

Report of: Head of HR

Report to: Chief Officer HR

Date: 1st April 2021

Subject: Supply of Agency workers to Leeds City Council – Approval to Procure

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Has consultation been carried out?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Will the decision be open for call-in?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: 10.4 3 Appendix number: Appendix I	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Summary

1. Main issues

- This report sets out a proposal for re-procuring the contract for the supply of agency workers to Leeds City Council.
- The proposal sets an approach to procurement that matches our needs and capacity in terms of costs and quality and client resources to award and manage a contract. A further decision will follow this in terms of actually awarding the contract.

2. Best Council Plan implications (see the [latest version of the Best Council Plan](#))

- The proposals set out in this report will support the delivery of the Best Council Plan by facilitating an effective supply arrangement for our contingent workforce. This fits with the Best Council Plan in terms of making the best use of resources.

3. Resource implications

- Quality and cost implications are discussed in the report. They indicate that savings are more likely to accrue from managing demand for agency workers than by gaining marginal savings on contract price.

Recommendations

- The Chief Officer HR is recommended to approve the proposed procurement strategy for the re-procurement of the contract for the supply of agency workers to Leeds City Council.

Purpose of this report

1. This report sets out a proposal for re-procuring LCC's agency workers supply contract.

Background

2. LCC's contracted supplier is Reed Specialist Recruitment Ltd ('REED') who supply its generalist agency workers. Currently other specialist contracts are in place for supply teachers and specialist tech support for DIS.
3. The current contract has a value of c.£5.5m pa and is due to expire on 25.7.21 and has no provision to be further extended. The contract was awarded to REED via a YPO framework agreement following a mini competition to select a preferred supplier from the YPO framework providers.
4. It is expected that when LCC implements its Core Systems solution, new options for more integrated resourcing and recruitment may mean a different approach could be taken with agency supply arrangements. For example using "talent pool" technology for improved candidate attraction, tracking and vetting. Likewise different billing and accounting options will be available. However, for the next two/three years a similar supply arrangement can still be considered for LCC's needs e.g.:
 - a. Ongoing needs for "contingent" staff arrangements and
 - b. A single contract providing more visibility regarding spend and accountability for the proper/cost-effective use of agency workers, especially in relation to S188 requirements etc.

Specific Issues/Proposals

Type of supply arrangement

5. The current provision model is a Managed Service Provider arrangement under a "master vendor" model – i.e. REED places orders through its own business before working with a subcontracted supply chain. This type of contract has been useful in terms of quality control and promoting some social value work (e.g. supporting disadvantaged people to find work).
6. This arrangement contrasts with other "vendor neutral" or "outcome focused" hybrid models where more emphasis is placed on supply chain management and streamlined tech-platform processes. In Leeds, the scope for savings through more efficient processes is relevant but diminishing - with the level of agency spend reducing significantly in the last 5 years. Also past experience of vendor neutral contracts has been the subject of complex, pricing and charging mechanisms requiring efforts from Internal Audit and Legal Services support HR's contract management.

7. Whilst some providers are able to operate a variety of models, the above reasons are given to seek a “master vendor” option in terms of offering a higher quality solution.

Frameworks or Tendering?

8. LCC could seek tenders itself. However to specify work and manage this process would draw considerably on HR and Procurement resources. Instead, frameworks contracts, which are set up and competitively awarded by public sector purchasing organisations, offer ready-made contract solutions from which providers can be selected.
9. In 2020, YPO retendered their current agency supply framework. The services remain similar to our current contract and offer access to a range of agency worker suppliers operating in the public sector and offer master vendor or vendor neutral or hybrid options.
10. The costs of using the YPO framework is based on a fee of 1p per hour of agency work ordered. This is the same as other framework providers like ESPO. However maintaining an arrangement through YPO means LCC retains its scope to receive dividend payments back from YPO. In relation to the agency spend, the YPO dividend amounted to c£30k in 19/20.

Pricing/Quality and Competition and Client Resources

11. YPO’s confidential pricing information for both master vendor and vendor neutral and hybrid providers has been reviewed and information contained in a confidential Appendix. This shows likely costs based on LCC activity last year; with 15 providers assessed. The cheapest providers use vendor neutral supply models. However costs differences are marginal, with less than 2% difference between the cheapest master vendor and vendor neutral suppliers.
12. Given limited contract management resources in HR it is suggested that resources would be better used to work with services to tackle the underlying issues that drive demand for agency staff. This would include reducing absence and other cover needs etc.
13. A full assessment of quality issues will be made in a mini-tender process. This will be framed to ensure any supply arrangement operates smoothly; provides proactive work with services; cater for the resolution of issues; offer social value actions and ensure compliance, risk and billing issues are managed.

Corporate considerations

Consultation and engagement

14. Discussion have taken place with the Director of Resources and Leader of the Council. The trade unions will be consulted on the actual procurement process and operation of the contract going forward.

Equality and diversity / cohesion and integration

15. Due regard has been given to equality, inclusion and diversity and no major issues have been identified. It is noted however that the tender evaluation will fully consider the above

matters in terms of social value. A minimum of 10% of the evaluation will be attributed to Social Value and will be assessed by the Social Value Portal.

Council policies and the Best Council Plan

16. The proposals set out in this report will support the delivery of the Best Council Plan by facilitating an effective supply arrangement for our contingent workforce. This fits with the Best Council Plan in terms of making the best use of resources.

Climate Emergency

17. There are no specific implications for the Climate Emergency arising from the proposal set out in this report.

Resources, procurement and value for money

18. Seeking a master vendor solution, will be marginally more expensive in terms of estimated cost. However this will ensure greater quality and an ability to manage overall spend by focusing efforts on the managing issues that drive demand for agency workers.

Legal implications, access to information, and call-in

19. The further competition will be conducted under the YPO framework 942 – Lot 1 Master Vendor Model in accordance with the framework conditions and the Council's Contract Procedure Rules.
20. This is a Significant Operational Decision, but as the contract value exceeds £500,000 the subsequent decision to award the contract will be taken as a Key Decision and will be subject to call in.

Risk management

21. The evaluation of quality will ensure risks regarding compliance are effectively managed e.g. suppliers must be able to ensure staff are vetted and taxation requirements adhered to. Additionally a contract management plan will be developed to ensure there is adequate controls going forward.

Recommendations

22. The Chief Officer HR is recommended to approve the proposed procurement strategy for the re-procurement of the contract for the supply of agency workers to Leeds City Council.

23. Background documents¹

- a. 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.