

**USE OF A FRAMEWORK FOR THE MANAGED SERVICE FOR TEMPORARY
AGENCY RESOURCES**

<u>Report of the:</u>	Director of Finance and Resources
<u>Contact:</u>	Gillian McTaggart/Kathryn Beldon
<u>Urgent Decision?(yes/no)</u>	No
<u>If yes, reason urgent decision required:</u>	N/A
<u>Annexes/Appendices (attached):</u>	None
<u>Other available papers (not attached):</u>	MSTAR2 Core Specification

REPORT SUMMARY

This report outlines the proposed approach for the procurement of agency staff.

The Council uses a high level of agency staff and the annual spend is in the region of £1.5 million per year. It is important that the Council is compliant with the Public Contracts Regulations 2015 (incorporating the requirements of the EU Procurement Directive) and Contract Standing Orders in procuring agency staff.

RECOMMENDATION (S)

Notes

- (1) To seek approval from Committee to join a framework for the supply of agency staff**
- (2) That the Council use the framework to enter into the Neutral Supply Vend Model which will provide optimum value and use of small/medium enterprises.**
- (3) That the award of contract is delegated to the Director of Finance & Resources, following consultation with the Chairman of Strategy & Resources.**
- (4) Heads of Service be authorised to award individual contracts for the provision of agency staff via the selected Neutral Vend Supplier.**

1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

- 1.1 Any decision about employing agency workers is relevant to the Council's key priority of "Managing Resources" – the Council aims to utilise its limited resources in the most efficient and effective way. Any savings from changes in the delivery of this service will also help maintain a balance budget
- 1.2 There are no implications arising from this report for the Sustainable Community Strategy.

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2 Background

- 2.1 The Council's Internal Auditors completed a review of the Procurement of Agency staff within the 2014/15 Audit Plan. They concluded that that:-
 - 2.1.1 The Council is in breach of EU Procurement regulations;
 - 2.1.2 Current process and practice is non-compliant with the Council's Contract Standing Orders;
 - 2.1.3 Some agency staff are paid below the Living Wage (£7.85)
 - 2.1.4 The Council does not have formal centralised records of agency staff and this impedes corporate control and information analysis;
 - 2.1.5 The Council is dependent on a large number of agency staff supplied by agencies with whom it has a limited contractual relationship;
 - 2.1.6 Although the current arrangement in Operational Services with long standing providers is delivering a low-cost service, the requirements of regulations may mean that the Council will in future incur higher costs in this area.
- 2.2 It was agreed by Corporate Board that arrangements would be made to go out to tender for the Agency Contract.
- 2.3 The current annual cost for agency staff is around £1.5 million each year. This is split over admin and clerical, professional roles and manual labour. This highest use of agency staff is at Operational Services, which accounted for 57% of spend in 2014/5.
- 2.4 As part of reviewing agency spend the Head of Operational Services and Head of HR and Occupational Development are reviewing alternative arrangements to reduce the overall number of agency workers in Operational Services. There will always be a need to employ some agency workers to cover seasonal demands, cover absences and ensures key services such as waste collection as operated This review will look at the use of permanent staff and fixed terms contracts. A review will also be undertaken to establish the needs of managers when hiring agency staff.
- 2.5 Under the Agency Workers Regulations, all agency staff employed for more than 12 weeks in the same job are entitled to the same basic employment and working conditions as if they had been recruited directly, if and when they complete the qualifying period. As part of selecting a Managed Service Provider, the Council will assess how best to meet this Directive.

3 Proposals

- 3.1 The Council are seeking to join a national framework operated by the Eastern Shires Procurement Service (ESPO). ESPO is a local authority owned purchasing and supply consortium. They operate a large number of frameworks to customers to provide a quick, simple and competitive route. The framework is available nationally by any public sector body. There are currently 113 local authorities using this framework. All the suppliers on this framework have been selected for their ability to provide customers with a comprehensive range of services that combine quality and value.

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- 3.2 This framework offers a type of service where one Managed Service Provider (**MSP**) takes responsibility for delivering services on behalf of customers, as an alternative to the customer managing a framework of individual agencies
- 3.3 This framework offers three lots. Lots 1 and 2 can be called- off the framework without further competition but Lot 3 requires further competition.

Lot 1	Neutral Supply Chain Management	Transactional Service	Basic requirements of the specification selecting, ordering and placing temporary agency workers also including consolidated invoicing.
		Strategic Service	Additional services can be supplied for a fee.
Lot 2	Master Supply Chain	Transactional Service	Basic requirements of the specification selecting, ordering and placing temporary agency workers also including consolidated invoicing.
		Strategic Service	Additional services can be supplied for a fee.
Lot 3	Supply Chain Optimisation (Hybrid)	This is a customised service	The core specification can be altered to the specific needs of the customer but requires further competition.

- 3.4 **The Neutral Supply Vend Model** delivers through a supply chain management from other agencies. They would not supply candidates and are therefore neutral. The other agencies are effectively contract managed and are continuously audited them to ensure high levels of compliance.
- 3.5 **The Master Supply Vend Model** this provides a complete recruitment package through their own candidates and will only use other suppliers when they cannot meet the requirements
- 3.6 The Neutral Vend offers a more flexible service to meet the Council's diverse and fluctuating requirement. The suppliers who have been selected to provide the Neutral Vend include:-

Comensura
De Poel
Manpower
Matrix SCM
Pertemps
Ranstad
Reed

- 3.7 The framework was awarded using a weighting of 60% price and 40% quality.
- 3.8 An internal exercise will be completed to evaluate the Council's needs by reviewing future requirements and the needs of all managers who use agency staff. Once determined an assessment will be carried out to assess which Managed Service Provider best meets the Council's needs. As part of this process an evaluation criteria will be agreed with the Procurement Officer.

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4 Benefits of Using the Framework

- 4.1 This framework is fully compliant with UK and EU procurement legislation:
 - 4.1.1 All suppliers are assessed for their financial stability, track record, experience and technical and professional know how.
 - 4.1.2 Pre-agreed terms and conditions to under pin all orders.
 - 4.1.3 Build strategic relationships with suppliers to gain better value for money
 - 4.1.4 Gain value for money and improve cashable savings
 - 4.1.5 Improved accuracy of management information which can be reviewed by HR
 - 4.1.6 All payments will be in line with Working Time Regulations.
 - 4.1.7 The fees charged are transparent and clearly recorded. HR can obtaining monitoring information and KPI's

5 Disadvantages of Using a Framework

- 5.1 The agency workers may not meet the needs of the managers
- 5.2 The Managed Service Provider may not be able to provide workers at short notice or at early mornings at the Depot.

6 Implementation Timetable

- 6.1 The proposed key milestones are shown in Table 1 below:

Table 1: Proposed Key Milestones

Action	Date
Agree to enter into as Framework	Agreed by Strategy & Resources Committee 24 June 2015
Consult with managers to establish their needs	August 2015
Clarify the overall needs of the Council	1 September 2015
Review and Select a Provider from the agreed list of suppliers	September 2015
Award	October 2015
Due diligence and review by the Managed Service Provider	To be agreed with the provider
Training to managers to utilise the software and request staff	January 2016
Commencement of service	To be confirmed with the provider

- 6.2 A training programme will be run by the MSP to managers to ensure they are aware of how to request agency workers.

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7 Financial Implications and Manpower Implications

- 7.1 There may be additional costs to the Council if the hourly rates charged by the providers are higher than those charged by individual agencies. The rates are built up of agency rate, NI costs, work time directive costs and the ESPO rebate. This will be dependent on the MSP selected and the position filled by agency staff.
- 7.2 The Framework will deliver both non cashable and cashable benefits. The cashable savings are in the form of a guaranteed percentage spend payable at the end of each year.
- 7.3 The cashable benefits will be achievable through negotiated rates and guaranteed savings. The Council are first generation user and the proposed savings range from 1.15% to 13%. The exact level of savings will be based on the spend and this is expected to reduce if some staff are put on different contracts. Based on expenditure of £1M the cashable savings would equate to between £30,000 and £130,000 dependant on which MSP is selected.
- 7.4 The non-cashable savings will be through streamlined processes.
- 7.5 **Chief Finance Officer's comments:** -Procuring agency staff via the proposed framework offers the most efficient way to ensure compliance with legislation.
- 7.6 It is important that the Council undertakes a detailed review of its agency requirements. There is potential for agency costs to increase as a result of this procurement exercise and where possible the Council should seek to mitigate any increase.

8 Legal Implications (including implications for matters relating to equality)

- 8.1 The framework meets all UK/EU procurement legislation.
- 8.2 The framework was awarded using a weighting of 40% price and 60% quality.
- 8.3 The managed service provider will be responsible for vetting agency staff.
- 8.4 The Council's Standing Orders would normally require a contract of this value to be procured by a full tender process, with the contract being awarded by Committee. However, there is an exception in relation to the use of framework agreements, as these have already been subject to a competitive tender process to select the various providers. In this case, if committee approves the joining of the framework, it is then appropriate for the Director of Finance & Resources to award the call-off contract to the chosen supplier.
- 8.5 **Monitoring Officer's comments:** Procuring agency staff via the proposed Framework offers the most efficient way to ensure compliance with Procurement legislation. The standard contract documents which we will be required to sign and accept are considered to be acceptable.

9 Sustainability Policy and Community Safety Implications

- 9.1 None for the purpose of this report.

10 Partnerships

- 10.1 The Council will work in partnership with the appointed MSP to ensure local small to medium businesses are included within the agencies used.

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11 Risk Assessment

- 11.1 There is a risk that agencies cannot provide adequately trained staff but this would be measured as a KPI.
- 11.2 Meeting the needs of Operational Services will be key to the success of the contract and there is a need for early morning shifts to be covered at short notice. These will be addressed when selecting a provider.

12 Conclusion and Recommendations

- 12.1 By tapping into the procurement know how of an existing contract the Council minuses the duplication of effort and the delay which would be caused by running one or more full procurement exercises. All suppliers have been scrutinised to ensure they can meet the needs of the core specification.
- 12.2 The Neutral Vend Model is considered to best meet the Councils needs and it is expected also to deliver cashable and non-cashable savings to the Council.

WARD(S) AFFECTED: N/A