

**MINUTES of the meeting of the Corporate Overview and Scrutiny
Committee held on 27 September 2011 at 7.00pm.**

Present: Councillors Robert Gledhill (Chair), Wendy Curtis, Diane Revell and Phil Anderson (substituting for Danny Nicklen)

Apologies: Councillors Danny Nicklen, Terry Hipsey and Yash Gupta

In attendance: Cllr James Halden (Left at 8.30pm)
Cllr Phil Smith – Portfolio Holder for Central Services
R. Waterhouse – Corporate Director, Change and Improvement
C. Connellan – Senior Procurement Officer
L. Francklin – Business Development Manager
M. Boulter – Principal Democratic Services Officer

1. DECLARATIONS OF INTEREST

a) Interests

No Interests were declared.

b) Whipping

No interests were declared.

2. REVIEW OF MANAGED SERVICE FOR TEMPORARY AGENCY AND INTERIM RESOURCES (M-STAIR)

Councillor Halden was invited to speak and he outlined five concerns he had regarding the recent Cabinet decision relating to this issue. These were:

- The report did not indicate the current spend against the potential savings.
- The contract was significant in terms of money and he felt this should not, therefore, be a delegated decision.
- The M-Stair framework recommended was a new framework that had not been tried and tested by others.
- The Cabinet report did not demonstrate how workers at the lower payment level would be protected against reductions in hourly rate.

- There was no detail on how the framework complied with new Agency Worker Regulations, which were due to come into effect from 1 October 2011.

The Director for Change and Improvement outlined the process so far and stated that the work leading up to the award of contract had been a cross council project that was part of the transformation programme. The Council had started almost a year ago by collecting reliable data on temporary staff, which they then used as a base to go out to tender. As of August 2011, the Council had 310 temporary staff and if these levels stayed constant, the Council would look to save £1.5 -2 million per year by using a managed service. The proposed contract was for three years with a one year extension.

It was explained that a managed service was the use of a vendor who supplied one point of contact for the Council in sourcing its temporary staff. The vendor then sourced those staff from a variety of temporary agencies, most of whom the Council used already. The vendor would make savings by reducing the proportion of money the individual agencies took for supplying a worker. In addition the use of a vendor would allow the Council to manage its temporary workforce far more closely and ensure that the Council received the most suitable workers for the posts. This was especially important considering that the introduction of the Agency Worker Regulations meant that agency workers could have the same pay and holiday benefits as a permanent member of staff after twelve weeks.

The Council had decided on a Vendor Neutral Model, which meant that local hiring agencies were able to join in partnership with the vendor. They would remain independent but would be expected to work to reduced margins for themselves when supplying staff to Thurrock Council. The preferred supplier had indicated that 95% of the local agencies would be able to collaborate with them and 75% of those were already in partnership with the vendor on other contracts. It was highlighted that many of the local agencies were branches of much larger national organisations and the 5% that would not enter partnership with the vendor had opted out. Officers added that local agencies, by entering into partnership with the vendor, would also benefit from other contracts the vendor had with other companies, so there was a potential for their businesses to grow.

Officers stressed that time was important in this project and it was vital that the new model was in place by 12th December to ensure a smooth transition.

In terms of M-Stair as a framework, officers stated that it was nationally respected with competitive rates. Three contracts had already been delivered through the model and twenty were still in process across the country. Legal and Procurement officers had been involved throughout the project and there was every confidence it was a robust process.

Five companies tendered for the contract. All were good and three were found suitable with two of those being very close in the final scoring.

The Committee debated the terms and conditions of agency workers and it was clarified that agency workers did not receive all the benefits of a permanent employee after twelve weeks but would certainly do so for pay and holiday entitlement. This included sick pay. The Committee recognised that some temporary workers were paid more than permanent employees and officers confirmed that it was unlikely such workers would have their pay reduced to conform with permanent employees. It was agreed that there was a potential for savings to vary if temporary staff stayed longer than twelve weeks and were able to claim similar benefits to permanent employees. Officers added that all long terms temporary staff were currently being reviewed to see if they could be offered a different set of working terms and conditions, however, from 1 October the system would reset and all length of service would be measured from this date.

It was clarified that social workers were not expected to suffer a reduction in pay and the preferred supplier had bid on the contract by stating they could supply relevant qualified staff paid at market rate salaries at a reduced cost.

In terms of paying agencies a fee if a temporary worker was offered a permanent job, officers stated that this was dependent on the individual terms and conditions of each agency the Council used. Similarly, if workers moved between agencies the Council would need to be mindful of contractual obligations to the original agency employing the staff member.

School staff were not included in the proposed managed service but they could be added at a later stage.

The discussion moved on to the proposed savings and it was explained that the use of a vendor would reduce the cost of employing a temporary worker by 25 to 30%. In tandem with this saving the Council was working to reduce the use of temporary workers across the council. Therefore, if the Council was successful in reducing the need for temporary workers, the projected savings of this project reduced. However, if this was the case, the savings lost on the vendor project would actually be made through the reduction of temporary staff. It was clarified that the 25% projected saving would derive from the agencies' cut of the service (not that of the worker's pay), as well as using the vendor to ensure the council was not paying more for over qualified workers to do less skilled jobs.

Some members of the committee felt that the savings offered in the Cabinet report did not reflect an accurate figure as there was potential for long serving temporary workers to claim more benefits. Officers

agreed but stated that the bulk of the savings would be made and in tandem with the reduction of the demand for temporary staff, it was important to continue with the project.

Councillor Anderson stated that he had personal experience of the framework used and it worked very well, ensuring the workers did not see a reduction in their pay.

The Committee explored the proposed contract and it was explained that each company had been given the Council's data regarding temporary staff minus the cost of employing them. The companies had then delivered their own costs for those workers, with the preferred supplier coming back with a projected saving of £1.5 to 2 million. The Council had also undertaken a mini procurement process which meant that the companies had bid for the contract on the figures and costs they had provided at tender stage. Therefore, the companies had committed to a cost level. In addition, the companies had entered the project through the M-Stair framework which meant they were tied to national levels in relation to worker costs, which meant that if councils across the country employed more temporary staff, the unit cost per worker would reduce nationally and the company would pass this saving onto the Council.

The Council was also able to performance manage the vendor through a service level agreement which would be negotiated once the contract had been awarded. This would include performance indicators that the vendor would be measured against. If they failed to perform adequately, the Council could terminate the contract at no cost. There was no other termination clause in the contract.

In response to a question about managers continuing to use purchase orders to employ temporary staff, officers stated that this would cease, although there could be a transition period whereby the vendor allowed the Council to continue using certain staff on certain agencies to complete specific projects. There were no specific details of this at present.

It was clarified during debate that there was no plan to make redundancies in Human Resources due to the streamlining of the temporary worker process.

The Acetel Period was explained to the Committee whereby ten clear days were kept after the announcement of the successful bidder to allow competing companies to receive feedback on the procurement process and raise any objections if they so wished. The contract was awarded on the tenth day. Following this meeting officers were expecting to award the contract tomorrow.

There was some debate about the Christmas deadline with some members stating that this did not have an impact on the project.

Officers highlighted that holiday leave meant that key individuals would be missing at a crucial time of implementation.

Vertex had not been invited to join the procurement exercise and had sourced a similar supplier through a separate project. Officers felt that a joint exercise with Vertex would not have delivered greater savings as Vertex would have a different set of requirements and specifications and also, contractually they would not be obliged to pass on any of these savings to the Council. Similarly a new Human Resources management system, which was currently being proposed, would not achieve the same savings. The Vendor Neutral Model relied on the savings the vendor could make through negotiation with collective agencies. This was something the Human Resources System would not do.

It was clarified that all local agencies had been contacted and informed of the Council's intentions.

The Chair summarised the debate stating that the savings figures were not certain and the questions at tonight's meeting demonstrated that more information had been needed for Cabinet to make an informed decision. The presence of exempt papers containing further business information would also have been welcomed at both the Cabinet and Scrutiny meetings. The Director of Change and Improvement responded by stating that the Cabinet had received all the information it needed to make an informed decision. If exempt papers had been added to the Cabinet report it would have been an entirely exempt report and therefore not easily scrutinised by this committee. The Council was only ever able to predict savings and until the process was in place, the savings figures could not be officially quantified.

Councillor Smith added that he and Cabinet were aware of the time constraints of the project and they supported the delegated decision and all other recommendations on the basis that time was of the essence and the potential for savings was large.

RESOLVED: That:

- i) The Committee is content with the details of the procurement and tender process and are happy for it to proceed.**
- ii) Future tender documents and procurement project documents incorporate a higher level of detail.**

The meeting finished at 9.00pm.

Approved as a true and correct record

CHAIRMAN

DATE

**Any queries regarding these Minutes, please contact
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or alternatively e-mail mboulter@thurrock.gov.uk**

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