



WOKINGHAM BOROUGH COUNCIL

A Meeting of an **INDIVIDUAL EXECUTIVE MEMBER DECISION** will be held in First Floor 14 - Civic Offices, Shute End, Wokingham RG40 1BN on **MONDAY 12 AUGUST 2019 AT 11.00 AM**

A handwritten signature in black ink, appearing to read 'Susan Parsonage', with a long, sweeping tail.

Susan Parsonage
Chief Executive
Published on 2 August 2019

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WOKINGHAM BOROUGH COUNCIL

Our Vision

A great place to live, an even better place to do business

Our Priorities

Improve educational attainment and focus on every child achieving their potential

Invest in regenerating towns and villages, support social and economic prosperity, whilst encouraging business growth

Ensure strong sustainable communities that are vibrant and supported by well designed development

Tackle traffic congestion in specific areas of the Borough

Improve the customer experience when accessing Council services

The Underpinning Principles

Offer excellent value for your Council Tax

Provide affordable homes

Look after the vulnerable

Improve health, wellbeing and quality of life

Maintain and improve the waste collection, recycling and fuel efficiency

Deliver quality in all that we do

For consideration by

John Halsall, Leader of the Council
John Kaiser, Executive Member for Finance and Housing

Officers Present
Laura Callan, Strategy and Commissioning Support Manager
Valentina Velcheva, Senior Specialist Procurement
Callum Wernham, Democratic & Electoral Services Specialist

IMD NO.	WARD	SUBJECT	
IMD 2019/21	None Specific	PROCUREMENT OF A CONTRACT FOR TEMPORARY AGENCY STAFFING SOLUTIONS	5 - 14

CONTACT OFFICER

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Agenda Item IMD21

INDIVIDUAL EXECUTIVE MEMBER DECISION

REFERENCE IMD: 2019/21

TITLE	Procurement of a contract for temporary agency staffing solutions
DECISION TO BE MADE BY	Executive Member for Finance and Housing - John Kaiser and The Leader of the Council – John Halsall
DATE, MEETING ROOM and TIME	12/08/2019 FF14, 11.00 am.
WARD	None Specific;
DIRECTOR / KEY OFFICER	Deputy Chief Executive - Graham Ebers

PURPOSE OF REPORT (Inc Strategic Outcomes)

To seek agreement to commence procurement of a contract to secure a managed service solution for the recruitment and supply of agency workers. A managed service solution provides access to a range of specialist agency worker suppliers and ensures that any potential financial and legal risks associated with the recruitment are managed accordingly ensuring legislative compliance and value for money.

Due to the estimated value of the contract of £3,000,000 and in accordance with the Council Constitution, a business case to commence procurement requires agreement from the Executive. As the recommended approach is a direct award to the current provider, a prompt start of the procurement will allow for a number of improvements to be negotiated, as the supplier will be aware of the availability of sufficient time to choose an alternative procurement option (e.g. competitive procurement), if the desired changes/improvements are not agreed. Should the procurement be delayed, we will be in a situation where direct award to the current provider will be the only option and Matrix will not necessarily be prone to agree on any of the proposed changes. Therefore, in this instance, due to the timing of the end of the current contract and the need to commence the procurement process as soon as possible, it is deemed necessary to seek agreement of the business case through this Individual Member Decision.

RECOMMENDATION

That the Executive Member for Finance and Housing, and The Leader of the Council agree that Wokingham Borough Council:

- 1) Approve the business case as set out in Appendix A to the report;
- 2) Commence the procurement process to secure a direct award to the current managed service provider, Matrix SCM, for one year.

SUMMARY OF REPORT

The Council currently spends between £4m and £5m annually upon temporary workers, however, this is estimated to decrease due to the restructure within some parts of the Council coming to an end and permanent posts being gradually filled. .Since 2016 a significant amount of agency recruitment has taken place through a neutral vendor Managed Service company called Matrix SCM but this contract is due to end in January 2020.

Different options have been considered for the future recruitment and supply of temporary agency staff such as arrangements with a number of agencies which we manage (framework agreement or dynamic purchasing system) or a contract with a single agency which will be responsible for meeting the Council's temporary worker demand. It is considered that the most appropriate option that meets the current recruitment needs of the organisation is to secure a 1 year contract (with 3 options to extend by 1 year each) with the current supplier Matrix SCM. This also aligns with the appointment of a Recruitment Specialist role which aims to provide strategic overview and support of recruitment across the Council. Procuring a contract with the managed service provider for 1 year provides the flexibility to review the arrangements to align with any developing HR Strategy.

Background

In January 2016 WBC awarded the contract for temporary agency staffing solutions to Matrix SCM with an initial term of 2 years and an option to extend for a further period of 2 years. Following a review of the performance, the contract was extended in July 2017 and it is due to end on 31st January 2020. No further options to extend are included in the contract.

The service is being provided via a web-based portal offering a neutral, compliant, competitive solution to the Council's temporary staffing needs – a full managed service. The recruitment process includes advertising the need by placing an order on the system and inviting all suppliers/agencies, signed up to supply workers for WBC, to submit candidates for hiring managers to review, interview and potentially appoint. The costing structure of the contract is based on: PAYE rate (the actual rate payable to the worker), statutory contributions, supplier/agency fee and management fee payable to the managed service provider (Matrix SCM). These four elements form the total service charge, however, the Council receives back about 10% of the total spend in the form of a rebate payable quarterly.

A new contract needs to be in place before the expiry of the current one to ensure a competitive and compliant way of recruitment of agency workers.

Business Case (including Analysis of Issues)

A significant proportion of temporary agency staff have been recruited through Matrix SCM since 2016, although it has not been used as effectively as envisaged, resulting in some recruitment taking place outside of the managed service provider.

This has been in part due to a reluctance and resistance by hiring managers to use the service provider due to the self-service element involved but also the range of candidates available through the service provider has not always met with the Council's recruitment needs.

The HR team have now appointed a Recruitment Specialist (1 year FTC) to coordinate and provide strategic overview of recruitment across the whole council to advise and support with the most appropriate method of recruitment including supporting the use of a managed service provider such as Matrix SCM.

It is considered therefore that to align with the purpose and aims of the Recruitment Specialist, that an initial 1-year contract term with the current provider, Matrix SCM, would represent good value for money and an opportunity to understand the impact of the new Recruitment Specialist, whilst maintaining the benefits of an existing system and provider which would minimise disruption to business processes across the organisation.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council continues to face severe financial challenges over the coming years as a result of reductions to public sector funding and growing pressures in our statutory services. It is estimated that Wokingham Borough Council will be required to make budget reductions of approximately £20m over the next three years and all Executive decisions should be made in this context.

	Estimated Value of contract	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	£3,000,000	Dependent upon demand	Both
Next Financial Year (Year 2)	£3,000,000	Dependent upon demand	Both
Following Financial Year (Year 3)	£3,000,000	Dependent upon demand	Both

Other financial information relevant to the Recommendation/Decision
N/A

Cross-Council Implications
A managed service solution ensures that any potential financial and legal risks associated with recruitment are managed accordingly ensuring legislative compliance and value for money across the organisation.

SUMMARY OF CONSULTATION RESPONSES	
Director – Corporate Services	No comments.
Monitoring Officer	No comments.
Leader of the Council	No comments.

Reasons for considering the report in Part 2
N/A

List of Background Papers
Temporary Agency Workers Business Case

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In accordance with the Procurement and Contracts Rules and Procedures (PCRP) (see section 3.1.1): a formal business case is required for any procurement with a total value above £50,000. The level of approval required for the Business Case depends on the type of procurement and total ascertainable value of the contract, as indicated in the table below:

1. Level of Approval

State “YES” in the applicable box at either Level 1 or Level 2:

Type of Procurement	Level 1		Level 2	
	Assistant Director & Director	“Yes”	Assistant Director, Director & Executive Approval	“Yes”
Goods and Services	£50k – £500k		> £500k	Yes
Schedule 3 Services	£50k – £615k		> £615k	
Works	£50k – £4,551k		> £4,551k	

NOTE: Executive meetings (Level 2) are held each month but the submission of papers is strictly controlled, resulting in a cycle of at least 6-weeks – speak to Democratic Services for assistance.

2. Project Information

Project / Contract Title	Temporary Agency Staffing Solutions.
Project / Contract Description	Supply of temporary agency workers on the basis of neutral vendor solution.
Expected Start Date & Duration (months)	Start date: 1 st February 2020; duration of contract: 1 year.
Any Extension/s Allowed (months) (e.g.: 1 x 24m / 1 x 12m + 1 x 12m)	Three extensions by 12 months each, e.g. 1x12m + 1x12m + 1x12m. Total term of the contract: 4 years (48 months).
Total Ascertainable Value	The estimated annual value of this contract is in the range of £3,000,000. The total ascertainable value of the contract, based on a total term of 4 years, is £12,000,000.
Procurement Procedure (Open, Restricted, other agreed procedure)	Call off from MSTAR 3 framework agreement, procured by ESPO – this means that we are entitled to select any of the suppliers on this framework agreement, which have been pre-qualified and shortlisted by ESPO in a transparent and compliant.
If not an Open or Restricted procedure, has it been approved by Procurement? (state “Yes”, “No” or “Not Applicable”)	N/A

Budget Available (please state the value)	Individual Services/Budget Managers are responsible to ensure that budget is available prior to each recruitment.
Source of Funding (revenue or capital or specified other)	It is a responsibility of the hiring manager to ensure that there is sufficient funding available for each worker. The source of the budget would depend on the specific role recruited for.
Any specific comments or notes associated with the budget	The total ascertainable value of the contract is based on historical data of the usage of the current contract.

3. Project Justification

Link to Service or Corporate Objectives

In January 2016 WBC awarded the contract for temporary agency staffing solutions to Matrix SCM with an initial term of 2 years and an option to extend for a further period of 2 years. Following a review of the performance, the contract was extended in July 2017 and it is due to end on 31st January 2020. No further options to extend are included in the contract.

The service is being provided via a web-based portal offering a neutral, compliant, competitive solution to the Council's temporary staffing needs – a full managed service solution. The recruitment process includes advertising the need by placing an order on the system and inviting all suppliers/agencies, signed up to supply workers for WBC, to submit candidates for hiring managers to review, interview and potentially appoint.

The costing structure of the contract is based on: PAYE rate (the actual rate payable to the worker), supplier/agency fee (a fixed pence margin, except for the Interims category which is a percentage on the day rate agreed), statutory employers contributions and management fee payable to the managed service provider (Matrix). These four elements form the total service charge, however, the Council receives back about 10% of the total spend in the form of a rebate payable quarterly.

An example of the costing structure for a role under the Management Category would be:

PAYE rate – this is how much the worker will get paid	£447.44 per day
Ltd rate – this is how much Matrix will pay to the agency and it will cover the mandatory annual leave allowance and National Insurance contributions.	£559.75 per day
Client charge – this is how much you will end up paying which will cover all of the above + agency fee + Matrix management fee	£714.38 per day

The TASS contract is currently managed by the Strategy & Commissioning Support team with no HR input.

There is a reluctance and resistance by hiring managers' to use this contract due to the self-service element involved in it. As a result, a significant proportion of agency workers are recruited outside of Matrix. Current volumes of spend via this service contract are as follows:

- Over the period of 1/04/2016 – 1/12/2018 a total of £9,765,863 have been spent through this contract with highest spend generated by Children Services and Adult Social Care.
- Over the same period approximately £7,356,127 have been spent for supply of agency workers outside this contract.
- Total rebate of £887,821.19 has been paid via this solution over the period February 2016 to December 2018.

Managers find it easier to verbally communicate their basic requirements to a single individual (recruitment agent) who would then send a number of applications for them to review. This approach, although quicker and easier to follow, raises a number of compliance, financial, legal and reputational risks to the Council.

1. By calling an agent and communicating their requirements, in the majority of the cases, managers are deemed to have accepted the agency's terms and conditions (T&Cs) without even realising this, committing to charges and sometimes extortionate conditions (e.g. 50% fee, should the worker be offered a fixed term or permanent contract, prohibition for the worker to apply for any WBC job opportunities advertised over a specified period after the end of the placement and others).
2. Choosing a supplier (agency) based on a personal preference, which is normally the case, and accepting third parties' T&Cs without involving SLS, represents a breach of the Council's Constitution, may be in breach of the Public Contracts Regulations 2015 and usually does not provide for a good value for money.
3. Using recruitment agencies directly can also raise different safeguarding and legal risks due to the lower level of pre-employment checks. Managers do not always have a full understanding of the requirements which agency workers should meet before they can be appointed and therefore workers can start at WBC without the necessary checks been completed. The pre-employment requirements are embedded in the Matrix process, all necessary documents are uploaded on the system and managers are notified upon completion of the check or if the worker has failed the pre-employment check.

To manage these risks, the Human Resources team proposed and was granted approval to appoint a Recruitment Specialist to support managers from identifying the need to recruit, selecting the most appropriate recruitment route through to supplying a short list of candidates. This Specialist will be appointed on a 1 year fixed term contract in order to determine whether there is a longer term cost benefit of having this role on the permanent establishment. It is expected that this new role will contribute to the reduction in agency spend overall but, according to the HR team, will assist with promoting the use of Matrix for where agency staff are the best option, decrease in time to hire, increased conversion rate from agency to permanent or fixed term contract, increased compliance with procurement, finance and employment regulations, reducing the risk of fines, etc.

Since the contract is due to expire at the end of January 2020, a decision of future agency workers recruitment solution will need to be taken as soon as possible to ensure that a corporate contract is in place providing for a compliant and efficient solutions for managers to use.

Project Specific Objectives, Appraisal of Options and Project Timetable

The following alternative future options were considered:

1. Procure a new contract for the provision of managed service for supply of agency workers within the most common categories and appoint a specialist agency (master vendor) to manage the supply of workers within critical categories such as Social Care, IMT, etc., where there is a high volume of staffing needs which cannot currently be successfully met by the existing contract with Matrix.

This option was not considered viable: despite of the many occasions of unsuccessful recruitment on Matrix, around 60% of the overall spend on agency workers recruited through the TASS contract, is generated by Children Services under the Social Care category. Should this category be taken out of the scope of the future contract and placed with a specialist provider, the remaining volumes will not be sufficient to attract a competitive proposal for delivery of this service.

2. Set up a dynamic purchasing system (DPS) or framework agreement with a number of suppliers, managed in-house and covering either both temporary and permanent recruitment, or temporary workers only, split into a number of lots to cover the most essential job categories (e.g. Social Care, Admin, Interims, Management, etc.). In essence the outcome of this option will be a list of approved suppliers/agencies, grouped into different categories (Finance, Management, Social Care, etc.) which managers can use when they need agency workers.

This option was rejected due to the lack of resources within the organisation to manage a DPS which will require daily monitoring and pre-qualifying new agencies willing to be added on the DPS. It was considered that this will be a preferred option, if the new Recruitment Specialist role proves to be effective in managing the supply of agency workers across the Council.

3. Do not procure a temporary agency staffing solutions contract and allow managers to do their own arrangements and recruit directly from agencies.

This option was rejected due to the financial and legal risks involved.

4. Recommended option

Following series of discussions with HR Specialists and Relationship Managers, it was agreed that procurement of a new managed service contract for supply of agency workers with our existing supplier (Matrix SCM), through a framework agreement that allows for direct award, covering the period from 1 February 2020 to 31st January 2021, is the best option to support the strategy proposed by the HR team.

A 1-year contract term with the current provider represents good value for money, whilst minimising disruption to business processes across the organisation and will allow time for the impact of the Recruitment Specialist Role to be understood. This approach offers a compliant method whilst we continue to review our existing arrangements and determine whether the introduction of the Recruitment Specialist role to coordinate and provide strategic overview of recruitment across the whole Council can increase 'on-contract' spend, improve 'time-to-hire' and increase compliance with procurement, employment and financial regulations. It would also maintain the benefits of a reliable database, with flexible reporting capabilities, and income from the quarterly rebate payable, subject to an agreement with Matrix SCM.

From procurement perspective, an initial contract term longer than 1 year will most likely attract more competitive proposals and secure a higher level of commitment by the supplier, however, it

may not allow for the necessary flexibility to terminate the contract or change the recruitment strategy, should the outcome of the new Recruitment Specialist impact require this.

The new contract will need to be in place by November 2019 to allow for sufficient mobilisation period, if any substantial changes to the existing arrangement are agreed and therefore the decision to start the process of a direct award must start now.

4. Approval

Please fill in the applicable fields according to the level of approval required.

Note: If Level-2 approval is required, the document should be signed by Assistant Director and Director at Level-1 first, and then presented to the Executive for final approval.

Level 1

<i>Position</i>	<i>Department</i>	<i>Signature</i>
Assistant Director		
Director		

Level 2

NOTE: Level 1 approval must be completed first.

Please state the date of the relevant Executive meeting or Individual Executive Member Decision at which the Business Case has been approved.

<i>Date of Executive meeting / approval</i>
Executive Approval

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