

## READING BOROUGH COUNCIL

### REPORT BY EXECUTIVE DIRECTOR OF RESOURCES

<b>TO:</b>	<b>POLICY COMMITTEE</b>		
<b>DATE:</b>	<b>20 JANUARY 2020</b>		
<b>TITLE:</b>	<b>TEMPORARY AGENCY STAFF - CONTRACT PROCUREMENT</b>		
<b>LEAD COUNCILLOR:</b>	<b>CLLR EMBERSON</b>	<b>PORTFOLIO:</b>	<b>CORPORATE AND CONSUMER SERVICES</b>
<b>SERVICE:</b>	<b>HUMAN RESOURCES</b>	<b>WARDS:</b>	<b>BOROUGHWIDE</b>
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#### 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to seek delegated authority to procure and award a contract for the supply of temporary agency staff for a period of three years with an option to extend for a further one year in accordance with the Public Contracts Regulations 2015.

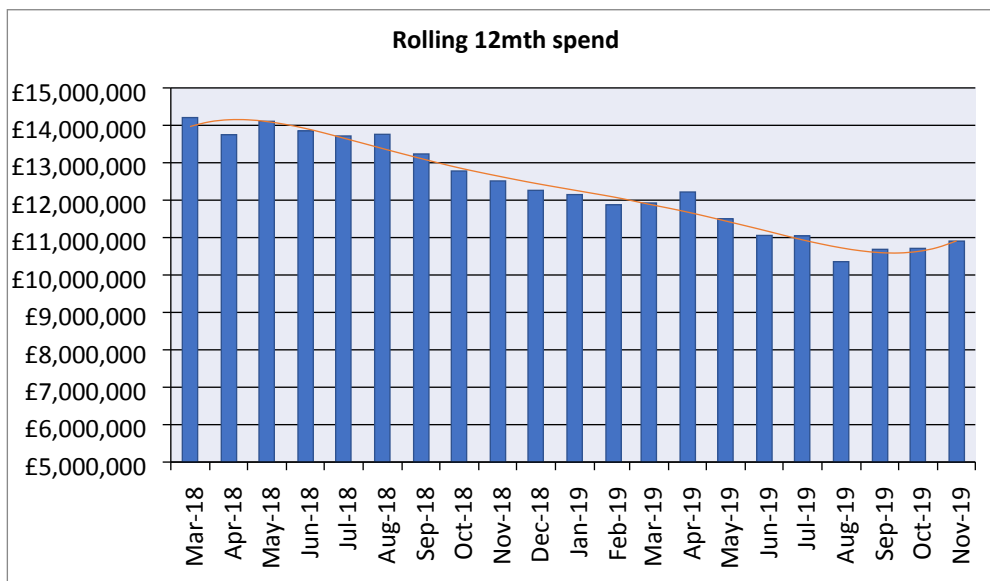
#### 2. RECOMMENDED ACTION

- 2.1 That Policy Committee grant delegated authority to the Executive Director of Resources, in consultation with the Lead Member for Corporate and Consumer Services, to procure and award a contract to provide temporary agency staff for a 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).

#### 3. TEMPORARY AGENCY OVERVIEW

- 3.1 The Council currently operate under a framework call off contract with Reed, which runs until February 2021. The Council and Brighter Futures for Children (BFfC) spend a significant amount of money on temporary agency staff, in line with most Local Authorities. Expenditure is closely managed and falling, from a peak of £14m in 2017/18 to a forecast of £10.5m in 2019/20. Table 1 below shows the rolling 12 month spend on temporary agency staff between March 2018 and November 2019.

**Table 1: Rolling 12 month spend on temporary agency staff between March 2018 and November 2019**



Significant focus has been applied to increasing the number of permanent staff within the workforce during the last year; including setting up a specialist Resourcing Team, updating our employer brand, creating a new job site and increased advertising and visibility of Council vacancies on social media.

Whilst the aim is to increase the number of permanent staff further and reduce the numbers of temporary staff to 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/only way of covering a post. 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 project work
- vacancies arising during a full recruitment process

The Council has a diverse requirement in terms of the types of staff it requires as demonstrated by the top five worker categories by spend in 2018/19.

Social Care (Qualified)	£4,967,016
Daily Rate Interim (Predominately Project, Finance and vacancy cover for management/specialist roles - BFFC £1.6m, RBC £1.8m)	£3,437,741
Legal	£1,031,257
Manual Labour	£598,409
Engineering and Surveying	£393,040

### 3.2 CURRENT APPROACH

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 25 agencies with whom otherwise the Council would need to negotiate terms, contract and manage directly.

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£2.2m 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

More generally the use of a managed service to provide agency staffing is recommended as the most appropriate contracting strategy for large spending organisations to improve their management of risk, visibility, controls and to reduce cost. It is the approach adopted by most other Local Authorities.

Contract management is provided by the Council’s Resourcing Team who provide support to employing managers and work closely with the MSP to address operational and strategic issues.

### 3.3 OPTION PROPOSED

There are three main models of managed service, 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.

The Council currently uses and would seek to procure a hybrid model.

Unlike a Neutral Vendor model which provides a more transactional service - this 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.

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.

### 3.4 PROCUREMENT PROCESS

The current MSP contract with Reed is due to expire in February 2021. 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 £40m based on current usage.

The procurement approach would be to use the Eastern Shires Purchasing Organisation (ESPO) to access MSTAR 3, 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.

The following Frameworks were considered:

Crown Commercial Services	YPO	ESPO MSTAR 3
Not suitable due to lack of Qualified Social Care provision.	New framework for agency staffing only released in Dec 2019, appears to offer no significant advantage over other frameworks.	Market leading Framework with 18 Local Authority contract awards and 21 pending awards since release in April 19. Next generation Framework following significant success of MSTAR 1 & 2.

It is expected that the re-tender of this contract will achieve additional savings of around £100k per year which have already been included in the Medium Term Financial Strategy.

### 3.5 TIMETABLE

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

March 2020	Commence procurement
June 2020	Contract Award
July 2020 - Dec 2020	Implementation
February 2021	Contract go-live

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 c25 specialist agencies
- Integration of financial systems
- Scoping, build and testing of an agency recruitment system.
- Briefing and training for hiring managers

Whilst there will be no commitment to spend under the new contract, the anticipated value is in excess of £500k, thereby triggering the requirement for Policy Committee approval for the contract award. Delegated authority; as set out in the recommendation section of the report is sought to allow contract implementation to commence as soon as possible following the procurement process and enable a smooth transition to the new contract arrangements.

### 3.6 OTHER OPTIONS CONSIDERED

**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 the EU Public Contracts Regulations 2015.

**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.

**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.

**Procure own contract separately:** Not recommended. Procurement through a framework allows a quicker and more efficient route to market plus with economies of scale, better rates can be accessed.

**Procure using a different framework:** Not recommended. Alternative frameworks have been reviewed, as detailed in 4.4, above. 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 sufficiently established to offer a viable alternative at this time.

#### **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:

- Ensuring that all operational posts are covered by a suitably qualified and experienced member of staff supports the strategic aims of
  - Safeguarding and protecting those that are most vulnerable; and
  - Keeping the town clean, safe, green and active;
- Those elements of the contract that support achieving value for money and controlling expenditure support the aim of:
  - Remaining financially sustainable to deliver these service priorities.

#### **5. COMMUNITY ENGAGEMENT AND INFORMATION**

5.1 None relevant to these contracts

#### **6. EQUALITY IMPACT ASSESSMENT**

6.1 There is no equalities impact assessment required for this contract.

#### **7. LEGAL IMPLICATIONS**

7.1 The contract will be procured in accordance with the Public Contracts Regulations 2015 and the Council's Contract Procedure Rules.

#### **8. FINANCIAL IMPLICATIONS**

8.1 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.

#### **9. BACKGROUND PAPERS**

9.1 None.