

DECISION-MAKER:	CABINET COUNCIL
SUBJECT:	TEMPORARY STAFF CONTRACT
DATE OF DECISION:	20 OCTOBER 2020 (CABINET) 18 NOVEMBER 2020 (COUNCIL)
REPORT OF:	COUNCILLOR RAYMENT, CABINET MEMBER FOR CUSTOMER AND ORGANISATION

<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY	
Not applicable	
BRIEF SUMMARY	
<p>Southampton City Council has a contract in place for the supply of temporary agency staff. The Council contracted with Hays Specialist Recruitment Limited in 2016, for a maximum duration of four years. The contract was due to finish in September 2020 and because of the impact of COVID-19 the Council entered into a similar contract with Hays until 31 March 2021 using a pre-procured 'framework' to provide continuity of service.</p>	
<p>There is a need to procure a new contract for the supply of temporary agency staff. It is recommended this contract will be for a duration of three years with an option for a one year extension. Based on past trends, the current spend over the four year period is £38M, with new contract arrangement for such a potential spend requiring approval by Full Council. However, the Council aims to spend significantly less than this. This report therefore seeks approval to commence a formal procurement process and, following a tender process, to award a contract to provide temporary agency staff.</p>	
RECOMMENDATIONS:	
COUNCIL	
	<p>(i) Subject to approval of Cabinet recommendations (i) - (iii) below, to agree to the revised contract arrangements for the supply of temporary staff, which based on existing spend has incurred a cost averaging around £9.5m per annum based on current demand and use. This is for a maximum period of four years (three years initially, with an option to extend to a fourth year).</p>

CABINET		
	(i)	Subject to approval of Council recommendations (i) above, that approval is given for the procurement of a Neutral Vendor contract for the supply of temporary agency staff.
	(ii)	That authority is delegated to the Service Director Human Resources and Organisational Development to carry out a procurement process for the delivery of a Neutral Vendor contract for temporary agency staff as set out in this report, and to enter into a contract for the delivery of the service in accordance with the Contract Procedure Rules.
	(iii)	To authorise the Service Director Human Resources and Organisational Development to take all necessary actions to implement the proposals contained in this report.
REASONS FOR REPORT RECOMMENDATIONS		
1.	Southampton City Council will always have the need for some temporary staff, and in certain fields will need these staff at an hour's notice. This applies in particular to essential customer facing roles, such as those in social care and waste and recycling, as well as those roles supporting our cultural and visitor economy. The reasons for this include covering unforeseen absences such as sickness and also to fill vacancies that would lead to service failure if not backfilled prior to them being filled permanently.	
2.	The Council Recruitment team assist managers to recruit employees on a fixed-term basis if a temporary post is needed for longer than six months. The intention is for this team to fulfil temporary staff requests of less than six months in future, wherever this is achievable. However, the Council will still need to use agencies for some specialist staff, particularly because these staff often stay with specialist agencies that provide regular work across several employers as opposed to single assignments.	
3.	The recruitment of temporary agency staff must be done effectively and compliantly, and therefore the Council should seek to have a contract in place with a supplier with a flexible network of agencies to provide this service. The current arrangement terminates at the end of this Financial Year and a formal and compliant procurement process must take place in advance of this date to ensure continuity of service. Undertaking a formal procurement process will ensure the Council achieves best value for money, as well as factoring in other considerations such as local employment in line with the Social Value and Green City Procurement policy. It will also ensure compliance with Council Financial and Procurement rules.	
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED		
4.	There is no option to withdraw this service as the Council would not have all staff required to meet essential service needs and would lead to service failures, including for example, support for vulnerable persons and waste collection.	
5.	The Council has applied its Southampton City Council First (SCC First) policy and determined that the Council Recruitment team will begin recruiting temporary staff for periods of less than six months. This SCC First assessment has determined that this team will not, however, be able to source all temporary staff, as some specialists are only available via particular agencies such as those for solicitors and IT professionals.	

6.	Extending the current contract by means of a procurement exemption is not a viable alternative option as it would not be compliant with public procurement law and leaves the Council at significant risk of legal challenge.
DETAIL (Including consultation carried out)	
7.	The Council aims to minimise the need for, and the volume of temporary staff and thereby reduce spend on this. For example, Human Resources and Organisational Development will work with service managers to identify their current and future workforce needs, and then assist with attraction activity and filling posts with permanent staff wherever possible.
8.	The Council Recruitment team will in future, ensure the provision of temporary workers for general, office based and some specialist posts for periods of less than six months, as they do for fixed-term positions. Temporary staff for some frontline, specialist and/or professional roles will still need to be supplied by specific agencies though, who hold people on their "books" and provide regular work for such individuals. This will ensure that for specialist roles there is a ready provision of available workers to meet identified and hard to fill posts across the diversity of services provided by the Council.
9.	Hays Specialist Recruitment Limited have been the supplier of temporary agency staff since 2016 and the average spend per annum across the last three years for all agency staff was £9.5M. As the Managed Service Provider, Hays is a Master Vendor, meaning they have their own agency to fulfil requests for temporary staff, as well as 2 nd tier provision through other recruitment agencies. Research has been carried out to explore other options to a Master Vendor. An alternative contract type is Neutral Vendor, where the Managed Service Provider does not have their own agency.
10.	Stakeholder engagement, liaison with neighbouring Local Authorities, and cost modelling have been undertaken to help identify future options for temporary staff recruitment. All Heads of Service were asked to identify factors that should be considered prior to awarding a new contract. One example provided is to ensure that local agencies can be utilised that are available at unsociable hours, and that managers can liaise directly with them. All points raised will be taken into account in the Managed Service Provider procurement process.
11.	It has been identified that many Local Authorities who switched to having a Master Vendor from Neutral Vendor, then moved back to a Neutral Vendor model. Reasons given for this include overall it being more expensive and managers felt like an "us & them" way of working.
12.	Portsmouth City Council recently entered in to a 2 nd contract with a Neutral Vendor provider. The rationale behind this decision was that this model had achieved 8.5% savings, efficiencies, and 97% of spend going through the contract, which in recent months has moved to 100%. Feedback from service managers had also been good.
13.	Portsmouth City Council's own recruitment team are a 1 st tier supplier within their contract for all un-qualified roles (not social care) and these are used in the first instance, thereby saving money. This is the approach Southampton City Council intend to take.
14.	The contract with Hays for temporary agency staff was due to finish September 2020. At that time of initial COVID-19 lockdown, the Council was

	in the process of determining procurement options, but this work was delayed as a direct result of diverting resources to deal with the pandemic-related matters. As a temporary measure, a new contract was awarded to Hays using the ESPO MSTAR3 framework to ensure consistency in service and compliance. The contract terms broadly replicate those in place for the previous four years.
15.	This contract expires at the end of the current Financial Year. There is therefore a need to undertake formal procurement for a new single supplier for the supply of temporary agency staff. This will enable delivery of a competitive and high quality service. In turn, this will support the Council's priority outcome of Successful, Sustainable Business.
16.	It is proposed to seek a three year contract with an option to extend by a fourth year via the ESPO MSTAR3 framework. This is in line with industry standards and will enable consistency of service during that period.
17.	The MSTAR3 framework is available to use from April 2019 to April 2021 with a further two year extension period. This framework is fully compliant with public procurement law. Service providers have already been assessed and this framework is widely used by the public sector across the country. The framework is now in its third generation and is more flexible than ever.
18.	The MSTAR3 framework contract terms require standard timeframes to be met for the provision of suitably qualified and experienced temporary agency workers. The Council will be able to agree more localised targets where needed, for example to ensure immediate cover for waste and recycling drivers, and will seek to introduce measures and requirements consistent with the Social Value and Green City Procurement Policy. Performance will be monitored against the specified timeframes and requirements.

RESOURCE IMPLICATIONS

Capital/Revenue

19.	The average spend per annum across the last three years for temporary agency staff was £9.5M, so total spend over 4 years on that trend could be around £38M. Comparing MSTAR3 prices, based on actual Council billable hours in the 12 months before the COVID-19 pandemic, has shown that savings can be made of up to approximately £200K per year by moving to a Neutral Vendor. This is considerably more than the current £20K per annum saving target. Savings in the main are due to reduced agency and Master Vendor fees. Additional savings should be made from minimising off-contract spend too. It should be noted that the Council is not committed to minimum levels of expenditure or usage of the contract. The Council also aims to minimise the need for temporary staff, so future spend should be less.
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Property/Other

20.	There are no known property or other implications.
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LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

21.	S.112 Local Government Act 1972 permits a Local Authority to appoint such staff as it thinks fit in order to deliver its functions. S.111 Local Government Act 1972 and S.1 Localism Act 2011 permits a Council to do anything calculated to facilitate the delivery of its powers, functions and duties and this includes entering into contracts and service arrangements necessary to deliver those functions.
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Other Legal Implications:	
22.	Procurement will be subject to compliance with public procurement legislation and the Council's Constitution and policies.
RISK MANAGEMENT IMPLICATIONS	
23.	The main risks of the temporary agency staff contract are financial and operational, in terms of the levels of demand for temporary staff and off-contract spend and to stop service failure. Recruitment will work with the Human Resources Business Partners and service managers to identify their current and future workforce needs, and then assist with attraction activity and filling posts with permanent staff wherever possible. This should reduce the overall need for agency staff.
24.	The Council will ensure that spend is channelled through the contract through effective contract management and support to hiring managers. The Head of Organisational Development, who is now responsible for Recruitment, and the Head of Supplier Management and their teams are already working together in this regard. Regular meetings are being jointly held with the service provider, spend is being monitored and investigated, and both Recruitment and the service provider will proactively liaise with hiring managers. Through this activity it is aimed to achieve close to 100% on-contract spend, as Portsmouth City Council did in the first few years of their Neutral Vendor contract.
POLICY FRAMEWORK IMPLICATIONS	
25.	Procurement of a new temporary agency staff contract will have no direct impact on the Council's Policy Framework. However, it will support delivery of the Council's priority outcome of Successful, Sustainable Business in the Council's Corporate Plan 2020-2025.

KEY DECISION?	Yes (Cabinet element)
WARDS/COMMUNITIES AFFECTED:	Not applicable
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	None

Documents In Members' Rooms

1.	None
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Equality Impact Assessment

Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	YES
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Data Protection Impact Assessment

Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.	Yes
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Other Background Documents

Other Background documents available for inspection at:

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	