

**DETAILED BUSINESS CASE FOR THE DEVELOPMENT OF AN AGENCY  
COMPANY WITH CAMBRIDGESHIRE COUNTY COUNCIL**

*To:* **General Purposes Committee**

*Meeting Date:* **26 July 2016**

*From:* **LGSS Director of People, Transformation and  
Transactions and LGSS Head of Procurement**

*Electoral division(s):* **All**

*Forward Plan ref:* **2016/032** *Key decision:* **Yes**

*Purpose:* **This report sets out the business case for working with  
Suffolk County Council (via Opus People Solutions) on the  
future arrangements for the supply of agency resources.**

*Recommendation:* **The Committee is recommended to:**

- a) Authorise the LGSS Managing Director, in consultation with the Chairman of the General Purposes Committee and Section 151 Officer, to enter into an agreement with Suffolk County Council (Via Opus People Solutions) to supply Agency Workers to Cambridgeshire County Council (CCC) from the 1st of January 2017;**
- b) Authorise the LGSS Managing Director, in consultation with the Chairman of the General Purposes Committee and Section 151 Officer, to also negotiate a longer term agreement with Suffolk County Council (Via Opus People Solutions) whereby CCC and other potential strategic partners agree a “sharing in success” business model which would result in future increased savings to CCC and the wider partners;**
- c) Approve the extension of the current Agency Worker contract with Guidant until 31 December 2016 to enable the implementation of the arrangements with Opus People Solutions; and**
- d) Authorise the LGSS Managing Director, in consultation with Chairman of General Purposes Committee and Section 151 Officer, to negotiate and execute all the necessary documents to extend the existing contract with Guidant and set up all the joint arrangements and appropriate company structures with Opus People Solutions including those with the extended supply chain.**

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## **1. BACKGROUND**

- 1.1 Agency workers are currently provided by Guidant, who as a Managed Service Provider (MSP), secure agency resources from a wide range of agency companies that they manage on our behalf. This contract expires on 31/8/2016 although an extension option is built into the current contract.
- 1.2 This contract was awarded in 2014 and benefits from the economies of scale of being with the same supplier as other LGSS Partners and has delivered savings to CCC compared to the previous standalone contract arrangements.
- 1.3 The projected £4.25m annual cost in CCC for agency resource is made up of two main elements, the pay to the individual, which represents approximately 85% of the cost, with the remaining 15% being paid as a fee to the supply chain for providing the agency resource. This paper focuses on the options to reduce the 15% of supply chain costs that equate to circa £0.65m annually in CCC. It should be noted that the £0.65m supply chain costs cover the staffing, system, overheads and profits of both Guidant as the MSP and the agencies within the wider supply chain.
- 1.4 Agency workers are used across the Council to cover vacancies that are often for statutory services and services which require minimum staffing levels. In addition agency workers are used where additional resource is needed on an interim basis. The main spend area is social workers, with other areas including care workers and professional and administrative resources.
- 1.5 LGSS Human Resources will continue supporting CCC to exploit further opportunities to reduce their reliance on agency workers i.e. the 85% of the cost incurred through improving targeted recruitment and retention strategies and wider workforce planning interventions with the aim of building a more sustainable permanent workforce for the future.

## **2. MAIN ISSUES**

- 2.1 The Committee asked Officers to explore further the opportunity to enter into an arrangement with Opus People Solutions (Opus) who are owned by Suffolk County Council (SCC) and who currently supply agency workers to SCC. Since this was discussed at Committee, officers have met with the Chairman and Operations Director of Opus People Solutions to explore the opportunities for CCC to utilise this model, with the aim of reducing the 15% supply chain costs which CCC currently incurs through the Guidant contract. Officers have also explored the potential for further savings through expanding this arrangement to other partners such as Peterborough (PCC), Northamptonshire (NCC) and Milton Keynes (MKC) with a "sharing in success" business model. Discussions have been held with PCC, NCC and MKC, all of whom have expressed an interest in this wider partnership model. However, their current provider contracts do not end until later in 2017 so this paper outlines a recommendation for a two-staged approach.
- 2.2 Stage one, which could be effective from 1st January 2017, would involve working with Opus who would supply CCC with all their agency worker requirements either directly or through the wider supply chain set up to cover demand that Opus cannot satisfy directly. Having discussed this with Opus

we are confident that this would bring immediate savings to CCC estimated to be in the region of £0.45m over the first three years of operation, over and above any anticipated set up costs and by circa £1m over a full five year period. The model assumes Opus increasing over time the percentage of agency workers provided by direct supply versus those supplied via the wider supply chain. These assumptions have been modelled on the basis of evidenced experience of Opus now providing nearly 25% of agency social workers via direct supply into SCC having started to supply agency social care workers in November 2015.

- 2.3 Stage two would involve negotiating a wider “success in growth” partnership model with Opus and some or all of the interested parties referred to in paragraph 2.1. This model, if agreed, would bring further savings to CCC estimated to be in the region of £0.5m over the full five year period should all the other parties join. The further estimated savings in Stage 2 are based on the further economies of scale gained and the gradual increase in the percentage of agency workers provided directly by Opus.
- 2.4 The proposal to work with Opus is based on achieving three primary objectives:
  - To have greater influence over the wider issues including the quality and pay of agency workers in specific categories such as social workers as well as to support the overall workforce strategy;
  - To provide financial savings by reducing the £0.65m annual supply chain costs associated with securing agency staff;
  - To ensure continuity of supply of agency workers, who are often required at short notice in key roles.
- 2.5 A table showing a summary of the estimated financial benefits to CCC of the approach compared to current costs both for a scenario where only CCC participates (Stage 1) and also in a scenario (Stage 2) where other authorities also participate from August 2017 at the end of their current contracts, is attached as **Appendix 1**. The assumptions upon which these figures have been based on are shown within **Appendix 2** and these have been reviewed and validated with the Head of Finance and Performance on behalf of the S151 Officer.
- 2.6 The alternative of CCC creating their own Agency Company was discounted as it would take longer to set up and become fully effective, would not have the same economies of scale and would be less attractive for agency workers to sign up to. The other alternative would be for CCC to simply go out to procurement for a replacement managed service provider similar to the current Guidant model. However, it is unlikely as a single stand alone authority that CCC could command the buying power it currently demands through its joint arrangements with other LGSS partners as CCC only represents circa 20% of the overall spend of the current contract. Other LGSS partners already have existing contracts or have extended their current arrangements until August 2017 and have indicated that they would be unlikely to enter into a similar framework agreement going forward, expressing a desire to explore the partnership model with Opus.
- 2.7 It is estimated that the re procurement option would take approximately 4 months to complete from the date of the decision to proceed i.e. July 2016

and potentially longer if the supplier changed from Guidant as part of that process.

- 2.8 To minimise the risk of any continuity of supply of agency workers during the move to the new arrangements we propose a four month extension to the Guidant contract from 31 August 2016 (its current end date) to the 31st of December 2016. Below is an outline of the implementation plan and timescales to demonstrate why such an extension would be required. Opus has advised us that this is the shortest possible time to implement this arrangement, based on their previous implementation experience with Suffolk.

**Table 1 – High Level Implementation Plan**

<b>Step</b>	<b>Start &amp; Completion date</b>
Configure recruitment software including business workflows, loading role types and rates, setting up hierarchies for approvals and cost structures for reporting	1/8/16 – 30/11/16
Set up the appropriate arrangements with Opus	1/8/16 – 31/12/16
Communicate with and sign up extended supply chain to provide roles Opus cannot fill directly	1/8/16 – 31/12/16
Communicate changes with hiring managers and supply chain	On-going
Training of hiring managers on new arrangements including use of new software to enable self service	1/12/16 – 24/12/16
Recruit two locally based recruitment specialists who will be responsible for signing up agency workers to enable direct supply	1/8/16 – 30/11/16
Go live with Opus for new agency worker bookings	1/1/17

### **3. ALIGNMENT WITH CORPORATE PRIORITIES**

#### **3.1 Developing the local economy for the benefit of all**

There are no significant implications for this priority.

#### **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 proposal is aimed at improving the quality of agency workers used and supporting the creation of a more able and capable workforce who will directly support and protect vulnerable people. The development of this option will be linked to the recruitment and retention strategy for social care services.

## **4. SIGNIFICANT IMPLICATIONS**

### **4.1 Resource Implications**

Based on the assumptions of future agency worker usage it is anticipated that the proposal will deliver savings of circa £0.45m over the first three years from full implementation and circa £1m over the first five years. In the event that other Local Authorities also choose to participate as detailed in 2.1 the benefits to CCC would increase from the increased economies of scale and the likelihood of achieving a higher level of direct supply by more agency workers signing up.

### **4.2 Statutory, Risk and Legal Implications**

This proposed short term contract extension with Guidant will follow the relevant Procurement and Financial Regulations of the Council. Appropriate advice will be taken in relation to any future partnership or new company structure arrangements with Opus to ensure any risk or legal implications are addressed.

Details of the risks identified and proposed mitigations are detailed in Appendix 2.

### **4.3 Equality and Diversity Implications**

There are no significant implications within this category.

### **4.4 Engagement and Consultation Implications**




There are no significant implications within this category.

### **4.5 Localism and Local Member Involvement**

There are no significant implications within this category.

### **4.6 Public Health Implications**

There are no significant implications within this category.

<b>Source Documents</b>	<b>Location</b>
Report to General Purposes Committee relating to Recruitment and Retention Strategy Social Care Services	 FINAL Recruitment and Retention Strati
Appendix 1 – Summary of Estimated Financial Benefits	 Appendix 1 GPC Agency 26 July.xlsx
Appendix 2 – Assumptions on which Business Case has been developed and risks and proposed mitigations associated with this proposal	 Appendix 2 - GPC 26 July Agency.docx