

**Report of Senior HR Advisor
Report to The Director Resources and Housing**

Date: March 2019

Subject: Extension of Contract with Reed for the Provision of Agency Workers

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Summary of main issues

1. Robust and regular challenge to the use of agency workers in individual services has reduced spending on this resource to around £7m per year compared to over £16m 5 years ago, but has also shown that there remains a need for this form of labour across a range of council functions.
2. In July 2017, Leeds City Council entered into a 2-year contract with Reed Specialist Recruitment Ltd (Reed) for the provision of Temporary Workers following a full procurement process. The initial contract period was from 26th July 2017 to 25th July 2019, with the option to extend for a further 2 x 12 months.
3. The contract took almost 5 months to fully implement so has actually only been supplying workers for 17 months and will expire on 25th July 2019 if not extended. Given the lead-in time for tendering for a replacement, a decision on extending the current contract is required in advance of its expiration.
4. Overall, the contract has performed well in terms of both cost and delivery, with the key indicator of Reed's ability to supply the range and quality of workers required, largely being met.

Recommendations

- The Director of Resources and Housing is recommended to approve the extension of the contract with Reed Specialist Recruitment Ltd. The extension period is 2 years – up to 26th of July 2021. The value of this extension is estimated to be £10.3m.

1. Purpose of this report

- 1.1 To obtain approval from the Director Resources and Housing, to extend the contract with Reed for two years to 25th July 2021.

2. Background information

- 2.1 Prior to 2011, council departments organised their own agency provision directly with suppliers but to promote a common approach and reduce costs, a single contract was introduced in 2011.
- 2.2 The contract covered the majority of agency provision except specialist ICT roles and supply teachers, where separate contracts were let.
- 2.3 As a result, council-wide spend (including ICT) of around £16.5m in 12/13 was reduced to around £7m in 18/19, of which £5m was spent with Reed.
- 2.4 The regulatory frameworks, contracts and sub-contracts surrounding agency hire are complex. The process of procuring a new provider took over 6 months, plus an additional 5 months to fully implement. This placed significant demands on valuable HR and Procurement resources so to avoid the need to commit such resources to re-procurement, it is recommended that the option to extend for the full 2 years is exercised.
- 2.5 One key evolution made possible through the current contract is that there is now much greater contract management oversight by HR, of both the provider (Reed) and council services. Such controls are much easier to maintain within the managed service and common booking system supplied by Reed.

3. Main issues

- 3.1 In the 2017 tender, the key factors in selecting Reed included:
 - 3.1.1 Reed's Managed Service Provider (MSP) business model, which enabled it to supply workers either via existing supply agencies, or from their own, directly employed workforce, especially in LCC's highest demand area; Social Care
 - 3.1.2 The social value that Reed brings through using its own employees to fulfil orders, plus its longstanding relationships with supply agencies. Reed in Partnership works with services such as the DWP and Employment and Skills to identify opportunities for those who would otherwise find it difficult to secure employment. This aspect of Reed's bid sits well with the council's Inclusive Growth Strategy.
 - 3.1.3 A local, dedicated operations team employed by Reed to support the council in the day-to-day management of the contract
- 3.2 From the perspective of end users – the council services deploying the workers – the primary consideration is the seamless supply of competent candidates at an affordable rate. Reed lived up to their commitment to retain as many existing workers as possible in the transition to the new arrangements.
- 3.3 Reed's dedicated local support team have provided an accessible contact point, both for hiring managers and the contract management activities of HR. This relationship continues to add value to the contract.

4. Corporate considerations

4.1 Consultation and engagement

- 4.1.1 The proposal to extend the current contract was discussed with Trade Unions at the HR Matters meeting in April 2019. The Head of HR with responsibility for this area discussed the proposal with the Deputy Leader, who holds the portfolio for HR. No objections were raised.

4.2 Equality and diversity / cohesion and integration

- 4.2.1 An Equality, Diversity, Cohesion and Integration Impact Screening has been completed and is attached. In summary, it concludes that the current contract has had a positive impact and would continue to do so should the proposed extension be agreed.

4.3 Council policies and best council plan

- 4.3.1 The City's Inclusive Growth Strategy 2018 – 2023 identifies low paid workers and those with unstable income sources as priority groups in tackling some of the city's most entrenched inequalities.
- 4.3.2 Agency workers, particularly those on low hourly rates, often fit this profile. They may have multiple jobs, across unsocial hours without the protections enjoyed by employees of the organisations that hire them. Temporary assignments provide little opportunity for improving skills, progressing or accessing mainstream finance.
- 4.3.3 The council's contract with Reed allows it to set minimum hourly rates for workers, ensure they are not being exploited by umbrella companies or by working unsafe numbers of hours and, through Reed's rigorous supplier audit programme, take assurance that supply agencies meet their legal obligations to their workers.
- 4.3.4 In addition, the council's 'Temp to Perm' arrangements with Reed provide a pathway for agency workers to gain permanent employment with the council at more cost-effective rates than may otherwise be the case.

4.4 Resources and value for money

- 4.4.1 The first full year's accounts since implementation shows a total spend of just over £5 million, but because agency cover becomes necessary when unforeseen demands arise, it is difficult to predict.
- 4.4.2 Apart from a hire cost increase of around 3% for 2019-20 relating to the employee pay award and pension changes, there is no known reason for any change in the value of the contract, which is predicted to remain below about £5.5m per annum for the duration of the proposed extension.

4.5 Legal implications, access to information, and call-in

- 4.5.1 The council's in-house Procurement service and legal support were involved throughout the tender process and on specific issues post-implementation. The current contract includes provision to extend for up to 24 months, so the

proposed extension has the protection of that contract and of the Yorkshire Purchasing Organisation (YPO) framework on which it is based.

- 4.5.2 HR requested an early audit of the contract, which was completed in Spring 2018. All of its recommendations have either been implemented or are nearing completion, with progress reported back to the auditors.
- 4.5.3 This decision is a Key Decision and is subject to call-in.
- 4.5.4 There are no grounds for keeping the contents of this report confidential under the Access to Information Rules.

4.6 Risk management

- 4.6.1 If the contract with Reed is not extended, the immediate risk is that on the 26th of July, when the current contract expires, there will be no contract in place for the majority of the workers on hire at that time, with a risk that suppliers may withdraw their workers.
- 4.6.2 In such circumstances, HR would assess the risk of continuing to trade via Reed without a contract, or extend the existing contract for a shorter period to allow for the contract to be put out to tender, or to trade directly with suppliers for the provision.
- 4.6.3 The investment of time required to replace the current arrangements should not be underestimated. This would have a detrimental impact on HR and allied support services to deliver on other council priorities.
- 4.6.4 Without Reed providing an interface between the council and its agency suppliers, there would likely be a return to increased risks associated with:
 - 4.6.4.1 Higher charges, which are difficult to monitor due to complex charging structures
 - 4.6.4.2 More difficulty for HR to challenge agency use, leading to higher overall use
 - 4.6.4.3 Loss of the protection currently provided by the YPO framework and a contract with a single provider with terms favourable to the council
 - 4.6.4.4 Loss of the productive partnership with Reed that both protects the council and enables progress on the political priorities set out above.

5. Conclusions

- 5.1.1 Reed has performed according to the contract specification, council expectations and cost parameters to date
- 5.1.2 Extending the contract ensures continuity of supply to services across the council that depend on the provision of agency workers to deliver key services.
- 5.1.3 A substantial investment has been made to procure, implement and develop this provision. Extending the contract represents the most cost-effective option for capitalising on this investment.

6. Recommendations

The Director of Resources and Housing is recommended to approve the extension of the contract with Reed Specialist Recruitment Ltd. The extension period is 2

years – up to 26th of July 2021. The value of this extension is estimated to be £10.3m.

7. Background documents¹

7.1 None.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.