

FUTURE PROVISION OF AGENCY WORKERS

Responsible Cabinet Member: Councillor Middleton (Cabinet Member for Resources and Innovation)

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Executive Summary:

A paper was taken to Procurement and Commissioning on 12 October 2017 where it was agreed to extend to 31 August 2018 use of the Hays contract for the supply of temporary staff.

The original contract was awarded following a compliant procurement process. The contract term as awarded was for 3 years and provided for a possible extension of up to a maximum of 12 months.

The contract cannot be extended beyond 31 August 2018 and this report sets out a recommendation relating to the tender process.

Approval is sought for delegated authority for the Corporate Director - Resources to develop a business case for the Council to either select a managed service provider through the Eastern Shires Purchasing Organisation (ESPO) purchasing consortium or to become a shareholder and part owner of Opus LGSS People Solutions Ltd (OPUS LGSS) and for that company to provide agency resources into the Council in the future.

1 Recommendations

- 1.1 That authority be delegated to the Corporate Director - Resources to explore the following two options:
- (a) the setting up of a joint arrangement and appropriate company structure with Opus LGSS, including the Council becoming a shareholder in the new company; and
 - (b) a mini competition via the ESPO framework contract covering the provision of agency workers and, following the evaluation, to subsequently award a contract for a period of up to four years to the provider that offers the most economically advantageous approach.

2 Background

Current Service

- 2.1 Agency workers are currently provided by Hays which, as the Managed Service Provider, secures agency resources from the wide range of agency companies they manage. This contract is due to expire on 31 August 2018.

The Council currently spends c £8m per annum of which £5m is with Hays and a further £3m with other agencies.

- 2.2 The largest part of agency resource cost is the pay to the individual agency worker and associated mandatory payments such as National Insurance, which typically make up between 85% and 89% of the cost. The rest is the margin paid to individual agencies to secure agency resources for the Council. This margin varies across different categories of workers and is paid to the agency provider for the costs they incur in securing the staff, as well as the agency's internal staffing costs, overheads, system costs and profit.
- 2.3 The current fragmented arrangements, whereby agency resources are secured outside of the Hays contract because they are unable to source the requisite staff (either directly or via the third parties that they engage), makes the overarching control of the use and quality of agency resources more difficult. This impacts the ability to plan, oversee and monitor the effectiveness of the overall workforce.

3 **Future Objectives relating to the Supply of Agency Workers**

3.1 In considering the replacement to the Hays contract, five objectives have been proposed; these will be assessed against each of the options detailed below:

- (a) Objective 1 - achieve greater influence and control over the wider issues and costs associated with the use of agency workers including the quality and pay of agency workers and ensuring that all agency workers are secured through one managed provider.
- (b) Objective 2 - to provide financial savings in the medium to long term via achieving objective one and also by reducing the overall costs associated with securing agency workers.
- (c) Objective 3 - to ensure that where agency workers are required continuity of supply is maintained and that the agency workers provided are of the right quality.
- (d) Objective 4 - help promote local employment opportunities and support the use of locally based recruitment agencies.
- (e) Objective 5 - benefit from the economies of scales from the LGSS Partnership or a new managed services provider.

Options Considered

3.2 There are two options:

- (a) Option 1 - participating in the new OPUS LGSS Agency Company.
- (b) Option 2 - undertaking a mini competition under the ESPO Framework contract relating to the supply of agency workers.

A summary of each option is detailed below:

Option 1 - to join Opus LGSS as a part owner and to use Opus LGSS for the future supply of agency workers.

This option would involve MKC becoming a shareholder of Opus LGSS. The share of the company owned by the three LGSS Partners would increase to 48% in the event that MKC decided to also participate.

This option also has the advantage of utilising an approach already adopted by Northamptonshire County Council (NCC) and Cambridgeshire County Council (CCC). The approach includes the use of a Dynamic Purchasing System that will enable local agency providers to be added to the supply chain.

As a publically owned company, each shareholder would receive an annual dividend based on profits made by the company.

Option 2 - undertake a new procurement exercise utilising a framework contract.

This option would involve a direct call off from the ESPO framework and is an economically acceptable solution that is widely used in the public sector with pre-agreed terms and conditions in place. This allows organisations to undertake a shortened process to identify a provider to work with. Suppliers would be invited to tender against a specification which would then be scored.

3.3 Once the options appraisal has been completed, a further report with recommendations will be presented to Cabinet for approval. The decision by Cabinet will be required by March 2018 so that the new contract can start on 1 September 2018.

4 Implications

4.1 Policy

The recommendations are consistent with MKC's overall approach to workforce planning.

4.2 Resources and Risk

The total costs associated with agency workers are driven by the number of agency resources used. This will vary each year, but is currently forecast at c£8 million. Agency workers are used across a range of services with the main spend on social workers, administrative support and specialist professional colleagues where the Council does not have the necessary capability or capacity.

We anticipate being able to work with the new provider to ensure quality of supply whilst reducing agency worker expenditure. This would be achieved by having greater influence and control over agency worker use and integrating deployment of agency workers into the overall workforce strategy, including the optimal balance of agency versus permanent workers.

(a) Risks

A small number of risks have been identified and mitigation are planned to address these risks as detailed below:

Risk	Mitigation	Residual Risk relating to likelihood and impact
The staff currently employed by Hays would be affected by the move to a new provider resulting in a TUPE transfer	Early consultation with Hays on the changes being explored	Low/Medium

(b) Accommodation

As with the current Hays contract, it is planned that the new provider will have a small number of recruitment specialists based in the Council offices and these arrangements will be reviewed with Property as part of the implementation planning.

The relevant resources and risk implications have been set out above where there is likely to be an impact.

N	Capital	Y	Revenue	N	Accommodation
N	IT	N	Medium Term Plan	N	Asset Management

4.3 Carbon and Energy Management

The proposal will not have any impact on the Council's Carbon and Energy Management policy.

4.4 Legal

If the option is to work with Opus LGSS, the proposal will involve the Council entering into a Shareholder Agreement with Opus LGSS (which is owned by Suffolk County Council) as well as a Services Agreement with Opus LGSS relating to the future provision of agency workers. Whilst both agreements have already been drafted and are in use in for CCC and NCC, they will need to reviewed and agreed by Legal services prior to proceeding. If Opus LGSS are not successful, then the legal framework agreed through ESPO would need reviewing.

4.5 Other Implications

Staffing/TUPE

There is the potential for some of the current contractors' staff to have TUPE rights and the existing contractor has the opportunity to identify any such staff in time for the information to be presented to the successful provider. At this time there are no implications from these recommendations

N	Equalities and Diversity	N	Sustainability	N	Human Rights
N	E-Government	N	Stakeholders	N	Crime & Disorder

Background Papers: None