



CABINET

9 NOVEMBER 2016

LGSS MANAGING DIRECTOR: JOHN KANE

CABINET MEMBER WITH RESPONSIBILITY FOR FINANCE: COUNCILLOR ROBIN BROWN

Subject:	Proposed future arrangements for the supply of temporary agency workers.
Recommendations:	<p>That Cabinet:</p> <ol style="list-style-type: none"> 1. Agrees that delegated authority be given to the LGSS Managing Director, in consultation with the Cabinet Member for Finance and the Chief Finance Officer to negotiate a longer term agreement with Suffolk County Council (via Opus People Solutions) whereby NCC and potentially other LGSS partners join a new publically owned Joint Venture Company to provide temporary agency workers into NCC. These arrangements would apply from the end of the current contract arrangements with Guidant that are due to expire on 31 July 2017. 2. Agrees that delegated authority be given to the LGSS Managing Director, in consultation with Cabinet Member for Finance and the Chief Finance Officer to negotiate and execute all the necessary documents to set up all the joint arrangements and appropriate company structures with Opus People Solutions including procuring and setting up an extended supply chain to ensure the continuity of supply of agency workers in the future. 3. Agrees that delegated authority be given to the LGSS Managing Director, in consultation with the Cabinet Member for Finance and Chief Finance Officer to extend the existing contract arrangements for a further period of up to 2 months in the event of an unforeseen delay in the implementation of the new proposed arrangements.

1. Purpose of Report

In May 2016 Cabinet delegated authority to the LGSS Managing Director to further pursue the option of LGSS on behalf of NCC and potentially other partners creating an Agency Company to provide agency resources to NCC in the future. The purpose of this report is to seek approval from Cabinet for LGSS on behalf of its owning Councils (NCC, Cambridgeshire County Council and Milton Keynes Council) to form a joint venture company with Opus People Solutions (who are owned by Suffolk County Council).

2. How this decision contributes to the Council Plan

The Council’s vision is to make Northamptonshire a great place to live and work. This is achieved through increasing the wellbeing of your county’s communities and/or

safeguarding the county's communities.

This initiative specifically delivers increased wellbeing and/or safeguarding by ensuring that:

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| <ul style="list-style-type: none">• Resources are utilised effectively and efficiently, in coordination with partners and providers. |
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3. Background

3.1 Current Service

- 3.1.1 Agency workers are currently provided by Guidant, who as a Managed Service Provider, secure agency resources from a wide range of agency companies that they manage on our behalf. This contract expires on the 31st of July 2017, although a further extension option is available within the current contract.
- 3.1.2 This contract was extended to the 31st of July 2017 following Cabinet approval in May 2016 and this extension provided benefits from the economies of scale of being with the same supplier as other LGSS Partners and has delivered savings to NCC compared to the previous standalone contract arrangements.
- 3.1.3 During the last financial year 2015/16 NCC spent in the region of £28m on agency resource with the main area being children's social workers. The Council have plans in place to reduce the use of agency resources in the Children's Service in particular and whilst it is not possible to forecast exactly how much agency spend will reduce across the organisation as a whole, a reduction of at least 50% is forecast by financial year 2017/18. There will be a need for a continued focus to further reduce the dependency and usage of agency resources through improved targeted recruitment and retention strategies as well wider workforce planning interventions.
- 3.1.4 The cost of agency resources is made up of two main elements, the pay to the individual, which represents approximately 85% of the cost, with the remaining 15% being the supply chain costs paid as a fee/margin to the supplier providing the agency resource. This paper focuses primarily on the options to reduce the 15% of supply chain costs that equate to circa £150,000 of every £1m of agency spend. It should be noted that the £150,000 supply chain costs cover the staffing, system, overheads and profits of both Guidant as the Managed Service Provider and the agencies within the wider supply chain.
- 3.1.5 LGSS Human Resources will continue supporting NCC to exploit further opportunities to reduce their reliance on agency workers i.e. the 85% of the cost incurred through improving targeted recruitment and retention strategies and wider workforce planning interventions.

3.2 Proposal for future service provision

- 3.2.1 In May 2016 Cabinet delegated authority to the LGSS Managing Director to further pursue the option of LGSS on behalf of NCC and potentially other partners creating an Agency Company to provide agency resources to NCC.

- 3.2.2 Since then LGSS have undertaken a review with other LGSS Partner Councils and Suffolk County Council/Opus People Solutions as well as other Councils who have created their own Agency companies. This review concluded that other Councils including Suffolk County Council, Kent County Council and Wolverhampton City Council had all benefited from creating their own agency companies both in terms of delivering financial savings but also by achieving greater control over securing agency workers.
- 3.2.3 LGSS have entered into discussions with Opus People Solutions (Opus) on the feasibility of building on their successful model in Suffolk and creating a new company jointly owned by Opus People Solutions and LGSS on behalf of its owning Councils who wish to secure agency resources via this model in the future.
- 3.2.4 The attraction of working in partnership with an established Council owned Agency Company include:
- The costs to set up and operate the company are lower than would be the case if NCC did in isolation and will benefit from established processes and systems.
 - The size of the Agency Company covering several Councils will make the Company more attractive for agency resources to sign up to as there will be more placement opportunities.
 - Opus now directly provide c50% of the agency demand into Suffolk County Council with the balance coming from an established extended supply chain of agency providers
- 3.2.5 Cambridgeshire County Council have already made a commitment to participate and will implement the new arrangements from January 2017 and a review is underway within Milton Keynes Council. The commitment from Cambridgeshire County Council has enabled the initial work on the creation of the company to proceed with support from LGSS Law. The proposal includes a “sharing in growth” model that allows for other LGSS owning Councils to participate. The LGSS share of ownership in the new company will increase to 40% in the event that NCC decide to participate, this share will increase to 48% should a third LGSS Partner join at a later date. LGSS on behalf of its owning Councils will also have equal representation on the Board of the new Company
- 3.2.6 The proposal is based on achieving three primary objectives:
- Objective 1 - To provide financial savings by reducing the supply chain costs associated with securing agency workers;
 - Objective 2 - To have greater influence over the wider issues including the quality and pay of agency workers in specific categories such as social workers as well as to support the overall workforce strategy;
 - Objective 3 - To ensure continuity of supply of agency workers, who are often required at short notice in key roles.

The new arrangements will support the 1st objective of reducing the supply chain costs associated with securing agency resources and NCC will benefit as outlined in section 7 below. In addition to the direct savings on supply chain costs NCC will also potentially benefit from any surpluses that may be paid as dividends by the new company that will be distributed based on the shareholding.

The new arrangements will support the 2nd objective of having a greater influence over some of the wider issues associated with securing quality agency resources by being a part owner of the company responsible for securing and providing agency resources. The new company is only likely to employ a small number of staff with the proposal that two recruitment specialists are based in Northampton to ensure the anticipated benefits are delivered.

In relation to the 3rd objective approximately 90% of NCC's current extended agency supply chain via Guidant are already signed up by Opus for supply into Suffolk County Council so the risks to continuity of supply is low.

3.2.7 The new Agency Company will aim to sign up agency workers who will be available for placements in NCC and other participating Councils. Whilst it is planned to gradually increase the % of agency workers secured directly LGSS will also need to procure an extended supply chain of external agencies who will provide agency workers the new Agency Company is not able to provide directly.

4. Consultation and Scrutiny

The proposal has been consulted on with NCC Group Board as well as with key users of agency resources across the Council.

5. Equality Screening

Reason that no EqlA is required	as appropriate
The paper is for information only	
The proposal/activity/decision has no impact on customers or the service they receive	
The proposal impacts upon staff but the proposed staffing changes will not affect the service that customers receive*	
Other (please explain further)	The previous arrangements for the provision of agency resources were subject to an initial Equalities Impact assessment and the new proposed arrangements do not alter the conclusion reached in that assessment

6. Alternative Options Considered

The other main options considered included:

6.1 Option 1 - To create our own agency company without the involvement of any other public sector partners. This option was rejected as it would not benefit from the wider economies of scale of working with other partners, nor benefit from the experience already gained and would expose NCC to the full costs of creating the company and the risks associated with changing demand.

- 6.2 Option 2 - Extend the existing arrangements with Guidant for the full extension period available of up to 2 years. This option was discounted as it would be unlikely to deliver any further significant savings or meet all of the objectives detailed in section 3.2.6 above.
- 6.3 Option 3 Undertake a new Procurement to secure a new provider, this option was considered but was discounted due to it being unlikely to meet all 3 objectives outlined in section 3.2.6 above.

7. Financial Implications

7.1 The total costs associated with agency workers are driven by the number of agency resources used that will vary year by year but for comparison purposes an average annual spend of £14m has been used with the supply chain costs making up c£2m of this £14m total. The £2m supply chain costs relate to the payment to Guidant as the Managed Service Provider agency and the mark up (margin) paid to the supplying agencies to cover their costs and profit. The proposal seeks to directly reduce the supply chain costs associated with securing agency resources by a greater proportion of agency workers being supplied by the new company at a lower margin than what is paid today. By 2018/19, based on the above assumptions, it is estimated the supply chain costs (additional margin paid) will reduce from £2m to £1.6m with the opportunity for further savings in future years as a greater proportion of agency workers are provided by the new company. The proposal will also increase the influence the Council has over the pay to individual agency workers although no direct savings can be guaranteed as the pay to individual agency workers is driven by supply and demand and permanent staff pay policy.

7.2 Other initiatives including improving the recruitment and retention of permanent staff and greater control over the use of agency resources are likely to reduce the actual total spend further but these initiatives have been excluded from the financial analysis below:

	Forecast under current contract model	Forecast under new arrangements		
	2017/18	2017/18	2018/19	2019 & beyond
	£000	£000	£000	£000
On-going costs (revenue)				
One off costs associated with implementing the new arrangements		15		
Total Agency Pay Costs to the individual agency workers including NI and other Statutory Payments. It is unlikely that there will be any material reduction in these costs as they are driven by supply and demand and	12,000*	12,000	12,000	12,000

	Forecast under current contract model	Forecast under new arrangements		
	2017/18	2017/18	2018/19	2019 & beyond
	£000	£000	£000	£000
permanent pay rates				
Total Supply Chain costs associated with securing the above agency workers.	2,000*	1,885	1,600	1,500
Total on-going costs (revenue)	14,000	13,900	13,600	13,500
Funded by	One off costs funded by LGSS. All on-going agency costs funded by existing budgets in NCC.			

*As the proposal is not due to be implemented until August 2017 the anticipated future spend in 2017/18 under the current contract model has been used to compare against the forecast costs under the new arrangements

What benefits will the proposal deliver?	<ul style="list-style-type: none"> • The proposal will directly reduce the costs of securing agency resources by reducing the add on margin charged for each agency worker. • The proposal provides NCC greater influence and control over agency pay rates that make up the majority of the costs. • The proposal provides the opportunity to share in any surpluses generated by the new company over operating costs • The actual value of savings delivered as a result of this proposal will vary depending on the volume of agency resources used
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8. Risk and Business Continuity Management

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
That the revised arrangements with Opus LGSS do not secure the level of direct savings anticipated.	The projected savings have been based on the experience in Suffolk County Council who also switched from using Guidant to using Opus. The additional economies of scale secured via participation by 3 Local Authorities will also mitigate the risk of the projected saving not being achieved	Green
That the revised arrangements will impact the continuity of supply of agency resources that	The model is based on Opus directly signing up agency resources as well as using an	Green

Risk	Mitigation	Residual Risk
are often require at short notice	extended supply chain to provide resources they cannot provide themselves. Approximately 90% of the agency suppliers currently used by NCC are already signed up by Opus for use in Suffolk County Council	

b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
If the new arrangements are not put in place the Council's contract for provision of temporary agency resources would lapse and agency resources would need to be secured on an ad-hoc basis direct with recruitment agencies potentially at higher rates. The Council would also face increased costs in managing multiple contract arrangements and providing information for transparency purposes.	Red

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Background Papers:	NO
Does the report propose a key decision is taken?	YES
If yes, is the decision in the Forward Plan?	YES
Does the report include delegated decisions? If so, please outline the timetable here	YES, will require new arrangements to be put in place by August 2017
Is this report proposing an amendment to the budget and/or policy framework?	NO
Have the financial implications been cleared by the Strategic Finance Manager (SFM)? Have any capital spend implications been cleared by the Capital Investment Board (CIB)	YES Name of SFM: Rosemary Pallot N/A
Has the report been cleared by the relevant Director?	YES Name of Director: John Kane
Has the relevant Cabinet Member been consulted?	YES Cabinet Member: Councillor Robin Brown
Has the relevant scrutiny committee been consulted?	NO Scrutiny Committee:
Has the report been cleared by Legal Services?	YES Name of solicitor: Laurie Gould
	Solicitor's comments:
Have any communications issues been cleared by Communications and Marketing?	YES Name of officer: Simon Deacon
Have any property issues been cleared by Property and Asset Management?	N/A
Are there any community safety implications?	NO
Are there any environmental implications:	NO
Are there any Health & Safety Implications:	NO
Are there any Human Resources Implications:	No, but the approach has been reviewed with and agreed with the LGSS Director of HR.
Are there any human rights implications:	NO
Constituency Interest:	N/A