

## **Cabinet – 13 April 2011**

### **Renewal of Contractual Framework for the Provision of Temporary Agency Staff**

**Portfolio:** Councillor Towe, Finance and Personnel

**Service:** Human Resources & Development

**Wards:** All

**Key decision:** No

**Forward plan:** Yes

#### **1. Summary of report**

To seek delegated authority for the renewal of the Council's contractual framework for the provision of temporary agency staff and outline the measures to be put in place to control their usage.

#### **2. Recommendations**

- 2.1 That Cabinet note the downward trend in expenditure on agency staff and the reasons for using agency workers within the Council.
- 2.2 That Cabinet gives delegated authority to the Executive Director (Resources), in consultation with the Cabinet Member for Finance & Personnel, to award contract subsequent to the receipt and due evaluation of tenders conducted in accordance with the Council's Contract Rules 2010 clauses 13.1 to 13.12.

#### **3. Background information**

##### **3.1 Why the Council uses Agency Staff**

The reasons for use of agency staff normally fall into one of the following categories:

- A) Short notice engagements where there is a statutory or business critical need to cover work at short notice (eg in Social Care or in Waste Management). These bookings are normally low cost and are booked individually with a result of a comparatively low number of hours.
- B) Vacancy cover where there is a difficulty in securing permanent staff or there is a proposed reorganisation that will lead to financial savings and it is more prudent to use temporary staff than employ people only to make them redundant subsequently. These placements tend to be high cost and will often be ongoing.

- C) Specialist skills or a specific project need that cannot be fulfilled within present resource. The exact nature of the role and the skills required will play a major role in determining costs.
- D) Cover for medium to longer term absence. This may be due to a long term sickness, maternity leave, career break, etc. If there is no redeployee with the required skills the post may be being filled by a temporary worker whilst other possibilities are considered/enacted.
- E) To maintain the delivery of front line services with flexibility of the workforce in respect of seasonal requirements and reducing costs.

### **3.2 Usage and spending on agency staff**

The numbers of agency staff have been reduced by deliberate management action in recent years and the latest use as at January 2011 is just 326. The Council workforce head count at this time was 9,904.

There is a substantial downward trend in spending on agency staff, as below:

Oct 07–Sept 08	Oct 08 – Sept 09	Oct 09 – Sept 10	Oct 10 - Sept 11 (projected)
£9.0 m	£9.6 m	£7.8m	£7.0m

### **3.3 Comparison of the costs of using agency staff compared with direct employment**

For the majority of roles it costs less to engage an agency worker than to employ directly.

Examples:

Pay rate	Agency cost	Employee cost	saving per annum
Spinal Column Point 8 £13,189.00 pa	£15,603.48	£16,342.59	£739.11
Spinal Column Point 30 25,472.00 pa	£30,201.47	£32,212.23	£2,010.76

In a few skills shortage roles market forces mean that the hourly rates of pay for agency workers exceed those offered to employees, e.g. Qualified Social Workers.

## **4 Agency contract and provision**

### **4.1 Current Provision**

The existing service provides a 'Master Vendor' solution - one agency is appointed to supply agency staff either directly from its own bank or through a range of suppliers. This enables the Council to access the widest possible range of high quality agency workers, including specialist and professional roles, while having only one point of contact. The approach reduces bureaucracy and offers the greatest opportunities for managing demand.

The Council's present arrangements have been the subject of a best practice case study from the Office of Government Commerce. It has been acknowledged in the private sector as an innovative model of service delivery in line with best recruitment practice giving these benefits:

- Reduced risk from employment tribunal claims over employment status
- Cost savings
- Efficiency and speed of supply and response.
- Supporting local businesses and addressing the no work agenda
- Control of the temporary resources market place.
- No introductory fee payment if permanent / fixed term recruitment conducted in line with agreed procedures.
- Full safeguarding arrangements
- Increased Management Information
- Boosting supply opportunities to local businesses
- Focussing on sourcing the best candidate available from the market rather than placing unnecessary restrictions.

This has delivered annual cost savings of 8.9% on rates compared to when the current arrangements started. The reduction in contracted costs helped to deliver the year on year agency staff contract savings required to meet agreed savings targets.

#### 4.2 Future Provision

The current contract will end in May 2011 and a procurement exercise is under way in order to meet anticipated future need through a compliant contractual arrangement. This was authorised through delegated authority in line with the Council's Contract Rules.

The tender stipulates an initial contract length of 12 months with an option to extend up to a further 24 months. It was decided that, on balance, that this contract length is most suitable in terms of being fit for purpose both initially and also with the changes towards a leaner council in the future. This gives the council greater flexibility in terms of workforce planning and strategic decision making.

The replacement contract will not commit the Council to minimum volumes but will ensure maximum flexibility to respond to the changing demand for temporary staff in the future.

The new contract will ensure continued value for money in terms of agency charges and allow the Council to ensure a fit for purpose provision, which is responsive to fundamental workforce changes, and legislative changes, such as the introduction of the Agency Worker Regulations from October 2011.

An options appraisal has been carried out, which having given due consideration to all other available options has concluded that the service currently provided through a single lead agency will best meet the Council's needs.

### 4.3 Re-procurement process

European Procurement Law and the Council's Contract Rules govern the way in which procurement is undertaken. In this instance the potential value and scope of the service warranted a competitive tender process which needed to be conducted in accordance with the full EU procurement legislation and rules. The tender exercise commenced on 17 December 2010 and a significant level of interest was generated. Tender documents were issued to shortlisted providers on 23 February 2011 and returned by 21 March 2011.

Bidders were asked to submit their rates against the council's existing spinal column points. This will be the subject of change once the job evaluation process has been completed and new pay scales agreed. From a technical perspective bidders were asked to outline their management arrangements, detailed policies and procedures that would be employed in meeting the council's service requirements.

The declared evaluation criteria within the tender document was:

- 47.5 % Price
- 52.5% Quality.

This split was determined following discussion of the future needs of the Council.

Issues included:

- The maturity and competitiveness of the market relative to the position when the contract was let originally;
- The expectation that the greatest savings are to be made through robust management of demand, i.e. not employing agency staff, rather than trying to squeeze agency margins, which are already low;
- The expectation that the leaner Council of the future will require lower numbers of high quality agency workers well matched to specific requirements.

## **5. Resource considerations**

### 5.1 Financial:

The costs of agency staff are provided within the body of the report. There is evidence here that the short term use of agency workers provides good value for money where pay rates are directly comparable to those paid to employed staff. Higher costs are incurred where a combination of statutory requirements and market forces produce greater demand for certain skills and knowledge than is available for recruitment.

The management of temporary staff through a single route will ensure transparency of cost and enable robust management procedures to be put in place to control the demand and use of temporary staff.

## 5.2 Legal:

Temporary workers engaged through agencies generally have no employment rights with the Council. Some legal challenges have been mounted on this issue, but none in Walsall.

## 5.3 Staffing:

There are no direct staff implications in letting the new contract. Management of the contract will pass from Procurement to the Human Resources function as a result of the ongoing reorganisation, which will see substantial savings and a reduction in the number of staff employed in resourcing the Council overall.

Managers are currently minimising the use of agency staff in order to maximise opportunities for redeployees to find suitable alternative employment.

## 6. **Citizen impact**

The access to short term temporary labour helps to ensure the delivery of many key council services, including social care services and waste collection.

Temporary staff supplied through the contract are monitored against geographical location specifically to living within the Walsall Borough with over half coming from within the borough itself and a further third living within 10 miles of the borough.

## 7. **Community safety**

It is a requirement that suppliers have arrangements in place for vetting agency workers supplied to cover posts and duties that are deemed to need Criminal Records Bureau and other Safer Recruitment checks matching those for internal appointments.

## 8. **Environmental impact**

The use of electronic procedures both in terms of bookings and payment will seek to minimise the use of resources.

## 9. **Performance and risk management issues**

### 9.1 **Risk:**

The current arrangements enable the Council to continue to manage the risk to continuity of service from short-term staff absence and other skills shortages. Failure to put in place contractual arrangements will place the council at risk of challenge for non compliance with current EU legislation.

## 9.2 Performance management:

Performance management and data gathering arrangements are under review to improve the monitoring and management of performance, against key performance indicators, through regular reporting.

## 10. Equality implications

The contract provides distinct monitoring of the councils temporary workforce against the seven key equality strands presently followed by the Council.

## 11 Consultation

A copy of this paper will be provided to the Trades Unions.

## Background papers

Recruitment & Retention of Social Workers – Michelle Whiting, Assistant Director Children's Services

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