

CONTRACT ARRANGEMENTS FOR TEMPORARY STAFF (AGENCY)

To: **Cabinet**

Date: **28th January 2014**

From: **Corporate Director: Customer Service and Transformation**

Electoral division(s): **All**

Forward Plan ref: **2014/013** *Key decision:* **Yes**

Purpose: **To advise Cabinet of the recommended approach for the provision of temporary agency staff with Cambridgeshire County Council on the expiry of the existing contractual arrangements in May 2014.**

Recommendation: **Cabinet is asked to:**

a) Approve the recommendation to extend the current contractual arrangements for agency staff until 30th June 2014 to allow transition to the proposed new arrangements.

b) Approve the recommendation to award a new contract to Carlisle Managed Solutions for the provision of agency staff for the period 1st July 2014 until no later than 31st August 2016.

<i>Officer contact:</i>		<i>Member contact:</i>	
Name:	Pat Harding	Name:	Steve Count
Post:	Corporate Director Customer Service and Transformation	Portfolio:	Cabinet Member for Resources and Performance
Email:	Pat.Harding@cambridgeshire.gov.uk	Email:	Steve.Count@cambridgeshire.gov.uk
Tel:	01223 699248	Tel:	01223 699173

1. BACKGROUND

- 1.1 The Council, like other organisations, uses agency staff to address temporary shortages in resource and to secure specific skills it does not need on a permanent basis. The historic average annual spend on agency staff of approximately £4 million represents c3.3% of overall payroll costs for the Council.
- 1.2 The demand for agency staff is currently met by a range of framework contracts that have been set up with multiple providers and are administered by an internal Agency Worker Team (AWT). The current contracts are due to end in May 2014 but have an option to extend for a period of up to 12 months.
- 1.3 The cost of the agency resource provided under the current contract is made up of direct pay, national insurance and holiday pay and an additional overhead covering the margin paid to the supplying agency and the cost of the AWT. The charges paid by the Service employing the agency worker include a proportion of this cost so the AWT is self-funded.
- 1.4 With contracts due to expire shortly, a range of options, including the Council and/or Local Government Shared Services (LGSS) running their own agency, using a consortium deal such as provided by the Eastern Shires Purchasing Organisation (ESPO) or going out to tender have all considered but discounted due to them being less favourable than the preferred option.
- 1.5 The conclusion from the options appraisal was that the arrangements in place for other LGSS partners and customers including Northamptonshire County Council (NCC) and Northampton Borough Council (NBC) offered the optimal solutions in terms of value for money, ease of implementation and subsequent management. The contract currently used by both NCC and NBC and a number of other local authorities is with Carlisle Managed Solutions (CMS) and is available for Cambridgeshire County Council to use until termination on 31st August 2016.
- 1.6 The options and recommended route have also been presented to the internal officer Contract Review Group and Senior Management Team (SMT) for review and peer challenge.

2. MAIN ISSUES

- 2.1 The current arrangements for the Council involve the use of multiple providers but are fixed in that new providers cannot be added to the existing framework contracts due to restrictions under European Union Procurement Regulations. The existing arrangements were awarded by the Council following a competitive procurement exercise in 2011. Although a competitive process was followed, the agency margin costs under the current arrangements are no longer as competitive as alternative arrangements that have been awarded subsequently for multiple local authority contracts.
- 2.2 Unlike the existing arrangements that involve the Council managing the relationship with multiple suppliers the proposed contracting route involves a single interface with CMS. As a managed service provider CMS are responsible for ensuring they have sufficient agencies signed up to meet overall demand and for managing individual agencies and acting as a single point of contact for user requests. The model also has the flexibility of adding

or removing individual agencies from the supply chain based on demand and performance.

- 2.3 The overall annual cost of agency resource in the Council of c£4 million is made up of two broad elements detailed below:

Cost element	Anticipated impact from proposed contract arrangements
The pay to the individual agency worker and associated National Insurance and holiday pay (applicable to temporary staff not set up as limited companies). This equates to c£3.5 million of the £4 million	<p>The pay rate for individual agency workers is driven by supply and demand in the local labour market for the majority of demand and a change in contractual arrangements will not directly impact this. Pay rates for more specialist higher paid roles are more sensitive to pay rates outside of Cambridgeshire and any new provider will be required to mitigate any risk to the Council. National Insurance and holiday pay rates are defined nationally and are the same regardless of provider.</p> <p>The working assumption is that no savings will be made against this cost element although the improved management information should enable closer scrutiny of when the use of agency resource can be avoided all together or where the Council is potentially paying above the market rate to secure the quality of resource needed.</p>
The margin paid to the provider of the agency resource and the cost of the Agency Worker Team. This equates to approximately £500,000 of the £4 million	<p>The proposed new arrangements will reduce costs in this area through the improved bargaining power of a larger contract covering multiple local authority clients.</p> <p>Based on current usage a direct saving of c£100,000 annually is anticipated</p>

- 2.4 A number of key issues were considered as part of the review including the need to ensure robust Disclosure and Barring Service (DBS) checks and the use of local agencies to meet the desire to support local providers.
- 2.5 The DBS and compliance checks undertaken by CMS are of a high standard and match the standards expected under the current contract arrangements. The requirement to include local agencies will be included in the specification and CMS will be expected to demonstrate this commitment throughout the contract.
- 2.6 The current arrangements in Cambridgeshire County Council also provide the option for schools to obtain supply teachers, although spend in this area has typically only been c£85,000 annually. The proposal is to ask CMS to continue to offer this service to schools and academies.
- 2.7 There are early discussions underway across the Eastern Region on the feasibility of a single approach of securing temporary agency resource in the social care sector that would significantly reduce the demand under this

contract. However, it is not anticipated that this will be in place for at least 18 months and therefore, whilst it is recommended the Council are involved in evaluating the benefits of this approach, it is not a viable alternative option at this point in time.

3. ALIGNMENT WITH PRIORITIES AND WAYS OF WORKING

3.1 Developing the local economy for the benefit of all

The report above sets out the implications for this priority in paragraphs 2.4 and 2.5.

3.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

3.3 Supporting and protecting vulnerable people

The report above sets out the implications for this priority in paragraphs 2.4 and 2.5.

3.4 Ways of working

The report above sets out the implications for working locally, in paragraphs 2.4 and 2.5.

4. SIGNIFICANT IMPLICATIONS

4.1 Resource and Performance Implications

There are no significant implications for any of the prompt questions within this category.

4.2 Statutory, Risk and Legal Implications

The following bullet point sets out details of significant implication identified by officers:

- The primary risk is ensuring continuity in the supply of agency staff during the transition to the new contracting arrangements. This risk has been mitigated by proposing a short extension to the current arrangements to allow more time for implementation. In addition to this the majority of current agency providers to the Council are already signed up as part of the CMS supply chain reducing the risk to the Council.

4.3 Equality and Diversity Implications

There are no significant implications for any of the prompt questions within this category.

4.4 Engagement and Consultation Implications

The following bullet point sets out details of significant implication identified by officers:

- The appropriate consultation process will be undertaken with those employees in the AWT affected by this proposed change.

4.5 Public Health Implications

There are no significant implications for any of the prompt questions within this category.

Source Documents	Location
None	