

Improving the Procurement of Agency Staff in Local Government

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MANAGEMENT SUMMARY

The acquisition and use of agency staff is a highly topical and potentially controversial management issue in the public sector. Typically, agency staff have been seen as filling mainly administrative roles, but in local authorities today they undertake front line service delivery in areas such as care provision, teaching and manual operative roles (e.g. emptying dustbins and street cleaning). Some local authorities are reliant on such staff to support them in their day-to-day requirement to deliver services to the most vulnerable members of the community. Annual expenditure levels can reach up to £30 million each year.

Many people tend to believe that most of the management issues revolve around how agency staff are used and their suitability to carry out a defined role. However, recent studies coming from central government efficiency reviews (such as the Spending Review 2004), or from the adoption of new technologies, have shown that there needs to be a clear strategy and focus on the commissioning and administration of agency staff.

This whitepaper has been produced as a contribution to that debate, focusing in particular around issues related to procurement, the use of technology and the need to simplify processes and improve audit capability. For example, whereas Social Services teams rightly focus on the quality of care provided to clients by agency staff, their managers are facing issues related to cost, maintaining supply and planning for the future. There are lots of examples where local authorities are competing with each other for the use of finite resources and where they are potentially duplicating activities (e.g. several local authorities inspecting the same care home).

The publication of the Gershon Efficiency Report this year and the likely demand from the Office of the Deputy Prime Minister (ODPM) to deliver both cash and efficiency savings year on year from 2005/6, means that the procurement and use of agency staff cannot simply be ignored. Careful and unbiased analysis needs to be undertaken on everything from the types of agency staff used and the cost of acquisition to the issues around how their time is used. It is not simply a case of applying budget reductions across the board or trying to seek more competition. Understanding the markets supplying agency staff, forward planning and collaboration between neighbouring public sector organisations will ultimately deliver value for money.

This whitepaper starts to explore some of those issues and concludes that:

- There is no 'one-size fits all' approach to the procurement of agency staff, and it is neither possible nor desirable as a goal in the future
- Many of the processes associated with the acquisition of agency staff are paper intensive, tying up key staff as well as encouraging potential for fraud
- Technology solutions are now present which can help address these problems, and which could deliver significant benefits if business processes are modernised
- Various procurement techniques and strategies are available to help overcome difficulties and encourage market development
- Cross authority collaboration has to be improved, particularly in areas where authorities are using the same suppliers and competing for the same resource
- Outsourcing the provision of agency staff will only work for positive reasons. It will fail if it is done simply because it is deemed a difficult area or because it is seen as a quick fix

The main point is that it is possible to obtain more for less without the need to cut the quality of services provided. Some of the conclusions challenge conventional wisdoms as to where improvements can be made. However, better understanding of markets, cross public sector collaboration, sharing knowledge/information and the intelligent deployment of modern technology is where the future is pointing in the use of agency staff.

1. INTRODUCTION

The procurement of agency staff is a significant challenge for the many UK local authorities and public sector organisations, particularly where there are problems with recruitment and retention. Traditionally, agency staff were used for clerical or secretarial activities, but are now just as likely to be used for specialist social care provision, medical duties, refuse collection and as supply teachers. These specialist areas are much more difficult to manage from a commissioning perspective than the procurement of routine clerical and secretarial staff.

Organisations, particularly in health and local government are becoming increasingly aware of the high levels of expenditure in this area, the difficulty in getting good people and their risk exposure if things go wrong. The procurement issues associated with the provision of temporary specialist staff are complex. On the one hand the public demand better services and higher standards, while on the other, public sector bodies are being pressurised to reduce costs and achieve more for less. The Spending Review 2004 (hereinafter referred to as SR 2004 but often known as Gershon) commissioned by the Chancellor of the Exchequer has reinforced this point and added to the debate on how best to balance these demands.

This whitepaper has been produced as a contribution to that debate. It aims to:

- Provide an independent assessment of the issues, challenges and risks facing local authorities in the procurement of agency staff
- Show the importance of, and benefits for, local authorities in addressing the procurement of agency staff
- Identify the main business issues facing local authorities in the procurement of agency staff
- Consider the relative merits or otherwise of using alternative procurement approaches such as master vendor agreements and vendor neutral arrangements
- Illustrate how technology is being used to help manage the challenges and provide savings in administration and contract management

Although written with a local authority focus, this paper will be of interest to people in any organisation that are responsible for acquiring agency staff including service heads/managers, procurement/contract managers, IT specialists and process analysts.

We have had considerable input from both public and private sector organisations in producing this whitepaper and would like to thank them for their input and their time in talking to us.

2. THE UK AGENCY STAFF MARKET

1.1 OVERVIEW

The scope of agency staff in local authorities is diverse and includes the provision of care staff, refuse collectors, supply teachers, accountants, architects, legal staff and caterers.

Not surprisingly the market is large, particularly where there are skills shortages or large seasonal fluctuations in demand. Estimates suggest that some 700,000 people now work for agencies in the UK. The total market value is unknown, but the Recruitment & Employment Confederation suggests that the recruitment and staffing market is now worth in excess of £23 billion each year. The NHS alone spent £629 million on agency staff (excluding medical assistants) in 1999/2000. Our research shows that expenditure on agency staff in some local authorities (e.g. London Boroughs) is as high as £25 - £30 million per annum, with a total expenditure across London of nearly £500 million.

With expenditure levels this high, the procurement arrangements for agency staff definitely warrants corporate visibility and involvement. Although there are national grading structures used to help identify requirements, it is very difficult to compare and contrast expenditure between neighbouring authorities let alone across the broader public sector. The reasons for this are as follows:

- Expenditure is difficult to categorise and is usually described and posted inconsistently across a multitude of different accounting codes in corporate systems
- There is an absence of any procurement facing classification standard across the public sector making analysis impossible (see Appendix A)
- Cross boundary collaboration is relatively new and people in service departments fear loss of control
- The procurement function has often failed to make the case for collaboration to sceptical service departments

Our analysis of procurement expenditure across over thirty authorities shows that there are opportunities for savings and service improvements to be exploited for most categories of agency staff expenditure. However, the procurement strategies needed to do this are diverse as are the opportunities themselves. In some areas, the opportunity is about cost reduction and streamlining service provision (e.g. administrative staff), in others it is about trying to attract new providers, avoiding cost increases and seeking to remove bottlenecks associated with current paper based business processes.

The key message here is that a 'one-size fits' all approach to the procurement of agency staff is neither possible nor desirable.

The main factor governing the levels of expenditure by a public sector organisation on agency staff is geographical. The closer to London and the Home Counties, the greater the levels of expenditure and range of agency staff used. However, there are also factors, such as demographic and socio-economic, around other large urban conurbations that influence the need for social care and housing related staff.

Shortages are particularly acute in Social Services departments where a combination of diminishing numbers of qualified staff and problems in recruiting caused by excessive living costs (e.g. London) has created staff shortages. Investigations showed that full time vacancies were as high as 60% for care staff in some local authorities. Unlike some administrative positions where reasonable back logs of work can

be justified, care staff have to be provided 365 days a year, with some services on a statutory footing. The implications for failure in this area can translate into damaging national headlines in the news media. In London, boroughs often find they are competing against each other for the same pool of staff provided by the agencies.

1.2 ISSUES AND TRENDS

Using agency staff can present significant management challenges where there are shortages and where the community relies upon the quality of service that they provide. The ability to acquire agency staff is subject to a number of different influencing factors and will vary according to the type of requirement. By way of example, we have looked at the factors that influence the provision of care workers in a typical Social Services department. Several of these factors also manifest themselves in other segments of the agency staff market.

Legislation

Legislation means that agency staff in contact with vulnerable people, especially children may need to be vetted by the Criminal Justice process at a cost of £30 to £40 per search with delays of up to nine months for those categories deemed 'lower risk'. This contributes to rising costs that need to be contained, often within relatively static budgets. Other legislative factors that can also contribute to cost rises include:

- National minimum wage
- National minimum standards for care
- Potential EU Directive on the employment of agency staff (published in March 2002)
- Potential changes in the EU Working Hours Directive

Demographic

Most local authorities have already faced pressure from the closure of care homes, either through the transfer to the private sector and/or private sector owners withdrawing from the market. The reasons for this are varied, but the result is increased pressure to care for people in their own homes. Against a background of longer life expectancy (now exceeding 80 for men and women) and falling birth rates, the demand for care staff is ever rising.

Training

Central government has introduced standards for care staff. Many staff will be required to pass an NVQ that is a fifteen to eighteen month course. The feeling is that permanent members of staff will meet these high standards but that some agency staff may not, which will exacerbate recruitment and sourcing problems. Currently a low percentage of agency staff have this qualification and there will be a cost to the agency to have their registered staff appropriately qualified.

Significant changes are taking place in terms of investing in care and community services. By 2005/6 the Department of Health claims that it would have trebled the special grants made available to develop the social care workforce. Health Minister, Jacqui Smith, was quoted as saying on 26th March 2003:

"The next three years will see an unprecedented growth of investment in social care. This will support social care employers to develop the workforce, tackle serious problems of recruitment and retention of staff and significantly increase the proportion of staff who have appropriate qualifications for the work that they undertake at vocational, qualifying and post-qualifying levels.

For 2003-4 the National Training Strategy grant will be £25 million and the Human Resources Development Strategy grant will be £9 million. Over the next 3 years, key national targets are to bring another 50,000 people into the social care workforce, and to enable an additional 300,000 staff to gain at least NVQ Level 2 qualifications".

Recruitment and Retention

Social Services departments face acute retention and recruitment problems. This is illustrated by a 25% turnover of permanent social service employees in Greater London against an average of around 15% for other employees.

An analysis of job vacancies over the last twelve months (derived from the statistics held on the Reed Recruitment web site) provides some interesting data on the issues and trends. With the exception of Wales, the demand for social workers has increased over the last twelve months and in the majority of regions the greatest demand is for Qualified Care Workers.

Although London and the South East have by far the largest number of vacancies to be filled, (450 and 800 respectively) the percentage increase in demand in other areas ranges from 200% in the North East to 1000% in Scotland over the last year. Salaries vary enormously across the regions however the salary for the position most in demand, the Qualified Care Worker, is consistently around £40,000, excluding the cost of acquisition.

Demand has grown steadily in London, the South East and the South West over the last twelve months. All the other regions of England and Scotland have experienced a far sharper rise in demand, particularly in the West Midlands, Yorkshire and the North of England.

The inability to retain permanent staff, particularly for care workers, places a heavy demand on the available pool of agency staff. This has several adverse outcomes for both the local authority and potentially its clients. Authorities have to compete for staff with neighbouring authorities and the NHS. The private sector resolves this problem by offering more attractive rates in the case of non-qualified staff.

Skills transference also becomes an issue where, say, agency staff are commissioned to carry out a number of assessments over a five to six week period. It is impractical with most of the current social care systems available on the market to consider training agency staff to use the system in place – manual notes are taken and then input by the authority's administration staff. The result is often that data is not available electronically in a timely fashion and the authority may bear the overhead of requiring additional administration staff to manage the workload.

In some areas, however, there is a deliberate policy to under resource: an example would be where there is an adult who needs to be looked after for a short period of time, say six months. This may require a carer but also someone with specialist skills. The authority may decide it is more cost effective to use agency staff for the required period rather than employ someone permanently and run the risk of not being able to utilise their skills on a full time basis.

Efficiency and Cost Reduction

The paper published by Sir Peter Gershon in July 2004 (see Appendix A) as a part of the SR 2004 set out an ambitious programme of savings for local authorities to deliver. This has been refined since then, and at the time of producing this whitepaper it appears that procurement and efficiency savings will be 2.5% of net expenditure for each authority year on year from 2005/6 to 2007/8. By its very size, agency staff expenditure has to be a target area, although it would be a serious mistake to believe that cash savings will automatically be delivered across the board. For some categories of agency staff, all that will be possible for the foreseeable future will be some efficiency savings and cost avoidance.

This has been recognised by the *Financial Times* that concluded, **“Some come from more productive use of professionals' time, not from savings in staff, procurement and transaction costs”**. (17th March 2004). The availability and use of supporting technology to assist with the procurement and management of agency staff may be a pertinent means of using permanent staff time more effectively.

Regionalisation

Central government, through the Office of the Deputy Prime Minister (ODPM) is keen to promote its regional agenda. The regions, as they are defined, are largely artificial geographical entities that cover up to 8 million people. If regional government is introduced, it will mean the abolition of counties and districts/boroughs and the creation of unitary authorities. Some may argue that this would create more career opportunities for existing staff and may provide a better focus for clients, but it could also mean the loss of existing contracts and the fragmentation of markets if such a move was handled in haste.

3. BUSINESS PROCESS CHARACTERISTICS AND THE USE OF TECHNOLOGY

The business processes for acquiring different categories of agency staff vary, but they all share a common theme of being paper intensive (both for the local authorities and the agencies) and rely heavily on signatures and paper audit trails. It is precisely this type of activity that Gershon had in mind when thinking about better use of professional time. A qualified social worker should be spending most of their time on client needs rather than trying to reconcile and authorise large batches of invoices. The task of reconciling invoices to services received is often a hugely time-consuming, manual task based on incomplete or imperfect information, which often leads to unacceptable delays in the payment of invoices and the increased possibility of error and fraud. The agencies also have to employ people in non-productive, administrative tasks. One large supplier of agency staff to the public sector claimed that from their own analysis only 4% of orders generated by their customers ever matched the final invoice. This administrative overhead is invariably going to be passed back in higher costs to the buying organisation.

1.3 BUSINESS PROCESSES

As an example, we examined the complex business processes of hiring agency care/social workers in two major local authorities in 2002. We believe that most local authorities will identify with the processes set out here across all categories of agency staff even though there may be differences of approach. We have identified three key procurement related business processes where there are currently problems and issues.

Order Placement

This is a key process where a commitment is made to the agency for the supply of a particular person. It is used as the base document for financial authority against which an invoice will be presented. Unfortunately, it is difficult to get it right first time, as there are numerous variables that affect the final cost paid, including:

- The requirements for care workers, in particular, to work in multiple locations during a single working day. Travel times for agency care workers between work locations are included within the initial order with some agencies but not with all
- For a long-term assignment, e.g. 3 to 6 months, schedules will be defined on an ongoing basis and it is only possible to define an estimate for the number of hours required
- Transport costs and other allowable expenses may also be added onto purchase orders or invoices for agency staff who need to travel between clients
- Owing to a lack of skilled resource, the charge rates for care workers differ between agencies, ranging from £15 per hour for an unqualified social worker to £42 per hour for a qualified social worker. There are often issues related to availability and who can be supplied

These variables create problems of control; spend approval and invoice matching in the likely event that the actual service delivered differs from the original estimate.

Timesheets

The timesheet is probably the most problematic stage in the process: it equates to a 'Goods Receipt Note', but is far more complex to complete and track. There are issues relating to matching with the purchase orders, assuming that they exist, and with linking to invoices. The issues here include:

- It is commonplace for agency staff to submit timesheets for line manager approval well after the work has been completed. This causes problems in recognition of the costs
- On occasions, agency staff do not carry out the required tasks due to error or sudden changes in client requirements
- There are occasions when agency staff sign (i.e. authorise) their own timesheets due to the remote location of their work
- Paper timesheets allow the possibility that the hours may be 'changed' following the timesheet being signed. This may not always be picked up at invoice staff, unless every item is cross-checked against the original timesheet rather than the copy that went to the agency

Invoicing

The invoice process is often problematic and high in profile as it is subject to financial controls and audit. Unfortunately, due to the nature of the use of agency staff it is not only paper intensive, but there is also an inordinate amount of checking to take into account the variables listed above. Typical 'bottleneck' areas include:

- Consolidated invoices are received from many agencies, then have to follow complex authorisation routes in order to be cleared for payment
- Copies of the approved timesheets usually accompany the invoices submitted by the agencies and timesheet data is often manually matched to the invoice data
- There are often significant mismatches between what the authority thought was supplied and what the agency has invoiced for, because of rates differing from the order, hours differing from the timesheet or other unexpected or additional charges

Some organisations are considering 'self-billing' whereby the authority determines the value of work done based on its own records of agreed rates and work completed. This is only really an option if all the supporting data is available electronically.

1.4 MANAGEMENT INFORMATION

The problems with the business processes have an adverse impact on the quality and accessibility of the management information available to local authorities. Notwithstanding the key problem of gaining quality information due to the absence of a procurement facing classification for agency staff, there are also other problems including:

- Difficulty in controlling expenditure, especially as usage can be demand driven by external client needs
- Expenditure by agency and 'off contract' expenditure is difficult to access

- Compliance with legislation, names of agency staff used, qualifications and client feedback are stored in different systems (e.g. manual files, spreadsheets and specialist packages), so a complete picture rarely exists

1.5 SUPPORTING TECHNOLOGIES

Technology is seen as critical to the 'freeing up of professional time' and removal of paper intensive activities. However, it cannot be used in isolation and relies on significant cultural changes in the way local authorities approach business processes. By way of example, the following types of technology may be used in the acquisition and management of agency staff in a local authority Social Services department.

Using the Agency's Technology

Larger agencies offer systems and web sites to support the procurement of administrative staff. The cost of adopting and using agencies' systems varies from nothing to 'low cost', excluding the creation of links to financial and operational systems.

The main business issues with using an agency led solution are:

- Who owns the data and where is it located
- What are the issues and potential costs of returning data in the event of non-contract renewal
- How do you manage the situation where there are multiple systems on offer from each agency supplier
- What safeguards are in place to cover management reporting, data accuracy and potentially performance monitoring from a contractual viewpoint
- How do you ensure that the data is stored in a format where it can be extracted and compared with other procurement related data generated by the authority

Mobile and Tablet Technology

Some local authorities are deploying mobile computing using Tablet PCs and PDAs (Personal Digital Assistants), particularly where off site visits are carried out. This type of technology can give significant benefits through rapid training as only the forms relevant to the job in hand are resident on the device therefore reducing the need for the operative to understand anymore of the system than they actually need.

The main business issues with utilising mobile and tablet technology are:

- It tends to be restricted to the out of office activities, in this case, the timesheet process
- There is still a need to interface into existing systems
- The potential cost of technology as a solution to these particular business issues is difficult to justify

Niche Solutions

A few software providers have built specific solutions to deal with the procurement of agency staff. Such solutions support the full procurement cycle from raising the request for an agency staff worker and estimating the cost and subsequent approval/rejection of the request to order creation and receiving the invoice. They also provide standard interface routines to financial and operational systems. These solutions facilitate self-billing as they hold all the order and timesheet data required to determine the charges, independently of the supplier.

The main business issue with utilising niche solutions is that there is still a need to interface into existing systems such as finance and operational systems

Operational Systems

Most organisations have operational systems in place that support the purchase of agency staff, often as one aspect of their overall role. Social care packages, such as those provided by Anite, OLM, In4Tec and CoreLogic, to name but a few, provide varying levels of functionality to support the acquisition and management of agency staff. Most of the packages hold a Resource Directory of approved and contracted agencies, which gives users online access to alternative providers, availability of resources and associated costs. As this is not their core purpose, the functionality relating to agency staff procurement is not as comprehensive as those in some of the niche solutions. However, it can go some way to helping with some of the problems outlined.

The main business issues with utilising social care packages are:

- They are not designed to cover the whole process of agency staff acquisition
- Costs of interfacing with finance systems
- It can be difficult to provide a business case that justifies the investment in further licenses, consultancy, modifications and re-implementation

e-Sourcing solutions

Some of the new e-Sourcing solutions could yield significant improvements with some of the bottleneck areas (e.g. around online ordering) and these solutions could be enhanced to deal with specialist agency staff.

4. THE PROCUREMENT OF AGENCY STAFF

1.6 No 'ONE-SIZE FITS ALL'

The following table illustrates some of the differences between acquiring an accounts clerk, a refuse collector and a care assistant visiting elderly people.

Issue	Accounts Clerk	Refuse Collector	Care Assistant (Elderly)
Agencies	Can be acquired from national and local agencies with provision usually made during standard office hours	Specialist agencies, usually localised, with provision usually made in non-standard hours to support shift patterns	Specialist agencies, usually localised, with provision made in both standard and non-standard hours
Market Conditions	Lots of agencies, local and national	Few agencies, local	Few agencies, local (small number of national agencies attempting to move into this market)
Availability of staff	Competition from private sector, but plentiful supply of most staff	Competition from other local authorities, mainly unskilled so can vary by region	Competition from private sector and other local authorities. Highly skilled with acute shortages across the UK
Service impact to the public	Inability to fill position may cause administrative problems	Inability to fill may cause delays with service provision and complaints from the public	Inability to fill may cause human suffering and unfavourable publicity in some circumstances
Risk	Medium/low	Medium	High
Location	In office	With team and fixed hours	Off site and with multiple clients

The table provides an excellent example of why a 'one-size fits all' approach to the procurement of agency staff will not work. A more measured and flexible procurement approach is required that is capable of:

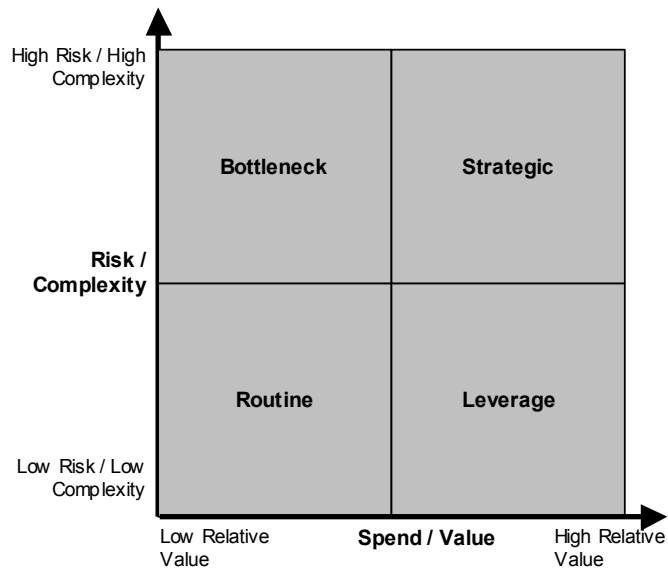
- Recognising risk assessment and management in terms of sources of supply and the quality of agency staff provided
- Differentiating between the need to attract more agencies/providers in some areas while reducing the numbers in others
- Taking into account factors other than cost and supporting the use of planning and strategy development
- Recognising where cost avoidance rather than reduction may be the best that can be achieved

1.7 UNDERSTANDING RISK & VALUE

A common tool recommended for analysing the relative position of procurement categories is illustrated here. It features on page 18 of the **National Procurement Strategy for Local Government** (see Appendix A).

As a starting point, local authorities should ascertain the approximate levels of expenditure on each category of agency staff purchased and then attempt to position it onto the matrix.

This is not an exact science, but it does provide a good starting point for considering priorities.



It will also help in:

- Ascertaining risk of exposure, through limited supply
- Planning future contracting arrangements and procurement strategies
- Differentiating between those areas where savings can be sought against those where cost avoidance is the issue
- Identifying areas where greater cross public sector collaboration would be desirable
- Determining a supplier engagement strategy for each category, and the relevance or otherwise of including in the 'How to sell to the Council' document (see also ODPM priority services and transformation outcomes in 2005 IEG). This is important as for some categories more potential providers would be welcome to increase choice and reduce risk to supply, whereas for others no value will be gained from simply adding further potential providers to an already long list

Putting the different types of agency staff purchased by local authorities into simplified categories shows the following trends:

- **Administrative**
Most non-professional administrative agency expenditure can be categorised as *routine* or *leverage*. The traditional category of agency staff (e.g. clerical/secretarial) tends to be serviced by the larger 'national' or 'high street' companies who are also able to provide a broader range of other services, including the provision of outsourced HR services. These companies often provide electronic solutions to manage administration and eliminate paperwork problems associated with timesheet handling and the management of multiple invoices for both buyers and suppliers. Administrative categories are well serviced by existing consortia contracts and are strong targets for leveraged cost reductions and year on year service improvements.

- **Operatives (e.g. refuse collectors, ancillary staff, gardeners)**

Most operative agency expenditure can be categorised as *bottleneck* or *leverage*. Demand for this category is linked to local employment conditions and the extent of outsourcing undertaken. Most of the existing agencies are locally based and there are some significant supply issues, particularly where demand is low and the potential supply base limited. Some local authorities and national agencies see operative staff as being a separate entity and do not always include them in larger contracts, particularly those involving administrative staff.

- **Specialists (e.g. care staff, supply teachers, town planners, architects)**

Most specialist agency staff will be categorised as *bottleneck* or *strategic*. It is often difficult to find agencies that can provide the quality of agency staff needed. Most of the existing companies are regional or locally based. Levels of demand versus the availability of supply push costs upwards and it is often difficult to build long-term relationships with the agencies.

1.8 PROCUREMENT STRATEGIES

Broadly speaking, there are four approaches a local authority can adopt. These are to:

- Contract directly with each agency (multiple relationships), managing the contracts internally and attempting to drive down cost and improve services wherever possible
- Outsource the procurement of all agency staff to a single agency under a master vendor agreement
- Employ a third party organisation to manage the agency contracts (known as 'vendor neutral')
- Collaborate with neighbouring authorities, particularly where suppliers are common and introduce a mixture of the first three approaches

While the first approach is still used by most local authorities, an increasing number are favouring the vendor neutral approach. The main reason being that local authorities do not have the resource and skills to effectively do option 1, which includes investing in the technology necessary to manage the business processes and accrue efficiencies.

In fairness each approach has its merits and drawbacks, but the key is to make a decision for the right reasons, not because it appears to be an easy option.

Multiple Relationships

This is still the most popular approach and has a number of advantages, including providing the ability to:

- Maintain good, and often long term, working relationships with each agency which is particularly important in some of the specialist areas
- Ensure that there is no reliance on just one agency with the potential of creating a monopoly situation
- Maintain control of the process, policies and data

However, the drawbacks include:

- Internal resources needing to manage multiple relationships, combined with the lack of appropriate contract management skills

- Much more difficult to make value for money gains, unless suitable technology is in place

Master Vendor Agreement

This approach has been used in some local authorities with mixed results. The main advantages of this approach enable an authority to:

- Deal with only one relationship; saving time and internal resource
- Make the agency responsible for achieving value for money gains
- Gain access to new technology enabling bottlenecks with current business processes to be removed through automation

Again the master vendor approach does have some significant drawbacks, including:

- The loss of direct relationships with critical providers
- A limited number of suitable agencies having the expertise and capability to deliver the variety of agency staff needed by local authorities
- The creation of a potential monopoly situation, with technology lock in and dependency on the agency
- Potential loss of local agencies, including the voluntary sector, combined with adverse impact on service levels

Vendor Neutral Arrangement

This is almost a compromise solution; having one agency manage all the existing agency contracts on behalf of the authority. Its advantages include the ability to:

- Reduce the amount of time and internal resources needed to manage the current arrangements
- Benefit from the advantages of the other approaches, while eliminating the drawbacks

The key drawback is that it does need effective buy in from service departments as well as the individual providers. In addition, there is a concern that local authorities could lose the relationships they have with their current agencies, which could result in the loss of control, a drop in the quality of service delivery and make savings and improvements difficult to realise.

New Collaborative Arrangements

Beyond contracts for administrative agency staff, there are few examples of real cross authority arrangements for more specialist workers due to difficult supply arrangements/long-standing arrangements or because authorities have struggled to see the value. Analysis from London suggests that in the case of social care agency staff, there is much to be gained from collaborative working. This ranges from better planning, recruitment and commissioning to eliminating the need for three or four authorities to carry out inspections on the same companies as well as spend hours on non-productive transactional activities such as invoice reconciliation. Once collaboration is embedded in an authority's culture, then we believe that there will be new arrangements set up which use a combination of arrangements to drive down cost, improve service delivery and minimise exposure to risk.

There is no right or wrong decision here, but factors that need to be considered include the need to:

- Know what is spent on each category of agency staff and understand the associated risks if things go wrong
- Understand the market conditions for each category of agency staff including exposure if agencies cease trading or change markets
- Assess the impact of outsourcing on a longer-term basis, its impact on local markets and the fall back position
- Deliver efficiency savings through cross authority collaboration and meet the forthcoming savings targets
- Make the decision for the right reason (insufficient internal resources, lack of controls and need to make savings are *not* appropriate reasons)

5. MAKING IMPROVEMENTS

This whitepaper has attempted to capture and address some of the issues in relation to the procurement of agency staff. Decisions need to be reached by local authorities as to the procurement routes and technology that they adopt on a case-by-case basis.

In summary, the important issues to capture are:

- Avoid the one-size fits all approach
- Only outsource work for the right reasons
- Deploy technology to help with the procurement of agency staff, while recognising the need to change and modernise business processes. The latter must be driven and owned by the local authority

The following table summarises **some** of the key issues facing local authorities in the purchase of agency staff. It is a guide only, but will hopefully contribute to the debate of how to balance the need for better quality services at less cost.

Issue	Procurement Approach	Technology Options
Enforcing use of agency contracts and managing relationships with agencies	Any	Use of specialist 'niche' package for complete integration Agency provided solution
Unreliable agency staff individual being re-employed in another part of the local authority	Master vendor agreement Vendor neutral agreement	Niche package stored in database Leverage of existing social services package
Agency staff working for multiple agencies and charging different rates	Master vendor agreement Vendor neutral agreement	Niche package stored in database Leverage of existing social services package
Storage of security checks, references and qualifications (NVQ)/training	Any	Niche package stored in database Leverage of existing social services package
Storage of multiple CVs of candidates for future choice	Any	Niche package stored in database Leverage of existing social services package Agency provided solution
Different business processes for hiring agency staff between service departments	Master vendor agreement (however, local authorities need to instigate the process of streamlining and standardisation)	Agency provided solution Niche package stored in database
Problems of gaining quality management information for all agency staff (controlling, planning and monitoring data)	Any	Any – need to implement a reliable procurement facing classification
Presence of large numbers of variables at the order placement stage (e.g. travel, multiple locations)	Any	Niche package using workflow and model standards/policies
Timesheet submission and/or approval against services delivered by agency staff	Any	Tablet technology integrated to social care package Use of specialist 'niche' package for complete integration Agency provided solution

IMPROVING THE PROCUREMENT OF AGENCY STAFF IN LOCAL GOVERNMENT

Issue	Procurement Approach	Technology Options
Delays in submission of timesheet by agency staff	Any	Tablet technology integrated to social care package Use of specialist 'niche' package for complete integration Agency provided solution
Timesheet Fraud	Any	Tablet technology integrated to social care package Use of specialist 'niche' package for complete integration Agency provided solution
Large numbers of low value invoices	Master Vendor Agreement, but good results can be achieved through the other routes	Leverage of existing social services package/financial system e-Sourcing solutions
Time consuming processes in assessing what to pay	Any	Leverage of existing social services package/financial system (self billing) e-Sourcing solutions Use of specialist 'niche' package for complete integration
Mismatch of invoices to orders and timesheets	Any	Use of specialist 'niche' package for complete integration

APPENDIX A – USEFUL SOURCES & REPORTS

The adoption of a common and well thought out procurement classification structure for agency staff that enables accurate procurement reporting and analysis across the UK public sector would be a useful step to overcoming this problem. It would also help with the development of far more cross public sector collaborative working. Four local authorities undertook some work on this issue in 2003.

Towards a standard procurement classification for local government, is available for download from www.strategiccps.co.uk

The ODPM has produced a national strategy, which sets ambitious targets for improving the way local authorities carry out their procurement activities. This includes agency staff

National Procurement Strategy for Local Government, is available for download from www.odpm.gov.uk

Spending Review 2004 - Independent Review of Public Sector Efficiency (Gershon), is available from www.strategiccps.co.uk