

Cabinet

30 August 2016

**Name of Cabinet Member:**

Cabinet Member for Strategic Finances and Resources – Councillor J Mutton

**Director Approving Submission of the report:**

Executive Director of Resources

**Ward(s) affected:** All

**Title:**

Managed Service for Temporary Agency Workers

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**Is this a key decision?** Yes as it has the potential to affect all wards within the City and expenditure is in excess of £1m

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**Executive Summary:**

The Council currently has a support contract for a supplier for the supply of temporary agency workers. The current provider is Pertemps who deliver a managed service solution which involves supplying their own temporary workers as well as workers from a 2nd tier of suppliers that Pertemps manage on behalf of the Council. There are currently 60 suppliers signed up as 2<sup>nd</sup> tier suppliers with 15 currently actively supplying agency workers to the Council. The 2nd tier suppliers tend to be used for more specialist requirements such as social care. As part of the contract an electronic ordering system called PAWS is supplied by Pertemps to allow the Council and suppliers to communicate requirements, supply c.v.'s, upload key support documentation for new starters and for the completion of timesheets. This ensures the Council quicker access to the temporary market, real time visibility of the status of requests and an electronic auditable trail for all of our transactions.

Over its 3 year life, the contract has seen fluctuating demand with spikes over the last few years to support sickness, fundamental service reviews and increases in demand. General feedback on the contract is positive but we do have occasions where staff may struggle to fill more specialist positions through Pertemps although this is generally due to a recognised shortage of staff in high demand markets such as HGV drivers rather than under performance from Pertemps.

Solihull MBC led the procurement process for the existing contract on behalf of CCC and Warwickshire County Council through ESPO's (Eastern Shires Purchasing Organisation) MSTAR Managed Services for Temporary Agency Resource framework. The objective at the time was to aggregate the spend of the three councils to achieve greater savings and efficiencies both by driving prices down and by resourcing one tender process instead of three. The contract is due to expire on the 1<sup>st</sup> December 2016 and can be extended for one final year until the 1<sup>st</sup> December 2017. The contract extension will apply the existing contract rates so there will be no increased cost to the Council in rates. Both Solihull and Warwickshire's intention is to take the extension.

A decision is expected to be made in December 2016 by all three councils on how we intend to establish a new contract to replace the existing contract. Procurement options will include our own tender, the use of available national frameworks and the possibly of creating our own resource provision instead removing the need for an agency supplier. Once made a further cabinet report will be submitted in early 2017 for approval.

**Recommendations:**

**Cabinet is requested to:**

- 1) Authorise the 1 year extension of the current framework for a managed service for temporary agency workers to commence from the 2<sup>nd</sup> December 2016 and expire on the 1<sup>st</sup> December 2017.

**List of Appendices included:**

None

**Other useful background papers:**

None

**Has it been or will it be considered by Scrutiny?**

No

**Has it been or will it be considered by any other Council Committee, Advisory Panel or body?**

No

**Will this report go to Council?**

No

## **Report title: Managed Service for Temporary Agency Workers**

### **1. Context (or background)**

- 1.1 Coventry City Council currently has a contract with Pertemps as a managed service provider (Master Vendor) for our temporary agency workers. Pertemps supply their own temporary workers as well as managing a potential sixty 2<sup>nd</sup> tier of suppliers on behalf of the Council. Of the sixty 2<sup>nd</sup> tier suppliers, twenty two of these suppliers have branches in the West Midlands that would support the contract meaning social value benefits for local businesses as well as supporting local employment.
- 1.2 The Framework was established by Solihull Metropolitan Borough Council and includes Coventry City Council as well as Warwickshire County Council. Solihull manages the overarching contract whilst our in-house HR alongside Procurement manage Coventry City Council's agreement with Pertemps.
- 1.3 The framework commenced on the 2<sup>nd</sup> December 2013 and is due to expire on the 1<sup>st</sup> December 2016. There is only one extension available under the framework meaning the framework cannot be extended beyond the 1<sup>st</sup> December 2017.
- 1.4 The framework was procured through a further competition using a national procurement framework established by ESPO.
- 1.5 Solihull Metropolitan Borough Council and Warwickshire County Council have indicated that they intend to extend the overarching framework for its final year.
- 1.6 As this is framework agreement, no guarantee of value or volume is offered. If our demand for temporary agency workers diminished, there would be no negative impact as a result to the Council.
- 1.7 The value of the contract for the financial year 2014/15 at CCC was £8.1m and £7.9m for the financial year 2015/16. This figure includes a CCC rebate imposed on all agency transactions through the contract. Excluding the rebate, the agency workers spend through the contract was £6.5m for 2015/16.

### **2. Options considered and recommended proposal**

- 2.1 Procurement has conducted research on the temporary agency worker market to understand the size of the supplier market and potential procurement routes available to the Council.
- 2.2 A benchmarking exercise has been concluded by Procurement with the contract rates under the extension year of our existing contract and ESPO's new MSTAR 2 agency workers framework. The benchmarking exercise indicated that the extension year rates on our current agreement were substantially cheaper than moving to the new framework with hourly mark-up rates 5-288% higher on the new MSTAR2 framework. Increases are generally below 70% of our existing hourly rate but examples of the highest % increases can be found in the table below:

<b>Assignment / Job Title</b>	<b>Max hourly agency fee (£/p) under existing contract</b>	<b>Max hourly agency fee under Pertemps MSTAR2</b>	<b>Difference in current fee and MSTAR2 fee</b>	<b>% increase in agency hourly fee</b>
Assessment Worker	£1.00	£2.80	£1.80	180%
Facilities & Environmental Services	£0.45	£1.45	£1.00	222%
Project administrator	£0.45	£1.75	£1.30	288%

2.3 YPO HR Services and Solutions Framework has also been considered as an alternative procurement route. The frameworks pricing schedule is different to our existing contract meaning a clear like for like on hourly rates is difficult, but our managed service provider fees would rise £60k alone from moving to the YPO framework.

2.4 By extending the Framework, all three shared partners can continue to aggregate their agency spend for the procurement of the replacement framework to commence on the 1<sup>st</sup> December 2017. All three authorities will benefit in reduced rates from our combined spending power which worked successfully to achieve low rates on the current framework when compared to the current market rates.

### **3. Results of consultation undertaken**

3.1 Basic consultation has taken place on the extension with stakeholders at CCC close to the service. The proposed decision to award the extension has also been agreed between all 3 Council's Procurement and Human Resources Leads for the contract.

In terms of the future of the contract past the proposed extension, Warwickshire County Council are leading on a survey to managers across the 3 Local Authorities. A timeline has yet to be finalised but it is intended to gain wider feedback from clients from all 3 Authorities that will be incorporated into our decision making for the new contract.

### **4. Timetable for implementing this decision**

4.1 The contract expires on the 1<sup>st</sup> December 2016. Subject to approval of this report, the framework will be extended for a further year up until the 1<sup>st</sup> December 2017. This action would be taken immediately. There are no further extensions available under the current framework. The shared procurement partners have agreed to meet in late 2016 to reach a decision on how we proceed to establish a new contract to commence on the 2<sup>nd</sup> December 2017.

4.2 A cabinet report will be submitted in early 2017 for approval to undertake a new procurement process to replace the existing managed service for temporary agency workers framework. Procurement options will include our own tender, the use of available national frameworks and the possibly of creating our own resource provision instead removing the need for an agency supplier.

### **5. Comments from Executive Director of Resources**

The Master Vendor contract is a planned strategy to work towards reducing the level of agency spends and to better understand where and how we use agency workers.

There will always be the need to use agency workers. However, it is acknowledged that current usage is still too high because of the need to cover; sickness absence, while Fundamental Service Reviews are taking place and to cope with sudden surges of demand.

In terms of the cost of using agency workers, it is important to note that not all of the cost is in addition to normal staffing spend. Although agency cover associated with sickness absence in front line services is often an additional cost, in the case of agency cover for vacant posts the cost will be funded in part by the relevant staffing budget.

Where opportunities exist for bulk recruitment campaigns to front line essential services, the Human Resources Recruitment Team will continue to work with service managers to establish registers of workers, who are available for casual, temporary or permanent work in order to reduce the use of agency workers. However, some roles continue to be hard to recruit. In the case of social workers we have had some success with recruitment, but nevertheless recruitment continues to be difficult.

The extension of the existing contract will allow the benefits of the existing Master Vendor arrangement and its low cost base to continue while a decision is made on the future arrangements for agency workers.

## **5.1 Financial implications**

As this is framework agreement, no guarantee of value or volume is offered. If our demand diminished for temporary agency workers, there would be no negative impact as a result to the Council.

## **5.2 Legal implications**

As stated under Financial Implications, this framework agreement gives no guarantee of value or volume. If our demand diminished for temporary agency workers, there would be no negative impact as a result to the Council. The current agreement allows the contract to be extended for an additional year without a further procurement exercise.

## **6. Other implications**

### **6.1 How will this contribute to the Council's priorities?**

The Agency Worker Contract arrangement provides good value for money in relation to the procurement of agency workers. It also provides firmer controls on the use of agency workers and has in place sound management reporting to see where spend is taking place to target recruitment, maximise resources, and reduce spend on agency workers.

### **6.2 How is risk being managed?**

As this is a one year extension of the existing contract, no significant risks have been identified for the continuation within this period. For the long term future of the contract issues such as the cost of change of the existing supplier, potential scenario of TUPE of existing agency staff between our existing and any new provider and any fundamental shift in the market or agency law as a result of Brexit.

### 6.3 What is the impact on the organisation?

The organisation has an operational requirement to take on staff to cover for sickness absence, cover during service reviews, meet spikes in demand and undertake special projects. The provision of this contact provides best value for the organisation.

### 6.4 Equalities / EIA

Pertemps actively promote a culture of openness and fairness within the workplace. This is detailed within their Equality, Diversity and Inclusion Statement which details how this is imbedded into their culture, policies and their commitment to this. Pertemps also actively promote this to the 2<sup>nd</sup> tier supply chain.

### 6.5 Implications for partner organisations?

The extension of this contract has no implications for partner organisations. However, our withdrawal would potentially impact on our partners because the reduced size of the potential contract spend would damage their ability to obtain such low costs in the future. As this is a shared contract between CCC, Solihull and Warwickshire County Council, as CCC contributes the highest proportion of our combined spend, approximately 45% of the total combined spend. By not participating in the shared contract our partner organisations could see an increase in their future rates.

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