

REPORT FOR: **CABINET**

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| Date of Meeting: | 20 November 2014 |
| Subject: | Arrangements for the Supply of Temporary Workers and Recruitment Process |
| Key Decision: | Yes |
| Responsible Officer: | Tom Whiting, Corporate Director of Resources |
| Portfolio Holder: | Councillor Sachin Shah, Portfolio Holder for Finance and Major Contracts Councillor Graham Henson, Portfolio Holder for Performance, Corporate Resources and Policy Development Councillor Councillor Keith Ferry, Deputy Leader and Portfolio Holder for Strategy, Partnerships and Corporate Leadership |
| Exempt: | No, except for the appendix which is exempt from publication under paragraph 3 of part 1 of Schedule 12A to the Local Government Act 1972 (as amended) as it contains information relating to the financial or business affairs of any person (including the authority holding that information) |
| Decision subject to Call-in: | Yes |
| Wards affected: | All |
| Enclosures: | Appendix A - Neutral and Master Vendor service delivery models. Appendix B - MSTAR Framework Agreement categories. Appendix C - Current KPIs. Appendix D - Alternative procurement vehicles considered. Appendix E - Financial paper including pricing – Exempt (Part II) |

Section 1 – Summary and Recommendations

Summary:

The London Borough of Harrow (the “Council”) currently has a call-off contract with Pertemps Recruitment Partnership Limited (“Pertemps”) for temporary agency worker requirements obtained via The Framework¹ Agreement, developed collaboratively between the Council and LB Hammersmith & Fulham. In addition, the Council has a separate contract with Pertemps for Recruitment Services, (collectively the “Agreements”). These Agreements are co-terminus and expire on 30th September 2015.

This report details the options and proposals for obtaining Temporary Worker and Recruitment requirements after 30 September 2015. This includes as a primary consideration the formation of a Local Authority Trading Organisation (LATO).

Recommendations:

Cabinet is requested to approve the following recommendations and delegate authority to the Corporate Director of Resources, following consultation with the Portfolio Holder for Performance, Corporate Resources and Policy Development and the Portfolio Holder for Finance and Major Contracts to:

1. Explore the development of a Council operated Agency model depending on the outcomes of an evaluation of trading vehicle options and a feasibility assessment and to bring a report back to Cabinet to implement this if it demonstrates value for money;
2. Continue to explore options for Temporary Worker and Recruitment requirements to be met as part of a shared service with other Local Authorities in accordance with the Cabinet decision of 15th January 2014;
3. Extend the current Agreements with Pertemps to run in parallel with this work and as a complementary arrangement, for a term of up to 2 years (on a 1 plus 1 year basis) from 1st October 2015; and
4. Express the Council’s interest in the London Boroughs’ collaboration (“LBC”) procurement in respect of the MSTAR2 framework agreement and, if it is considered better value for money than a Council operated agency staff or shared service model, revert to Cabinet for authority to award a 4 year contract under the MSTAR2 framework at an appropriate time on the basis of the most economically advantageous option to the Council.

Reason: (for recommendation)

To ensure that the Council is able to continue to resource its workforce beyond the end of September 2015 through a sustainable, efficient and cost effective model that will operate in the best interests of the Council.

¹ A framework agreement is an agreement with suppliers procured subject to EU procurement rules that allows listed contracting authorities to use the framework to make call offs throughout the term of the agreement.

INTRODUCTION

- 1) The Council directly provides a diverse range of services to the community, supported by an infrastructure of corporate and democratic services. To operate these services, the Council must be able to efficiently and effectively resource its workforce, including the ability to speedily flex its staffing to meet high and low demand periods and future savings requirements.
- 2) The Agreements that currently cover the Council's temporary workers and recruitment requirements co-terminate on 30th September 2015.
- 3) In the evolving climate of a reducing pool of readily available labour , and upward price pressures on recruitment costs, it is paramount that action is taken that will sustain an appropriate level of quality personnel at the lowest possible cost base achieved through the agreements. A new arrangement must be an enabler for the Council to continue to effectively resource its workforce and achieve a reduction in the costs of recruitment.

BACKGROUND

Current arrangements

- 4) In 2011, the Council ran a procurement exercise in collaboration with the London Borough of Hammersmith and Fulham for the supply of agency workers. As a result of this a contract was awarded to Pertemps. The Agreement with Pertemps for agency workers expires on 30th September 2015. The annual spend by the Council with Pertemps and the cost savings delivered for temporary workers period 2011 to end September 2015 is shown in the separate Financials paper submitted with this report. It is recognised that the Council's total spend on temporary workers shows a considerable increase over the last 12 months. This is due in part to the consolidation of spend on interim staff and previous out of contract spend. There has also been an increased demand to flex the workforce balance required given the period of change ahead.
- 5) Following award of the contract, the Council and Pertemps jointly developed a system named Pertemps Agency Worker System (PAWS). All agency worker details and attendance are recorded, and approved where required, within PAWS enabling greater control of agency workers; producing management information; and enabling efficient, informed cost and demand management.
- 6) The Agreements include interim staff but are not intended to include Executive and Senior Management Search and Selection activity or specialist consultancy services. The Agreement is on the basis of a neutral vendor delivery model.
- 7) In 2013/14, a development to PAWS added a recruitment process for permanent staff further strengthening management and cost reduction potential and improving management information.

Recruitment Service Arrangements:

- 8) In year 2013/2014 a contract was put in place with Pertemps for Recruitment Services aggregating:
 - Recruitment response handling; previously provided by Contact 3, a member of the Pertemps group of companies ;

- Recruitment advertising; previously provided by WDAD, who also support publishing of statutory public notices; and
 - Council website job vacancy pages and internet job boards; previously provided by Jobs go Public.
- 9) The total spend and cost savings delivered (or estimated) up to the agreement expiry date, 30th September 2015, through the consolidation of these above contracts, together with additional related efficiencies also mentioned above, are shown in the separate Financials Paper submitted with this report.

OPTIONS FOR NEW ARRANGEMENTS FOR THE SUPPLY OF TEMPORARY WORKERS AND RECRUITMENT REQUIREMENTS

Council Operated Service

- 10) The Council is currently considering the option of setting up a Local Authority Trading Organisation (LATO), to sell a range of possible services by trading commercially. One option for the LATO would be to operate its own agency staff service, potentially as a joint venture with an Agency Staff services provider. This will require some significant research to understand the market, the opportunity, the cost and risk to the Council, prior to the development of a business case for the most economically advantageous outcome. Officers intend to report to Cabinet in March 2015 setting out the various options for the establishment of a trading services 'vehicle' and issues to take this forward.

Shared Service

- 11) At its meeting on 15 January 2014, Cabinet decided the Corporate Director of Resources be authorised to continue exploring the potential for a shared service arrangement with suitable partners. Discussions have taken place with a number of potential partners and the Council is currently in discussion with another local authority around the potential to share arrangements for the supply of agency workers. Discussions are at early stages and the viability of this option has not yet been established.

Procured Service Options

- 12) In the event that neither of the above options are capable of being successfully concluded, the following paragraphs explain the procurement options available to the Council

MSTAR1

- 13) MSTAR is a Agency Services framework contract negotiated by the Eastern Shires Purchasing Organisation (ESPO) on behalf of Councils. MSTAR1 is for a contract term running from 11th April 2011 to 10th April 2015. ESPO set up a working group with key stakeholders from Local Authorities, County Councils, District Councils and central Government to establish a national managed service provision framework. The working groups helped to ensure that the new national agency worker framework met all the different requirements of the varying organisations. The framework created from this working group and subsequent tender is known as the national MSTAR (Managed Services for Temporary Agency Resources) Framework Agreement. MSTAR1 is broken down into the following lots:-

- Managed Service Provision for Corporate staff only

- Managed Service Provision for Corporate and Education staff
- Managed Service Provision for Education staff only

14) Rates within MSTAR are fixed (maximum) and firm for the contract term and discounted against volume. The terms of MSTAR require providers to supply each council with the management information it requires, at the times it requires, without additional charge.

15) MSTAR1 has been successful with many London Boroughs participating having collaborated by undertaking a joint 'call off' arrangement under the framework. It is estimated by ESPO that business in excess of £1bn will have been transacted through the framework agreement by April 2015. MSTAR1 was considered as an option by the Council when it took the decision to collaborate in the framework agreement with LB Hammersmith and Fulham but at the time this was not considered to be the most economically advantageous option.

16) The MSTAR 1 contract term ends on 10th April 2015, which is prior to the end of the Council's contract with Pertemps for agency workers, which expires on 30th September 2015. This is not therefore an option that the Council can pursue.

MSTAR2

17) ESPO intends to proceed with a similar model to supersede MSTAR1 with MSTAR2. A London Borough Councils (LBC) consortium is liaising on a joint call off for when MSTAR2 is in place with LB Newham leading with discussions with ESPO.

18) MSTAR2 is following the same model as MSTAR1 and is in the process of being structured for tender with the aim to have a contract in place as soon after 10th April 2015 as possible. All provider consultations have been completed, however, the target time to complete is currently running a month or two late. The LBC framework mini competition will follow the commencement date of MSTAR2 framework agreement with a target commencement date of 1st October 2015

19) MSTAR2 may increase to five Lots adding a Hybrid (mix of Master and Neutral vendor – see Appendix A) and a dedicated Lot for social care workers. The worker categories that are available under the MSTAR arrangement are set out in Appendix C.

20) In addition to the delay to MSTAR2 there is a concern that the commercial package will not be as competitive as MSTAR1 as Agencies have indicated that the prices in the current framework are too low to be sustainable. To mitigate this it is intended to have a priced list of component services that can be selected by customers to tailor to their actual requirements. There is a risk that this may be counterproductive with providers pricing components that are integral to the basic service.

21) The Council has the option to carry out its own direct procurement as a mini-competition under MSTAR2 either singularly or collaboratively with other boroughs as part of the LBC collaborative arrangement. However the Council would not have the leverage to achieve the commercial benefit that LBC will achieve so if it were to utilise MSTAR2 it is recommended that it does it as part of the LBC collaboration.

Harrow to undertake its own procurement

22) This would be a resource intensive route for the Council with a timeline of up to 8 months to complete. In addition it is not considered that Harrow would get the best commercial deal under such an arrangement as some Agencies may not consider it

worth their while to bid for Harrow in its own, and if they did the rates may not be as competitive. This option is not therefore recommended.

Extend existing Contract

23)The current Agreements with Pertemps contain options to extend. The option exists therefore to extend the existing Agreements with Pertemps for up to 2 years. The benefits of this option are that the Council already has developed a good relationship and will avoid potential procurement costs or risks of taking another route. The Councils current Agreements with Pertemps are competitive with all other current options. For information, the KPIs that are contained within the existing Agreements are set out in Appendix C.

Other Procurement Frameworks

24)A couple of framework agreements are available for Harrow to use, the main one being Contingent One which has been put in place by the Crown Commercial Services. This has been reviewed and discounted as unsuitable for this scope and the Council's requirements.

Procured Service Options Conclusions

25)A direct procurement by the Council on its own is not currently considered a viable option due to the lack of purchasing power compared to MSTAR2 and the LBC. LBC has market and negotiation leverage with an aggregate spend in excess of £300m, however at the time of writing this report there is uncertainty about the competitiveness and timeliness of MSTAR2 and therefore the outcomes of the LBC proposed framework agreement call off under this framework.

26)In the event therefore that either a LATC option or Shared Service option prove not to be possible therefore it is recommended that the Council exercises its option to extend the existing Agreements with Pertemps for 2 years on a 1 year plus 1 year basis. At the same time it is also recommended that the Council registers an interest in the LBC MSTAR2 call off arrangement. Taken together, this approach will provide time for the MSTAR2 outcomes to be implemented and performance of contractors under the LBC call off arrangement to be assessed to determine whether these are better than the arrangements under the extended Pertemps contract.

Conclusions

27)The options to establish a LATC for Agency staff services or to pursue a Shared Service arrangement require further examination. This work is on-going and officers will report back to Cabinet on the outcomes of this work. In the event that these options are incapable of being taken forward, it is recommended that the Council extend its agreements with Pertemps. on a 1+1 year basis and registers an interest in participating in the MSTAR2 LBC arrangement. .

Sustainability

The Council has a corporate commitment to support businesses. This commitment is integrated into the Council's Sustainable Procurement Policy which encourages the involvement of small businesses, social enterprises, and community organisations within all tiers of the Council's supply chains. The Option adopted by the Council for the provision of Temporary Worker and Recruitment Services will robustly follow these principles as far as possible.

Legal Implications

The call-off contract and the separate recruitment contract with Pertemps (the 'Agreements') both contain options to extend so the council can lawfully exercise these extension options under the Agreements.

Financial Implications

See separate paper (exempt from publication). Which provides detail on existing rate build, spend on a comparative basis the Councils typical basket of role. The Paper also shows the savings that the Council has made through the Agreements.

Performance Issues

There are no specific performance issues arising from this report.

Key Performance Indicators and SLAs will be communicated by the incoming provider to all managers and service users as part of the training process as well as providing this information via Council's intranet.

Current KPIs are shown in Appendix C as an example of the minimum that the Council will require from an incoming provider.

Environmental Impact

There are no direct environmental impacts arising from this report.

Risk Management Implications

The Council will require the provider to have comprehensive risk management procedures in place, including a published and regularly reviewed disaster recovery and contingency plan to ensure continuity of service. A risks and issues log must be maintained and be available in the weekly report, at operational meetings and at any other time as requested by the Council.

Equalities implications

The Council will require the incoming provider to fully support the Council in its aspiration to be at the forefront of promoting equality of opportunity as an employer of choice. The provider will be required to support the Council in maintaining its Disability Two Tick Symbol status by fulfilling its 5 commitments to disabled applicants as identified in the Government's scheme. The Council and the provider will jointly aim to tackle all forms of discrimination.

Section 3 - Statutory Officer Clearance

Name: Steve Tingle

on behalf of the
Chief Financial Officer

Date: 21 October 2014

Name: Stephen Dorrian

on behalf of the
Monitoring Officer

Date: 26 October 2014

Section 4 – Performance Officer Clearance

Name: Alex Dewsnap

Divisional Director
Strategic Commissioning

Date: 23 October 2014

Section 5 – Environmental Impact Officer Clearance

Name: Venetia Reid-Baptiste

Divisional Director
(Environment & Enterprise)

Date: 23 October 2014

Ward Councillors notified:

No

Section 6 - Contact Details and Background Papers

Contact: Jon Turner ,
Divisional Director HR, Development and Shared Services
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Background Papers: None

**Call-In Waived by the
Chairman of Overview and
Scrutiny Committee**

NOT APPLICABLE

[Call-in applies]

Appendix A: Neutral and Master Vendor service delivery models

- 1) In any procured service arrangement. The Council needs to determine whether it wishes to adopt a Neutral Vendor or Master Vendor approach.
- 2) A neutral vendor delivery model is a single organisation appointed to manage a supply chain of agencies. The provider signs up to one set of terms and conditions in order to be eligible to put forward candidates. The neutral vendor does not supply candidates itself, but manages the release of jobs to the supply agencies and shortlists for the hiring manager. This is the model currently used by the Council.
- 3) The advantages of a neutral vendor model are that it should provide a more extensive supply - chain of agencies better able to meet all the needs of customers across all roles. A neutral vendor is also motivated to include SMEs and local suppliers as it primarily deals with the market rather than from its own resource pool.
- 4) The key disadvantages of this model are the lack of a direct relationship between the supplying agencies and the hiring managers and the reluctance of some agencies to enter into an arrangement which they may see as being too heavily focussed on enforcing reduced margins. A neutral vendor may also result in a higher number of 'unqualified' CV's, leaving the hiring manager to triage.
- 5) A master vendor delivery model seeks to fulfil the available jobs itself and only if it cannot supply are those vacancies released to agencies in the supply chain created by the master vendor. The key advantage of a master vendor model is that the master vendor gains an understanding of the customers business needs and forms a stronger partnership with hiring managers. The key disadvantage is the greater reliance on one agency and potentially a less extensive range of suppliers who may be less committed because they only receive the roles released by the master vendor.
- 6) Under the MSTAR framework the Council would be required to make a choice between a neutral vendor and a master vendor. A hybrid may also be an alternative. A more detailed analysis is provided below.

Detailed comparison of Neutral and Master Vendor service delivery models

1. A neutral vendor is a single organisation appointed to manage a supply chain of agencies.

| Advantages | Disadvantages |
|--|--|
| A more extensive supply chain managed by an organisation which has no interest in preserving its own margins | Hiring managers are distanced from the suppliers and as a result there may be less real understanding of needs and less effective partnerships |
| Competition between agencies | Agencies may be reluctant to participate in an arrangement which they may see as enforcing reduced fees and margins |
| May allow more room for the inclusion of SME's and local provider | The process for vetting of applications may be weaker. There may be a race to supply CV's subsequently supplied without effective triage. |
| Performance management of agencies in a tiered quality system | Less robust safeguarding and candidate checking procedures |
| A single point of contact for managers | |
| Streamlined processes and consolidated | |

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|--|--|
| invoicing | |
| Considerable management information is available through the system on spend, number of workers, assignment length, etc. | |

Appendix B: MSTAR Framework Agreement categories

The MSTAR framework agreement includes the worker categories in Table 9 below, it also includes recruitment. The agreement is flexible in the terms and conditions to allow for HR support services connected with the provision of temporary workers and recruitment.

Table 9

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|-------------------------------------|--|
| Clerical | Admin, Customer Service, PA, Secretarial |
| Manual Labour | Catering, Cleaning, and General Labour |
| Professional & Technical | Audit & Regulatory, Revenues & Benefits, Communication & Marketing, Community Support, Construction & Building, Finance, Housing, HR, IT, Management & Executive, Mechanical & Engineering, Project & Regeneration, and Transport & Planning |
| Social Care | Qualified and Unqualified Social Workers and Social Care Workers for Adults and Children including Nursery and Youth Workers |
| Trades & Operatives | Driving and General Trades |
| Educational | Supply Teachers, Cover Supervisors, Clerical, Teaching & Classroom Assistants, Midday Supervisors, Caretakers, Invigilators, Business Managers and School Bursars |

Appendix C: Current KPIs

KPIs will be reviewed throughout the life of the contract and will be amended in line with any of the following:

- The Council's evolving business requirements.
- Enhancements / changes within the temporary resource market place
- Enhancement / changes in the method by which the service is delivered

Table 10

| Ref | Objective | Source of Evidence |
|------------|--|---|
| KPI.1 | System Availability: The Recruitment system must be operational (excluding maintenance) for 99% of the time | Reported within Monthly Management Information Statistics |
| KPI.2 | Telephone Response: All calls answered within 20 seconds | Reported within Monthly Management Information Statistics |
| KPI.3 | Use of Recruitment System: 100% set up and authorisation by managers | Pertemps to maintain statistics on % usage of Recruitment system, identify reasons for non usage |
| KPI.4 | Equality Monitoring and Reporting 100 % All equality information is captured, monitored and reported | Reported within Monthly Management Information Statistics and on an annual basis to support the council's annual equality reporting cycle |
| KPI.5 | Reporting on numbers attracted/recruited from Local Area 100% of Local are candidate information captured and reported | Reported within Monthly Management Information Statistics and on an annual basis to support the council's annual equality reporting cycle |
| KPI. 6 | Candidate vetting (Candidates to be tested and checked in line with Council requirements): 100%, threshold action | Monthly report |
| KPI.7 | Interview Attendance: 90% of candidates with confirmed interviews must attend, and on time | Reported within Monthly Management Information Statistics |
| KPI.8 | Application Detail transfer to PAWS: 100% of applicants transferred to recruitment system by [TBA] | Reported within Monthly Management Information Statistics |
| KPI.9 | Complaints 100% Log any complaints from service users and record action taken to resolve the complaint | Reported within Monthly Management Information Statistics |
| KPI.10 | Complaints Resolution: To be acknowledged within 24 hours, escalated complaints should be responded to within a further 24 hours and investigated within three working days, 100% compliance required. The escalation process must be adhered to | Reported within Quarterly Management Information Statistics Complaints log to be maintained by provider, summary of complaints to be submitted to the Council along with details of corrective action taken |
| KPI.11 | Recruitment Team Performance 100% of Recruitment team must be rated as Satisfactory, or better, 95%+ Recruitment Team rated good or above, 90% Excellent/Good ratings | Customer Feedback Report Quarterly All survey responses below satisfactory to be investigated, and reported to customer, |

| | | |
|--------|---|---|
| KPI.12 | <p>Invoices: Must be administered in line with the specification with 100% accuracy</p> | <p>Monthly Management Information Statistics All pricing / invoicing queries to be acknowledged and resolved within a maximum of one working week. Unresolved queries to be escalated to a Director of the Contractor, and the Council's Contract Manager for resolution.</p> |
| KPI.13 | <p>Audits: 100% of audit compliance on the recruitment requirements as outlined in the specification</p> | <p>Reported within Quarterly Management Information Statistics</p> |
| KPI.14 | <p>Account Management: The Account Manager must attend site within 24 hours of being requested</p> | <p>Reported within Monthly Management Information Statistics</p> |
| KPI.15 | <p>Reporting : 100% of MI must be produced in line with the specification</p> | <p>Reported within Monthly Management Information Statistics</p> |
| KPI.16 | <p>Savings: 100% support the council in Achievement and Identification of savings as contained in tender,</p> | <p>Pertemps to report on savings as part of regular management reports</p> |
| KPI.17 | <p>Communication (Weekly operational meeting): Weekly operational meeting, Issues log and resolution agreed</p> | <p>Weekly report</p> |
| KPI.18 | <p>Communication (Consultancy meetings with End Users): 1st meeting (face-to-face or over the phone) with recruiting manager within 48 hours of placing the order. Adhoc meetings every 6 weeks in larger departments dependent on utilisation, and quarterly for smaller departments. Increase customer satisfaction ratings</p> | <p>Monthly visit report</p> |
| KPI.19 | <p>Communication (Review with Council's authorised officer): Monthly review meeting, Issues Log, KPI reports</p> | <p>Minutes of monthly review</p> |
| KPI.20 | <p>Communication (Quarterly Contract review and continuous improvement review): Quarterly meeting with improvement plan defined, Plan, monitor and action</p> | <p>Minutes of quarterly review</p> |
| KPI.21 | <p>Communication (Annual Service Review between Council and Pertemps to review performance versus KPIs): Annual meeting supported by annual review document incorporating consolidated reporting. Recruitment benchmarking and cost reduction initiatives and benefit enablement</p> | <p>Presentation and review document produced annually</p> |

Appendix D: Alternative procurement vehicles considered

Crown Commercial Services Framework Agreements:

The following framework agreements were procured by Crown Commercial Services (formally OGC) a Government Agency within the Cabinet Office. These are potentially available for the Council to use. These have been duly considered by Procurement and HR and rejected as unsuitable for the Council's scope and objectives.

Contingent labour one RM960, (Expires June 2016)

This agreement is divided into three lots awarded to Capita Recruitment, Brook Street and Hays Recruitment respectively.

Lot 1 – Neutral Vendor

This service provider manages a dynamic market supply chain and completes medium to high value requirements (i.e. interim managers and specialist contractors) within the supply chain.

Lot 2 – Managed Service (provision of administration and clerical roles)

This service provider provides all temporary worker roles classified as admin and clerical on pre-agreed price / call-off basis.

Lot 3 – Managed Service (provision of operational and support staff roles)

This services provider provides all temporary worker roles classified as operational and support on pre-agreed price / call-off basis.

This framework agreement does not provide the flexibility required by the Council. It does not seem to offer any advantage over MSTAR,

- **This option is not recommended.**

Non-medical/non-clinical staff, CM/AAC/09/5124 (Expires December 2014, and is in the process of renewal).

This framework agreement was developed particularly with the NHS in mind. Stakeholders included NHS Trusts, strategic health authorities and suppliers.

The agreement has 146 suppliers and is accessed by direct call off or a mini-competition.

The agreement does not allow a neutral or a master vendor service delivery model therefore management of the suppliers would be the responsibility of the Council.

The agreement explicitly excludes recruitment.

- **This option is not recommended.**