

EXPLORATION OF OPTIONS IN RELATION TO THE SUPPLY OF AGENCY WORKERS

To: **General Purposes Committee**

Meeting Date: **31 May 2016**

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

Electoral division(s): **All**

Forward Plan ref: **2016/018** *Key decision:* **Yes**

Purpose: **This report sets out the proposed interim arrangements for the supply of agency resources at the end of the existing contract and provides an outline of the options being considered in the future.**

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

- a) Approve the extension of the current Agency Worker contract with Guidant until no later than 31 August 2017.**
- b) Authorise the LGSS Managing Director, in consultation with Chairman of General Purposes Committee, to re-negotiate and execute all the necessary documents to extend the existing contract.**
- c) Authorise the LGSS Managing Director, in consultation with the Chairman of the General Purposes Committee and Section 151 Officer, to develop a detailed business case for the development of an Agency company with Cambridgeshire County Council and other potential partners.**
- d) Agree that the LGSS Managing Director bring a further report to General Purposes Committee outlining the business case and the preferred Agency company model for approval no later than 31st October 2016.**

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1. BACKGROUND

- 1.1 The existing contract arrangements for agency workers were approved by Cambridgeshire County Council's (CCC) Cabinet in January 2014 and whilst the current contract commitment ends on 31 August 2016 the Council has the option to extend the arrangement.
- 1.2 Agency workers are currently provided by Guidant who as a Managed Service Provider (MSP) supply some agency workers directly, with the balance being provided by a wider supply chain they manage on our behalf.
- 1.3 Agency workers are used across the Council to cover vacancies that are often for statutory services and services which require minimum numbers of staff to stay open. In addition agency resources are used where additional resource is needed on an interim basis. The main spend area is for social workers in Adults and Children's, with other areas including care workers and professional and administrative resources.
- 1.4 The projected c£4m annual cost of agency workers in CCC is made up of three main elements, with the majority of the cost being the pay to the individual, which represents approximately 85% of the total cost. It should also be noted that the vast majority of these agency workers are undertaking work in budgeted, permanent posts for CCC which the Council has continuing difficulties finding permanent recruits for through the usual channels. With the exception of agency social workers who do come at a premium the pay to other individual agency workers is broadly comparable to a directly employed, permanent employee (i.e. broadly cost neutral). It is recognised that permanent appointments provide improved continuity and quality of services. The remaining element of cost being the supply chain costs including a payment to the agency supplying the resource that equates to c11% with the remaining 4% being paid as a fee to MSP. The short term option to extend the existing contract will reduce the supply chain cost element.
- 1.5 As 85% of agency worker costs relate to pay to the individual agency worker LGSS HR will continue to support CCC to exploit further opportunities to reduce their reliance on agency workers through the overall workforce strategy including the targeted recruitment and retention strategies and improved workforce planning. A previous report to Committee in December 2014 by the Executive Director: Children, Families and Adult Services outlined the recruitment and retention strategy in relation to the social care workforce.

2. MAIN ISSUES

2.1 Proposed Contract Extension

It is proposed to re-negotiate and extend the existing Guidant Contract until no later than August 2017 to deliver an immediate reduction in the supply chain element of costs as well as allowing time for a detailed business case and company structure options to be developed and approved as outlined below at 2.3. Should it be possible to deliver this alternative company structure before the end of August 2017 it is proposed to build in the option to only initially extend the contract to the end of May 2017 but include an option to extend further to the end of August 2017 only if necessary.

2.2 Alternative short term options considered

2.2.1 To create our own agency company potentially with other public sector partners to secure and provide agency resources

This option was not considered feasible for implementation by September 2016 due to the current priorities associated with the Enterprise Resource Planning (ERP) Gold Build, the time to develop a full business case with other potential partners and the estimated 6 to 9 month lead time to go live. Whilst this option is not recommended for implementation by September 2016 it is proposed to further engage with other partners to develop this option and return to Committee by the end of October 2016 with a more detailed business case.

2.2.2 Extend the existing arrangements with Guidant for a longer period

This option was discounted as it conflicts with the longer term option of creating and operating our own agency company.

2.2.3 Conducting a new procurement process.

This option was discounted as it requires more time and resource and it would not contribute towards our overall workforce objectives and would be unlikely to result in more competitive rates to those provided by the existing contract.

2.3 Future Options for creation of an Agency company beyond May 2017 and by no later than September 2017

A summary of the medium term options are detailed below. These options have been reviewed against how they will support our overall workforce strategy and contribute towards a more able, stable and resilient workforce as well as further reducing our costs of agency resources. The preferred option is Option 3 below, although this will require a detailed business case and wider negotiations with other potential partners, with a final proposed option to be brought back to Committee for approval in October 2016.

Option 1 – Go to market on a similar basis as operated today selecting a provider to provide the full range of agency resource required.

This option will not contribute to our overall workforce strategy and is unlikely to offer any further financial benefit and is not recommended.

Option 2 – Contract directly with a range of agency providers removing the use of an MSP such as Guidant

This option removes the management fee paid to the MSP but would still require us to pay the agency mark up and saving of the management fee would be offset by the internal costs to carry out the functions currently performed by the MSP. Whilst this option potentially provides some financial benefits it does not contribute to our overall workforce strategy.

Option 3 – Create an ‘arms length’ company with other potential partners.

This option will explore the business case to work with extended partners such as LGSS and other neighbouring authorities such as Suffolk County Council who have already created their own company to provide agency resource.

The major advantages of Option 3 are:

- By creating a partnership with a wider range of partners we are more likely to be able to influence the wider issues with the recruitment and retention for specific categories of resources such as social workers.
- An agency involving other partners is more likely to be able to offer alternative employment models that are more suited to the need of an agile and flexible workforce strategy. This will support the optimal balance of agency resources versus employed resource reducing the premium paid for agency resources.
- Additional opportunity to reduce the current external supply chain costs for securing agency resources by c£200k p.a.
- More viable than a 'standalone' agency for a single local authority.
- Opportunity for share of the future income stream generated by the Agency.

The major risks/limitations associated with Option 3 are:

- We have no track record of running an Agency and it would take investment to create and secure a direct extended supply chain.
- The ERP Gold Build/replacement of Oracle will mean that the Agency could not be fully operational until September 2017, although we will explore the possibility of a phased implementation from June 2017 to achieve some early benefits.
- Costs are partially fixed and there will be potential VAT and corporation tax implications if run as a separate company.

2.4 Outline Timetable

The outline plan is detailed below:

Step	Completion
Seek Committee approval to re negotiate and extend the existing arrangement with Guidant until no later than August 2017 to allow time to further evaluate and develop Option 3 above	31/5/16
Develop an outline business case for Option 3 including more detailed dialogue with key users of agency resources and other potential partners to enable a final recommendation to be made to Strategic Management Team and for approval by Committee by the end of October 2016.	31/10/16
Subject to Committee approval create new Agency Company including recruitment of key personnel.	28/2/17
Subject to Committee approval procurement of an extended supply chain to satisfy any demand that the Agency company is not able to provide directly.	30/4/17
Explore early go live date for new Agency Company including replacing role of MSP and managing a number of direct contracts with an extended supply chain.	1/6/17
Phase 2 go live for new Agency that would involve directly securing and providing agency resource to CCC which would be supported by a number of contracts with direct agencies to ensure the continuity of supply of agency resources is not impacted.	1/9/17

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

There are no significant implications for this priority from the proposed contract extension. However, the future option to create our own Agency Company is aimed at creating 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

The contract extension will immediately provide a reduction in the supply chain costs associated with securing agency resources for the Council and the options considered are outlined in Section 2. The parallel work on the development of a Business case for the creation of an Agency Company as described in Option 3 is intended to provide further benefits in the future.

4.2 Statutory, Risk and Legal Implications

This proposed extension will follow the relevant Procurement and Financial Regulations of the Council.

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.

Source Documents	Location
Report to General Purposes Committee relating to Recruitment and Retention Strategy Social Care Services	http://www2.cambridgeshire.gov.uk/CommitteeMinutes/Committees/Meeting.aspx?meetingID=1055