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Meeting	Cabinet Resources Committee
Date	2 March 2011
<b>Subject</b>	<b>Extension of Agency Staff Contract</b>
Report of	Cabinet Member for Resources and Performance
Summary	To extend the existing Agency Staff Contract for a period of one year beyond 2 April 2011.

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Officer Contributors	Martyn Carter, Procurement Manager (Commercial Services) Julia Gallaway, Contracts Manager (Commercial Services)
Status (public or exempt)	Public
Wards affected	All
Enclosures	None
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

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## **1. RECOMMENDATIONS**

- 1.1 That the Commercial Services Director be authorised to extend the current Contract for the supply of Temporary Agency Staff held by Hays Resource Management for a period of twelve months from 2 April 2011 to 31 March 2012.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 Cabinet Resources Committee, 25 February 2008 (Decision item 5) – approved the award of contract to Hays Specialist Recruitment Limited for the supply of Neutral Vendor Services for the provision of a managed agency temporary desk and the supply of temporary workers for the period 25 February 2008 to 2 April 2011 with an option to extend for a period of up to two years.

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 The current contract for the Council's Agency Staff requirements forms part of the London Contracts Supplies Group's (LCSG) Framework Agreement with Hays Resource Management. The LCSG is the London Boroughs Buying Consortium made up of the 33 London Boroughs. There are advantages to joining LCSG Frameworks given the resulting economies of scale and avoidance of duplication and cost in terms of procurement.
- 3.2 Being part of a Consortium allows the Council to obtain more competitive rates and share savings based on the Suppliers aggregate turnover which generally increases under such Framework arrangements. Continued membership of the Consortium would allow the Council to benefit from volume discounts.
- 3.3 The Corporate Plan 2010-2013 includes the priority of 'Better services with less money' with some of its key strategic objectives to 'explore new ways of bundling and commissioning services to generate better outcomes for less money'. The Plan's objectives can be achieved by creating the circumstances detailed at 3.1 and 3.2 above.

## **4. RISK MANAGEMENT ISSUES**

- 4.1 The continuation of the Framework arrangement would involve the ongoing use of a centralised agency temp desk, allowing the Council to monitor and control its use of temporary workers. This also enables better control of temporary staff costs and visibility to reduce expenditure and improve performance from suppliers.
- 4.2 Additionally, continuation of the contract allows the Council to transfer certain contractual risks associated with the alternative of managing a number of different Agencies.

## **5. EQUALITIES AND DIVERSITY ISSUES**

- 5.1 The current suppliers for Agency Staff have systems in place to ensure the continuous monitoring of equalities and diversity issues. For example, all employment agencies under this arrangement include a specific question on every application form requesting details of each applicant's ethnic origin. This information is held for monitoring purposes.

## **6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)**

- 6.1 The Council's expenditure is reported monthly by Hays, enabling the Council to track spend by Service Area and by Cost Centre. Agency Staff spend for the 2009 -10 financial year was £11,679,000.30. Expenditure for the 2010 – 11 year to date is £7,556,796.34 with the reduction due to a reduction on temporary staff recruitment following budget pressures.
- 6.2 The invoicing and charging mechanism is set up in order to create savings. Supplier mark-ups are pegged to a maximum of 20%, whereas pre-contract agencies prior to April 2008 could charge up to 35% in some cases. The most recent report from Hays detailed savings of £14,796.64 for January 2011 based on a temporary worker population of 337. The total spend on Agency Staff for January 2011 was £607,042.84.
- 6.3 Efficiencies are also achieved by the Hays provision of a 'One Stop Shop' This involves Council employees making one telephone call to the Hays team or inputting details logged on to the Workflow system. Hays also arrange interviews and associated administration. These time consuming tasks were previously undertaken by Barnet Council recruiting managers. Ongoing savings were also achieved in October 2010 by deleting the Temp Agency Administration post that was based in the Corporate Procurement Team. These duties were transferred to Hays, saving the Council £32,000 per year.
- 6.4 Hays also add value by providing the following:
- ❖ ensuring that candidates have Criminal Records Bureau checks where required;
  - ❖ validation of references;
  - ❖ free advice on employment law;
  - ❖ benchmarking pay rates i.e. compares Barnet rates pay rates with other boroughs;
  - ❖ six monthly auditing of all supplying agencies;
  - ❖ management information showing more detailed information on the Agency activities such as , population trend, population data and timelag data; and
  - ❖ provision of monthly savings reports.

6.5 Given the Council's budgetary pressures, discussions were recently held between Corporate Procurement and Hays senior management in order to seek further savings in the event of contract extension. In response, Hays have provisionally agreed to percentage reductions on their mark-ups for the various types of temporary workers. This will be subject to approval by the Hays Board shortly. Once agreed, financial modelling will be applied in order to estimate cash savings for the next financial year. These estimates will be reported during the Cabinet Resources Committee meeting on 2<sup>nd</sup> March. The table below details the percentage reduction proposals.

<b>Specialism</b>	<b>Current % Mark Ups</b>	<b>New proposed rates</b>
<b>Care</b>		
Non Qual	20.00%	15.00%
Qual	20.00%	17%
<b>General</b>		
Admin	12.00%	No change
Non Office	16.00%	14%
Non Office - Refuse	16.00%	14%
Non Office - Transport	16.00%	14%
Management	17.00%	14%
<b>Prof Tech</b>		
Engineer	17.00%	14%
Finance	17.00%	14%
Housing	17.00%	14%
HR	17.00%	14%
IT	17.00%	14%
Legal	17.00%	14%
Procurement	17.00%	14%

## **7. LEGAL ISSUES**

7.1 None except any referred to within the main body of this Report.

## **8. CONSTITUTIONAL POWERS**

8.1 The Council's constitution in Part 3, Responsibility for Functions, paragraph 3.6 states the functions of the Cabinet Resources Committee including agreeing exceptions to standing orders.

8.2 The Council's Contract Procedure Rules in Paragraph 5.6.2 states the acceptance parameters for Contract Extensions.

- 8.3 The Council's Contract Procedure Rules in Table 5-2 states the Acceptance thresholds for contract extensions and variations. It states that for contract extensions greater than £156,442 authority must be sought from Cabinet Committee.

## **9. BACKGROUND INFORMATION**

- 9.1 In April 2006 the LCSG Framework contract was awarded to Hays Resource Management (HRM) for the neutral supply of temporary and permanent staff. The contract was awarded for a period of 5 years with an option to extend for 2 further periods of 1 year. The original five year period will be completed in March 2011. The Council joined the contract in April 2008 by signing an access agreement with the LCSG.
- 9.2 **The Model** – The neutral vendor model means that access to Council vacancies is not dominated by one large supplier. There are currently 104 suppliers signed up under the Hays contract – 71% of these are small to medium enterprises. There is a tiering system in place which means that on a quarterly basis, the performance of each agency is reviewed against an objective scorecard resulting in the agency being promoted / demoted between the tiers. Thus opportunities for agencies to potentially fill Council vacancies are based on performance and ability to supply quality staff and service.
- 9.3 Haringey Council lead the LCSG Framework for Agency Staff. Officers from the Council's Corporate Procurement Team attended a meeting convened by Haringey on 19 January 2011 along with a number of other London Boroughs. The issues regarding contract extension were discussed and it was agreed that each participating Borough to the Framework would seek committee approval for extension of contract.

## **10. LIST OF BACKGROUND PAPERS**

- 10.1 None.

Legal – JMck  
CFO – JH/MC