

NORTH LINCOLNSHIRE COUNCIL

CABINET MEMBER FINANCE, PROCUREMENT & IT

TEMPORARY AGENCY WORKERS

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 This report sets out the findings from a recent corporate procurement exercise to establish a managed service for temporary agency workers.
- 1.2 Contract Procedure Rules (CPRs) detail that where projects exceed £1m in value the outcomes from the procurement should be notified to the relevant cabinet member.
- 1.3 The key points in this report are:
- The council's corporate arrangement for temporary agency workers expired on 30 September 2011
 - A new Agency Workers Directive came into force on 1 October 2011
 - A new national agency workers framework offering managed services provision for local government was used for the procurement
 - The new arrangement realises significant efficiencies and provides improved measures to control spend
 - Local agencies will continue to supply the council through an open supply chain arrangement with the successful tenderer, Matrix

2. BACKGROUND INFORMATION

- 2.1 Prior to 2004 services directly negotiated their own agency worker supply arrangements with local and regional agencies. This resulted in a dilution of procurement spend, fragmented arrangements with multiple suppliers and generally poor internal control across at that time one of the council's largest procurement spend categories.
- 2.2 Recognising these issues together with concerns raised by external audit, the procurement team in conjunction with HR and East Riding of Yorkshire Council (ERYC) established a council-wide agency staff framework in 2004.
- 2.3 In 2007 the corporate arrangement was renewed and its scope widened to include North East Lincolnshire Council together with a broader range of agency worker categories.

- 2.4 Expenditure on agency workers has reduced substantially in recent years as a result of improved management and procurement arrangements, as detailed below:

Expenditure – Agency Workers (excludes supply teachers)

2008-09	2009-10	2010-11
£1.23m	£1.07m	£0.81m

- 2.5 On 1 October 2011 the Agency Workers Directives came into force. The purpose of the directive is to provide temporary agency workers who have been placed for 12 weeks with equal treatment rights in terms of basic working and employment conditions i.e. as if they had been employed directly.
- 2.6 The implementation of the Directive has major implications for costs and use of agency workers. The ability to have clear visibility of agency worker usage through access to good quality and timely management information on agency workers together with a sole provider/managed support service is essential.
- 2.7 In early 2011 the Procurement Team explored various renewal options, which included running our own procurement, accessing alternative frameworks and re-running with ERYC.
- 2.8 MSTAR is a recent national framework providing managed service provision (MSP) for the supply of agency workers. It has been developed by Eastern Shires Purchasing Organisation (ESPO) on behalf of the Pro5 cohort of local government public buying organisations.
- 2.9 The MSTAR framework is accessible nationally by local government and has been promoted by the RIEP as a best practice efficiency and collaborative procurement development for local government.
- 2.10 The MSTAR option was chosen as the best solution to meet the council's needs. Key benefits are:
- A single point of contact for the council - a "one stop shop"
 - Streamlined payments and invoicing
 - Structured and detailed management information and reports
 - Reduced and standardised rates of commission
 - Accurate and transparent charges and savings
 - Performance-based tiering of agencies to encourage service quality
 - Audits of agencies – ensuring compliance around employment checks and supporting safeguarding
 - Supports the council in addressing the requirements of the Agency Worker Directive
 - Adherence to safeguarding matters and consistent compliance
 - Allows access to a number of (tiered) agencies to ensure sufficient capacity exists
 - Improved opportunity for 'local' and SME suppliers within the open MSP supply chain
 - Neutral Vendor basis addresses need for any "off contract" arrangements
- 2.11 There are 6 approved suppliers (MSPs) available through MSTAR: Adecco (Beeline), Comensura, Hays, Manpower, Matrix & Reed.

- 2.12 Providers on the framework have been subject to a robust quality assessment process by Eastern Shires Purchasing Organisation (ESPO) in order to gain admittance to the MSTAR framework
- 2.13 Opening bids were invited from the 6 suppliers through the council's electronic tender portal - SCMS. Best and final prices were secured via a mini-competition through an electronic reverse auction held on 19 September 2011. Matrix submitted the lowest priced offer and received the highest overall quality score, as detailed below:

Supplier	Supplier A	Supplier B	Matrix	Supplier C	Supplier D	Supplier E
Quality Score (max 40%)	33.9%	39.6%	40%	Did not submit a bid		
	Scored 95 out of 168	Scored 111 out of 168	Scored 112 out of 168			

- 2.14 A saving of c. £117k a year has been identified based on current expenditure.
- 2.15 As part of the implementation of the new arrangement services are now required to submit agency worker requests to HR for vetting and approval. Matrix have agreed not to progress any requests without prior approval from HR. This represents a significant control improvement over the previous arrangement where services raised orders directly with the approved suppliers.
- 2.16 A contract was awarded to Matrix on 10 October for 3 years. Matrix will provide a "one stop shop" (excluding supply teachers) for the council's entire agency worker requirements during that period.
- 2.17 Local suppliers will continue to access opportunities through becoming part of Matrix's supply chain. Importantly the opportunity for local companies to join the supply chain remains open throughout the life of the arrangement.

3. OPTIONS FOR CONSIDERATION

- 3.1 As this is an information report there are no options for consideration

4. ANALYSIS OF OPTIONS

- 4.1 N/A

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

- 5.1 Financial
Effective procurement assists the council in achieving value for money from the c. £0.8m it spends every year on agency workers. Effective management will enable the council to manage down some of the cost pressures associated with the "equal treatment" measures resulting from the new agency workers directive. Non compliance with new legal requirements may result in the council having to pay fines and damages.

An estimated annual saving of £117,000 has been identified as a result of the procurement based on current expenditure.

5.2 Staffing

The new arrangement will provide HR with increased control and monitoring measures for all temporary agency staffing requests which will support the council in reducing costs through improved demand management.

5.3 Property & IT
None

6. OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 CRIME AND DISORDER, RISK AND OTHER)

6.1 A corporate approach to the procurement and management of agency workers together with service adherence to council policy and procedures will provide compliance with legal requirements.

7. OUTCOMES OF CONSULTATION

7.1 The evaluation process was undertaken by representatives from various client services and the award of MSP status to Matrix was supported. The process was supported by the Assistant Director Human Resources.

8. RECOMMENDATIONS

8.1 That the outcomes of the procurement exercise together with the internal control improvements are noted.

DIRECTOR OF FINANCE

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4 November 2011

Background Papers used in the preparation of this report: None