

CABINET

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GATEWAY 1 OPTIONS APPRAISAL: PREFERRED SUPPLIER LIST FOR TEMPORARY STAFF

Portfolio Holder: Councillor Janice Bamber, Customer First and Corporate Services

Report from: Tricia Palmer, Assistant Director Organisational Services

Author: Terri Williams, Change Project Manager

Summary

This report proposes the establishment of a preferred suppliers list for temporary staff to ensure effective use of council resources and to put in place a monitoring regime for use of temporary staff.

1. BUDGET AND POLICY FRAMEWORK

- 1.1 This report has been classified at High Risk under the Council's Contract procedures and is therefore a matter for Cabinet.
- 1.2 The proposal for a preferred supplier list for temporary staff will not conflict with any existing council policy, and any expenditure will be within current budgets.

2. RELATED DECISIONS

- 2.1 None known.

3. BACKGROUND

- 3.1 This report sets out the requirements to ensure that the authority's spend on temporary staff is controlled and all legal requirements in relation to employment of staff are met.
- 3.2 The draft Agency Workers Regulations 2010, if adopted, are due to come into effect in October 2011. This will require all employers who use temporary staff from external agencies to pay them the relevant hourly rate and associated employment benefits as if they were directly employed. These benefits only come into force once the temporary worker has been employed for a continuous period of 12 weeks undertaking the same role. Therefore it is

timely that we ensure we have efficient processes in place to monitor the use of external temporary staff.

- 3.3 In the financial year 2009/10 the authority spent approximately £2.4m on external temporary staff. Almost half of this was for providing essential cover in children and adults social care for social workers and support workers. In analysing this expenditure it is difficult to assess whether this will be a continuous level of spend, however, nearly £0.5m was for one-off specific projects or cover.

4. BUSINESS CASE

4.1 Business Case Summary

- 4.1.1 There is a recognised need to have a preferred list of external agencies to supply temporary members of staff to ensure that the authority achieves best value for money, and that the use of temporary staff is managed in a controlled way.
- 4.1.2 When analysing the previous years spend it is interesting to note that in some areas the costs associated with using some types of temporary staff are almost double the costs of directly employing the same staff, and for others it is in fact cheaper to use external agencies for short term cover.
- 4.1.3 Some comparisons of costs are shown in the table below, it is worth noting that the external hourly rate costs for support workers would include CRB and essential training costs which would need to be added to the internal charge. Some of the agencies who supply this type of staff also do not charge enhancements for evening/weekend working which would apply for directly employed staff, therefore short term it would be cheaper to use cover from external agencies.

Job Title	Internal Costs per Hour (inc on-costs)	Internal Costs per Hour (inc on costs and evening/weekend enhancements)	External Costs per Hour
Social Worker	£18 - £24	£27 - £36	£29 - £50
Surveyor	£21 - £26	£32 - £52	£72
Customer Services Officer	£9.91 - £12.68	£15 - £25	£25
Desktop Support	£13 - £17	£20 - £34	£25
Support Workers	£10 - £13	£15 - £26	£10 - £15
Accommodation Officer	£13 - £18	£21 - £36	£15 - £24
Parking Attendants	£10 - £13	£15 - £26	£13

- 4.1.4 Therefore having preferred suppliers with agreed hourly rates could in certain areas make real savings, and would enable the authority to make best use of resources.

4.2 Strategic Context

- 4.2.1 Whilst the authority has a successful in-house temporary staff pool, this is not always able to provide relevant professional staff within the timeframes required. It is therefore necessary to be able to use external agencies to fulfil this need. However, this needs to be undertaken in a controlled way so that we are able to monitor and reduce spending wherever possible, specifying rates of pay for individuals, additional charges and temporary to permanent fees. It is also necessary to ensure that as an authority we are meeting our requirements under the Asylum and Immigration Act and that all individuals undertaking work for ourselves have the appropriate permissions to do so.
- 4.2.2 It will be a requirement of this exercise to ensure that there is a recognised process in place to alleviate managers' ability to operate outside of the preferred suppliers list. To assist with this all agencies not on the list, but who are currently set up on Integra as an approved supplier will be removed. Before a supplier can be set up on Integra to supply temporary staff the relevant Human Resources (HR) representative must have signed off the request form. Both HR and Finance staff will undertake regular monitoring and Assistant Directors will be notified of any managers found to be non-conforming.
- 4.2.3 The list will remain open, so that agencies can be added to ensure supply and demand needs can be met. This acceptance onto the list will only be by the agency being able to meet the requirements of the original tender document. If an agency on the preferred supplier list is not able to meet demand, HR Services will be able to authorise use of another agency pending their acceptance onto the list. This will only be done once HR have ensured they are compliant with the requirements of the tender documents and carried out appropriate checks.
- 4.2.4 A better understanding of the types of temporary staff being used and the associated costs will enable us to make informed decisions when needing to utilise temporary staff. For example in most cases the expectation would be that the first point of contact for temporary staff would be the internal pool, but where it is known that these staff can be obtained at a more cost effective rate externally then managers will be able to go straight to the external provider.
- 4.2.5 By creating a preferred list of external agencies, and having a recognised process of how managers access this, we will be able to better control our budgetary spend and also accurately report on our current workforce profile and predict future needs.

4.3 Whole Life Costing/Budgets

- 4.3.1 This proposal will continue with the existing arrangements for filling temporary staff, in that managers will be required to ensure they have the appropriate approvals in place, and any budgetary spend is within their existing budget.

4.4 Risk Management

Risk	Probability (P) (score 1-4)	Impact (I) (score 1-4)	Overall Score P x I	Action to avoid or mitigate risk
Inappropriate staff supplied	1	2	2	Agency are appropriately checked to ensure quality of staff supplied
Council becomes agency staff employer	2	2	4	Ensure that agency contract is clear on employment responsibilities
Employment checks not being undertaken by agency	1	3	3	Responsibility for checks made clear in contract, managers aware of their responsibility to check prior to commencement of assignment
Value of contracts could be high depending on usage	2	2	4	Internal temp staff pool to supply wherever possible, contracts negotiated to ensure best value for money
Internal managers do not follow processes in place.	1	2	3	Processes have been put in place to try to ensure payment cannot be made to agencies not on the PSL list. Non conformance to be reported to relevant Assistant Director.

4.5 Market Testing (Lessons Learnt/Bench Marking)

4.5.1 A number of other local authorities have adopted a managed service for use of agency staff. By using our existing in-house provision as the preferred first point of contact, and managers only then being able to use agencies on the preferred suppliers list we will be able to have better control of this activity.

4.5.2 The most cost effective suppliers only will be on the preferred supplier list.

4.5.3 A similar preferred supplier list tendering exercise has been carried out by Kent County Council.

4.6 Stakeholders Consultation

4.6.1 The main stakeholders in this project are line managers who are aware of the need to fulfil the legal requirements of employing staff either directly or via an employment agency.

4.6.2 When the preferred suppliers list is being prepared and evaluated, relevant line managers will be included in the evaluation to ensure that adequate provision is made for their requirements.

4.7 Other Issues

4.7.1 There are no immediate ICT issues, although an electronic process for the provision of temporary staff will be reviewed in the future.

5. PROCUREMENT IMPACT ASSESSMENT (PRIMAS)

5.1 With regards to the procurement and with particular reference to the preferred option, Officers have considered the following issues:

- *Equalities (i.e. age, disability, ethnicity, sexual orientation, gender and religion/ belief)* – Within the contract we would be requiring the suppliers to have adequate equalities policies in relation to employment and we would expect them to employ a diverse range of staff.
- *Environmental* – We would be giving preference to local suppliers on the basis that we would wish to keep the amount of travel to a minimum and encourage employment for the local community.
- *Local Community and Local Economy* - see environmental above.
- *Health and safety* - Whilst the temporary staff are on our premises they would be covered by the council's health and safety provisions and the public liability insurance. The supplier would be expected to ensure that they were trained in basic health and safety and any specialist requirements for the post.

6. PERMISSIONS / CONSENTS

6.1 There are no further permissions or consents that would be required in relation to this project.

7. OPTIONS APPRAISAL

7.1 Success Criteria/Key Drivers/Indicators

7.1.1 The success of this project will result in a more controlled spend on agency staff, reducing overall cost and ensuring all statutory requirements in relation to employment of staff are met.

7.1.2 Within the contract specification there are a number of performance indicators which suppliers will be required to meet. This will be monitored on a regular basis by HR and non-compliance could result in them being removed from the list.

7.2 Options

7.2.1 The in-house temporary staff pool has been reviewed to assess whether these staff can be supplied internally. However on some occasions the roles are very specialised and therefore difficult to source. Also due to the individuals within the internal pool being classed as employees, they are

entitled to be paid some enhancements that make using an external agency more cost effective, as a lower hourly rate can be negotiated. Work continues on establishing a care assistant pool to alleviate some of these difficulties.

7.3 Preferred Option

7.3.1 The preferred option would be to have a preferred supplier list for temporary staff for instances where the in-house temporary staff pool could not fulfil the Council's requirements. There would be a mandatory requirement for all line managers to approach the in-house temporary staff pool in the first instance, after which access to the preferred suppliers list would be given. We would be happy to offer this option to other public bodies and allow them access to the preferred suppliers list.

8. PREPARATION OF THE NEXT STAGE OF PROCUREMENT

8.1 EU Implications

8.1.1 Personnel placement and supply services are Part B services under the Public Contracts Regulations 2006 and as such are not subject to the full requirements of those Regulations. The EU Treaties' guiding principles of openness, fairness and transparency will apply and in preparing, creating and using a preferred supplier list for temporary staff, the Council will be required to treat all parties fairly and equally, and to act in a non-discriminatory and transparent manner.

8.2 Resources and Project Management

8.2.1 This project will be managed through the resourcing team with assistance from the corporate contracts team.

8.3 Contract Documents

- *Deliverables* – each assignment will be individually commissioned and line managers will be expected to provide appropriate job descriptions and person specifications to ensure a good placement.
- *Impacts (Section 5)* – the equalities and health and safety requirements will be assessed when the contract is let and the supplier will be required to supply us with a diversity breakdown of people placed within the authority upon request.
- *risk avoidance/mitigation strategies (Section 4.4)* – as the contracts will be managed by the resourcing team the risks in relation to employment will be monitored and spot checks will be carried out on individual placements.
- *Success Criteria/Key Drivers/Indicators identified above are addressed within the contract documents (Section 7.1)* - there are a number of performance indicators within the contract documentation which support the successful delivery of this contract.

8.4 Contract Management

- 8.4.1 It will be a requirement of the contract that each supplier provides an annual report detailing placements made and feedback from managers on the quality of staff.
- 8.4.2 A regular review of spend by supplier will be undertaken by the resourcing team.

9. COMMENTS OF THE PORTFOLIO HOLDER FOR CUSTOMER FIRST AND CORPORATE SERVICES

- 9.1 This report seeks to obtain permission to set up a preferred suppliers list for externally sourced temporary staff. By adopting this method the authority will be able to gain a better understanding of the use of temporary staff, negotiate preferential rates and forecast future need and workforce profiles more accurately.

10. PROCUREMENT BOARD – 29 SEPTEMBER 2010

- 10.1 The Procurement Board considered this report on 29 September 2010. Board noted the report and supported the recommendation as set out in section 12 below.

11. FINANCIAL, PROCUREMENT AND LEGAL COMMENTS

- 11.1 Any expenditure on temporary staff will be within existing budgets and will only be made once all relevant permissions are in place. By having a preferred supplier list for temporary staff the authority will be able to ensure value for money and efficient use of council resources.
- 11.2 Strategic Procurement is satisfied that the procurement of a preferred suppliers list as a second point of call for requirements after exhausting the internal agency is an adequate and robust mechanism to fulfil requirements. Strategic Procurement will provide Quality Assurance support and guidance throughout the procurement process to ensure transparency, fairness and overall robustness of process.
- 11.3 The agencies in the Council's preferred supplier list for temporary staff will need to provide evidence that their Public Liability Insurance arrangements meet the requirements of the Council. They will be required to confirm their adherence to the European Working Time Regulations and together with any other Statutory Employment Legislation, and the Equality Act 2010. This Act combines and consolidates previous legislation, designed to protect individuals against certain types of discrimination, where they have a

'protected characteristic.' The characteristics are:

- Age
- Disability
- Gender Re-assignment
- Race
- Religion or Belief
- Sex
- Sexual Orientation
- Marriage & Civil Partnership
- Pregnancy and Maternity.

the Sex Discrimination Act 1975, the Equal Pay Act 1970, the Race Relations Act 1976 (as amended) and the Disability Discrimination Act 1995. There will be a general requirement for the agencies to provide copies of references and obtain CRB clearances when required by the Council. There will also be a requirement for their contracts with temporary staff to include the requirement to adhere to Health and Safety legislation.

- 11.4 This proposal will support the Council's corporate priorities by enabling it to deliver its services efficiently and effectively.
- 11.5 Subject to the requirement for the Council to treat all economic operators equally and to act in a non-discriminatory and transparent manner, the proposal offers the Council the opportunity to secure value for money by reducing its overall cost of securing agency staff.

12. RECOMMENDATIONS

- 12.1 The Cabinet is recommended to agree the tendering exercise for a preferred supplier list for temporary staff on occasions where the in-house temporary staff pool cannot meet demand.

13. SUGGESTED REASONS FOR DECISION(S)

- 13.1 This arrangement will enable us to better manage the spend on external agencies, ensure the quality of temporary staff and better safeguard the authority on employment issues.

Report Originating Officer:	Terri Williams	☎ 01643 334099
Chief Finance Officer or deputy:	Mick Hayward	☎ 01643 332220
Monitoring Officer or deputy:	Julien Browne	☎ 01643 332154
Head of Procurement or deputy:	Gurpreet Anand	☎ 01643 332450

Background Papers:

None