

EMPLOYMENT COMMITTEE – 9 SEPTEMBER

**IMPROVING THE PROCUREMENT AND MANAGEMENT OF TEMPORARY
AGENCY STAFF AND INTERIM MANAGERS**

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

Purpose of Report

1. The purpose of this report is to:
 - provide a brief overview of the Council's use of temporary resource requirements (agency staff and interim managers);
 - update the Committee on the successful award of the MSTAR¹ framework and the approval received from the Council's Corporate Management Team (CMT) to proceed with procurement from the MSTAR framework for a Managed Service Provider² for the provision of agency staff and interim managers with immediate effect.

Background

2. On 12 July 2011, the Council's People Strategy Board agreed that a report be presented to the CMT and the Employment Committee to improve the management and control of third party spend on temporary and agency staff.
3. To date, the Council has been making use of traditional contract models for delivery of temporary resource requirements. These have been in the form of ESPO provided frameworks and internally led Preferred Supplier Lists (PSL's). Currently the Council makes use of the following:
 - ESPO Framework for Temporary Agency Staff (including Highways);
 - ESPO Framework for Provision of Interim Managers;
 - LCC PSL for Social Care Staff;
 - LCC Supply Teaching Contract expired in December 2010 as schools did not use it.

¹ Managed Services for Temporary Agency Staff (including Interims)

² A MSP is a one-stop shop for the provision of all temporary resource such as agency staff and interim managers but excluding consultancy staff.

4. There are a number of risks and issues associated with the current arrangements:
- they are difficult to demonstrate value for money;
 - they are not mandated and frequently not used (typically over 40% of spend is 'off contract' which leaves the authority open to financial and legal exposure and safeguarding issues). The Council has 20 approved suppliers but does business with approximately 40 agencies at any given time;
 - they do not provide high quality management information;
 - controlling temporary resource spend is an integral part of workforce planning and skills development at a time when job security is high on the Council agenda. However, there is currently little scope for managing demand for the engagement of this resource. This is of particular concern with the imminent Agency Workers Regulations³ due to take effect on October 1st 2011, which will require a robust approach to ensure compliance;
 - contract management and performance review with, for example, multiple relationships between managers and suppliers across the Council, is currently wasteful of valuable resources, inefficient and less effective in terms of utilising the combined spending power of the Council.

Use of Temporary Resource

5. Initial data analysis shows that the Council spent approximately £4.5m with 36 suppliers during 2010/2011. The top 5 suppliers for 2010/11 (by spend) used by the Council are as detailed in Table 1 below:

³ AWR is a new piece of legislation which requires all agency staff to be entitled to equal rights as employees. It takes effect from October 1st 2011, and after 12 weeks service workers are legally entitled to equal pay. Responsibility for compliance rests with both the Local Authority and the Agencies involved. Provisions are being made for this to be extended to equal pensions rights in 2012.

Table 1. Top 5 Temporary Resource Suppliers by Spend in 2010 – 2011 Financial Year (excluding schools direct spend)

Supplier (on contract)	Spend 10/11	Supplier (off contract)	Spend 10/11
Hays Group*	£1,713,524	Liquid Personnel	£391,635
Brook Street Group**	£ 254,313	Teacher Active	£228,929
Gatenby Sanderson	£ 174,301	Permanent Futures	£204,410
Medacs	£ 127,106	Steria Recruitment Ltd	£132,307
Badenoch & Clarke	£ 111,447	Celsian	£ 90,008
Others***	£ 93,569	Others****	£956,642
Total 2010/2011 FY	£2,474,260		£2,003,931
* Hays Group Includes Specialist Recruitment / Property & Construction / Accountancy & Finance / IT / Education			
** Brook Street Group includes office temps and social care staff			
*** Pertemps			
**** Made up of 25 other suppliers			

6. Almost half of all spend is currently with suppliers not registered as having completed a tender process, and so have not been financially vetted, or been subject to due diligence by either the Council's Corporate Procurement Unit (CPU) or ESPO. It should be noted that only a small percentage (approx 2%) of spend is currently with smaller local firms.
7. It is difficult to provide an accurate picture on temporary resource spend because:
 - o purchasing is highly devolved across different departments with many one-off purchases;
 - o spend data is disaggregated across a range of different systems, e.g. Oracle iProcurement and 'line of business systems';
 - o there is only partial use of existing frameworks/corporate contracts;
 - o spend is not always coded accurately
8. The result is that there may be more spend than analysed here. Schools spend an estimated additional £4m per annum on agency staff.

The Proposed MSTAR Solution – A Managed Service Provider

9. MSTAR is a national framework for the purchase of temporary resource (agency staff and interims), put in place by ESPO/Pro5 with support from over 70 local authorities (including Leicestershire County Council). In addition it is supported by the Cabinet Office, Office of Government Commerce and Department for Education as being the most efficient resource solution for both local authorities and schools. The procurement process is compliant with the European Directives for Public Procurement and the framework value is circa £3 billion. The MStar framework is also part of a collaborative procurement solution being

adopted by all ESPO member authorities in seeking to pilot a cross-consortium category management approach for HR-related services.

10. Using the MStar framework, the Council would be able to run a mini-competition to identify and appoint a MSP which best meets its temporary staff requirements (agency staff, professional and managerial staff including interims) for the next 4 years (including any 'hard to fill' requirements). The MSP would offer a single point of contact (via a Service Helpdesk) for the Hiring Manager and for the Council and would provide access to a number of agencies to ensure sufficient capacity exists, including migrating existing agencies onto the arrangement. The MSP would monitor the marketplace proactively, advise on market trends, issues and legislative changes, provide structured management information/reporting, manage the agencies' performance and use standardized rates of commission.
11. Provision has already been made in the framework for service levels including response times for assignment fulfillment (ranging from within 30 minutes to within 48 hours), assignment fill levels (minimum of 98% fulfillment rate for standard assignments), Service Desk response/ resolution times and availability of web services. Back-to-back arrangements are in place between the MSP and the individual agencies. Strong governance would also be required to make a success of the managed service given the change from existing arrangements and the need to reduce off-contract spend.
12. This managed service would form an integral part of the Council's Workforce Strategy and also integrate with other Council policies and initiatives, including support local SMEs. The successful MSP would also be required to meet the Council's Business Continuity arrangements as this would be a business critical contract for the Council. Exit arrangements have already been taken into account in the framework through, for example, ownership of management information and intellectual property rights.

Benefits

13. The actual level of cashable and non-cashable benefits would depend on the true level of spend within the Authority, which is currently estimated to be £4.5m.
14. Estimates have been sought from the 12 suppliers on the framework and the responses range between 6% and 16% potential savings for first generation client⁴. Assuming an average of 11% the Council would be looking to save almost £500k on its current spend (excluding demand management). There would also be considerable saving opportunities across the schools service, which the Council could offer as part of its Human Resources Service.

⁴ First generation client means a client which has not previously used a MSP arrangement.

15. Other potential benefits would include:

- a more consistent , strategic approach to the management, control and quality of bought-in temporary resource;
- improved terms, e.g. on margins / mark ups with a requirement for the MSP to demonstrate savings to the Contract Manager and Finance Business Partners;
- improved demand management, e.g. purchase avoidance and potential talent pool development and ability to review our own displaced redeployment register first;
- improved outcomes resulting from effective supplier management, e.g. contract performance reviews, SLA etc';
- improved Management Information on spend;
- improved legal compliance (procurement, employment law, safeguarding the vulnerable and in particular assistance with the incoming Agency Workers Directive;
- audited safeguarding for the vulnerable;

Conclusion

16. This report has provided an overview of the current (outdated) method of engaging temporary resource (agency staff, professional and managerial staff including interims) within the Council and has detailed the proposed approach to improve the management and control of the purchase of these services.
17. In August 2011 the Corporate Management Team agreed the following:
- (a) proceed with procurement of a managed service provider from the MStar framework;
 - (b) that governance for the project will reside with the corporate Commissioning & Contracts Board with the project sponsorship of the Director of Corporate Resources (with progress reporting to the People Strategy Board);
 - (c) that contract management of the MSP will be the responsibility of HR with support from the CPU (and also ESPO from the framework point of view);
 - (d) that future updates on the performance of the managed service, once operational, will be made to the People Strategy Board.

Recommendation

The Employment Committee is asked to:

- (a) Note the content of the report;
- (b) Endorse and support the decisions taken by CMT in relation to the provision of temporary resources to the Council.

Background Papers

None.

Circulation under Local Issues Alert Procedure

None.

Equal Opportunities Implications

- 21. The agreed approach to the provision of temporary resource in the future will focus heavily on equality and diversity in relation to the recruitment of temporary staff and also ensure compliance with the Agency Workers Regulations.

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