

Committee/Meeting: Cabinet	Date: 5 th December 2012	Classification: Unrestricted	Report No: CAB 55/123
Report of: Corporate Director Resources Originating officer(s): Simon Kilbey, Service Head HR; Hugh Sharkey, Interim Service Head Procurement		Title: In-House Temporary Resourcing Service Wards Affected: All	

Lead Member	Cllr Alibor Choudhury
Community Plan Theme	One Tower Hamlets
Strategic Priority	5.2: Work efficiently and effectively as One Council

1. **SUMMARY**

- 1.1. This report provides detail on the proposed future model for the sourcing and selection of temporary workers engaged by the Council
- 1.2. The recommended solution is focused on achieving positive outcomes for local residents and local businesses by sourcing temporary workers from the Council's own talent pools and from local SMEs prior to engaging external agency suppliers
- 1.3. This report includes an overview of the elements required to support this model, including: the next iteration of the agency framework contract; the required internal resource; and identification of the local labour network

2. **DECISIONS REQUIRED**

The Mayor in Cabinet is recommended to:-

- 2.1. Agree the establishment of the In-House Temporary Worker Resourcing Service (ITRES) as described in this report
- 2.2. Agree the establishment of the Council Resourcing Team to lead and manage this Service
- 2.3. Note outline plans for cross-directorate working between Resources and Development & Renewal to further promote employment opportunities within the Borough for local residents

3. **REASONS FOR THE DECISIONS**

- 3.1. The existing temporary staffing contract is due to terminate in March 2013. The future model for the supply of temporary workers to the Council is currently under consideration with any new model required to be operational from April 2013

3.2. Prior to the introduction of the current contract in December 2007, the Council's annual spend on temporary workers was in the region of £35M. This annual spend was reduced during 2011/2012 to £13.3M on temporary workers and £5.6M on project staff through:

- a) Cutting of agency margins from circa 35% to 15%
- b) Standardisation of pay rates
- c) Supply chain rationalisation from over 500 to around 200 agencies
- d) Gaining much greater visibility over the deployment of agency and project workers so that control measures could be applied to challenge or displace their use

In addition, the introduction of the service has delivered the following positive results and major benefits during the contract term:

- e) A centralised system for the ordering, placement and payment of temporary workers;
- f) Complete visibility of the temporary workforce within the Council;
- g) Transparency of spend for the temporary workforce;
- h) Arms-length management of the agency supply chain;
- i) Standardised rules of engagement and regular audit of agency suppliers;
- j) Management Information detailing number and duration of assignments, billed hours, reasons for hire and various other ad-hoc reports; and
- k) A single monthly invoice to dramatically reduce both the number of transactions and the associated finance cost of paying suppliers

3.3. The Council is committed to building on the improvements and the savings realised from the current arrangement and this report describes the additional benefits to the Council of adopting the recommended model. These benefits include:

- a) Continuation of the benefits realised from the existing contract;
- b) Promoting the use of local workers¹;
- c) Promoting the use of local SMEs²;
- d) Reducing hourly cost to hiring managers of recruiting through external suppliers;
- e) Implementation of Council workforce planning objectives; and
- f) Creating a model that enables assimilation with and provides a foundation for Development & Renewal's vision to create a broader "Employment Hub" to provide local temporary staff to other organisations within the Borough

¹ On average, 1 in 6 temporary workers employed by the Council are resident in the Borough (postcodes E1, E2, E3 and E14)

² In 2011/2012, just over 1 in 6 temporary workers were employed through local SMEs, accounting for 10% of the Council's overall spend on agency staff

4. ALTERNATIVE OPTIONS

- 4.1. The alternative options considered, their implications and the reasons for their rejection are as follows:

Option 1: Continuation of existing model (through LCCF)

- 4.2. As the lead organisation for the *London Councils Collaboration Framework* (LCCF), the Council initiated an additional competition on the national MSTAR framework contract, resulting in a more advantageous pricing model for London Councils who expressed an interest in the procurement
- 4.3. The LCCF is recognised as being the best value model for the procurement of external agency contracts and will be used by the ITRES for this purpose
- 4.4. There is mention of local SMEs and local candidates within the LCCF, but it lacks detail on the practical application. Furthermore, implementation of such initiatives remains subject to market forces and not under full Council control
- 4.5. There was concern that Council objectives in this regard would not be fulfilled and the option (as a single solution for the Council) was rejected

Option 2: Full procurement exercise

- 4.6. There is an option not to use the LCCF and to independently procure an agency supply chain to support the Council's temporary worker requirement. An IT system to support the ordering, "timesheeting" and invoicing of temporary workers would also need to be procured
- 4.7. There are a number of reasons why this option has not been considered viable, including:
- a) Additional procurement costs (including time and resource);
 - b) Additional running costs of the agency supply chain versus the LCCF;
 - c) Additional internal resource required to manage the contracts with the agency supply chain and the IT provider; and
 - d) Additional costs of implementation, maintenance and licensing of IT system;
- 4.8. There would be no advantage to the Council in proceeding with this option over the recommended solution and the minutes accompanying the previous report into the "Provision of Temporary Staff" (CAB 028/112) on 3rd August 2011 commented that: "...bringing the provision of the managed service provider function in-house would be both complex and lengthy"

Summary of alternative options

- 4.9. The matrix below shows the relative advantages of each option against the Council objectives (defined in the introduction to this report) measured against those achieved by the recommended solution:

Council Objectives	Option 1	Option 2	Recommended Solution
Continuation of existing contract benefits	Y	N	Y
Promoting local candidates	N	Y	Y
Promoting local businesses	N	Y	Y
Reducing cost to hiring managers	Y	N	Y
Implementing Council workforce planning objectives	Y	Y	Y

Table 4.9

- 4.10. In summary, neither option 1 nor option 2 allows the Council to achieve all of its objectives

5. **BACKGROUND**

- 5.1. A report was submitted to Cabinet for review on 3rd August 2011 regarding the “Provision of Temporary Staff” (CAB 028/112). The report responded to requests from the Executive to comment on the feasibility of establishing a local talent pool and managing the resourcing function in-house
- 5.2. Following submission of the report, it was agreed *inter alia* that:
- a) The existing Managed Service Contract at the time be extended for a maximum time period of 18 months from September 2011; and
 - b) A further report be brought to Cabinet, subsequent to a feasibility study on the practicalities, costs, benefits and timescales of bringing the service in-house

6. **BODY OF REPORT**

- 6.1. A study has been conducted jointly by Human Resources and Procurement into an In-House Temporary Worker Resourcing Service. Key considerations for the future shape of the service to the Council were:
- a) Adopting a best value model from the LCCF;
 - b) Approving the establishment of a Council Resourcing Team to manage the temporary worker resourcing function and to client the resourcing system and framework of external agency contracts; and
 - c) Positively contributing to the Council’s vision including the “Workforce to Reflect the Community (WFTRC)” plan and the “Tower Hamlets Enterprise Strategy” by:

- Increasing the number of temporary workers sourced locally; and
- Proactively engaging local SMEs as part of the supply chain

6.2. Currently all staffing requirements are placed by hiring managers onto the CNet system and released to the agency supply chain by Comensura. The current service can be visualised as follows:

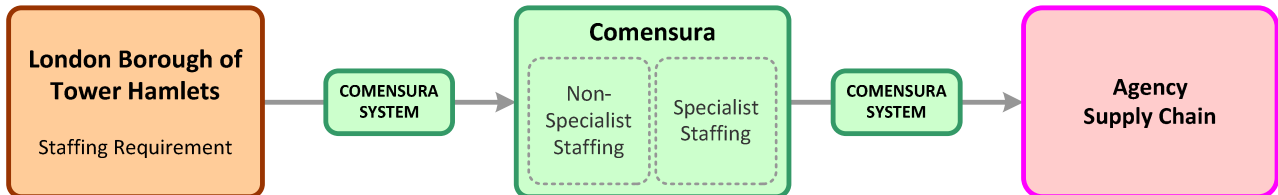


Fig 6.1

6.3. The proposed future model will consist of three main elements:

- 1) A Council Resourcing Team (CRT) to manage the sourcing of workers for temporary roles within the Council
- 2) A labour support network comprised of the Council's Skillsmatch service, Local SMEs and various internal pools of staff
- 3) Agency supply delivered through a framework contract consisting of a large number of external agency suppliers. This contract is dealt with in the Contracts Forward Plan report which is presented to this Cabinet..

All staffing requirements will come to the CRT (with the appropriate governance through the Council's People Board) who will control the distribution of orders across the support network, as follows:

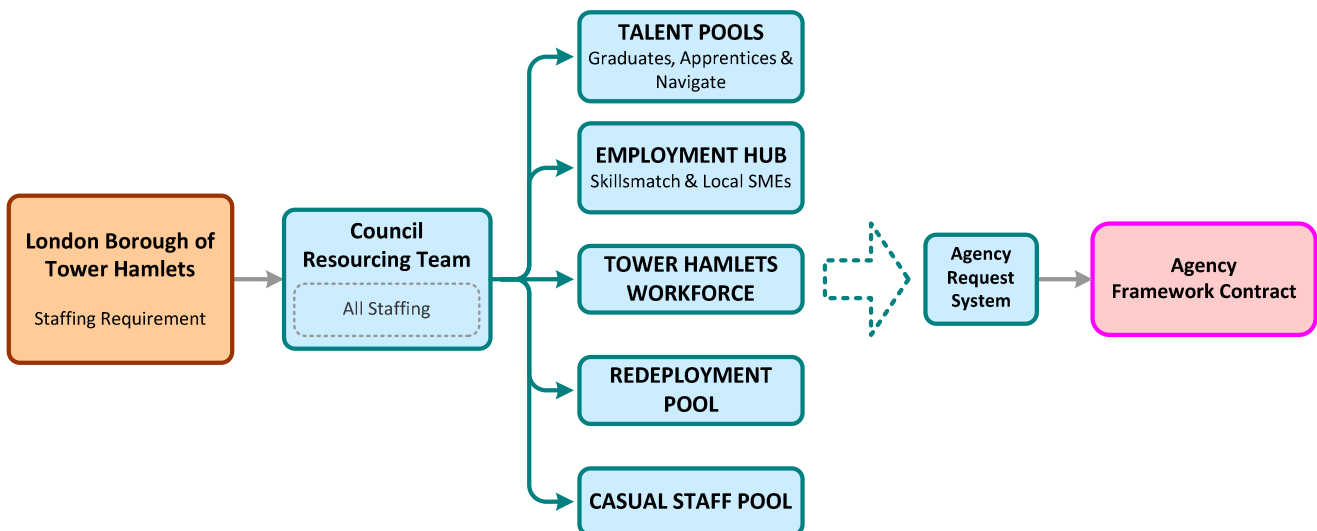


Fig 6.2

6.4. Staffing requirements will be placed using the online ordering system and CRT will facilitate the necessary approval checks

6.5. CRT will source staff from an internal database of candidates to include:

- a) Talent Pools comprised of individuals from the apprenticeship, graduate recruitment and Navigate career development schemes;
 - b) The D&R Employment Hub including local SME agencies, the Skillsmatch labour pool and partner organisations;
 - c) Existing temporary workers reaching assignment end and part-time staff seeking additional hours;
 - d) The Council's redeployment pool; and
 - e) Pools of casual workers
- 6.6. In instances where the required skills/experience are unavailable from the CRT database, the staffing requirement will then be sourced from the framework of external agencies. Steps will be put in place to ensure delays in supply of specialist skills are kept to a minimum.
- 6.7. It is recognised that the internal candidate database will need to build capacity over the first 12 months, especially within "specialist" staffing categories. The framework of external agencies will be utilised more frequently during this period. However, this dependency will reduce over time as CRT's capability increases

Staffing of the Service

- 6.8. The following posts will be created to provide the service:
- a) Contract Manager (FT, PO4³);
 - b) People Resourcing Advisor (PT, SO2); and
 - c) Administration Officer (PT, Sc4)
- 6.9. The existing People Resourcing Team Manager post will be enhanced from PO6 to PO7 to reflect the additional duties in managing the service
- 6.10. The post holders will be responsible for:
- a) Providing a temporary worker resourcing service for all categories of staff;
 - b) Building and maintaining a Council-owned database of temporary workers that meets the demands of the Council's services;
 - c) Managing relationships with Council stakeholders such as Commissioning Managers and HR Business Partners;
 - d) Communicating and implementing Council objectives with hiring managers and the external framework of agencies;
 - e) Acting as client manager for the resourcing system and the external framework of agencies;
 - f) Supporting the Tower Hamlets Employment Strategy;
 - g) Sourcing a high proportion of candidates from the local community and improving employment opportunity for local residents; and
 - h) Providing Management Information to Council stakeholders

³ Please note that all grades are currently indicative and subject to evaluation

Future Labour Supply

- 6.11. Candidates will be sourced from the local community using the following methods:
- a) Advertising the service internally to existing temporary workers, part-time staff and externally through Skillsmatch, Job Centre Plus and other Borough media;
 - b) Partnering with Skillsmatch to utilise their existing database of 3,000 local candidates; and
 - c) Redeploying Council staff at risk of redundancy and those approaching the end of Council placement and trainee schemes
- 6.12. The local labour supply will be supported by an external framework of agencies selected from the London Council's Collaboration Framework to allow:
- a) Outline specifications and costs for the framework of agencies to be defined under the terms of this framework contract; and
 - b) The Council to pre-define the role of CRT, the wider service structure and access to the technology platform under the contract specification

7. COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 7.1. This report describes the proposed future model for the sourcing and selection of temporary workers engaged by the Council with the creation of an In-House Temporary Worker Resourcing Service.
- 7.2. The current Managed Service contract for procuring temporary and agency staff to the Council costs £455,000 pa and these costs are recharged to the service Directorates based on their usage of staff. This contract is now subject to renegotiation and revision as a result of the creation of the new in-house service. A new Managed Service contract for temporary and agency staff is expected to start April 2013.
- 7.3. The current proposals in the report for additional staff for the new in-house team are expected to cost an additional £87,222 per year. These costs will be recharged as an overhead to the costs of the new Managed Service contract when it commences.
- 7.4. If the Council agrees further action in response to this report's recommendations then officers will be obliged to seek the appropriate financial approval before further financial commitments are made.

8. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL SERVICES)

- 8.1 The recommendations put forward in this report are dependent on the successful procurement and award of the new Managed Service contract which is the subject of a separate report to Cabinet: the contracts forward plan report. Should the implementation of that contract be delayed beyond 1st April 2013 this will present considerable practical problems in implementing the recommendations of this report.
- 8.2 The Council is subject to duties under the Equality Act 2010 not to discriminate. These include the following –

- The Council must not discriminate against a person holding a protected characteristic in the arrangements that it makes for deciding whom to offer employment or in the way it affords access to opportunities for promotion, transfer or training (section 39 of the Act).
- The Council must not discriminate against contract workers as to the terms on which they are allowed to do the work, by not allowing them to do or continue to do the work or in the way that they are afforded access to opportunities (section 41 of the Act).
- If the Council becomes an employment service provider the requirements of section 55 of the Equality Act will also apply and the Council has an additional duty not to discriminate against a person in the arrangements that the service-provider makes for selecting persons to whom to provide or offer to provide the service

- 8.3 Sections 158 and 159 of the Equality Act 2010 deal with the limits of positive action. Section 158 specifies what is generally permissible by way of positive action and section 159 specifies the permissible limits of positive action in relation to recruitment and promotion. The provisions relate to “protected characteristics”, which is a new term introduced by the Equality Act 2010 and which are: age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; and sexual orientation.
- 8.4 The Council may generally take positive action where it reasonably considers that: (1) persons who share a protected characteristic suffer a disadvantage connected to the characteristic; (2) persons who share a protected characteristic have needs that are different from the needs of persons who do not share it; or (3) participation in an activity by persons who share a protected characteristic is disproportionately low. Positive action may be taken to overcome such difficulties, provided it is not prohibited by a statute other than the Equality Act 2010.
- 8.5 In relation to recruitment and promotion, the Council may take positive action if it considers that persons who share a protected characteristic suffer a disadvantage connected with the protected characteristic, or that participation in an activity by persons who share a protected characteristic is disproportionately low. Positive action means treating a person (A) more favourably in connection with recruitment or promotion than another person (B) because A has the protected characteristic and B does not. The Council may take positive action with a view to enabling or encouraging persons who share a protected characteristic to overcome or minimise the identified disadvantage, or to participate in the activity in which participation by persons with the protected characteristic has been identified as low (“the Permissible Aims”).
- 8.6 That said, the Equality Act 2010 places clear restrictions on positive action. The Council may only take positive action if: (1) A is as qualified as B to be recruited or promoted; and (2) taking the action in question is a proportionate means of achieving the Permissible Aims. The Council must not have a policy of treating persons who share a protected characteristic more favourably in connection with recruitment or promotion than persons who do not share it. The Home Office guidance on positive action in recruitment says that “In practice it allows an employer faced with making a

choice between two or more candidates who are of equal merit to take into consideration whether one is from a group that is disproportionately under-represented or otherwise disadvantaged within the workforce". This presumes that a fair selection process has been undertaken and that persons without a protected characteristic, of equal merit to those with, have been given the opportunity to apply for vacancies and that there is a genuine comparator against whom you can match the person with a protected characteristic when deciding who should be offered the role.

- 8.7 To the extent that the recommendations in the report are designed to benefit local residents, they must be implemented in a manner that remains within the permissible range of positive action. The Council runs the risk of indirectly discriminating against individuals who do not fit within the target group by applying a provision, criterion or practice which puts those people at a disadvantage to those contained in the target group and who share a protected characteristic.
- 8.8 In adopting the policy, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't. Some form of equality analysis is required and the information relevant to this is set out in section 9 of the report.

9. ONE TOWER HAMLETS CONSIDERATIONS

- 9.1. The One Tower Hamlets theme is focused on ensuring that residents have an equal stake and status and we are committed to reducing inequalities, fostering cohesion and supporting strong community leadership. Delivering the recommendations within this report will support a number of key activities within Tower Hamlets' strategic priorities, including:
- a) Fostering enterprise and employment by supporting local businesses and local people into work; and
 - b) Implementing a Talent Pool approach to further the ambition for a workforce that reflects the community
- 9.2. Implementation of the proposed ITRES will directly assist in meeting the strategic priorities within the "Prosperous Community" and "One Tower Hamlets" themes
- 9.3 The report demonstrates 'due regard' to the Public Sector Equality Duty through the recognition of the Workforce to Reflect the Community benefits of the approach and activities to increase representation of groups who are most likely to be unemployed.

10. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 10.1 The proposed recruitment of increased numbers of local residents will contribute to lowering average weekly travel times for workers both commuting outside of the Borough and those commuting from outside of the Borough to the Council

11. RISK MANAGEMENT IMPLICATIONS

11.1 There are no significant risks identified in the provision of a temporary recruitment service

12. CRIME AND DISORDER REDUCTION IMPLICATIONS

12.1 There is no direct effect on Crime and Disorder, however there may be an indirect positive effect through increased employment opportunities for local residents

13. EFFICIENCY STATEMENT

13.1 The outcomes of the future model will result in more efficient management of the Council's temporary workforce through better planning, improved contract control and increased value for money

14. APPENDICES

None

**Local Government Act, 1972 Section 100D (As amended)
List of "Background Papers" used in the preparation of this report**

Brief description of "background papers"

Name and telephone number of holder and address where open to inspection.

Report to Cabinet "Provision of Temporary Workers" (CAB028/112)

<http://moderngov.towerhamlets.gov.uk/mg/Convert2PDF.aspx?ID=3444&T=10>