

## CHESHIRE EAST COUNCIL

### Cabinet

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**Date of Meeting:** 29th September 2015  
**Report of:** Peter Bates, Chief Operating Officer  
**Subject/Title:** Agency Worker Contract Procurement  
**Portfolio Holder:** Cllr Paul Findlow

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#### 1. Report Summary

- 1.1 Cheshire East Council currently has a contract with Comensura for the supply of agency workers. This contract expires 31 March 2016 and work is underway to manage arrangements for the re-tender of this contract on a collaborative basis with Cheshire West and Chester Council, ANSA, and CoSocius.
- 1.2 Agency workers form an important component of the Councils approach to staffing, providing a mix of short term essential cover, flexibility to respond to peaks in activity and the ability to meet changing requirements. Sourcing agency workers through a single managed service provider ensures value for money, that procurement processes are compliant and streamlined, invoices are consolidated in one bill to the Council, appropriate governance and control is in place and there is active management of the contract and total spend. The Council is focusing on reducing it's reliability on and cost of agency workers.
- 1.4 The procurement process for a Vendor Neutral arrangement to be sourced through the Eastern Shires Purchasing Organisation, MStar2 Temporary Agency staff framework (Lot1) in collaboration with Cheshire West and Chester, Ansa and CoSocius has commenced. It is anticipated that the award of the contract will be made December 2015 to enable a smooth transition and the new contract to commence 1 April 2016.

#### 2. Recommendations

- 2.1 That Cabinet:

Grants the necessary delegated authority to the Portfolio Holder for Performance (Cllr Paul Findlow) and the Chief Operating Officer to award this contract following a competitive tender exercise and take all necessary actions to implement the new contract.

#### 3. Other Options Considered

- 3.1 In terms of procurement routes alternative framework providers have also been explored. The Yorkshire Procurement Organisation (YPO) is in the early

stages of inception and would not allow the Council the necessary time to re-procure the Agency Contract.

- 3.3 The Council could independently conduct a full tendering exercise rather than via a Framework agreement. It is considered that there would be no benefit in this approach as the Council would be dealing with the same supply market and not able to leverage demand with other Local Authorities.

#### **4. Reasons for Recommendations**

- 4.1 The current Agency Contract has run from April 2012 and is due to expire on the 31<sup>st</sup> March 2016. Therefore a tender exercise must be conducted to ensure that the Council has access to an Agency Worker contract at the point the current contract expires.
- 4.2 Informal meetings with potential suppliers have been conducted to explore managed service model options for the supply of Agency Workers. The Vendor Neutral model best meets the Council's needs both in terms of the core specification and optional strategic services which provides increased flexibility to meet future requirements. This model can also be adapted to tier agencies to meet demand for certain key job categories.
- 4.3 Feedback has recently been sought from managers who are regular users of the current Agency Workers contract. Although some challenges have been experienced in recruiting the appropriate quality of agency staff, overall the neutral vendor model has proved to be effective, when recognising the upturn in the market and national shortage of key skills such as social workers.
- 4.4 Competitive tenders will be invited and evaluated from up to seven suppliers included on the MStar2 Framework for the provision of agency workers in the Neutral Vendor Lot. This competitive process should enable costs to be reduced below the "direct award" rates currently stated in the framework, whilst at the same time ensuring quality requirements can be delivered upon.

#### **5. Background**

- 5.1 As outlined above, the current contract for the supply of agency workers to the Council is due to expire on 31 March 2016. Due to the level of potential spend on agency workers a re-tender of the Agency Worker contract requires a EU compliant procurement process to be undertaken.
- 5.2 The use of a managed service contract for Agency Workers offers the Council the ability to adopt flexible resourcing approaches to anticipate and respond to a changing environment. For the past three years, the Council has held a contract with Comensura to supply Agency Workers on a Neutral Vendor basis in order to fulfil business need.
- 5.3 The contract will provide temporary staff for all non-education related requirements. Such needs should be for temporary backfilling, temporary increases in resources, temporary fulfilment of new roles etc. Key job

categories within the contract include Administrative and Clerical Staff, Social Care, IT, and Manual Labour.

- 5.4 The current agency staff contract was not designed to include senior interims and consultants, however, where senior or specialist skills are required, managing this through a single contract helps to streamline processes and governance. Work is underway to explore a variation to the current contract to include senior interims / consultants and we will look to include this in the new tender.

## 6. Key drivers

- 6.1 Four key drivers will underpin the procurement process to put in place a new contract for the supply of agency workers to deliver a cost effective and quality solution for the Council:

- **To secure value for money** - without compromising on either the quantity or the quality of the Agency Workers supplied.
- **To ensure business continuity** - through a seamless transition between corporate contracts.
- **To provide an “easy to do business with” solution** – for managers to use
- **To enhance social value** – by building partnerships with local recruitment companies and maximising the opportunity for residents to secure employment.

## 7. Measures of success

- 7.1 Linked to the key drivers outlined below key measures of success from an Agency workers contract are as follows:

- Fulfilment of positions
- % of agencies within Cheshire East borough
- Hiring manager satisfaction
- No off contract spend

## 8. Procurement Framework

- 8.1 Eastern Shires Purchasing Organisation (ESPO) has put a temporary-Agency Worker framework in place, called MStar2, which is open for other local authorities to use. MStar2 is a national framework for managed services for agency workers, covering supply for both local government and education. There are a number of suppliers on this framework and the Council will undertake a mini-competition exercise.

8.2 The benefits of the MStar2 framework and the reason that the framework was set up are to:

- Harness the substantial leverage of public sector spend to achieve maximum value for money.
- Provide local authorities, including schools, with access to national and local supply of temporary Agency Workers in a robust, legally-sound performance managed agreement which also addresses vetting needs,
- Minimise duplication of effort by removing the need for individual organisations to tender or re-tender.
- Increase market competition, particularly in the neutral vendor sector.
- Enable authorities to have access to improved management information in order to inform the management of demand for temporary Agency Worker and overall workforce planning.

## **9. Joint Working**

9.1 The current Comensura contract for agency workers was jointly procured with Cheshire West and Chester Council in 2011. There is now the opportunity to go to the market with the aggregated spends of both Councils. Whilst both Councils are seeking to reduce spend on agency workers a joint offering would be more attractive to the market and, through the shared buying power, should lead to improved margins from the suppliers.

9.2 There are also economies of scale through shared services and procure to pay processes. Alternative Service Delivery Vehicles (ASDV's) such as ANSA and Co-Socius are inputting into this procurement and wish to utilise their own contracts from this procurement exercise.

9.3 The new contract will be available to other wholly owned ASDVs to utilise where appropriate.

## **10. Neutral Vendor model**

10.1 A neutral vendor will manage all agencies on behalf of the Council. They will generally offer each requirement to all appropriate agencies on their books, within a tiered and managed framework. Neutral vendors allow the flexibility of dealing with a wide range of agencies and the separation of demand and supply, as well as keeping in touch with the wider market. They produce management information and monitor the performance of each agency.

10.2 With a Vendor Neutral contract the supplier does not provide any agency workers from their own company but will channel the requirements through a network of supplying competing agencies. This should ensure a better calibre of candidate and a larger pool to select from.

## **11. Wards Affected and Local Ward Members**

11.1 No impact on any specific wards and Local Ward Members.

## **12. Implications of Recommendation**

### **12.1 Policy Implication**

No significant policy implications.

### **12.2 Legal Implications**

Although undertaking a joint mini competition under the EU compliant framework each organisation will enter into its own contract with the successful tenderer. It is important that the Council includes in its' specification the requirement that Council controlled companies (ASDV's) be entitled to use the contract. The Council will be liable for any breach of the contract by the ASDVs where a direct contract is not put in place.

### **12.3 Financial Implications**

The level of spend on agency workers identified through Comensura for Cheshire East in 2014/15 was approximately £8.8m which includes the Council's Alternative Service Delivery Vehicles (ASDVs). This level of spend is broadly on par with other Councils of a similar size. It should be borne in mind that the "make up" of Councils varies widely which will have an impact on agency worker usage and spend. Agency Worker spend is around 1.6% of the Council's total annual spend (excluding schools) and forms around 8% of total annual expenditure on employees.

Council services are focusing on reducing where appropriate their reliance on agency workers, so the expenditure figures for 2014/15 are indicative and may change year on year. Temporary workers can however be a cost effective approach to some aspects workforce planning meaning that permanent resource and associated fixed cost is not required to cover peaks in workload and absence.

Agency Workers orders are subject to recruitment watch approval and must be supported by a business case. This is to ensure that Agency Workers are only ordered in relation to the merits of the business case. This assists in managing the expenditure for Agency Workers.

The vast majority of the total spend through the Agency Workers contract comprises workers' salaries, with just under £1.2m in 2014/15 being the recruitment agency fees and managed service provider booking fees. There is limited room for manoeuvre in the margin of the managed service provider, or by the suppliers of agency workers as the margins and fees are already competitive under the national MStar framework agreement. However by tendering collaboratively e.g. a contract value of circa £80 million over the next 4 years, it is envisaged that the further competition under the framework will attract lower margins.

### **12.4 Equality Implications**

None

#### 12.4 Rural Community Implications

None

#### 12.5 Human Resources Implications

Ensuring a smooth transition from the current to new contract is essential. During implementation and launch of the new Agency contract, hiring managers who regularly use Agency Workers will be trained on the suppliers ICT platform. This will ensure that Agency Workers can be selected for new assignments and paid on time.

#### 12.6 Public Health Implications

None

#### 12.7 Other Implications

None

### **13. Risk Management**

13.1 All contract agreements are closely monitored throughout the contracted period to ensure that the Council continues to obtain and maximise value for money and consistent levels of service. A requirement of the contract is for continuous improvement throughout the term of the contract to ensure that best value is achieved.

13.2 To enhance visibility and control over the usage of Agency Worker, management information reports will be requested from any future provider to assist with the monitoring of, for example, order justification, assignment duration, and charge rates compared to those defined for particular roles, invoicing detail and workforce diversity. The management information report will continue to provide accurate spend and usage data about the use of Agency Workers across the Council.

### **14. Access to Information/Bibliography**

14.1 Further information about the MSTAR2 Framework can be found at:

<https://www.espo.org/Launch-of-MSTAR2-framework-for-agency-staff-via-home>

### **15. Background Papers**

15.1 None

## **16. Contact Information**

16.1 Contact details for this report are as follows:-

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