnover	21,403	21,161	21,052	21,052
Costs	(19,646)	(19,506)	(19,479)	(19,490)
Profit before Tax	1,757	1,655	1,573	1,562
Taxation	(334)	(314)	(299)	(297)
Profit after Tax	1,423	1,341	1,274	1,265

Following a post-acquisition review of all service areas, no major changes are envisaged at this point to the underlying financial performance. However, two significant changes are envisaged that will impact upon the published results.

- Council assets and services that were previously provided to Unity free of charge will be increased in line with the policy adopted with other Council owned companies and trading services;
- The fee structure for Council services will be reviewed and this is likely to result in a reduction of fee income and corresponding saving to the Council.

2. Commercial Overview for 2018-19

2.1 The financial performance for Unity for the nine months to 30 September 2018 shows an approximate break even position, broken down as follows:.

	9 months to 31 December 2018		
Profit Before Tax (PBTP)	Actuals	Kier Budget	Variance
£000's	£000's	£000's	£000's
Highways	708	835	(127)
Property	888	348	540
ICT	2	432	(429)
Central Overheads	(1,830)	(652)	(1,278)
Consulting	38	16	22
Exchequer	543	664	(121)
HR & Payroll	(427)	14	(440)
Total	(78)	1,757	(1,835)

2.2 For the reasons outlined above, this is significantly lower than the Kier forecast and is after:

- Writing down assets shown in Unity's accounts at the time of purchase such as unrecoverable debtors and work in progress.
- The draft management accounts shown to date do not include for a significant amount of ICT work undertaken but not yet not yet recharged to the Council.

2.3 After adjusting for Council recharges and one-off items, the underlying financial performance is as shown in the table below:

	To 31 December £'000	Forecast for the Year £'000
PBT as shown above	(78)	300
Add back:		
Council Recharges	853	1,150
Payroll Rectification costs ¹	260	525
Profit before exceptional items	1,035	1,975

2.4 A review has been undertaken of each of the six service areas and a financial forecast prepared for the year based on known project and core work and the existing cost base. If projects progress according to schedule then Unity is forecast to make a profit before tax and council recharges of c. £0.3m for the year.

After adjusting for exceptional items, the underlying financial performance of Unity is forecasting a profit before tax of just under £2m. This full year forecast is dependent upon projects progressing to timescale and fees agreed with the Council in accordance with current rates.

Unity is liable to pay corporation tax (currently at 19%). However, in previous years Unity benefited from certain Council assets and services – in particular accommodation – being provided free of charge. This arrangement is not applicable going forward. Forecast Council recharges for 2018-19 are anticipated to be in region of £1.5m, which includes the cost of acquisition. Therefore, it is anticipated that Unity's accounts will show a broadly break-even position and no corporation tax will be payable.

3. Commercial Overview for 2019-20

¹ This represents the cost of dealing with legacy issues relating to prior to the acquisition by the Council.

3.1 The principle proposed for 2019-20 is that Unity will not seek to make a surplus from core services and – in line with previous years- will charge a fixed fee for such services.

The proposed core charges – which are in the agreement with the Council - for 2019-20 are shown in the table below together with comparison against the current fee:

Service	Current Core Fee £'000	Proposed Fee for 2019-20 (excluding inflation) £'000	Reduction/ (increase) £'000
Highways	1,593	1,372	212
Property	2,060	1,719	441
Exchequer	4,285	4,102	183
HRP	424	856	(433)
ICT	4,036	3,851	185
TOTAL	12,397	11,900	497

3.2 It can be seen that there is a proposed reduction of core fee charges of just under £500,000, which will be a direct saving to the Council in 2019-20. These have been factored into the budget savings for Unity post acquisition.

Unity will continue to charge a day-rate for project services and staff levels will vary in accordance with demand for services. By its nature such variable work carries risk in that the income is not guaranteed but certain costs – such as staff – are not so flexible in the short term. Some contingency will be built into these rates to ensure Unity remains commercially viable going forward. The process of agreeing new rates with the Council is ongoing.

4. Highways

4.1 Since acquisition the Highways function has seen a period of stability and consolidation evolving much more certainty of its future, engendering improved morale, detailed and clear analysis of its financial and resource position.

There has been a concerted effort to push forwards with service delivery and responsiveness, with a particular drive in the Capital programme delivery areas in both Highways and Regeneration.

4.2 Unity have completed one of the Council's high profile projects, Middleton Road Bridge carrying the bypass. It was completed on time after nearly 12 months of site works with the bypass fully opened before Christmas. It is likely to cost overall £2.25m against an overall original budget of £2.5m.

The carriageway resurfacing works associated with the Council's recent £6.2m Carriageway Improvement Programme have just been completed prior to the end of the current financial year. This including approximately £1m to £750k of

additional works within this figure due to underspend savings / efficiencies across the programme. This programme has been virtually all delivered over only a 14 month period – originally it was to be an 18 month to 2 year programme.

Full consultation with and detailed evidence based presentations to senior Council officers and Council Leadership has resulted in success in getting a further £12m Council capital investment to be delivered over the next 3 years from April 2019. This investment and programme delivery of very targeted resurfacing schemes will move Oldham Council's asset management of the main highways asset (carriageways) significantly towards advantageous preventative planned maintenance overall.

Other significant and potentially significant capital funding streams resulting in capital works programmes to deliver include: Growth Deal 3 to carry out high quality urban highway / town centre redevelopment to support both highways asset needs and Council corporate regeneration objectives – that is just about to move from initial design / feasibility / cost estimates to full detailed design; GM Mayor's Cycling & Walking Fund is a very high profile initiative led directly for the mayor by Chris Boardman (Olympic cyclist) to invest significantly in GM to bring its cycling and walking facilities to the best in UK over a 10 year period with significant capital investment. In early stages of identification of appropriate schemes / improvements together with Council colleagues at present.

- 4.3 Due to the significant Capital funding levels and required delivery of many programmes of work in parallel requiring individual programme leads to project manage and keep client and funding stream managers informed at the appropriate level (TfGM / DfT for example), resource levels have been increased yet further since last report in September / October. This will ensure appropriate levels of capital delivery over the current and next financial year in particular and further ensures the Clients' confidence (Highways; Regeneration; TfGM; Mayors Fund) in the delivery capabilities of Unity Highways. Conversion of the current arrangements into a medium and long term sustainable model of resourcing will continue to be developed in parallel to ensure the right-sized delivery capacity and capability for the Council whilst operating in the optimum business sense for Unity as a whole and so, the Council too.

5. Property

5.1 PI Performance

It was agreed to cease the reporting on existing KPIs. The agreement was based on new and appropriate KPIs being developed to complement the future Medium Term Property Strategy (MTPS) working model and assist in realising savings for the Council. A new Property Output Specification (including new PIs) has been drafted and agreed in principle to accommodate the MTPS. Although not reporting performance data, it is stressed that there are no concerns with service delivery.

5.2 Significant Activities / Achievements

The Property Services team have been working closely with Council Procurement colleagues to deliver the Construction & Highways Services & Work Framework (CHSWF). The programme has been underway since July with a requirement to appoint a series of new Framework suppliers effective from 1st May 2019. The teams attended and engaged with 'Meet the Buyer' events on 17 & 23 October 2018 and have since submitted all associated documents for review and upload onto the 'Chest' portal.

With some schools / academies leaving Unity Property Services in favour of local competitors in recent years, Unity have been pleased to see the return of two schools / academies opting to buy back into Service Level Agreements for Property Services. Werneth Primary has already signed up from October 2018 to September 2019 and Holy Trinity Dobcross have confirmed they have served notice to their current provider for Unity to take over from April 2019. Broadfield Primary School have requested a quotation for cost comparison against their current provider.

6. Revenues, Benefits, Transactional Finance and Customer Services

6.1 Performance of the Contact Centre is good and on target. The team have completed filling vacancies and training has been well received. The team took responsibility for the Blue Badge service telephone enquiries on the 3 December which had previously been managed by MioCare; a new dedicated queue was set up for this and immediately increased the level of service availability by 312%, (MioCare operated the telephone line for 4 hours a day Tuesday to Friday between 11.00am and 3.00pm). Residents can now access the service from 8.00 am to 6.00 pm Monday to Friday which is an increase from just 16 hours, to 50 hours per week.

6.2 Revenues & Accounts Payable / Accounts Receivable

Performance in Business Rates collection continues to be above target. Collection of Council Tax is marginally behind last year's performance, improvement activity continues as planned in order to assist the service in maximising collection ongoing, with regular meetings to discuss progress.

The service has completed its annual Single Person's Discount review and is now turning to Empty Discount Review, using new online technology for residents' responses. Texting tax payers at reminder stage has also gone live with some positive outcomes in responses and in take up of direct debit. Further texting at arrangement failure went go live during January. The team continue to work through their longer term improvement plan.

7. HR Payroll and Advisory

7.1 Following a focus on investment in staffing to stabilise the payroll system the service continues to operate effectively, offering payroll accuracy levels far exceeding previous levels. Payroll accuracy, which is the Service's most critical KPI, has been at the following levels of performance:

April	98.55%
May	98.82%
June	85.66%
July	99.01%
August	99.72%
September	99.97%
October	99.84%
November	99.59%
December	99.74%

7.2 This has been achieved through the implementation of robust quality assurance processes surrounding the payroll which results in the majority of errors being captured and rectified pre-payment and directs rectification activity. However, due to current system inefficiencies, the above has required a significant increase in personnel due to the manual nature of processing within the service. This represents an unsustainable position and as such requires the delivery of planned activity as below.

7.3 Collectively Unity run three payroll systems which results in an extremely complex systems and processing environment that compromises efficiency and increases risk. Therefore a review has been undertaken to develop options for a new single system approach and it is now planned to commence a project to move onto a single system model. This work will commence in February and completion of the move of data onto a single system will be completed by the end of the calendar year.

8. ICT

8.1 Core Activity

The core IT service continues to deliver in accordance with the agreed Service Levels, whilst delivering project work associated with the Strategic Roadmap investment programme.

Significant technology change progress is being made through the Council's IT Strategic Roadmap with the implementation of a data integration layer, Office365 and mobile working. Oldham is now participating fully with other GM Authorities as they had shown a reluctance to work with Unity under its former ownership model, the change of ownership of Unity has been key, for example, Unity IT will be chairing the GM Office365 User Group.

Unity IT are currently restructuring the management team to enhance skills and capabilities in digital enablement, especially in relation to data integrity. Formal consultation concluded on Tuesday 5 February. It now provides the chief Technical Officer function to the Council further evidence of the ongoing integration between Unity and the Council.

9. Business Consulting Services (BCS)

9.1 PI Performance

At the mid-point of the calendar year, 543 of the available 600 transformation days in 2018/19 have been allocated.

Of those allocated 462 have been delivered to date supporting transformation and change activity across the Council.

9.2 Examples of new assignments for BCS indicate the support they provide to significant partner organisations:

- NHS Toolkit – providing additional capacity to the IG team to collate the response required.
- Traded Services Review – supporting the activity led by Joe Davies to review the composition & provision of Traded Services by Oldham Council.
- Business Analysis support to CCG Transformation Programme projects.

9.3 Continuing assignments provide an indication of the range of activities being supported by BCS:

- Programme Management of Thriving Communities – delivering a systemic approach to maintaining, building and growing community capacity across the Borough through effective collaboration and ways of working with communities and the VCCSF sector.
 - Project Management of the Avoidable Admissions Project within the Start Well Programme – working to improve health and wellbeing of 0-5 year olds in Oldham.
 - SDA commission to review of Early Intervention & Prevention services across Oldham to make recommendations for design principles, an overarching framework and next steps in terms of delivery model and options for commissioning and investment.
 - SDA commission to review District working in the context of Public Sector Reform, Place based Integration & Thriving Communities.
 - Programme Management and delivery of Unity HRP Transformation – improving the provision transactional HR and Payroll.
 - Blue Badge service review & transfer of operational delivery from MioCare to Unity Partnership.
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- Customer Development Manager – a Unity Programme Manager has stepped into the role to backfill a Council staff member's maternity leave whilst also retaining SRO responsibility for the Resident First Programme.
 - Programme Management of Resident First / DbD (Digital by Design).
 - Project Management of key activity across the Resident First / DbD Programme.

The Business Consultancy Service is within the scope of the Councils review of its Design and Assurance activity.

- 9.4 Activity is being focused around opportunities to grow Unity BCS, preliminary discussions across GM have identified potential for the team to deliver transformation activity across GM Health & Social Care initiatives – this will be explored further and captured along with other opportunities within a consolidated marketing & growth plan to enable the realisation of the revenue target for BCS. Again, Council ownership of Unity has helped progress here.

10. Apprenticeships & Community Engagement

- 10.1 Between the months of October-December, Unity Partnership have recruited 4 apprentices aged between 16-18 years old who are all Oldham residents. Unity now have 16 apprentices across the business, with the plan of recruiting another 4 in the next quarter.

The introduction of Unity Partnerships own apprenticeship levy account has continued to help aid drive its community engagement agenda to further invest in new apprenticeship training and upskill current colleagues. This apprenticeship levy account has continued to give Unity a platform to further plan, develop and forecast future apprenticeship recruitment. Furthermore, the apprenticeship levy has allowed them to choose more relevant apprenticeship routes that cater for the business better and also help create a pipeline of potential future employees. This is a benefit to the local community as Unity is continuing to create opportunities for the Oldham area. Finally, the apprenticeship levy has also allowed Unity to upskill current staff members.

10.2 Work Experience & Supporting Local Employment

Between the months of October-December, Unity offered work experience to 5 individuals from local secondary schools / colleges within various areas of the business. Unity also meet regularly with other local organisations, e.g. Positive Steps, to determine dates and schools that Unity can support in the academic year. Unity have also met regularly with the Get Oldham Working officers in order to share advice, best practice and seek further joint opportunities. The Get Working Oldham Team also advertise all of the Unity apprenticeship vacancies in order to help source local talent. Finally, the Unity Partnership participate in various work experience and internship programmes that the Get Oldham Team offers. This has aided local residents seeking work experience get back into the world of work, all of which has been continued in the months July-September.

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- 10.3 Unity has continued to support local educational establishments, (e.g. delivery of mock interviews, mentoring, provision of structured work experience, workshop delivery, etc.) and taken part in the Accelerate & Elevate mentoring programme in the Oldham College, which focuses on students that may require development in areas such as confidence / self-esteem or may need some industry experience, where they can shadow in a real work environment with a view of progressing them on to an apprenticeship which has been very successful.
- 10.4 Unity Partnership are now working with the Careers & Enterprise Company, who have listed Unity as a Cornerstone Employer of Oldham. This demonstrates that Unity invests time and resource to benefit schools and young people, creating sustainability and acting as an ambassador and champion for social mobility. In the months between July-September, cornerstone employers have worked collaboratively to develop a plan of activity relevant to local needs and engaging wider stakeholders to increase work experience opportunities for 14-16 year olds in the Oldham area.
- 10.5 Between the months of October-December, Unity colleagues have taken part in 95 hours of volunteering activities within the local community. The cumulative total for the current year now stands at 451 hours with Unity colleagues showing a keen interest to volunteer within the local community.

11. Communications and Engagement

11.1 Progress Update

A wide range of communications have been issued, primarily designed around developing the Unity organisational narrative and explaining its priorities to staff. There have also been a range of key communications designed to help staff adjust to changing policies and practices which come as a result of the change of ownership.

In line with the new organisational internal communications plan Unity have:

- Moved all email communications on to Mailchimp – a mailing client which allows the sender to track who and how many people open emails and presents information in a more engaging and eye-catching way;
- Sent monthly newsletters and regular news updates via Mailchimp to inform staff about key organisational messages;
- Begun to track website and intranet performance using Google Analytics which allows Unity to study the volumes of traffic to the sites;
- Created a monthly communications dashboard reporting key data on all of the above to senior management.

12. Legal comments

12.1 N/A

13. HR / People comments

13.1 N/A

14. Links to Co-operative Values

14.1 This report provides clear reference as to how the Unity Partnership strives to be a Cooperative service in line with the Oldham plan.