

Policy Committee

8 July 2024



Reading
Borough Council
Working better with you

Title	Temporary Agency Staff – Contract Procurement
Purpose of the report	To make a decision
Report status	Public report
Report author	Kathryn Cook, Assistant Director for Human Resources and Organisational Development
Lead Councillor	Cllr Ellie Emberson, Lead Councillor for Corporate Services and Resources
Corporate priority	Not applicable, but still requires a decision
Recommendations	<ol style="list-style-type: none">1. That authority is delegated to the Executive Director of Resources, in consultation with the Lead Councillor for Corporate Services and Resources, to award a contract to provide temporary agency staff for an initial term of three years with an option to extend for a further one year under the Eastern Shires Purchasing Organisation Framework Agreement, Managed Services for Temporary Agency Resources (MSTAR).

1. Executive Summary

- 1.1. The Council's current contract for the supply of temporary agency workers expires in February 2025. The Council's need for agency staff to provide skilled resource on a time limited basis or cover key posts is expected to continue. Therefore, it is proposed that a procurement process is started to award a contract under the leading Framework available to Local Government, Mstar4.

2. Policy Context

- 2.1. Extract from the Council's Recruitment and Selection Policy:

The Council aims to fill all vacant posts with directly employed staff. The use of agency workers should be kept to a minimum and at all times subject to vacancy control procedures. The use of agency workers is also reviewed at Directorate Joint Forum meetings with trade unions.

It is, however, recognised that there are times when agency workers are an appropriate means of meeting a resource requirement and the use of a corporate contract offers best value for money ensuring compliance with the Public Contract Regulation 2015.

3. The Proposal

- 3.1. The Council currently operate under a framework call off contract with Reed, which runs until February 2025. In line with most local authorities, the Council and Brighter Futures for Children Ltd (BFfC) spend a significant amount of money on temporary agency staff. Combined expenditure on temporary agency staff for 2023/24 was

£13.9m – for comparison the annual staff budget (general fund and HRA taken together) is approximately £99m (including NI etc).

3.2. Whilst the aim is to keep temporary staff usage at a minimum, the Council cannot rely fully on permanent staffing as there are situations where the use of a temporary member of staff is the most effective or only way of covering a resource requirement. Most often temporary staff are used to cover the following situations:

- Medium/long term sickness absence
- Vacancies in vital “hard to fill” roles such as Social Workers
- Seasonal work
- Short term specialist project work
- Vacancies arising during a full recruitment process
- Where short term external funding is available for staff resource

3.3. The Council has a diverse requirement in agency staff including qualified social care workers, project management, legal and specialist technical and financial staff.

Current Approach:

3.4. The Council currently engages agency staff through a Managed Service Provider model (MSP), whereby the Council contracts with one organisation, currently Reed, who in turn subcontracts with a supply chain of specialist agencies on our behalf. This approach ensures that all the Council’s temporary staffing requirements can be fulfilled through one contract. This supply chain typically includes around 30 agencies with whom the Council would otherwise need to negotiate terms, contract, and manage directly.

3.5. This approach provides significant benefits, not least that as the MSP provides this service to many other customers, they are able to leverage greater purchasing power to achieve better terms than the Council could otherwise expect. The main benefits to the Council include:

- Significant cost reduction against alternative supply models through reduced margins and controlled pay rates (c£3m pa for RBC).
- Audit and compliance schedules which ensure candidates are appropriately vetted.
- Full suite of management information which is used to inform spend reduction activities.
- Single invoice and transparency on spend.
- Reduction of risk relating to agency worker and intermediary regulations.
- No guarantee of business levels/spend is provided to the MSP.

3.6. The use of a managed service to provide agency staffing is recommended as the most appropriate contracting strategy for the Council. This enables RBC to manage risk, provides transparency, establish controls and reduce cost. It is the approach adopted by most other Local Authorities. Contract management is provided by the Council’s HR Resourcing Team who provide support to employing managers and work closely with the MSP to address operational and strategic issues.

Option Proposed

3.7. To commence a procurement process for a new contract for the supply of temporary agency staff under the Eastern Shires Purchasing Organisation Framework Agreement, Managed Services for Temporary Agency Resources (MSTAR4).

3.8. The current MSP contract with Reed is due to expire in February 2025. The new contract would be for three years with an option to extend by one year. Due to contract timescales a three plus one arrangement is best placed to ensure supplier

performance is maintained over the entire contract length as it presents an opportunity to review at 2 years, prior to the extension, which also offers an opportunity to renegotiate rates. The total value of the new contract over four years is approximately £56m based on current usage.

- 3.9. The procurement approach would be to use the Eastern Shires Purchasing Organisation (ESPO) to access MSTAR 4 as this framework is the leading temporary staff framework for Local Authorities. This would involve running a ‘mini-competition’ to ensure best available rates are achieved with the solution tailored to the Council’s requirements.
- 3.10. There are three main models of managed service, available under any Framework, which are described in the table below:

Neutral Vendor	Master Vendor	Hybrid
The managed service provider does not provide workers directly but manages a supply chain of multiple agencies.	The managed service provider operates with a view to provide all agency staff from their own agency base; only going to additional agencies when the roles cannot be filled.	This model allows customers to define their sourcing strategy by using a combination of neutral and master models with a view to utilising the best placed suppliers for each role.

- 3.11. The Council currently uses and would seek to procure a hybrid model.
- 3.12. Unlike a Neutral Vendor model which provides a more transactional service, a hybrid model enables the Council to benefit from a local branch service provided by the MSP in addition to specialist agencies. The Council uses a significant number of agency workers within manual labour and office support categories which would be supplied direct from the local branch.
- 3.13. A Master Vendor arrangement would provide a local branch service however due to the diverse nature of our agency usage; it is not feasible for one agency to be able to supply successfully across all required categories.
- 3.14. It is hoped that the re-tender of this contract may achieve savings of up to £100k per year. Currently a 50k saving has been included in the MTFP for 25/26 on wards. This figure will be updated once the contract has been let.

Other Options considered:

- 3.15. **Do nothing:** Not suitable. The current contract is coming to an end and there is a requirement for the Council to retender the service to be compliant with both the Council’s Contract Procedure Rules and Procurement Regulations. Having no overall contract in place would mean that Council services would access their own temporary workers through individual contracts with agencies. This is not recommended as costs for agency staff are likely to increase as margins will be negotiated on an individual service level rather than an organisational level. Agency costs will be difficult to monitor as invoices will be paid through different vendors and maintaining corporate oversight of usage and assurance would not be possible.
- 3.16. **Cease using temporary staff:** Not realistic. Some key functions are reliant upon temporary staff to deliver services to residents and the correct use of temporary staff can be an effective way to fulfil a resourcing requirement.
- 3.17. **In house model:** Not viable. The Council would need to contract with a similar number of providers in maintaining the Council’s supply of agency staff and purchase a system

that enabled an online booking and invoicing capability. This is neither cost effective nor feasible within current resource.

- 3.18. **Procure using a different framework:** Not recommended. Alternative frameworks have been reviewed, as detailed below. The alternative frameworks available either do not offer sufficient coverage in terms of worker supply categories necessary to meet the Council’s requirements or are not able to accommodate our chosen delivery model.

Crown Commercial Services	YPO	ESPO MSTAR 4
Not suitable due to lack of Qualified Social Care provision.	Restrictive in terms of supplier choice and delivery model.	Latest generation of the market leading framework. Offers ability to build a bespoke delivery model suited to our needs.

4. Contribution to Strategic Aims

- 4.1. The temporary agency staff contract will support the achievement of the Council’s strategic aims in two ways: 1) Ensuring that all operational posts are covered by a suitably qualified and experienced member of staff supports delivery of all the Council’s strategic aims, and 2) supports the following Foundations:

- People first
- Digital transformation
- Getting the best value

5. Environmental and Climate Implications

- 5.1. None as of this report.

6. Community Engagement

- 6.1. Not required.

7. Equality Implications

- 7.1. No Equalities Impact Assessment is required to support this decision.

8. Other Relevant Considerations

- 8.1. None.

9. Legal Implications

- 9.1. The contract will be procured in accordance with the Public Contract Regulations 2015 and the Council Contract Procedure Rules.

10. Financial Implications

- 10.1. The contract award does not commit the Council to any expenditure but creates the contract terms under which future assignments will be made. Each individual assignment is subject to an internal budget authorisation before any spending is committed under the contract. It is hoped that the re-tender of this contract may achieve savings of up to £100k per year. Currently a 50k saving has been included in the MTFP for 25/26 on wards. This figure will be updated once the contract has been let.

11. Timetable for Implementation

11.1. The procurement and implementation processes are expected to run as follows:

June 2024	Commence procurement
July/August 2024	Contract Award
Sept 2024 – Jan 2025	Implementation
February 2025	Contract go-live

11.2. Depending on the outcome of the procurement, the contract implementation period could be significant, particularly if the current contractor does not retain the contract. Hence it is important to allow enough time for the process to be completed. This includes:

- Potential TUPE transfer of existing temporary staff to a new provider.
- Sourcing, agreement of terms and sign up of a supply chain of c30 specialist agencies.
- Integration of financial systems.
- Scoping, build and testing of an agency recruitment system.
- Briefing and training for hiring managers.

12. Background Papers

12.1. There are none.