

Transforming the Procurement of Temporary, Agency and Interim Staff:

Your Toolkit for Success



Improvement through efficiency



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1 Executive Summary

The London Centre of Excellence granted funding to the London Borough of Havering to study the use of agency staff across London local authorities, and to find ways of achieving cashable and non-cashable savings. Agency staff expenditure within London was estimated at £500 million during 2004-05, with little visibility or control, and a dynamic legal position. In some councils, when comparing headcounts on a full-time equivalent basis, these agency workers accounted for up to 25% of the total workforce.

Without visibility and control, this “invisible” workforce is costing London local authorities millions. Managers are tempted by the ease and speed of recruitment, and when coupled with the lengthy processes inherent in today’s human resource recruitment for permanent staff, it is no wonder that the market segment has grown. This toolkit, one key deliverable of the project, serves as a step-by-step guide to taking control and achieving efficiency savings in your local authority in the realm of agency, temporary and interim staff - from examining spending, to choosing the right system to manage your agency workers and their agencies, to best-practice advice on your organisation’s policies and legal risks.

There are four basic types of managed services to choose from:

- Vendor Neutral
- Master Vendor
- Internal
- Partially-Outsourced Human Resources

This toolkit lists the pro’s and con’s of each, with a self-assessment test to help you choose the right one for your authority. Cashable savings can be in the region of 3 to 9% before considering the non-cashable savings available from business process re-engineering. Case studies have been included.

The primary goal of the project was to achieve cashable and non-cashable savings for agency, temporary and interim staff. By using this toolkit you can not only achieve savings, but ensure that your authority is up to date with the best-practice policy advice for agency workers, and that your “invisible” workforce is no longer hidden from a corporate angle.

2 Background and Introduction

Local authorities are some of the biggest employers and have a significant influence in the market.

Concern has been rising over the increasing use of agency staff for a variety of reasons, including cost, control, risk, and legal compliance.

Temporary and interim staff are treated for the purposes of this toolkit the same as agency workers, as the risks faced and procurement processes are identical, though there may be different market characteristics.

This toolkit has originated from a project supported by the London Centre of Excellence. The project had a number of outputs, of which this toolkit was one. The original project objectives are set out in *Appendix 13.5 Project Objectives*.

Acknowledgements to all those who have contributed to its creation are set out in *Appendix 13.6 Acknowledgements*.

3 Usage of this Toolkit

This toolkit is designed to be used by Procurement Managers, Human Resources Managers, and local authority Treasurers in reviewing the corporate approach needed to agency worker procurement.

It is effective in helping local authorities take control of unmanaged agency staff expenditure, the reasons for it and current issues faced. It also presents several solutions for stakeholders, with a self-assessment test to help choose the right one for your organisation. Items such as a risk register and example scorecard aid in building business cases for change to a managed service approach.

Feedback from reviewers has indicated that it is helpful even to authorities who already have managed services in place, as it highlights issues including the latest case law, and end-of-contract procedures.

4 Possible Reasons for Using Agency Staff

4.1 FLEXIBILITY

Managers cannot merely rely on permanent staff for work as there are often peaks and troughs in workloads, project work, leave taken by permanent staff, etc. In many cases there is a definite need to use agency workers. Headcount freezes also impact on usage, when managers are placed in the difficult position of providing services without recruiting permanently.

However, one should guard against the over-use of agency workers. Owing to the current dynamic legal position, it is advised that agency workers are not used as the same as permanent employees, and not engaged continuously for more than one year. If agency workers are treated the same as permanent employees, there is a risk that they may be deemed as “employees” of the council in a court of law. [See 5.3 Legal Risks].

4.2 COVERING SICKNESS

As it is impossible to predict when ailing permanent workers will return, agency staff are used as a stop-gap measure.

4.3 INABILITY TO RECRUIT PERMANENT STAFF

The largest reason given for using agency staff was an inability to recruit permanent staff. Services often have statutory service requirements that must be met and so leaving positions unfilled is not an option. These positions are often classed as hard-to-fill, and may exist because of a lack of capacity or skills in the market.

If permanent employment with the council is not pursued by managers or candidates, or is considered unattractive to candidates (lower wages, perceived less flexibility with scheduling, etc.), there will be difficulty in recruitment of permanent employees.

A further issue is where it is more attractive to be an agency worker than a permanent one. For workers, this could be in wages, benefits, a short recruitment phase, and job variety. However, this may negatively affect retention of existing permanent staff, as they may leave to become agency workers themselves.

4.4 TIME-TO-RECRUIT

Needs for agency workers range from next-day availability, to within hours. In urgent situations, such as someone phoning in sick, there may be a need to cover a position with a short amount of lead time. As the time from advertisement to permanent employment ranges from 6 weeks to 3 months, depending on checks required, it is much quicker to phone an agency to cover the position.

4.5 SEASONAL

Agency workers are particularly useful in completing seasonal work, as in street care or horticulture. At the London Borough of Havering, seasonal agency workers accounted for 5% of the total agency expenditure.

The costs associated with a permanent recruitment process may not justify even having such seasonal workers on a short-term contract; rather, it is likely that seasonal workers may still be best recruited through agencies. An analysis will show how many of your workers are seasonal, and the implications for your authority.

4.6 BUSINESS PROCESS

Managers have two choices when faced with a vacant post or need: to either use Human Resources to recruit permanently or to a short term contract, or to phone an agency to cover via a temporary worker. If procurement framework agreements with preferred agencies are available, but the agencies do not have the right person for the job at the time needed, managers often go outside the corporately contracted arrangements to find an agency who can supply. This results in higher commissions paid, and more time lost by managers in phoning ‘round agencies. Often managers are not aware that by doing so they could contract on the agencies’ terms and conditions instead of the local authorities’.

Sometimes the length of the assignment and immediacy of the need does not justify going through a lengthy and bureaucratic HR recruitment process. This may be a factor when reorganisations are planned. Once an agency worker is in post, management of that person is exclusively down to the line manager and HR is not involved. If poor performance is an issue, it is much easier and quicker in theory to remove an agency worker than a permanent one.

4.7 COST

In general, agency workers are not paid for sick days above the statutory requirements; they are also not given access to local government pension schemes or subject to rise reviews. For these reasons it may actually be cheaper to engage agency staff rather than permanent employees, particularly for lower-paid workers.

This is only feasible for short-term assignments (less than one year) as recent case law has given rise to implied rights for long-term agency workers [See 5.3 Legal Risks], but the rewards may outweigh the risks.

5 The issues you face without a controlled approach to agency staff

5.1 NO MANAGEMENT INFORMATION; NO VISIBILITY

Without a master database of the agency workers, their pay rates, the commission charged, or the length of time in post, the agency workforce cannot be tracked. Training or induction records also need to be kept on a corporate basis. [Solely tracking workers may not give rise to employment rights, but when taken in consideration with other levels of control of the workers, may be a factor, again see 5.3 *Legal Risks*.]

Comparisons need to be made with respect to pay and benefits between agency workers and also between permanent staff to capture a true picture of the establishment.

5.2 COST

There are 4 parts to every agency worker's rate:

Agency Worker Pay Rate

This is the rate that the agency worker is paid.

Working Time Regulations (WTR)

This is the rate charged to cover workers' holidays. It should be 8.33% to allow for 20 paid holidays per year.

National Insurance (NI)

This is the employer's national insurance charge. In general, this should be 12.8% of the pay rate, allowing for a weekly "free pay" allowance of £97. [The first £97 of work done during the week does not incur employer's national insurance.] N.B. The correct amount of NI never fully reaches 12.8% when taking the free pay allowance into consideration.

Agency Fee

This is the commission, or fee, that the agency charges.

In some cases, agency staff are considered to be cheaper than permanent staff. However, analyses done in Havering and other London local authorities have shown that commission levels for agencies can be as high as 50% of the worker's wage per hour. There is a need to bring commission levels in line with what can be achieved in the sector. Estimates by other local authorities have found that commission levels can be successfully reduced to 14-15% or lower by

using a managed service, for all categories of staff - from administrative and clerical to social work.

Furthermore, analyses have shown across the country that agencies frequently overcharge on the employer's element of National Insurance and the charges for Working Time Regulations (holiday pay). This discrepancy can in some cases equate to 33p per hour.

The Conduct of Employment Agencies and Employment Businesses 2003 regulations from the Department of Trade and Industry have, as regulation 17, the following requirement:

*"Apart from the provision of information in a publication, **before providing services to a hirer, the agency/employment business and the hirer must agree the terms that will apply, including information on: (a) whether the service will be as an agency or employment business, (b) any fee payable by the hirer, the amount or method of its calculation, and the circumstances of any refund, or a statement if no refund is payable; (c) procedure to be followed if the work-seeker supplied by the employment business proves unsatisfactory; (d) agency's authority and terms (in accordance with regulation 11), if any, it has to represent the hirer in negotiations with work-seekers.**"* (bold mine)

This means that you can request the information directly from the agencies for your own analysis if you have agreed it in your contract with each agency.

Some agency workers are not paid via PAYE from their agency as they have what can be termed "personal service limited companies." In this instance, the agency charges you for the worker pay rate plus their commission; there are no employer's National Insurance contributions nor Working Time Regulations payments. You may want to consider whether to contract with the worker's personal service company directly rather than through the agency depending on the transfer fees and anticipated length of assignment.

5.3 LEGAL RISKS

Recent case law has given rise to the possibility that agency workers may be deemed as "employees" of the council if they are treated in the same manner as permanent employees. A

common (though not exclusive) rule of thumb is that once a worker has been engaged by the authority for one year, they may be deemed as a 'risk' to the council. The case law usually cited is Brook Street UK Ltd. V Dacas 2004, and more recently, Cable and Wireless v. Muscat 2006.

If an agency worker is deemed to be a de facto employee, it may give rise to employment claims. This may include:

- **Unfair dismissal**
Agency workers could have the same rights as employees against unfair dismissal.
- **Redundancy**
Agency workers could have the same payments and rights in the event of redundancy.
- **Minimum Notice**
Agency workers could be subject to the same minimum notice requirements as permanent workers.
- **Access to benefits and pensions**
Agency workers might be able to claim that they were denied access to benefits and pensions that permanent workers have.
- **Increased likelihood of discrimination claims**
Agency workers could claim that they were discriminated against for many reasons. Although, at the moment, there is no legislation which prevents discrimination on the grounds of being an agency worker, agency workers may well bring claims under existing discrimination legislation.

It is not unfathomable to consider situations where class action lawsuits would have significant merit - for example, where a service has effectively externalised its workforce via an agency but retains the level of control over the workers as if they were permanent employees.

Some agencies have decided to institute contracts of employment for their agency workers in an effort to minimise legal risks on behalf of the client. In the absence of the agency categorically stating that they are the employer under an express contractual provision (contract of employment with the worker), the courts will then try to see if there is an implied employment relationship. However, given the landmark Brook Street v. Dacas ruling, whether or not an implied contract of employment exists will boil down to the history of the relationship between each worker and the council: the facts of each,

individual, case would need to be considered in reaching a view. This was evident in the recent Cable and Wireless v. Muscat 2006 case, where even though a worker (Muscat) had a personal service limited company, he was still deemed to be an employee of Cable and Wireless based on the way Cable and Wireless treated him.

It is important to note that the installation of a managed service will not eliminate all risks associated with engaging agency workers. For existing agency workers, the managed service will not be able to remove any risk acquired prior to installation of the service, but there will be management of the length of time in post, as with new agency workers recruited through the service. The managed service will trigger alerts to managers to make decisions when an agency worker has been engaged for too long.

To minimise risk, it has been suggested that one not treat agency workers the same as permanent workers. A recent article by Kevin Barrow of Tarlo Lyons (www.tarlolyons.com) in the 20th October 2005 edition of Supply Management suggested that where possible, use project-based or piece-working contracts. Another alternative is to "avoid integrating temps into the permanent workforce." "End-users must not promote, appraise, train or discipline [workers], nor invite them to social functions."

The risk-reduction techniques may seem extreme, and need to be weighed against your authorities' goals, likelihood of risk and level of risk comfort. For example, it has been argued that the recent case law is in conflict with guidance from Investors in People, where it is encouraged that people, not just permanent workers, should be trained. Each authority needs a corporate overview of their agency workforce to be able to identify their levels of exposure to risk and evaluate their options for reducing that exposure.

5.4 EQUALITIES AND A TWO-TIER WORKFORCE

Because there is no data on the agency workforce as a whole, information that compares agency staff with permanent employees is unavailable. There is an inability to address whether there are issues with gender or race equality on an aggregate level of positions held by agency workers.

Without information on pay rates, there is a risk of having a two-tier workforce, where pay and benefits differ from agency workers to permanent employees. The standard recruitment process is "equality proofed" for permanent workers, but without a consistent approach to agency worker

recruitment, commitment to equalities and diversity within the agency workforce may be lacking.

5.5 SUPPLIER AUDITS (WORK ELIGIBILITY, INSURANCE, CRB CHECKS)

As the supply of agency workers into your organisation is quite likely to be critical to your organisation, it is important that those agencies are audited. They need to carry sufficient levels of insurance, and need to follow proper procedure for work eligibility and CRB checks. Random sampling can show whether references were obtained, and training records verified.

If your analysis finds that some of your existing agency workers are ineligible to work in the United Kingdom subsequent to your review, contact the Home Office Employers' Helpline at 0845 010 6677 for advice and support.

5.6 TRAINING AND BASIC INDUCTION

Training records or logs of when basic inductions took place ought to be kept for agency workers. In the unfortunate event of an accident, training records will aid in the resulting investigation. Also, if a worker transfers from one part of the authority to another, a secondary induction need not be done, and time and expense saved.

5.7 TIMESHEET AND INVOICE PROCESSING

Paper timesheets are part of the current business process for thousands of agency staff across London on a weekly basis. They are signed off with a pen-and-ink signature by managers, which can place the authority open to fraud if managers' signatures are forged by workers.

As a small portion of agency invoices are paid by purchasing cards, there are opportunities to reduce the number of invoices paid by cheque or BACS, which incur large transactional costs. Invoice consolidation may help, where bills are sent monthly instead of weekly, but it is not uncommon for a local authority to have over 150 suppliers on their books. With weekly invoices, and with the average invoice costing between £25 and £50¹ to process, there are potentially large costs acquired through processing.

5.8 LACK OF CONTINUITY

When relying on agency staff to provide a service, there may be issues surrounding a lack of continuity. Within social care, for example, it is important for client care to have the same carer(s) attend a client's needs. However, with the potential for agency staff to have notice periods of one week or less, service delivery may be affected by lack of continuity of the workers.

5.9 TERMS AND CONDITIONS

With an unmanaged approach to agency staff, only the agency's standard terms and conditions are offered; there is little room for negotiation, which may result in a one-sided agreement. These terms and conditions are often unfavourable to the local authority, and include high charges for taking staff on permanently. Terms and conditions should be a negotiation variable and should be used to gain the optimum commercial advantage. Managers, when faced with an immediate need, are often unaware of this issue and find out after the temporary worker has been engaged.

5.10 LACK OF LOCAL PROMOTION

If it is important to a local authority to be recognised as a valued employer, it is important to evaluate whether the agencies are promoting the local authority as a positive employer. Agency workers in London can account for up to 25% of an authority's headcounts on a full-time equivalent (FTE) basis; as such those workers may have a positive or negative view of the council based on their experiences through the agency.

5.11 COMMUNITY PRIORITIES

It is unknown whether local authorities are fulfilling their stated community priorities as they relate to agency workers. Again, if it is important to brand the local authority as providing local jobs for local people, one must examine all the jobs available to the whole workforce, not just permanent staff.

¹ This range is currently under review by the OGC based upon the National Audit Office's report *Modernising Procurement* dated 20 October 1999 and via empirical evidence of local authorities' experiences.

6 Self-Analysis: Understanding Your Organisation

6.1 EXPENDITURE AND CATEGORIES

Before you begin any tender exercise, it is vital to have an analysis done of the expenditure and categories of agency workers to create a total picture of your procurement. You will need:

- A database of your current agency workers, including the agency worker pay rate, the National Insurance (NI), the Working Time Regulations (WTR) charge, the agency fee, the length of time in post, and the expected future duration of the post. You may want to consider including diversity issues, such as whether the agency worker has a disability or the ethnic group to which they belong. In carrying out this exercise, authorities should consider data protection obligations.
- An analysis of your job roles available

There are many suppliers that will undertake this analysis for you for free, either before or after a tender. However, if you are to prove savings achieved from a Gershon Efficiency standpoint, you will need to have a baseline. In conducting such an exercise, care should be taken as to the level of sensitive information available when they are a potential candidate for future tender work.

It would be useful to compare your worker database with your accounts payable expenditure to see if they match. A few managers have charged agency worker costs to other non-staffing accounting codes, and discrepancies can be highlighted and corrected.

In order to determine the reasons for using agency staff, you need to undertake a combination of things. The first is to ensure the analysis breaks down the usage over at least:

- Sickness cover
- Recruitment difficulties
- Seasonal; flexibility
- Other

The second is to sample your managers as it may be that changes are also needed to your working practices. If there are any barriers to permanent recruitment, such as lengthy, bureaucratic HR processes, identification of those barriers and finding solutions to them are critical.

You also need to understand how agency staff perceive your organisation and if this is a perception that you want. A questionnaire is at *section 13.1 Agency Worker Questionnaire*.

The final element is to understand the risks your organisation is taking having regard to the issues faced in section 5. This can only be undertaken in a qualitative way and be used to inform your judgment.

7 The Options Available

7.1 MANAGED SERVICES - WHAT ARE THE BASIC MODELS?

There are 4 possible basic models for a managed service:

- Vendor Neutral
- Master Vendor
- Internal solution
- Partially-Outsourced Human Resources.

A managed service will bring a corporate approach to the procurement and usage of agency workers.

7.2 MANAGED SERVICE - DEFINITION

A managed service is one that serves as an interface between the council and its agencies to manage their temporary worker needs. It acts as one point of contact for all agency worker procurement, and sends out vacancies electronically to the agencies based on the tiering system. It can be either an external organisation or an in-house department, depending on your needs.

The managed service will also collate and report on information for each candidate, their roles, pay rates and equalities and diversity data. Negotiation with the agencies for better rates of commission can also take place by the managed service. The managed service will also ensure the accuracy of all charges, particularly as analysis has shown that overcharges on National Insurance (NI) and the Working Time Regulations (WTR) are not uncommon.

The managed service will also audit the agencies to ensure that they carry appropriate levels of insurance, and that they follow proper procedure to ensure that candidates are reference checked and eligible to work in the UK.

Finally, the managed service can support a more effective agency workforce on behalf of the authority. It can send reminder notices to managers after a certain period of time (e.g. 3 months) to request whether they will continue them on as an agency worker, take them on permanently or discontinue their services.

7.3 VENDOR NEUTRAL MANAGED SERVICE

Vendor Neutral

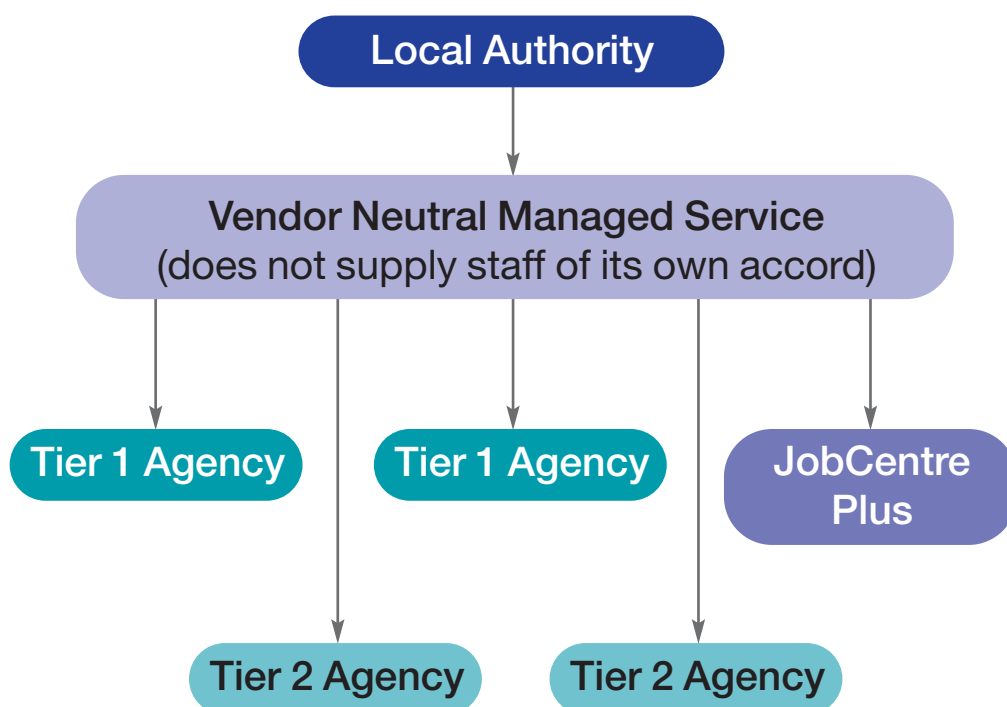
A vendor neutral managed service is one that does not provide staff of its own accord. A vacancy would be phoned or emailed in to the managed service, which would then send it out to the agencies based on their tiering score. Agencies that perform better are marked into higher tiers, thus getting new vacancies earlier. [Please note that the organisation of agency suppliers within a managed service can take a variety of forms; tiering based on performance is one option.]

Agencies then send their CV's of candidates back to the managed service for sorting before giving the best ones to managers; some agencies send them directly to the managers depending on procedure. The vendor neutral managed service does not supply staff as an agency so that it can be "neutral" in selecting agencies and candidates.

In this way, quality candidates can compete against each other from many agencies whilst managers only have one phone call or email to make to the managed service for their request. The vendor neutral model is kind to SME's and BME's because it allows clear competition.

It is important to define the relationship between the managed service and any of its own branded agencies (sister companies, etc.), if applicable. You may want to specify rules of engagement and award by which the vendor neutral managed service must operate, e.g. equal treatment in details of vacancies, time limits for response, etc. You may want to allow the branded agencies to compete against other agencies, or you may want the branded agencies to not supply at all. In either event, contractual clarity plus auditable measures put in place will ensure neutrality of the managed service and its recognised brands.

Costs for this model range on the payment plan selected. For example, a flat management fee could be chosen, which other local authorities have estimated at £200k per annum; however, this is not incentivised to achieve savings. If a transactional fee is implemented based on number of placements or hours worked, some authorities have incurred 2% of expenditure as a fee. Finally, there is the shared savings option, where the managed service is incentivised to create savings for the council. The savings would then be split, for example 70% to the council and 30% to the managed service, but there is a risk that this would be "giving away" too much of the savings. Again, the savings need to be tracked against the baseline to document Gershon efficiencies. For an efficiency to be counted, quality must be maintained or increased; therefore using objective, measurable criteria to score the performance of the agencies is recommended.



Advantages:

- Attracts quality candidates from a variety of agencies
- Allows clear competition
- Supports SME's and BME's from larger competitors by allowing an equal playing field between all agencies based on performance
- Small numbers of TUPE staff potentially at end of contract (managed service employees dedicated to managing the contract and service)
- Existing agencies retained and scored on performance
- Easiest to implement with existing workforce

Disadvantages:

- May be more expensive than other models

CASE STUDY**Vendor Neutral Model - Islington**

In 2003, the London Borough of Islington embarked on an ambitious project: to control their agency expenditure through installation of vendor neutral VMS. Islington spends approximately £24 million per annum and had no control or visibility of who was being supplied to the council.

A project group was formed to analyse the situation and develop a solution. Islington decided that a tender for a vendor managed service would be their best option, and did not specify in the tender whether a vendor neutral or managed vendor system was needed; rather, they asked suppliers to give their best proposals. Islington issued a tender under OJEU procedures. The advertisement was in June 2003, and the contract went live in April 2004.

The Islington tender did not specify whether they wanted a master vendor or vendor neutral model; they asked companies to respond with their own best model and pricing strategy. The specification was output based and 6 pages long; questions included how those staff would be incentivised, and how would regeneration be promoted, as well as support for SME's.

The suppliers that returned tenders proposing a master vendor solution were decidedly cheaper, but there was a concern about potentially losing specialist suppliers and local suppliers, and the quality of the candidates provided. Islington felt that agencies relegated to the second tier will struggle with only the difficult to fill positions, which would be relatively expensive in search costs compared to the positions easier to fill. Because of those issues they felt the second tier would be isolated. The questions for master vendors were how they would guarantee quality, and for neutral vendors, how would they prove neutrality. The contract terms were for a minimum 7 years, up to a total of 10 years; Islington wanted a partner in managing agency workers, not just a service.

Another issue faced surrounded the existing long-term agency workers, and the wish not to interrupt their work as it was seen to be a business continuity concern.

A vendor neutral solution was then decided to provide the best quality of candidates, without disadvantaging smaller suppliers, the local supplier base, or the existing long term agency workers.

A surprising finding was that agencies that were heavily used before installation are no longer heavily used as metrics related to cost and quality of

workers are available. The agencies are rated using a scorecard approach. All agencies were initially put on the same tier for the first few months and then every three months were reviewed against performance. Price makes up only 30% of the weight of the balanced scorecard. Agencies can see how they compare to other agencies' anonymised scores, and see their ranking. They are also given guidance on how to improve their performance should they wish, and Islington has final signoff for tiering.

All agencies now have to sign up to a diversity charter with Islington, ensuring equalities and diversity practices in line with goals, else they will not qualify to be a top tier supplier.

Managers are able to talk to suppliers directly should they wish but all recruitment is done through the managed service, Comensura. They have been successful in eliminating cold calling. The call centre is a 24/7 call centre which responds to business needs, even with very short notice.

Islington approached the issue of long-term agency staff by acknowledging them as a vital part of their workforce. After three months all workers, permanent and temporary, are appraised. Islington felt that this would create a more cohesive and productive workforce, and that the benefit in doing so outweighed any risks of employment rights. In order to protect against any claims of employment rights by agency workers, they clawed back from the savings a contingency fund that acts as insurance against potential claims. For workers who are in post for longer than 6 months, a monthly report is generated, and it is the decision of the line manager whether to employ them permanently or not.

Surveys of the workers' performance have shown that agency workers in some cases have better performance levels than permanent workers. Islington is working on standardising pay rates between permanent and temporary workers.

In order to implement the system, a comprehensive communication strategy was critical. 700 staff and 200 agencies were briefed through workshops jointly run by Islington and Comensura. The training centre was booked for two months exclusively to manage the change involved.

The contract so far has been a success. They have achieved a 100% fill rate, and end-to-end e-Procurement integration. Payments are made electronically once timesheets are signed off online, and every night there is a transfer of data to the

e-HR system. This notifies other systems that new workers are joining, leaving, etc., so as to ensure that email accounts and office space have been allocated. Payments are consolidated into a file and budgets and ledgers are automatically updated.

Dave Sharp, Head of Strategic Procurement, noted the following as "lessons learned" from the contract's implementation:

- You must select a good supplier.
- You must get senior management buy-in.
- You must have a good project team.
- The whole exercise must be led by HR with Procurement support.
- Market research is a must; engage with the top suppliers.
- Engage with managers; do not underestimate the change management needs and the inherent resistance to change by suppliers and managers.
- Meet with key users to understand what they would like to see in a system, on a weekly basis if necessary, and minimise business disruption where possible.
- Project management and contract management needs to be properly resourced.

One other lesson learned was that as this is a web-based system, to ensure that the increase in internet traffic and bandwidth needs would be handled by the implementation.

The question of "who owns the database" is an important one to answer. Islington has retained rights to the database created and maintained by the managed service.

Islington has also required that the agencies enter into collateral warranty agreements, which enables Islington to enforce obligations that the agencies has entered into to the shared service.

Payment for the managed service is done by transactional fees, as a percentage of hourly rates. The cost for the managed service is a modest 2% overall, and Islington was able to keep the bulk of the savings for themselves, as agency commissions were reduced to less than 7% of the worker pay rate. To keep the system incentivised to deliver savings and a quality service, the staff who run the managed service are given performance bonuses.

Capturing the savings and reporting them for Gershon purposes entailed defining what savings were; in Islington the savings rate is based on the lowest rate for which they bought that person's services. Islington has found that overspends were reduced as a result.

Savings achieved have been impressive; 9% cashable off of their £28 million annual spend, with an estimated £300K saved in staff time. In supporting the local economic situation, 9 out of the top 10 agencies are based in the borough, with 5 of the top 9 being local SME's. Regeneration has been supported - even those aged 16 - 24 who are leaving care situations are targeted for positions within the Council, and there are strong links with Capacity Unlimited and the JobCentre. There has been no adverse effect on quality of the candidates and it could be argued that the transparency of the system has increased the quality of candidates.

CASE STUDY

Social Care: Vendor Neutral Model - Essex County Council

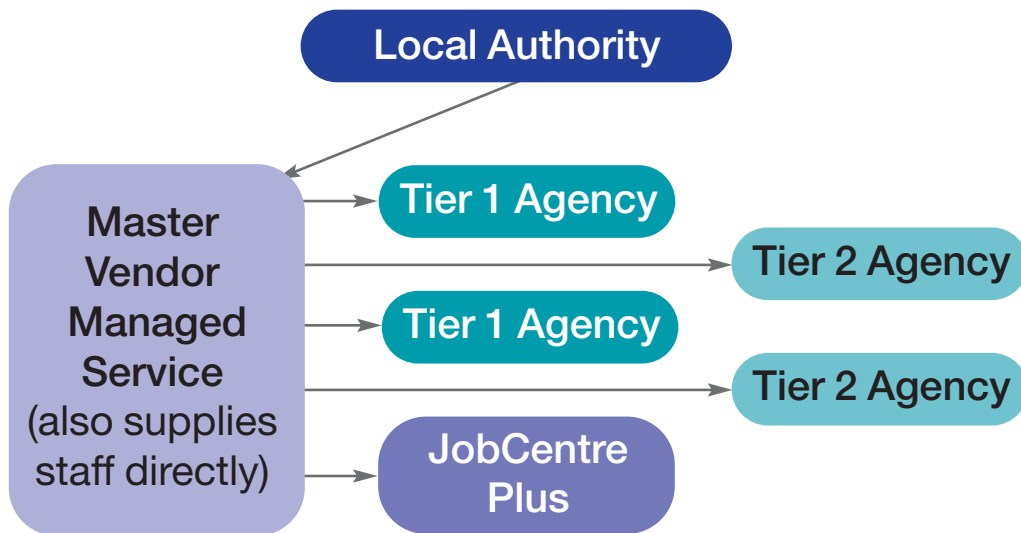
Faced with spiralling costs and no control over social care agency expenditure, Essex County Council decided to procure a vendor neutral managed service on a shared-savings basis.

Essex County Council spent £9.7 million in agency workers annually just for social care needs. They noted that there were too many agencies which led to loss of control, accountability, and excessive back office costs. There was no cohesive approach to recruitment of agency staff across divisions. Agencies were contracted using their own terms and conditions and not the Council's. There was a significant lack of management information required to analyse supplier performance, and no restrictions on the length of contracts for agency workers.

By installing a vendor neutral managed service, Essex was able to retain existing agency providers, as long as they signed up to the terms of the managed service. They used a balanced scorecard approach, and had savings guaranteed in their contract - year 1's guaranteed minimum was £250,000. The service is paid via a 70/30 shared savings arrangement, where 70% of the savings is given to the council whilst 30% is the charge for the service.

Linda Nicholls and Yvonne Skingle of Essex County Council noted that the management information cannot be overestimated as to its usefulness. They had discovered workers who were ineligible to work in the United Kingdom, and even some workers who had signed up for two agencies, yet worked different shifts for the Council under the different agencies (thus going over the Working Time Directive). Now, there is a clear procurement approach, an excellent agency workforce, motivated agencies, and savings.

7.4 MASTER VENDOR MANAGED SERVICE



Master Vendor

A master vendor managed service is one that does provide staff of its own accord. A vacancy would be phoned or emailed in to the managed service, which would then attempt to fill it based on its own pool of candidates. If it cannot fill the vacancy, it will then send it out to the agencies based on their tiering score or the model of agency supply used.

The master vendor has a vested interest in putting forth its own candidates because it can make economies of scale. The master vendor model is not “neutral” in selecting agencies and candidates.

A master vendor might be willing to provide this service at little cost because of the advantages of the economies of scale. However, it is extremely difficult to prove that all candidates sent to manager for review are quality candidates, because of the vested interest. A master vendor model requires sufficient contract management to secure both quality and price advantages. The management of the supply chain of agency suppliers also requires careful organisation to ensure that they are not isolated nor given only the difficult to fill positions. Furthermore, this model is not kind to SME's and BME's because it does not allow a level playing field.

Advantages

- Is generally recognised as cheaper

Disadvantages

- Candidates from master vendor are given priority
- Model does not support SME's/BME's well
- TUPE at end of contract would be a concern (if agency workers who worked for the master agency had to transfer in addition to staff managing the contract).

CASE STUDY

Master Vendor Model - Camden

The London Borough of Camden chose a master vendor model through Hays for its managed service, as cost savings were of the highest priority in the procurement of agency staff. Camden spends £32 million annually in agency staff, and have identified that the total potential cashable savings is greater than £2 million. Owing to compliance issues, they have not yet realised the full amount, and they are on track to achieve £1 million cashable savings in the current year. To date they have not achieved the process efficiencies, and are only now (spring 2006) rolling out the Hays Workflow online system which will help deliver further non-cashable savings.

Scorecards for tiering agencies are not used by the Camden master vendor model. Second tier suppliers submit CV's for consideration directly to the manager concerned. They have a proposal for a "promotion and relegation" approach to the second tier, but the issue to date has been getting agencies to sign up for the terms. Generally, it's a matter of a conversation between Camden and Hays as to whether to drop an agency.

If a candidate is supplied through the second tier, Hays charges an additional 1% for processing, as a direct charge to the invoice. Savings are tracked on a monthly basis, but there are no incentives as such for savings achieved. Approximately 50% of the available business is through the Hays branded agencies, and 50% is managed through the other agencies that make up the second tier.

For positions where there is a limited time to recruit, as in social care, Hays are negotiating with BBT/Reliance with a view to providing emergency care through the managed service. With other limited time to recruit positions, vacancies would be released immediately to all second tier agencies as well as Hays' branded agencies, instead of the usual time taken. Normal procedure is for a time delay in the vacancy being released to the second tier to allow Hays (the first tier) the chance to fill it.

Richard Parsons, Strategic Procurement Manager, noted that lessons learned at Camden as follows:

"The keys to success are appropriate governance, commitment to compliance, a good management information system, and active contract management."

7.5 INTERNALLY MANAGED SERVICE

Internally Managed Service

It is always an option to “do it yourself”, hence the internally managed service option. A new department can be created that will act neutrally in choosing suppliers, the same as a vendor neutral managed service.

Again, quality candidates can compete against each other from many agencies whilst managers only have one phone call or email to make to the managed service for their request. This model is also kind to SME’s and BME’s because it allows clear competition.

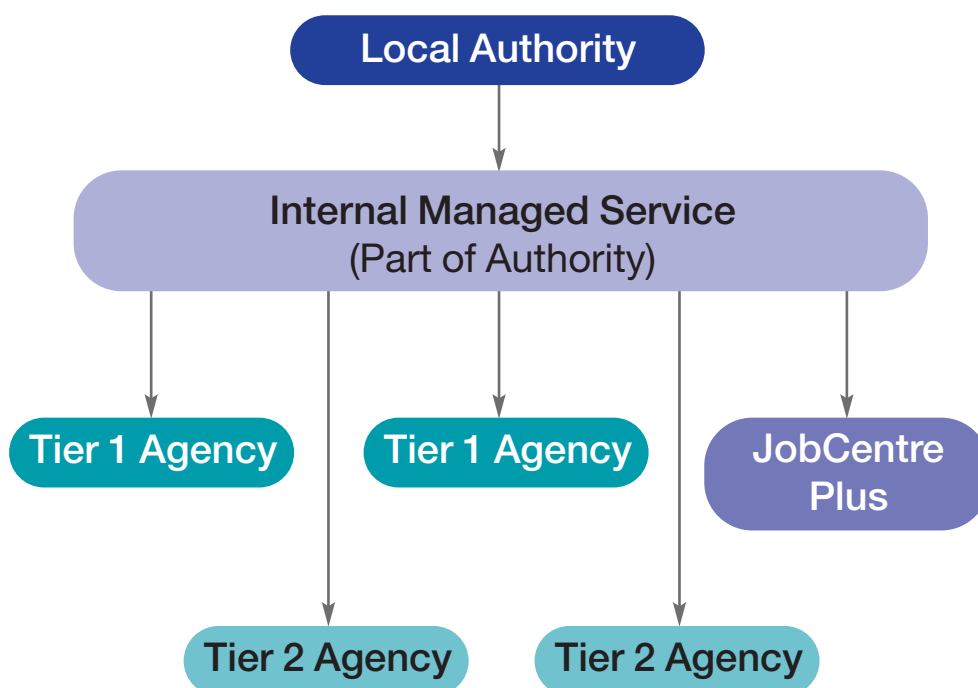
There also would not be any “end-of-contract” procedures or any TUPE implications unless the service was externalised in future. However, it is recognised that software would have to be developed as well as management of that software, which may prove costly. The software would need to be a database of agency workers, their positions and pay rates, and timesheets. An element of e-procurement would be desirable to reduce paper processing, and vacancies would need to be sent through the system to the various tier structures. A full range of management information reports would also be necessary to provide a corporate overview of agency workers within the authority and the transparency of the procurement process.

Advantages

- Attracts quality candidates from a variety of agencies
- Supports SME’s and BME’s
- Easy to amend terms of service
- Low risk of TUPE concerns unless service is externalised
- Exclusive control of service
- Net savings are all internalised

Disadvantages

- Expensive as software and management of that software is needed
- Expertise to manage supply market needed
- Out of hours service may be needed in addition to standard business hours



CASE STUDY

St. Thomas' Hospital

St. Thomas' Hospital runs an internal managed service for 1300 temporary staff FTE's, a major part of their workforce that includes 9,000 permanent staff FTE's. They decided to create it when a contract for the staff bank run by Nestor/BNA was coming to an end, and NHS Professionals, the in-house flexible staffing service run by the NHS for the NHS, was being launched. The government had decided that every trust should use NHS Professionals, and so St. Thomas' decided to bring all agency recruitment in house by September 2003. It was launched first to nurses and then to doctors in October 2004.

In order to manage the staffing needs, a centralised bookings process was created and staffed by 24 FTE's. As the hospital's requirements were for a 24/7 response, the office hours of operation are from 6:30am - 9:30pm Monday to Friday, and 8am - 8pm Saturday and Sunday. There is an out of hours service for urgent response needs.

St. Thomas' separated the different types of agency staff used into four categories:

Admin/clerical/finance

Allied healthcare

Ancillary (catering, cleaning)

IT

There is a different procurement approach within their team for each category of staff.

For implementing the changes within St. Thomas' Hospital, they created a temporary staffing strategy group of key stakeholders, and also a corporate policy. One benefit of the managed system they have now is that they feel they have full control and MIS information about temporary staff usage "at their fingertips."

Managers generate requests either by email or by phoning in to the resource centre, which then chooses whether to recruit from their own bank of staff or from an agency. Each booking is given a reference number, which must be shown on the timesheets. Without the reference number, the corresponding invoices will not be paid.

St. Thomas' utilises a Baum-Hart staff bank IT system to manage the service. It transfers requests to a first tier agency, and if the first tier agency is unable to supply, the request transfers to a second tier agency. In future they are looking to have e-timesheets and e-bookings, but their system

doesn't manage it currently. They use a rate checker Excel spreadsheet which aids in checking invoices to ensure all invoices are correct, but this is not part of their managed service and is essentially done manually.

PASA, the NHS's purchasing and supply agency, ran a hugely successful agency project for nurses. They conducted an e-auction and created a list of approved agencies that were audited with confirmed prices. The nursing contracts organised through PASA has saved £10.5 million, and by implementing their managed service system the other groups of staff have saved £1.1 million.

To audit the agencies that provide admin and clerical staff, St. Thomas' Hospital uses their own internal audit team; the agencies recommended by PASA are audited by PASA on a regular basis.

Val Carse, of the hospital's Department of Clinical Leadership, notes that in implementation, they tried to make changes too quickly and had to go back and review them. Process mapping was needed within the various groups of staff to ensure seamless transfer to the new procedures.

They felt that a strong-arm approach from Finance was critical to success, so that invoices are not paid outside of the system or without a bookings reference number. Their project team consisted of a project manager, a senior HR representative, an accounts person and a few users. They referred to their Legal team as and when necessary for advice. For the locum doctor bank, there was more user involvement to get higher levels of buy-in from the departments.

One finding they did have was when comparing the costs of workers from permanent to temporary. Particularly for ancillary posts (catering, cleaning) it was cheaper to get them through the agency as the pension contribution alone was more than the agency commission. However, in light of recent case law, they are reviewing their strategy.

Collaboration between other Trusts happens on an informal basis, but there is an "Agenda for Change" that is driving further collaboration through the SE London Workforce Development Group.

7.6 PARTIALLY OUTSOURCED HUMAN RESOURCES MANAGED SERVICE

Partially Outsourced Human Resources Managed Service

Perhaps the most radical of the options is the Partially Outsourced Human Resources managed service. In this model, all recruitment is outsourced, both permanent and temporary. The managed service handles recruitment packs, applications, advertising, etc. for all job sets. This allows for the same corporate branding on all positions. For temporary recruitment, the managed service acts as a master vendor (see 7.4).

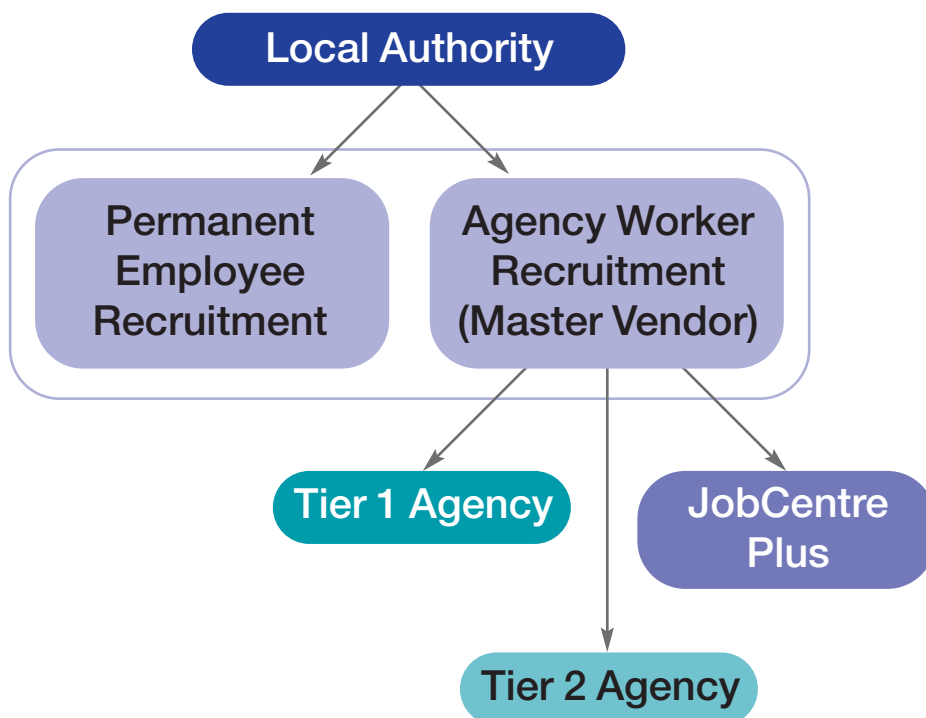
It is difficult to quantify cost and savings comparisons with this model because it is placed altogether in one 'pot.' Furthermore, there is a need to incentivise the master vendor to fill permanent positions, as it is naturally inclined to fill agency positions for more revenue potential. This model has many TUPE implications both at start of and end of contract, as the current recruitment department would be effectively outsourced. This model has the least amount of control by the authority as all recruitment is done by the outside company.

Advantages

- Handles all recruitment, both permanent and temporary
- Acts as master vendor for temporary vacancies
- Has advantage of externalising in-house service (permanent recruitment)
- Identical corporate branding for permanent and temporary

Disadvantages

- Difficult to incentivise the filling of permanent vacancies
- Difficult to separate savings as all costs in one 'pot'
- Large numbers of TUPE staff at start and end of contract
- Candidates from master vendor are given priority
- Model does not support SME's/BME's well
- Least control of service



CASE STUDY

Outsourced HR Model - Hertfordshire County Council

Hertfordshire County Council (HCC) is the winner of awards from Personnel Today and Municipal Journal, for innovation in recruitment and retention and also for their Pay and Workforce Strategy. HCC created the first outsourced integrated recruitment resourcing solution in the public sector. Outsourcing both temporary and permanent candidate resourcing to Manpower has reduced direct costs significantly through improved supply chain management.

HCC originated the project when the advertising contract required renewal; temporary staff costs were increasing, existing solutions were not well managed, and major re-organisations were planned where the potential for high redundancy costs existed. The opportunity to include e-recruitment and database solutions was also recognised.

The project was lead by the Human Resources team. HCC chose this model to deliver a key element of its HR strategy, ie to introduce e-recruitment as quickly as possible and to integrate the management of the total workforce, both permanent employees and agency temps. Short listing and selection decisions are still made by the council. Schools and firefighters are only included in the contract for the advertising element.

HCC met with UNISON before they let the contract to ensure they were able to raise any concerns. In order to effect change a team was created comprising HR specialists across departments and specialist teams, including finance, legal, and IT, top management, line managers and trade union representatives.

The use of this model took time to plan and organise; the long-term strategic vision for the Recruitment Centre model had been in place since 1998, the first 5 year contract started in 2000 and a second contract started in 2005. This second contract is for a minimum of 7 years with an option to extend for up to 10 years.

A full EU tendering process was used for both contracts. Though the recruitment portion of the contract fell under "part B services" of the OJEU tender regulations, the amount of advertising expenditure put the work into "part A services". The first contract followed the negotiated procedure; the second contract followed the restricted tendering process. Manpower UK Ltd won both contracts.

HCC's recruitment was initially de-centralised so there were no TUPE implications, as the de-centralisation meant that recruitment was handled by line managers as part of their day to day work with support from Human Resources. At the end of this iteration of the contract, if the work in its current form moves to another contractor, TUPE would apply.

The first contract was priced on a cost-plus basis as it was difficult to find a starting point with limited data available. It achieved savings in the region of £3 million net of the new work such as the interactive web site. Mark-ups on agency temps were reduced by an average of 19%.

Pricing for the second contract was determined using a unit price model. The unit prices for production of candidates for individual permanent jobs include all the advertising and candidate attraction. The second contract is anticipated to achieve savings of £3 million over 5 years by reducing unit costs and includes incentives for filling vacancies quickly rather than engaging a temporary worker.

HCC felt that in order to have the best chance at success for implementation, a phased approach was needed. This consisted of the following:

- Phase 1 - Recruitment advertising and candidate attraction including job fairs, public notices, internal jobs bulletin, redeployment job matching and a menu of paid-for additional redeployment services
- Phase 2 - Master vendor for supply of temporary workers. Administrative and general categories were first followed by care and driving. The use of Council pay rates for temporary workers, audits of secondary suppliers and invoice process cost reduction were established. The savings achieved were used to cover costs of new services such as the website.
- Phase 3 - Static jobs website, which included employer branding
- Phase 4 - Response handling via a 24/7 service centre, on line website, introduction of generic recruitment for high volume admin and support jobs
- Phase 5 (second contract) - 12 month rolling recruitment plans including high volume temporary workers, four models of recruitment, strengthened employer branding, switch to candidate attraction rather than an automatic

advert, all normal candidate attraction managed by the supplier, regular independent customer surveys, strengthened outplacement services

- Phase 6 (second contract) - Development of a recruitment portal in 2007 to streamline processes and systems

Extremely useful management information on usage, spend and monitoring was provided from the outset.

For tight labour markets, particularly social workers, HCC has had to cope with sourcing internationally. Because of the tight labour markets and the pressures of statutory requirements, some jobs are classed as needing to do “whatever is necessary” to fill the post. They are planning a programme of “training their own” social workers and have instituted a stepped plan - i.e. social work assistants first, then get to senior practitioner level.

A temp-to-perm policy is being finalised, and under their equal opportunities and diversity policies, HCC is advertising “how to” get a job with the council, whether it be permanent or temporary.

Management information on temporary workers is not captured on HCC's SAP HR system at present. Weekly spreadsheets are sent providing the corporate overview needed. Timesheets are not completed electronically but self-billing is utilised.

Strong contract management is essential for the council and Manpower. It includes joint board level monthly steering groups, Recruitment Centre Sponsors in each department, regular service reviews with key managers and all departments, and an ongoing shared improvement plan to ensure that the contract works well and evolves to meet changing needs.

Benefits to management of agency temporary workers include:-

- Introduction of master vendor arrangement to manage the provision of agency temps created a master workforce database, which was jointly registered with Manpower under the Data Protection Act.
- Temporary workers are now paid according to the permanent pay scale except in cases where it is extremely difficult to recruit.
- Cost reductions - mark-ups reduced by an average of 19%

- Improved quality control of secondary supplier agencies by use of SLAs and regular audits
- Better compliance with the Working Time Directive e.g. the use of a master vendor produced management information that showed some current HCC employees were working outside of their contracted HR hours via an agency. This enabled management to address such working practices.
- Better compliance with immigration legislation e.g. when issues arise with secondary suppliers over illegal workers the master vendor must deal with it appropriately. In one instance a group of temporary workers who were not eligible to work in the United Kingdom were delivering work in service critical areas. HCC would have been unaware of the situation if they had not had access to the new management information. Immediate removal of the workers was not an option without a backup plan to preserve business continuity. Once workers were replaced, the ones without eligibility to work in the United Kingdom were referred to the Home Office and immigration for further investigation.
- A temp-to-perm process for roles where there are skills shortages.
- Better management of long-term temps. Again the use of a master vendor provides the regular management information to do this. After 12 weeks' appointment, a decision is made whether to bring them in on a permanent basis, in which case a recruitment process follows. A future plan is to have locums and interims who are self-employed to join on a permanent basis with step-down salaries but the added bonus of guaranteed work.

Other Recruitment Benefits:-

- The Recruitment Centre, as it is called, offers one point of contact for managers and applicants. Candidates need only apply once, as permission details are stored on a database for future vacancy matching. Information is sent by email, phone, or post rather than relying on the chance of seeing an advertisement.
- Temp-to-perm arrangements allow for job and employer previews for both workers and line managers.
- The council's age profile is improving with younger workers used throughout.

- Improved advertisement response rates from an average of 6 to 20 applicants.
- The HR team found that there was significant improvement to the recruitment process by streamlining and standardising practices. The transfer of response handling (high volume administration) to the Recruitment Centre freed HR teams to do professional advice work.
- Improved success rates for adverts from 78% to 95%.
- Development of a talent pool - vacancies are being filled directly from this reducing costs and timescales.
- Introduction of generic advertising campaigns, fewer specific advertisements for high volume vacancies enabling investment in high impact attraction campaigns.
- Reduction of the time line from advert to appointment. 28% of posts are now short listed in under 19 days.
- E-recruitment was achieved with over 130,000 hits to the HCC website annually.
- Reduction of vacancy levels including those for key workers in national skill shortage professions. Teacher vacancies have reduced from over 300 in 2002 to less than 30 in 2006.
- Reduction of invoice processing from 50,000 to 1,700 per annum.

Mary Lowten, HCC's Personnel Manager for Recruitment and Information, noted the following lessons learned:

- Have a clear vision of what you want to achieve that is supported by top and senior managers. Re-check your 'vision' and ultimate benefits at least annually, with all interested parties. This ensures continuous support and acts as a reality check.
- Have adequate resources for HR, Finance, Legal IT and Procurement. Large tendering exercises are a full time job and always take longer than you plan.
- Ensure your plan includes a way to maintain a good recruitment service whilst you are implementing the changes.

- Be flexible. A one-size solution may not fit all work.
- Do not underestimate change management needs. One of the biggest change management issues that had to be dealt with was the 'loss' of managers' direct relationships with agencies that they had built up over the years.
- Do not underestimate the effort required to manage the temporary worker marketplace. Agencies may deliberately create confusion during implementation.
- Incentives to fill permanent posts and reduce the number of temps are necessary, otherwise the managed service will prefer to continue to engage agency workers from their own pool to increase revenue. Mary estimated that 50% of temporary workers were used to cover vacancies during their first contract and without incentives the vacancies would continue to be unfilled.
- Regular communications are essential. It is important to 'manage the message' to avoid the 'grapevine' distorting the facts.

7.7 ADVANTAGES AND DISADVANTAGES OF EACH MODEL

Managed Service	Advantages	Disadvantages
Vendor Neutral Managed Service	<ul style="list-style-type: none"> • Attracts quality candidates from a variety of agencies • Supports SME's and BME's from larger competitors by allowing an equal playing field • Small numbers of TUPE staff at end of contract • Existing agencies retained and scored on performance • Easiest to implement with existing workforce 	<ul style="list-style-type: none"> • May be more expensive than other models, but allows clear competition
Master Vendor Managed Service	<ul style="list-style-type: none"> • Is generally recognised as cheaper 	<ul style="list-style-type: none"> • Candidates from master vendor are given priority • Model does not support SME's/BME's well • TUPE at end of contract would be a concern
Internally Managed Service	<ul style="list-style-type: none"> • Attracts quality candidates from a variety of agencies • Supports SME's and BME's • Easy to amend terms of service • Low risk of TUPE concerns unless service is externalised • Exclusive control of service • Net savings are all internalised 	<ul style="list-style-type: none"> • Expensive as software and management of that software is needed • Expertise to manage supply market • Out of hours service may be needed in addition to standard business hours
Partially Outsourced Human Resources Managed Service	<ul style="list-style-type: none"> • Handles all recruitment, both permanent and temporary • Acts as master vendor for temporary vacancies • Has advantage of externalising in-house service (permanent recruitment) • Identical corporate branding for permanent and temporary 	<ul style="list-style-type: none"> • Difficult to incentivise the filling of permanent vacancies • Difficult to separate savings as all costs in one 'pot' • Large numbers of TUPE staff at start and end of contract • Candidates from master vendor are given priority • Model does not support SME's/BME's well • Least control of service

8 Which one is right for your organisation?

8.1 RELATIONSHIPS

Consideration should be given to your existing agency workers. The analysis in section 6 will aid in a better understanding of the agency workforce. Questions you may need to answer include: what do I do with workers who have been in post on a long-term basis? How will the relationship with the union be affected if agency workers are selected for permanent recruitment?

For new workers recruited through the managed service, should their pay rates be pegged to existing scales, or should they remain fluid to market supply and demand?

The relationships you have with your agencies are also important. Are they local suppliers? Are they SME's or BME's? Would there be any political implications with any changes to your procurement practices?

Managers also have relationships of concern - both with suppliers and other internal management. How will they be affected by changes?

The answers to these questions can only be answered on an authority by authority basis. Stakeholder involvement is key. Include the risks associated with any changes to the relationships in compiling a risk register for your project.

8.2 SELF ASSESSMENT TEST

There are five issues that differentiate the four managed services: cost, control, quality, impact on SME's/BME's and TUPE implications at end of contract. You can use the test below to see which model might be the right one for your authority:

In choosing a Managed Service:

- 1) Where are cost savings as a priority?**
 - a. Top priority, above all else (10 points)
 - b. Equal Priority with quality of candidates, support of SME's and BME's (20 points)
- 2) How important is the issue of supporting SME's and BME's in your authority?**
 - a. Very important (20 points)
 - b. Important, but not overriding (10 points)
- 3) How concerned is your authority about ensuring the provision of quality agency worker candidates?**
 - a. Very important; it needs to be measured (20 points)
 - b. Important, but it does not need to be measured (10 points)
- 4) At the end of contract, would you prefer to have:**
 - a. Minimal TUPE transfers of staff to the next provider (external or in-house) (20 points)
 - b. The number of TUPE transfers does not concern my authority (10 points)
- 5) How much control do you want to have over your managed service?**
 - a. Exclusive control (40 points)
 - b. Strong control (30 points)
 - c. Medium control (20 points)
 - d. Minimal control (10 points)

Add up all points.

If you scored 50 points, you may want to consider a **Partially Outsourced Human Resources Managed Service**.

If you scored 60 points, you may want to consider a **Master Vendor Managed Service**.

If you scored between 70 and 100 points, you may want to consider a hybrid model, such as the one provided by the London Borough of Haringey's LCSG contract. **Consortia Contracts**

If you scored 110 points, you may want to consider a **Vendor Neutral Managed Service**.

If you scored 120 points, you may want to consider an **Internally Managed Service**.

The methodology used to develop this test was the **Advantages and Disadvantages of each Model**.

9 Matters to consider once you have made your overall decision

9.1 MIS INFORMATION

A database will be created by the managed service of all agency workers, their pay rates and positions held. This database will be the responsibility of the managed service to maintain. Local authorities should consider incorporating provisions in their contractual arrangements to enable them to require the managed service to transfer the database to the subsequent provider. In doing so they should also consider Data Protection compliance and confidentiality issues in collecting, storing, and transferring information.

Detailed reports will need to be developed in order to maximise the use of the database. This could include pay comparisons between worker roles (e.g. an admin in one location versus another) or length of time in post reports, to notify managers of the time limits for agency workers. Reporting on equalities and diversity issues will also be provided on an aggregate level so that comparisons with the permanent workforce can be made.

9.2 COST NEGOTIATION WITH AGENCIES

The managed service can take over the payment relationship with agencies and contract with them directly. The models, and therefore the providers, can be incentivised in order to ensure that the managed service drives down commission rates, and ensures accurate charges for National Insurance and Working Time Regulations.

Existing agency workers should not have any changes to their pay rates to maintain business continuity when implementing.

9.3 TIER DETERMINATION

Each of the four possible vendor managed service options have tiers of suppliers. For each level of tiering, vacancies can be given within a matter of days or hours from the managed service. The managed service can then select the best candidates from the CV's sent and the worker history developed through the managed service's historical information.

It is suggested that a scoring approach on performance is taken to decide to which tiers an agency will belong to. The scoring will take into account whether an agency sends CV's when a vacancy is sent; whether the CV's are quality,

meaning that they fit the job description; whether they commit to a diversity charter, their audit scores, their fill rates, etc. The percentages can vary depending on the importance given by your authority.

An example scorecard for an agency is found at section 13.2 Sample Scorecard used for Tiering.

9.4 IMPACT ON EXISTING AGENCY WORKERS

Existing agency workers should be informed of the changes to the recruitment practice and should be reassured that their pay rates should not change. They may only have changes to the way they complete timesheets (online), or the way their data is captured, but it is important for them to understand new systems and any potential impact.

Through the managed service contract, agency workers can have a clearer relationship with their agency. One positive change has occurred in the London Borough of Enfield, where they have added a condition to their contracts with agencies to allow workers who are unhappy with their agency to transfer to another without making the council incur a transfer fee. The condition is "The council reserves the right to continuously employ [engage] any Temporary staff who transfer from one Agency to another and shall not be liable to pay any fee to the Agency by way of a "levy fee" or "referable fee."

9.5 DATA PROTECTION

Confidential data will need to be held by the managed service per candidate, subject to the Data Protection Act. The managed service should require that the agencies, when engaging workers, should obtain the necessary consents to enable personal data to be shared. The workers' contracts with the agency will then contain wording allowing permission to share their details with the council and their managed service. With consent, their data may also be released to the National Fraud Register, and in the event of suspected fraudulent/criminal activity law enforcement agencies will be contacted.

The "law enforcement agencies" term covers a wide range of organisations, from the Police, to Immigration, to Benefits Fraud and so on. By the candidate's agreeing to release this information to the managed service, assurances can be made

that agency workers are cleared and legally allowed to work.

Personal data should only be held as long as necessary, unless the agency workers have had exposure to hazardous substances, i.e. asbestos - in which case records need to be kept for 40 years.

Example Information Held by the Managed Service per Candidate	
Name	Address
D.o.B.	Post/Role
Pay Rate/Hour	Agency Associated With
2nd Agency (if applicable)	Gender
Ethnicity	Disability
Date when inducted	Training Records/History
Eligibility to work UK	National Insurance No.
Driving Licence checked	CRB checked and date
Attendance records	Employment history

9.6 IMPACT ON SME'S/BME'S

It is important to recognise that many agencies may in fact be small-to-medium enterprises (SME's), or black and minority enterprises (BME's). Any changes you make to your existing systems may have an impact on the sustainability of your SME's and BME's.

If you are considering a supplier reduction exercise, a market research study can be done to find out whether your suppliers would be classified as SME's or BME's. Spikes Cavell & Co., MORI and Bostock Marketing Group Research are just three of the companies that can do research on your behalf; they can also advise on whether the companies are local. This information can be invaluable particularly if there is a possibility that by removing the amount of business given to any one agency, they may cease trading. It is worth considering in a political environment where the council's reputation is at stake.

9.7 QUALITY CHECKS AND AUDIT

Quality checks need to be done on your suppliers and candidates, as well as regular auditing. Some of the things that need checking are sufficient insurance levels, and work eligibility checks, CRB and licence checks for candidates. A managed service should provide a plan for the conduct and frequency of the audits within the contract.

Checks for adherence to equalities and diversity policies can also be carried out. See section 12.2 Equalities and Diversity for more information.

9.8 INTERFACES

Managed services ought to be required to integrate with your financial systems and e-Procurement systems, so that commitment accounting can be captured. Not all boroughs use this, however, and it may be costly to run. Commitment accounting may also be difficult to capture accurately due to fluctuations in working patterns. One option would be to have batched electronic invoices linked directly into the AP system, but the interface model required will be different to each authority depending on the IT systems in place. Invoice and timesheet processing can be handled electronically so that there is a reduction in paper.

If e-HR systems are available, a direct interface with the managed service will allow data to be held on all workers, agency and permanent. This will aid in strategic workforce planning by your authority, and even management of starters and leavers; Islington, for example, has a nightly download into their systems advising of new starters, so that email addresses can be created, desk space allocated, etc.

9.9 PAYMENTS

Payments for agency workers will only be made to the managed service, so that there will be a reduction in invoices and one payment relationship for your authority to handle. The managed service will pay the agencies directly for services rendered, and if implemented electronically, can reduce the time it takes to pay invoices. This should be part of the service level agreement that the managed service holds with the agencies themselves.

Payment for the work performed by the managed service can be done in several ways. See the table on page 30 for the advantages and disadvantages of each method:

Payment Method	Advantages	Disadvantages
Flat Fee	<ul style="list-style-type: none"> • Easy to calculate • Easy to evaluate tenders • Would be cheaper per worker if spend level of agency staff goes up 	<ul style="list-style-type: none"> • Is not incentivised for savings • Would be expensive per worker if spend level of agency staff goes down
Transactional Fees	<ul style="list-style-type: none"> • Easy to calculate • Easy to evaluate tenders • Total paid fluctuates on level of business 	<ul style="list-style-type: none"> • Is not incentivised for savings
Shared Savings (Gain-Share)	<ul style="list-style-type: none"> • Is incentivised for savings 	<ul style="list-style-type: none"> • May be difficult to calculate baseline for savings • May give away “too much” of the savings • Need to identify what further savings potential at the end of the contract for the next period

Another possibility is a split between methods, for example: a flat fee combined with a small shared savings arrangement. Some authorities have asked in their tender documents how the managed service staff themselves are incentivised to achieve savings; again, this needs consideration for your overall decision.

9.10 CONTRACTUAL RELATIONSHIPS – AGENT OR PRINCIPAL?

There are two different ways of contracting with the managed service; one acting as an agent, and the other acting as a principal. If the managed service acts as an agent on behalf of the authority, the contractual relationship is held directly by the authority and the agencies, with the managed service managing and coordinating the agencies and payments via a trust account. This is a better option in the unlikely event that the managed service provider must be changed, or becomes insolvent; as the contracts are held directly with the authority.

If the managed service acts as a principal, the contractual relationship is held by the authority and the managed service, and the managed service subcontracts to the agencies. This is more difficult at end-of-contract stage because each agency must therefore have a new subcontract with the new managed service provider. However, if there are any grievances through the duration of the contract, the authority can redress to the managed service and not the agencies.

Although personnel placement and supply services are Part B services for the purposes of the Public Contracts Regulations 2006, and therefore are not as heavily regulated in the procurement process as other services, contracting authorities should still give consideration to EU treaty obligations of transparency and fairness in conducting their procurements. In particular, it would be advisable to advertise as widely as there is likely to be an interest in providing services so that interested parties have an opportunity to compete for the work.

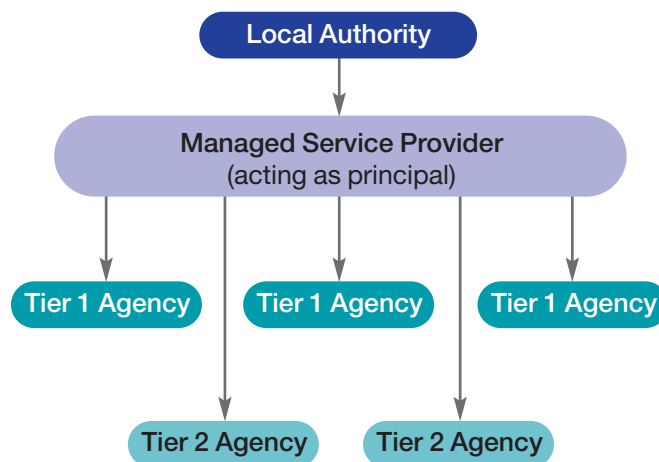
9.11 BUSINESS PROCESSES

Business processes can be improved as a managed service establishes one clear point of contact for the service; managers can email, fax or phone their requirements through to the managed service even on a 24 hour basis if needed. The managed service should provide procedures for short-notice bookings.

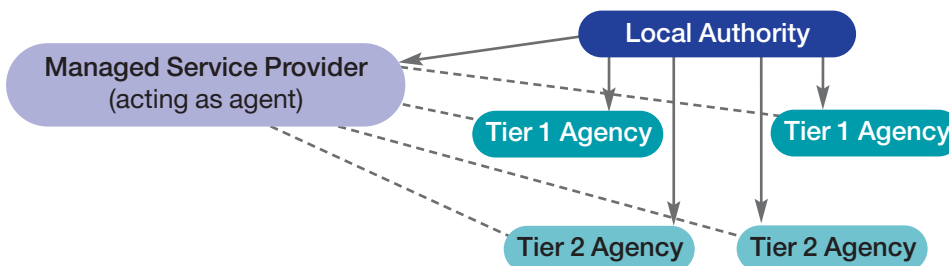
Cold calling can also be eliminated as agencies should be advised that cold-calling will reflect negatively on their tiering score. As lower tiering affects the amount of business they would receive, agencies would therefore be incentivised against cold-calling.

The reduction in paper, reduction in fraud from changing to an electronic process, the elimination of cold-calling and the need to phone several agencies are all non-cashable Gershon efficiency savings.

Contract where Managed Service acts as Principal



Contract where Managed Service acts as Agent



Solid lines represent contractual relationships; dotted lines represent relationships managed through the managed service provider on behalf of the authority.

9.12 RANGE OF OCCUPATIONS

When considering a managed service installation, you may want to have a different approach to different sub-categories of positions available, as the recruitment strategy may be different from one market to another. One example would be for administrative and clerical workers versus professional social workers; the latter is particularly difficult to recruit at the time of this publication due to the limited supply in the labour market, whilst the former is not subject to such constraints.

9.13 EQUALITIES AND DIVERSITY

It is important that your agencies recruit using policies that treat candidates and workers fairly. Not only will the managed service provide a database that will track diversity issues surrounding your existing and new agency workers, but they can compare that to the candidates not selected for posts to see if there are any worrying trends.

Contractually you may want a policy that ensures that agencies treat all candidates equally, with the same standards as the Council. Without policies and audits on practice there may be claims of discrimination, which, in the event workers are deemed to be de-facto employees, could be an expensive liability.

9.14 LEVELS OF INSURANCE BY THE MANAGED SERVICE

Installation of a managed service includes two sets of contracts: ones with the managed service and one with the agencies. Both sets of contracts need to have adequate levels of insurance should anything go wrong.

The common insurance types found in contracts are public liability, professional indemnity, and employer’s liability. As master vendors supply staff as well as operate the managed service, they may need higher levels than a purely vendor neutral provider. The minimum levels of insurance across the agency tiers should be the same.

Contract wording, according to Kevin Barrow, partner, at law firm Tarlo Lyons (www.tarlolyons.com), therefore, should consider the following hypothetical events when determining adequate levels of insurance:

Where the council should consider its own levels of insurance, it is possible to share or transfer the risk contractually. One example would be where the contracts with agencies would allow the agencies to assume the risk for the first £5,000 of any claim. This is, of course, a brief summary of quite a complex subject, and you should consult with your legal and insurance specialists to determine the contractual levels of insurance needed for your authority.

Potential Claims Brought Against the Council	Who can insure?
Negligence and wrongful acts of an agency (workers ineligible to work in the UK, etc.)	Agency
Negligence and wrongful acts of agency workers and contractors	Agency could insure, and offer indemnity to the council, however the cost of the indemnity could be passed on.
Discrimination claims by agency workers and contractors	Agency cannot easily insure, so the Council should consider insurance to protect itself.
Employment Claims by agency workers	Agency cannot easily insure UNLESS they have contracted with the workers under contracts of employment themselves. Indemnities may also be offered by the agency, but the increased cost could be passed on.
Tax Assessments	Agency cannot easily insure, so council should consider

9.15 MANAGED SERVICE HOURS AND LOCATION

A decision needs to be made whether to have the service run 24 hours, or business hours only; and whether the managed service operates through an office on site, or off-site. This decision should be made after you have evaluated the staffing needs and patterns, and questioned whether an on-site or off-site presence is warranted. An on-site presence allows for corporate branding, but it may be difficult to allocate space. In such arrangements you should also consider commercial issues including rent, utilities, liabilities and insurance. An off-site presence may limit branding opportunities unless coordinated with a regeneration scheme.

9.16 LINKS WITH OTHER INITIATIVES

Gershon savings can be captured and recorded, both cashable and non-cashable. This will aid your authority in meeting its efficiency targets. One lesson learned by one authority was that it was important to have a clear baseline to accurately show the savings captured.

The requirement to have a local government Pay and Workforce Strategy will also be improved by the installation of a managed service, as the usage of agency workers will be tracked.

Regeneration initiatives can also be aided with the installation of a managed service. Such initiatives, including social enterprises aimed at regenerating local economies and/or engaging with local communities, could be a source of temporary labour for the council at little cost, and could operate in the tiering scheme of the distribution of job opportunities. These groups may contribute to your council's priorities particularly if they benefit disadvantaged groups.

9.17 JOBCENTRE PLUS

As a community initiative, it is important that councils take advantage of the services available from JobCentre Plus by providing local jobs for local people. They can provide many value added services to assist in recruitment at little or no cost. Job Centre Plus can:

- Access a significant number of local jobseekers from all sections of the community, as well as wider access to jobseekers in neighbouring boroughs.

- Advertise vacancies on the Jobcentre Plus website, Touch Screen Jobpoints within Jobcentres, at Jobsfairs and in some circumstances in local press outlets.
- Although funding for pre-employment courses has been reduced, there still may be scope for the JobCentre Plus to assist with or provide through training partners, some form of short term pre-employment training to address particular needs for job roles that have traditionally proved hard to fill or that have high turnovers; for example these may be in the social care or street warden areas.

When integrating your local JobCentre Plus into the managed service, one must note that JobCentre Plus cannot payroll successful candidates due to their existing system limitations. However, it may be possible for successful candidates to be payrolled through the managed service depending on the contract's terms and conditions.

9.18 NEMS/SLIVERS OF TIME PROJECT

The NEMs project, commonly known as Slivers of Time, is a project partially funded by the DCLG to match people with limited time availability to jobs that suit the time constraints.

The theory is that jobs would be advertised and candidates selected via an online system. Candidates would accept or decline the bookings via text message, and when they have completed their assignment, payment would be made through whichever agency the candidate is registered. Feedback can be collected easily and candidates can create a work profile.

Slivers of Time was not in use by any local authority at the time of this publication. More information can be found at the Slivers of Time website, www.sliversoftime.com.

9.19 END OF CONTRACT PROCEDURES

At the end of the managed service contract, a re-tendering process will be necessary. You will need to consider any changes to existing IT interfaces, contractual changes with the agencies, particularly if a managed service acts as principal (see 9.10), and any TUPE implications of staff dedicated to the service performed in the contract.

9.20 RISK ASSESSMENT

A sample risk assessment is attached at section 13.4. Risk Assessment for the installation of a Managed Service. You may choose to adapt this to suit your project management needs.

9.21 SUPPLIER REDUCTIONS

The average London local authority has over 150 agencies on their books, used by many different service areas. Managing the relationships for all these agencies is no small feat.

It is recommended all existing agencies are engaged by the managed service (where the managed service contracts directly with the agencies) or that the managed service takes over contracting management of the local authority's agreements with the agencies. Local authorities will need to plan transitional arrangements as they may have existing contractual commitments that need to be taken into account in moving to a managed service model. Once scorecards have been agreed and data from those scorecards collected, the process of filtering out higher-performing agencies from the lesser-performing agencies can begin.

In theory, with e-Procurement implementations, the number of suppliers on one's books should not matter as the transactional cost is minimal. However, from a relationship perspective, you may choose to have fewer suppliers through the managed service than previously.

9.22 STANDARDISED TERMS AND CONDITIONS

A managed service will change the terms and conditions with agencies used, as payments to agencies will be made through the service. Therefore all agencies can be on the same set of terms and conditions favourable to your council. It is recommended that if you are tendering for a managed service to obtain copies of sample agreements used with agencies.

9.23 E-PROCUREMENT SAVINGS

Electronic Procurement (e-Procurement) has the potential to generate significant Gershon efficiency savings by reducing paperwork and capturing commitment accounting.

Ordering can be done online, and interfaced with your e-Procurement solution. Invoicing and self-billing can also be done online, and with the average invoice costing between £25 and £50² to process, there may be significant savings, particularly if invoices are processed weekly based on timesheets.

Metrics on the transactions processed through the managed service will substantiate the claim for non-cashable savings.

9.24 ELECTRONIC TIMESHEETS

In Office

For office based workers, timesheets can be completed online, and sent through the e-Procurement system against the original order. Timesheets processed electronically can guard against fraud of pen-and-ink signatures, much in the same way as CHIP-and-PIN has revolutionised digital "signatures" for goods and services.

Field Workers

Field workers, such as carers and social workers, may have to rely on paper timesheets unless an investment in technology is warranted. The average London borough spends 40% of its agency expenditure in social care, so mobile technology to capture time recording should be considered to track workers and obtain accurate billing.

² This range is currently under review by the OGC based upon the National Audit Office's report *Modernising Procurement* dated 20 October 1999 and via empirical evidence of local authorities' experiences.

CASE STUDY

Oxfordshire County Council

Caroline Cappell of Oxfordshire County Council led a project to install electronic time monitoring systems for the 450 home support workers who care for over 2,700 clients. Just to monitor the purchasing and payments of the 26 agencies that supplied the workers involved 12 Finance Assistants employed by the Council.

Oxfordshire felt that without an electronic system, there was a high potential for fraudulent invoicing, timesheets and incorrect charging for their vulnerable client population.

Their system chosen involves a carer phoning an 0800 number upon arrival and departure from a client's home. They expected to have some resistance from clients, but found more resistance with carers who were concerned about being checked upon. The result however has been a success with savings being made and accurate billing to clients, thus improving the image of the council as being fiscally prudent and maintaining high standards of care.

Electronic Invoicing

Electronic invoicing, even self-billing, can be achieved through the use of a managed service. As worker pay rates are agreed in advance, once a manager approves hours worked, the electronic "handshakes" of payment to the managed service, and in turn to the agencies and workers, can occur.

9.25 E-AUCTIONS

Recent procurement trends of e-Auctions could be applied to the procurement of a managed service. Once a payment model is decided, suppliers could compete against each other in an e-Auction to allow the authority to obtain the best price possible for the service.

It is worth noting, however, that the procurement decision to award should not be based solely on price. Other factors including quality, experience in the market, technology integration, etc. need to be taken into consideration.

9.26 ACCIDENTS AND INSURANCE CLAIMS

Accidents happen, but in an effort to reduce the number of incidents and insurance claims, it is recommended that the managed service maintain training records per agency worker. In the event of an accident, these records can be easily accessed for any resulting investigation.

9.27 CONSORTIA CONTRACTS

Several authorities have written contractual agreements where any other London authority who wishes to join in may do so. Savings can be achieved by using collaborative contracts to avoid a lengthy and expensive tender process. The details of those are as follows.

The London Borough of Haringey has a flexible contract for a managed service. On the next page is a diagram of how their managed service works.

Haringey’s agency worker needs are filtered through a resource centre. 50% of the assignments are given to first tier suppliers, called “primary vendors,” and 50% of the assignments are offered to second tier suppliers. The contract is flexible in that the percentages assigned to the tiers can vary for those who join in to the contract.

Payment for the resource centre is made by a shared savings agreement. An ideal level of agency markup is determined, and the difference between the current level of markup and the ideal level is savings available. A percentage of the savings available is claimed by the Resource Centre for running costs, while the remainder of the savings available is given to the Council. In this way, the model is incentivised so that the managed service continually aims to achieve greater savings.

For maximum contract flexibility, the option to have a flat fee for the resource centre is also available.

SME’s and BME’s are also supported using the tiering scheme, whilst cost advantages from appointing primary vendors within the categories can be obtained.

Should you wish to join in or obtain further information, please contact Michael Wood at Haringey: michael.wood@haringey.gov.uk or 020 8489 2120.

9.28 OUTSOURCING WHERE THERE IS HIGH USAGE OF TEMPORARY STAFF

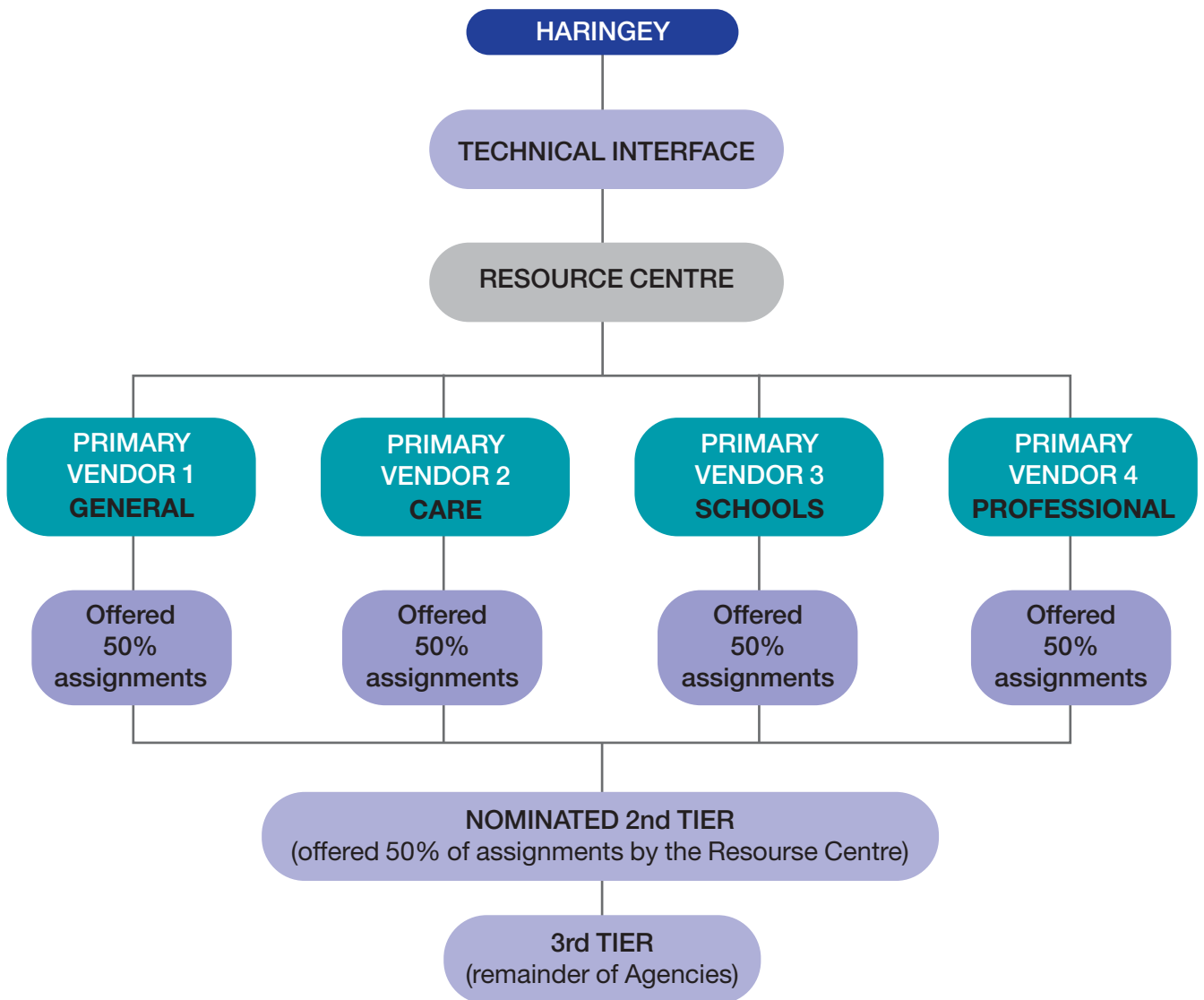
Once a greater picture of the agency workforce is developed, there may be some services which have a high usage of agency staff, which would be better served by outsourcing through alternative service delivery (ASD) plans. Joint procurement of ASD contracts by boroughs that share the same high usage patterns would also be possible on a collaborative basis.

Costs could be reduced by outsourcing; however, one important non-cashable saving is the reduction in legal risk both in terms of employment obligations and vicarious liability. Agency workers that are TUPE transferred to another company to provide a service, who are managed by that company, would become employees of the recipient company; and would not be likely to be deemed de-facto employees of the Council.

9.29 SCHOOLS

Schools have delegated budgets under Fair Funding so that they cannot be compelled to use the arrangements. However, contracts should be opened to Schools so that they can use them should they wish. This may be helpful to them in managing the use of supply teachers, for example.

Authority	Contact Details	Type of Contract
London Borough of Haringey	Michael Wood Head of Procurement michael.wood@haringey.gov.uk	Vendor Neutral Hybrid Managed Service Start: 1st April 2006
London Borough of Hillingdon	Danesh Sharma dsharma@hillingsdon.gov.uk	Vendor Neutral for Professional/ Technical Staff



10 Communications Plan

As the business process re-engineering is significant with the installation of a managed service, it is necessary to have a robust communications plan to ensure smooth implementation and culture change. A sample communications plan is below.

Interested Party	Information Required	Person Responsible	Method & Frequency
Council staff	<ul style="list-style-type: none"> • Contract being proposed • Contract being awarded • Details of how to place orders • Benefits 	Project Manager, CLT and line managers	<ul style="list-style-type: none"> • Internal 1:1 meetings as required • Directorate meetings • Team Brief and “Talking Point” • Pop-ups • SPSG • Personnel heads • Newsletter • Open day
Existing Agency Staff	<ul style="list-style-type: none"> • Any changes to their terms and conditions, or process changes (online timesheets, etc.) 	Line managers, and Agencies	<ul style="list-style-type: none"> • Workshops as required
Chief Executive	<ul style="list-style-type: none"> • Formal report 	Group Director, Finance and Commercial Services	<ul style="list-style-type: none"> • Formal report at beginning of implementation and at end, to include lessons learned
SMT and CLT	<ul style="list-style-type: none"> • Briefing paper 	Group Director, Finance and Commercial Services	<ul style="list-style-type: none"> • Paper once Cabinet gives approval for the tender • Paper upon award of contract
Public	<ul style="list-style-type: none"> • Press release 	Project Manager	<ul style="list-style-type: none"> • Paper upon award of contract
Agencies	<ul style="list-style-type: none"> • Press release • Suppliers Forum 	Project Manager	<ul style="list-style-type: none"> • Paper upon award of contract • Suppliers Forum to deal with questions/concerns re: implementation
Unison	<ul style="list-style-type: none"> • Press release • Briefing 	Assistant Chief Executive, HR	<ul style="list-style-type: none"> • Paper upon award of contract

11 Policing the Decision

11.1 CONTRACT RELATIONSHIP MANAGEMENT

Regular contract meetings will need to be scheduled between the managed service, Human Resources and Corporate Procurement to ensure that any problems or issues can be addressed. Continuous improvement should be on the meetings' agenda. Advice on Contract Relationship Management can be found from the Office of Government Commerce (OGC). A recent status review of contract relationship management in London, sponsored by the London Centre of Excellence, noted that "almost no generic CRMGT guidance was in regular use," and that contract relationship management needed to be further improved to achieve best value for authorities. Links to both papers can be found on the London Centre of Excellence website, www.lcpe.gov.uk.

Savings should be incentivised in some way in the contract so that the managed service is continually aiming to achieve the best rates of commission. This can be done by incentivising the managed service staff, or by ensuring that the payment structure is incentivised.

11.2 ENFORCING USE BY MANAGERS

A strong mandate from Finance will need to be given to all Finance Managers, Ordering Managers and to the agencies themselves after a handover period to ensure that invoicing is carried out in accordance with the new agreed arrangements. This may involve a system change to ensure that agency invoices are sent via the managed service and not directly to the authority.

Agencies that attempt to circumvent the system will find that their invoices will not be paid, and that they must work with the managed service to continue doing business with the council. This will lead to savings by stopping contract leakage, and creating efficiency in reducing unnecessary paper administration. Any circumvention attempts, including documented incidents of cold-calling by the agencies, will result in a lower tiering score.

12 Best Practice Policy Guidelines

must be taken into consideration and included on your risk register.

12.1 AGENCY WORKER POLICY

An agency worker policy is needed to develop a corporate standard for recruiting agency staff. The policy should cover when it is appropriate to engage agency workers, how to engage them, and for how long. It should seek to educate and give generic advice to managers about the legal risks inherent with engaging agency workers.

12.2 EQUALITIES AND DIVERSITY

Equalities and Diversity Policies should be reviewed to ensure that they are inclusive towards agency staff and not exclusive. Also, within the contract, it is good practice to include an Equalities and Diversity 'charter', where agencies commit themselves to acting within the Council's best interests to equalities and diversity.

Within the private sector, it has been reported that mystery shopping exercises have been successful in ensuring adherence to the policies. One example would be sending a candidate with a disability to an agency to see how they are treated when applying for a council temporary position. Such exercises will make certain that there is a commitment to equality and diversity for all positions.

12.3 ORGANISATIONAL DEVELOPMENT

If your authority wants to recognise that agency workers should be treated the same as other employees, and recognise the inherent legal risks, the training and development of agency workers should be a priority. Again, this is for situations where the agency worker is expected to be in post for a long period of time.

The guidance given by the Investors in People standard does not refer to agency workers specifically, however, throughout the standard, all workers are referred to as "people" rather than "employees." Investors in People defines "people" as "anyone who helps the organisation to achieve its objectives - whatever role they play. It includes part-time workers, voluntary workers, people on renewable short-term contracts and regular, casual employees."

Again, the risks from training and development of agency workers may outweigh the benefits, as they may be classed as de facto employees. This

12.4 COMMUNITY STRATEGY

Community Strategy policies across London often include wording such as "We will support people to develop the right skills to access jobs" and "We will create the right conditions to encourage inward investment." Others have mandates offering "local jobs for local people."

When considering that agency workers can account for up to 25% of a council's total workforce, one ought to examine whether those positions are held by those who live in the Borough. A managed service will be able to determine whether those community strategy aims are being met for the agency workforce, by producing regular quarterly reports.

We recommend that each council review its community strategy policies to ensure that agency workers are included and not excluded, and that reporting is done.

We also recommend that where the aims of the strategies are not being met, that the advertising of available positions within the Borough be reviewed. The local JobCentre Plus will be happy to advertise positions at no cost, and they can target local jobseekers.

12.5 IN HOUSE AGENCY (STAFF BANK)

Some councils operate staff banks, which are pre-vetted casual staff paid via the Council's payroll system. Normally these staff would be employees of the council. However, agency commission can be saved if used properly. Some staff banks even have policies of charging out workers to the various departments and including their own internal "margin" to cover costs.

Staff banks can be turned into an internal managed service, or wound up completely depending on the evaluation of their effectiveness and investments needed.

12.6 TEMP-TO-PERM POLICY

It is quite likely that you may encounter agency workers that you wish to take on permanently. Regulation 10 of the Department of Trade and Industry's Conduct of Employment Agencies and Employment Businesses 2003 provides that an agency cannot charge what is commonly known as a "Transfer Fee" unless the contract provides that instead of a Transfer Fee the hirer has the option to hire the worker for an extended period. The relevant extended period must be specified in the contract.

If there is no such provision in the contract the hirer can take the worker on permanently without payment of a Transfer Fee.

If there is a provision within the contract then the hirer must (i) hire the worker for an extended period; or (ii) pay the Transfer Fee; or (iii) wait at least eight weeks after the hire arrangement has ended before taking the worker on permanently; or (iv) wait fourteen weeks from when the worker first started working as an agency worker with the hirer (subject to exclusion of any period after which there was a break of more than forty-two days).

If workers are identified to transfer into permanent employment with the council, it is important to remember that following recent case law those who work "temp-to-perm" may have accrued employment rights. This may have important implications in relation to unfair dismissal, redundancy rights etc for organisations that use agency temps. In temp to perm arrangements, where an agency temp becomes a permanent employee, the employer may want to break continuity of service by having a gap between the two jobs.

13 Appendices

13.1 AGENCY WORKER QUESTIONNAIRE

This questionnaire may be amended for use by any authority. Its sole use may not give rise to employment rights, but when taken in consideration with other levels of control of the workers, may be a factor.

Agency Worker Satisfaction Survey

I am pleased to tell you that we are launching an Agency Worker Satisfaction Survey to collect your views about your position within the London Borough of Havering.

The success of the survey depends on your contribution and it is therefore important to be honest in your answers and to provide comments which you feel may be helpful.

Please complete the questionnaire below and forward to XXXX, Procurement Project Manager, or by email at xxxxxx@haverling.gov.uk. The questionnaire will be conducted on an anonymous basis.

Key:

1 = Very satisfied/agree strongly

2 = Satisfied/agree

3 = Dissatisfied/disagree

4 = Very dissatisfied/disagree strongly

1. COMMUNICATION

How satisfied are you with Havering's communications generally?	1	2	3	4
You know what is expected of you within your job role.	1	2	3	4
You can ask for advice and support from your manager.	1	2	3	4
Your views are asked for.	1	2	3	4
Your views are listened to.	1	2	3	4
You are kept informed of department results against targets.	1	2	3	4
You are involved in future plans that will affect you.	1	2	3	4
Team meetings are useful and productive.	1	2	3	4
You know about Havering and what it is trying to achieve.	1	2	3	4

2. RECOGNITION AND AWARD

You are fairly rewarded for the job you do.	1	2	3	4
Your knowledge and skills are utilised.	1	2	3	4
Showing initiative is encouraged.	1	2	3	4
You receive recognition for work well done.	1	2	3	4

3. TRAINING AND DEVELOPMENT

You are trained and developed to effectively carry out your job.	1	2	3	4
You get constructive feedback on your performance.	1	2	3	4
Your appraisal helps you in planning for the future.	1	2	3	4

4. JOB SATISFACTION

Your job is fulfilling.	1	2	3	4
Havering is a good organisation to work for.	1	2	3	4
Havering meets or exceeds your expectations.	1	2	3	4
There is good co-operation among the members of your team.	1	2	3	4
Your working environment is satisfactory.	1	2	3	4
Concern is shown for your health and safety at work.	1	2	3	4

5. WORK STATUS

What attracted you to temporary work?

Would you prefer a permanent position?

Do you live within Havering? Yes/No

6. COMMENTS

Any other comments?

13.2 SAMPLE SCORECARD USED FOR TIERING

Quality/Price Metric	Maximum Score Available	Benchmark Score
1.1 Orders Received vs. Orders Accepted	2	1
1.2 Orders Accepted vs. Candidates Submitted	6	4
1.3 Positions Accepted vs. Positions Filled	6	3
1.4 Candidates Submitted vs. Positions Filled	6	3
1.5 Overall Fill Percentage	2	1
2.1 Candidate Compliance to Requirements	15	9
2.2 No Shows	5	4
2.3 Replacement Ratio	5	3
2.4 Evaluations	15	10
3.1 Timesheets Submitted	8	3
4.1 Cost	30	20
Total score available	100	

13.3 CONTACT INFORMATION

Role	Contact Details
Project Director	Rita Greenwood Group Director, Finance & Commercial London Borough of Havering Town Hall Romford, Essex RM1 3BD Tel: 01708-432218 rita.greenwood@haverling.gov.uk
Project Manager	Susan Prettyman LCE – Agency Staff Efficiency Review Project Manager London Borough of Havering Mercury House, 5th Floor Mercury Gardens Romford, Essex RM1 3RX Tel: 01708-433438 susan.prettyman@haverling.gov.uk
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13.4 RISK ASSESSMENT

This is an example project risk register that can be used when project managing the installation of a managed service.

Project Risk Register							
Risk index No. / Status (e.g. 001/Open)	Description of risk	Probability High Medium Low	Impact High Medium Low	Description of mitigating action	Person responsible for resolution	Date when raised	Target date for resolution
001/Open	If existing agency workers are identified for permanent employment (temp-to-perm), Recruitment team has a backlog of applications to be processed	High	Medium	Additional resources dedicated to HR processing of applications and posts.			
002/Open	Managers do not take up the new system.	Medium	High	Training sessions to all managers; SMT and CLT to engage.			
003/Open	Unions strike against any policy changes.	Medium	High	Early engagement with unions, working in partnership, to achieve balance on policies and procedures.			
004/Open	Costs to the permanent workforce increase, including pensions and benefits.	High	Medium	Re-evaluate budgets and establishment.			
005/Open	Agency workers identified for permanent employment do not wish to become permanent.	Low	Low	HoS to make decision to retain the worker as an agency worker or to recruit permanently.			
006/Open	Systems are cumbersome and impede managers' flexibility.	Low	Medium	Testing done to ensure minimal bureaucratic impact.			
007/Open	Increase of paperwork and/or demands on managers' time	Medium	Medium	Testing done to ensure minimal bureaucratic impact.			

Project Risk Register

Risk index No. / Status (e.g. 001/Open)	Description of risk	Probability High Medium Low	Impact High Medium Low	Description of mitigating action	Person responsible for resolution	Date when raised	Target date for resolution
008/Open	Increase of demands on HR/Procurement/IT	Medium	Low	Testing of interfaces done to ensure maximum use of IT links available; HR, Procurement and IT to evaluate resourcing requirements			
009/Open	System is too expensive / payment method chosen not properly incentivised.	Low	Medium	Ensure savings method incentivised on an ongoing basis.			
010/Open	Finance does not take strong measures to stop paying any agencies outside the system.	Low	High	Disciplinary action taken against persistent managers who attempt to circumvent system.			
011/Open	Two-tier workforce issues	High	Low	Human Resources to evaluate.			
012/Open	Employee rights accrued for those taken on permanently	High	High	Human Resources to evaluate on a case-by-case basis.			
013/Open	Managed Service is unable to interface with suppliers / our systems	Medium	High	Revert to manual system; include payments to LBH for downtime and increased costs in tender.			
014/Open	Downtime of managed service; payments not made, workers not booked.	Low	High	Revert to manual system; include payments to LBH for downtime and increased costs in tender.			
015/Open	Managed Service becomes insolvent.	Low	High	Check financial statements for solvency as a tender qualification. Revert to manual system while urgent retendering managed			

Project Risk Register

Risk index No. / Status (e.g. 001/Open)	Description of risk	Probability High Medium Low	Impact High Medium Low	Description of mitigating action	Person responsible for resolution	Date when raised	Target date for resolution
016/Open	Policies are unclear and confusing.	Low	High	Pilot policies with managers who have agency workers.			
017/Open	Unacceptable tenders received.	Low	Medium	Retender or consider using an established consortia contract.			
018/Open	Agencies refuse to work with the managed service.	Medium	High	Send available vacancies to agencies that work with the managed service only.			
019/Open	Tender results challenged.	Low	Low	Issue report on procurement procedures followed to show due diligence.			
020/Open	After analysis phase, some workers are ineligible to work in the UK.	Low	Medium	Contact the Home Office's Employers' Helpline for advice and support.			
021/Open	After audits, some agencies are found to have insufficient levels of insurance.	Medium	Low	Lower score on balanced scorecard for agency (resulting in a lower tier); encourage increase of insurance levels kept to increase score.			

13.5 PROJECT OBJECTIVES

The project's objectives included:

- To demonstrably improve arrangements for recruiting all types of agency, interim and temporary staff across London including administrative, clerical, social care, professional and other difficult to recruit to staff areas, but excluding teaching staff.
- To develop a process model for the procurement of the staff types.
- To make best use of and build on existing procurement skills in the specific area of agency staff recruitment.
- To encourage the adoption of best practice across all London Authorities.
- To identify solutions; this will lead to “cashable” savings, in line with the requirements of the further review. Areas considered difficult or sensitive to review will not be excluded.
- To identify opportunities for non-cashable savings e.g. timesheet and invoice processing.
- To identify and build long-term relationships with providers on value for money.
- To identify approaches used in other sectors in order to promote good procurement practice for other public bodies.
- To identify how collaboration between authorities can be best developed for the mutual benefit in procurement of staff types referred to above.
- To identify ways in which the needs of the councils for interim, temporary and agency staff can be addressed by using longer term arrangements with providers.
- To ensure that quality of and ability to supply agency staff workers is maintained or improved.
- To ensure that all project deliverables and recommendations recognise the likely impact of equalities, diversity and organisational development policies, as well as community development strategies.

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Transforming the Procurement of Temporary, Agency and Interim Staff: Your Toolkit for Success

FEEDBACK FORM

We are keen to receive your feedback regarding this document's relevance and practicality to you and your organisation and would be grateful if you could provide some comments below:

Scoring: 1 = Strongly Disagree 2 = Disagree 3 = Neither Agree/Disagree 4 = Agree 5 = Agree Strongly

	Please circle your choice	Comments
This Toolkit was helpful	1 2 3 4 5	
This organisation will be using the toolkit to achieve efficiency savings	1 2 3 4 5	
The toolkit has assisted this organisation in reviewing our approach to agency worker procurement	1 2 3 4 5	
The toolkit has helped this organisation to take control of unmanaged agency expenditure	1 2 3 4 5	
This organisation has implemented some of the proposed solutions. Please give details:	YES NO	
If you have not implemented any of the solutions, please give details of any that you plan to implement in the future		
The risk register was useful	1 2 3 4 5	
This organisation has made savings as a result of using the toolkit. Please give details	YES NO	
Did you use the self-assessment test?	YES NO	
What would you like to see included in future reviews of this document?		
How could the guidance be improved in future reviews?		
What is your area of functional expertise?	HR <input type="checkbox"/> PROCUREMENT <input type="checkbox"/> FINANCE <input type="checkbox"/> OTHER <input type="checkbox"/>	

Other Comments: *This space may be used for general comments or to expand on comments made above.*

Organisation: _____

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