

PLYMOUTH CITY COUNCIL

Subject:	Temporary Agency Contract
Committee:	Cabinet
Date:	25 July 2017
Cabinet Member:	Councillor John Riley
CMT Member:	Dawn Auger, Joint Interim Director Transformation and Change and Andrew Hardingham, Joint Interim Director for Transformation and Change.
Author:	Jane Stephenson, Head of HR Business Services
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Key Decision:	Yes
Part:	Main Report – Part I Appendix – Part II(exemption 3)

Purpose of the report:

The contract for the provision of agency workers comes to an end on 30 September 2017. To ensure we have a contingent workforce to deliver Council services, a new agency worker contract must be in place from 1 October 2017.

The decision recommended is to award a new agency worker contract utilising a Framework Agreement called the 'Yorkshire Purchasing Organisation Framework for HR Services and Solutions – Lot 1'. The contract to be offered to Pertemps Network Group as a Direct Award and seeks no deterioration to the current service provision. We will also seek to improve on current rates.

This decision will give flexibility while the Council looks at their longer term requirements for agency workers.

Corporate Plan 2016-2019:

This decision supports our Corporate Plan to be pioneering. Delivering Services that are flexible working in partnership with Pertemps Network Group to deliver quality services focussed on customer needs.

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land

Purchasing from a Framework enables the Council to save costs of an expensive procurement exercise which would take approximately 6 months to complete, and would utilise resources from Procurement, HR&OD, Finance, and Legal. When the longer term resource requirements are known and the impact of the new Service Centre and/or shared services has been explored, a procurement process may become preferable if it is determined that improved rates could be negotiated at that time.

The majority of current agency spend is salary costs for agency workers. We are legally required to have pay parity with PCC employed staff after 12 weeks and we are paying the Foundation Living Wage from the first day of employment. The cost of the future contract is affected by nationally negotiated increases to Spinal Column points, and living wage increases. Other legislation can impact on the cost of the contract such as the apprenticeship levy.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety, Risk Management and Equality, Diversity and Community Cohesion:

- Pertemps mirror PCC employment policies such as the Right to Work in the UK and Disclosure and Barring checks. They also comply with our Health and Safety Policies and pay the Living Wage.
- This contract enhances our opportunity of delivering services as the workload for vacant positions can be picked up by temporary workers.
- The Council will require the incoming provider to fully support the Council in its aspiration to be at the forefront of promoting equality of opportunity as an employer of choice. The Council and the provider will jointly aim to tackle all forms of discrimination.

Recommendations & Reasons for recommended action:

Cabinet are recommended to endorse the decision to make a direct award to Pertemps Network Group via the Yorkshire Purchasing Organisation (Flexible HR Framework). The contracts will be a series of 4 rolling 12 month contracts, effective from 1 October 2017. Cabinet are asked to approve the contracts for a maximum 4 years, however it is anticipated that a procurement process will take place before that time. There will be no termination in the first 12 months of the contract and thereafter a 6 month termination clause to the effect the earliest date the contract can terminate is 31 March 2019

The contract will be for the provision of contingent labour on the basis that they are the most economically advantageous option to the Council at this time. The contract will also reduce risks to the delivery of essential services.

Alternative options considered and reasons for recommended action:

Alternatively we could allow the contract to end and procure our temporary contingency labour force on an ad-hoc, as needed basis. However the likely impact of this would be an increased cost due to our inability to negotiate costs on a council wide basis.

Background papers:

Sign off: comment must be sought from those whose area of responsibility may be affected by the decision, as follows (insert initials of Finance and Legal reps, and of HR, Corporate Property, IT and Strat. Proc. as appropriate):

Finance	AKH171 8.60	Legal	SC/278 07	HR&O D	DA-HR 05.07.20 17	Strat Procure ment	HG/SP U/448/C P/0717
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1. BACKGROUND INFORMATION

Plymouth City Council has a master vendor contract with Pertemps Network Group for the supply of temporary labour which expires on 30 September 2017. The Council is actively working to reduce agency spend to a maximum 5% of the total pay bill. It is essential that a new, cost effective contract is put in place for the future provision of agency workers.

Agency workers provide an agile, contingent temporary workforce to ensure service delivery is maintained when services are impacted by staff turnover, sickness or unforeseen circumstances.

2. CURRENT ARRANGEMENTS

The Council engaged in a contract with Pertemps Network Group (Master Vendor) in 2006. They have the same statutory compliance as the Council and mirror key PCC processes such as Disclosure and Barring Service (DBS) checking and rates of pay according to the Plymouth Book. They are responsible for safeguarding checks and an audit in 2016 found 100% compliance. Processes undertaken by Pertemps account for a significant time savings for PCC managers.

Pertemps employ 11 members of staff who work full time delivering the PCC contract. TUPE legislation would apply to members of Pertemps staff if an award was made to a different temporary labour provider.

Pertemps costs include a dedicated office in Plymouth which is considered essential as it facilitates partnership working and it is easy for candidates to undergo pre-selection procedures. Pertemps have provided a digital booking platform called PAWS and continue to invest in this functionality.

Pertemps handle all pre-appointment selection processes including skills testing and interviews, and all employment related issues such as grievances and disciplinary. This represents a significant savings in time for PCC managers.

They are the largest supplier of agency staff in the Plymouth area and have improved their 2nd tier suppliers in the last 12 months, ensuring they can provide quality senior level agency staff and interims, whilst ensuring that the margins charged to PCC are kept as competitive and low as possible.

3. FUTURE OPTIONS

3.1 COUNCIL OPERATED AND/OR SHARED SERVICES MODEL

A model was considered for the Council to operate its own Agency Service and it was identified that the set up costs outweighed the benefits therefore the concept was rejected.

The Council have now established a Transactional Service Centre and are exploring the opportunity for shared services. The length of agency contract of a minimum of 18 months with the option to extend to a maximum of 4 years prevents the Council becoming tied into a contract which it may later want to change, pending the outcome of the future delivery of transactional services.

3.2 PROCUREMENT OPTIONS

We are looking to transition with minimum cost implications. Longer term when PCC transformation programmes have completed and the opportunities for shared services are known, a full tender process can be reconsidered if it is determined that a better charging model can be negotiated at that time.

The following paragraphs explain the procurement options available to the Council.

Option A) Extend existing contract

The Council has already extended the current contract with Pertemps until September 2017 which is the maximum period allowed under the terms set out in the contract and a further extension is not permitted by OJEU.

Option B) The Council to undertake a procurement exercise or mini competition

This option was ruled out until the future of the Transactional Service Centre is known.

Option C) Direct Award against a Framework – Preferred option

The benefit of using a framework would be to avoid costly and lengthy tender processes. The two frameworks considered were:

ESPO: Eastern Shires Purchasing Organisation (MSTAR Framework)

YPO – Yorkshire Purchasing Organisation (Flexible HR Framework)

Councils can procure through the Framework organisations that have demonstrated they are the most economically beneficial. This is the preferred option as rates are pre-negotiated.

3.3 Utilising a Framework

Frameworks provide a route to market for Councils to re-establish existing services and establish a flexible approach to a wider range of temporary staffing solutions. A direct award to a provider is at the choice of the Authority as the providers are not ranked within the Framework. Frameworks include the above operating models, Master, Neutral and Hybrid.

4 SELECTING A FRAMEWORK RESOURCING MODEL

There are three resourcing models called; Master Vendor (MV), Neutral Vendor (NV), and Hybrid. This section explains those models and which models would work for PCC.

4.1 Master Vendor (MV)

In this model the MV assumes full responsibility for provision of temporary staff. The MV will either directly source candidates, and/or sub-contract to an approved supply partner. Margins and rates are agreed as part of the contract and invoices are issued by the MV. The MV is responsible for all employment legislation and pay. We currently have a MV contract in place and this is our preferred model for business continuity.

Key Advantages:

- Strategic partner
- Single point for invoicing with auditable compliance across the supply chain
- Visibility and cost control

Key Disadvantages:

- Off contract spend can be uncontrolled if the MV contract is not enforced.
- Can limit talent if the MV is not prepared to contract with supply chains, or supply chains are not prepared to negotiate with them.

4.2 Neutral Vendor (NV)

A single organisation using a technology platform. Orders are made online and cascaded to appropriate suppliers for the job category. The NV applies a fee for each hour worked or each order as set out in the contract. Invoices are issued by the NV, who manages payment onto the approved suppliers. This model has advantages, but is not considered suitable as we are looking to attract quality temporary agency workers at negotiated rates in order to control the overall spend.

Key Advantages:

- Single point of contact on PCC premises to manage the supply chain
- Clear competition can push rates down, however see below for disadvantages
- Wider scope of marketing of role may give more choice

Key Disadvantages:

- Agencies may not offer their best candidates if they can get a better commission elsewhere
- Costs may be harder to manage if managers are selecting workers at a higher charge rate
- No longer have one single point in the city recognised as the agency supplying temporary workers for PCC.

4.3 Hybrid

Core resource requirements are managed as a MV approach and specialist or harder to fill roles are managed via a NV, such as professional roles, social workers etc. Longer term this may be something we want to explore, but feedback from managers on the relationship they have built up with Pertemps indicate that they would prefer to maintain the status quo at this time and not to switch to a hybrid model.

Key Advantages:

- This utilises the best elements of both models to provide bespoke and flexible talent.

Disadvantages:

- Potential two contracts to manage and management information from different sources.

5 RISKS

The Key risks are:

- i) Risk of not having a viable alternative arrangement in place by end of current contract (September 2017) will leave the Council without a contract for the provision of agency workers. This will be mitigated by the proposals in this report and the approval to implement the recommendations.
- ii) Financial analysis is based on a comparison against 2016/17. The amount spent on the contract can fluctuate, and steps are in place to control and reduce spending in the longer term. The financial modelling does not take account of the additional costs related to the increase in PCC pay rates and the Foundation Living Wage.
- ii) The recommendation is based on securing service continuity whilst longer term options are fully explored. This should include the Shared Service Strategy.

3 LEGAL IMPLICATIONS ASSOCIATED WITH RECOMMENDATION

The Council must follow the Framework rules for call-off and will sign up to a legal agreement with the Framework Provider to enable use of the Framework and a call off contract with Pertemps Network Group, substantially in the form of the call-off agreement included as part of the Framework Agreement contract documents.

4 EQUALITIES

The Council require the Agency Contractor to fully support the Council in its aspiration to be at the forefront of promoting equality of opportunity as an employer of choice. The Council and the provider will jointly aim to tackle all forms of discrimination. See Appendix 2 for Contract Equality Impact Assessment.