

Report for: Cabinet – 10 November 2020

Title: Future Approach to Council Recruitment

Report authorised by: Richard Grice, Director of Customers, Transformation & Resources.

Lead Officer: Dan Paul, Chief People Officer

Ward(s) affected: All

Report for Key/

Non-Key Decision: Key decision

1. Describe the issue under consideration

- 1.1. This report sets out the future approach to council recruitment following the end of the current contract with Hays in 2021. The new approach will focus on providing more employment opportunities for Haringey residents, reducing reliance on recruitment agencies to source staff and achieving value for money.
- 1.2. It seeks Cabinet approval under Contract Standing Orders (CSO) 7.01 (b) (selecting one or more contractors from a Framework) and 9.07.1(d) (Contracts valued at over £500k may only be awarded by Cabinet) to award a contract for the provision of Temporary Agency Workers.
- 1.3. This contract will provide greater value for the Council through the procurement of a new supplier based on a 'Neutral Vendor model'. It will allow the Council to achieve the objectives of being less reliant on agencies for recruitment and creating more employment opportunities for Haringey residents. In addition, it will generate cost savings for the Council of approximately £800k per year.
- 1.4. This contract would be for a period of 4 years with a total estimated maximum contract value of £108,000,000, inclusive of all salaries paid to Council temporary staff and fees. The estimated value is based on the Council's average spend of £27million per annum on agency staff over the last three full financial years.

2. Cabinet Member Introduction

- 2.1 While the Council will always seek to reduce its reliance on agency staff, there is a continuing requirement for short term specialist workers to undertake specific pieces of work, where the appointment of a permanent member of staff is neither cost efficient or available, or where there are gaps due to skills shortages. Therefore, the Council needs to ensure that it can acquire the right skills serve our residents.

- 2.2 Hays has been the Council's supplier of agency temporary workers since 2006. On the 16 December 2016 Cabinet approved a contract with Hays to act as a Managed Service provider for recruitment to both permanent positions and temporary agency roles. This contract commenced on 22 July 2017. The Managed Service Provider model (Master Vendor) offers the service through the provision of agency workers from their [Hays] own pool of temporary staff in the first instance. Only where this is not possible does the Master Vendor use their resources to source workers from alternative agencies on their framework of suppliers.
- 2.3 The Hays contract for recruitment to permanent and temporary worker roles ends on 21 July 2021. Permanent recruitment is being brought in-house and will be delivered by the Council's enhanced Human Resources team. Permanent recruitment will be brought in-house on 1 April 2021.
- 2.4 The Council has three key objectives that it aims to achieve when considering future options for recruiting temporary staff going forward. These are:
- Increasing the number of Haringey residents able to benefit from employment opportunities at the Council – in line with our approach to Community Wealth Building.
 - Reducing the amount public money spent via recruitment agencies by building our own capacity to recruit temporary staff directly including via Haringey Works.
 - Ensure value for money for the Council in all our recruitment activity.
- 2.5 It is considered that moving to a 'Neutral Vendor' supplier contract will support the delivery of these policy objectives.
- 2.6 A Neutral Vendor supplier provides temporary staff via a framework of agencies (with no primary provider) and via a talent pool. This creates far more flexibility than the Master Vendor model and means that the Council, through Haringey Works, can be the supplier for appropriate vacancies. Vacancies that cannot be filled in this way will be sent out via the contractor's supply chain.
- 2.7 We will work with the new supplier to negotiate with the Haringey Employment Forum and local employment agencies to bring them into the supply chain of this new contract (where they meet the price and quality criteria to be considered), and we will track the proportion of our new workers who live locally with the explicit goal of growing this percentage over time.
- 2.8 In general, such suppliers have access to a greater number of agencies at competitive rates creating efficiency and cost savings for the Council. Estimated cost savings based on current spend is £800k per year.

Growing our local workforce and reducing reliance on recruitment agencies

- 2.9 We will re-invest a proportion of the savings achieved through the new contract arrangements in building capacity in our Haringey Works team. This team will act as the "first line" supplier for vacancies. Our own internal team will be given a

short exclusive period of time in which to field candidates for any temporary roles before the roles go out to the wider supply chain. Any successful candidates supplied by the Council are processed by the neutral vendor as a referral from the Council and we do not pay a margin to the supplier, simply a small payroll fee.

As permanent roles come up within the Council, the increasing number of local workers in temporary roles will be in a better position to successfully apply for them as they will already work in a Council service and have knowledge of the organisation.

As result of the insource of permanent recruitment into the council, in 2021/22 we will have the technology to develop a local 'talent pool' of our own. We will use this to ensure that local people have the opportunity to express an interest in working for the Council in both permanent and temporary roles. For appropriate vacancies, we will require that the talent pool be searched first for candidates as part of the recruitment process.

- 2.10 We will look to substantially increase the number of local people working with the council as temporary workers over the period of the contract and to reduce the use of the agency supply chain. Currently we have around 550 agency workers (c.500 FTE) so we cannot expect to fill all of these posts with directly sourced local workers immediately. We would expect however to have made meaningful progress on this by the end of the contract. The proposed contract does not require us to make a volume commitment – including no minimum spend - and so the council is free to source as many vacancies locally as we can.
- 2.11 It should be noted that with any temporary recruitment contact the vast majority of the contract value is paid in salaries to the recruited workers – who are paid via the agency. The fee to the agency for recruitment services is a far smaller proportion of contract value.
- 2.12 Therefore, the expectation will be that an increasing proportion of this contract value will be salaries for local workers as a result of the alternative recruitment strategies and approaches that will form a larger part of the recruitment mix over time.

3. Recommendations

- 3.1 That Cabinet approves the strategy to build the capability of Haringey Works to become a major supplier of candidates for temporary and permanent roles at the Council, through the creation of a talent pool, as set out in paragraphs 6.4 to 6.6.
- 3.2 That Cabinet approves that the Council works with the Haringey Employment Forum and local employment agencies to bring them into the supply chain of the new contract as set out in paragraph 6.7.
- 3.3 That Cabinet approves, in accordance with Contract Standing Orders 7.01 (b) (selecting one or more contractors from a Framework) and 9.07.1(d), the award of a contract for the provision of Temporary Agency Workers for a period of 4 years up to a contract value of £108,000,000 to the organisation identified as

Option 1 in the exempt part of this report. This sum is inclusive of all salaries paid to Council temporary staff and fees.

4. Reasons for decision

- 4.1 The Council's current contract expires in July 2021 and a procurement process has been undertaken to ensure a new contract can be placed that meets the Council's current requirements
- 4.2 The new contract will allow the Council to realise savings estimated at around £3,200,000 over the 4-year period of the contact based on current agency worker usage.
- 4.3 The new contract will enable the Council to build in-house temporary recruitment capability in a manageable way, focused on recruitment of local people and giving them priority access to opportunities.

5. Alternative Options Considered.

5.1 Do Nothing

This option was discounted as it would result in the Council having to go to the open market on each requirement to fill temporary positions with the risk of incurring higher fees and greater risk of the position not being filled.

5.2 Extend the existing contract

The existing contract could be extended for a further year. However, this course of action would not allow the Council to realise the savings in the outline business case

5.3 Undertake a full OJEU procurement

The option to undertake a full EU tender had been considered. However, it was deemed that the level of Authority's resources and time required to complete an EU tender process was not justified when a suitable EU compliant Framework Agreements was available.

In addition, accessing the service through the MSTAR3 London Collaboration Further Competition to which Haringey is a signatory allows the Council to take advantage the competitive pricing achieved by collaborating with 12 other London Boroughs.

5.4 Not award a contract and source all of our own agency workers individually

This option was considered as part of the Council's Insourcing Policy. However, the Council's agency spend is substantial and the workers we require are across many and varied disciplines. It is therefore necessary to have a large

supply chain and we could not efficiently replicate the service that can be provided by a neutral vendor. Further, the economies of scale from using a neutral vendor means that costs are much lower in terms of agency margin than if we did not award a contract and sourced workers individually. This is evidenced by the fact that simply changing from the current master vendor to a neutral vendor proposition saves £800,000, and the current Hays master vendor contract has significantly more economies of scale and purchasing power than the Council acting alone can command. The administration, visibility, financial control and reporting of spend would also not be available were we not to appoint a contractor.

- 5.5 As well as costs, there are also operational reasons why this option was discounted. A neutral vendor arrangement means that the Council has access to a broad network of agencies that have specialisms and recruitment professionals in the respective sectors, and candidates that can work for a large number of different companies. It would not be possible to replicate this as an in house model would only be sourcing workers for the Council and is therefore less attractive for workers to sign up to, as we will not have the range and constant flow of vacancies that agencies have. However, the development of a local talent pool will mean that local people will have a way to express their interest in working for the Council, and candidates in this talent pool will be accessed by Haringey Works and considered for vacancies before the vacancy is sent to a wider supply chain by the contractor.
- 5.6 The development of in-house Haringey Works capability aims to enable the Council to grow its own ability to source a proportion of our temporary staff requirements in the future, potentially building a stronger in-house capability by the time the MSTAR3 contract ends.

6. Background information

- 6.1 The business case to explore alternative suppliers of agency workers arose during the In Sourcing Permanent Recruitment project when opportunities to make additional savings were identified.
- 6.2 The comparison between current costs and those that could be achieved through using both a different supplier and business model suggested that considerable year on year savings could be achieved.
- 6.3 The current arrangements with Hays provide under the Framework Agreement from which the contract was called off that at the end of the contract all temporary staff working on assignments with the council will transfer to the new service provider. The transfer process is typical of the arrangements at the end of this type of contract and this ensures continuity of service to the council and that individuals are not treated less favourably by temporary staffing agencies for future assignments. Since the Council's contract with Hays will come to an end on 21/07/2020 and the contract with the new provider will come into effect on 22/07/2020 the implication to an individual wishing not to transfer to the new provider is that the individual's contract will also come to an end since an individual's temporary contract with the council is based on the Council's contract

with Hays. The only way the individual's contract with the Council can be protected is by transferring to the new provider.

- 6.4 The Council will re-invest a proportion of the savings achieved through the new contract arrangements in building capacity in the Haringey Works service. This team will act as the first line supplier for vacancies and be given a short exclusive period of time in which to field candidates for any temporary roles before the roles go out to the wider supply chain. Any successful candidates supplied by the Council will be processed by the neutral vendor as a referral from the Council, so the Council will not pay a margin to the supplier in these cases, simply a small payroll fee.
- 6.5 As permanent roles come up within the Council, the increasing number of local workers in temporary roles will be in a better position to successfully apply for them as they will already work in a Council service and have knowledge of the organisation.
- 6.6 As result of the insource of permanent recruitment into the council, in 2021/22 the Council will have the technology to develop a local 'talent pool' that will be used to ensure that local people have the opportunity to express an interest in working for the Council in both permanent and temporary roles. For appropriate vacancies, the Council will require that the talent pool be searched first for candidates as part of the recruitment process. Talent pools take time to develop and will not be able to supply all the skills required for all temporary opportunities. The Council expects that the pool will supply specific skill sets at first, before broadening its reach over time.
- 6.7 In order to further increase opportunities for local people, the Council will work with the new supplier to negotiate with the Haringey Employment Forum and local employment agencies to bring them into the supply chain of the new contract (where they meet the price and quality criteria to be considered). The Council will track the proportion of our new workers who live locally with the explicit goal of growing this percentage over time.

6.8 Procurement Process

The new Contract is procured via the EU compliant MSTAR3 framework via the London Collaboration Further Competition in which the London Borough of Haringey were named as an approved user in the OJEU Contract Notice.

The complete breakdown of the yearly cost and projected savings is available in Part B: Exempt report, Table 1.

7. Contribution to strategic outcomes

The procurement of a new supplier of agency workers will contribute to both the achievement of all the Council's strategic objectives and cost savings.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Comments on behalf of the Director for Finance:

- 8.1 The Council has spent an average of £27million per annum on agency staff over the last three full financial years. This includes both the direct staffing cost and the agency fee. The cost of this four-year contract award is therefore projected to be in the region of £108 million.
- 8.2 As a significant budget head it is imperative that the Council considers delivery options for agency staffing that provide value for money as well as contributing ongoing savings that underpin the upcoming MTFS. Moving from a Master Vendor model to a Neutral Vendor model provides that opportunity.
- 8.3 The size of the saving will depend on the level of agency usage, however a detailed comparison of costs for those agency staff employed by the Council in February 2020 identified that the new contract can reasonably be expected to generate savings of £800,000 per annum. A proportion of these savings estimated at £180,000 per annum will be required to cover both the contract management costs as well as the additional resourcing capacity being put into Haringey Works.
- 8.4 The cost of implementing the contract is expected to be in the region of £400,000. Systems integration costs, estimated to be £150,000 will be funded from the ERP Improvement Programme (Scheme 607: Financial Management System Replacement). The remaining £250,000, being interim staffing and consultancy support can be contained within the application of Flexible Use of Capital Receipts already approved to support the Customer First programme which covers sustainable efficiencies and cost savings to the council's support and customer facing services.

Comments from Strategic Procurement:

- 8.5 The council participated in a further competition with 12 other London Boroughs under the rules of the Eastern Shires Purchasing Organisation Framework MSTAR3.
- 8.6 CSO 7.01 (b) allows for the council to select contractors from a Framework established by a public sector body, which has been established in accordance with that public sector bodies contract standing orders or regulations.
- 8.7 The ESPO MSTAR3 framework is a compliant framework and route to procure under the terms of the Council's CSO 7.01 (b).
- 8.8 The market dynamics in this sector have changed since the previous contract (Hays) was awarded, providing opportunities for savings along with additional flexibility to support the Borough Plan and other Council Priorities, especially those relating to enhanced employment opportunities for local residents and use of local agencies.
- 8.9 Strategic Procurement have no objection to the award of contract.

Comments on behalf of the Assistant Director for Corporate Governance and Monitoring Officer

8.10 The Assistant Director of Corporate Governance notes the content of the report.

8.10.1 Strategic Procurement has confirmed that the contract was procured through the Eastern Shires Purchasing Organisation (ESPO) Framework MSTAR3.

8.10.2 Pursuant to the Council's Contract Standing Order (CSO) 7.01(b) and Regulation 33 of the Public Contracts Regulations 2015, the Council may select one or more providers from a Framework established by a public body where the Council has been named as an approved user in the OJEU Contract Notice and it is confirmed that the Council is an approved user of the ESPO Framework MSTAR3.

8.10.3 Pursuant to CSO 9.07.1(d), Cabinet may approve the award of a contract if the value of the contract is £500,000 or more and as such Cabinet has power to approve the award of the contract in the Report.

8.10.4 The Assistant Director of Corporate Governance sees no legal reasons preventing the approval of the recommendations in the report.

Equalities comments:

8.11 The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
- Advance equality of opportunity between people who share those protected characteristics and people who do not
- Foster good relations between people who share those characteristics and people who do not.

The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

The decision is to award a contract for a Managed Service Provision for Temporary Staffing will need to positively contribute to the Council's inclusion and diversity agenda and ensure equality of opportunity for all workers with protected characteristics.

There are key requirements in the framework specification that supply equal opportunity for all temporary workers.

9. Use of Appendices / background documents:

Appendix 1 - The exempt information is contained in the exempt report and is not for publication. The exempt information is under the following category (identified in amended schedule 12A of the Local Government Act 1972 (3)):

Information relating to the financial or business affairs of any particular person (including the authority holding that information).

10. Local Government (Access to Information) Act 1985

This report contains exempt and non-exempt information.