

WYRE FOREST DISTRICT COUNCIL

CABINET MEETING
27th OCTOBER 2005

Report on the Use of Manual Agency Labour

OPEN	
COMMUNITY STRATEGY THEME	Shared Prosperity
CORPORATE PLAN THEME:	Improving Corporacy and Performance
KEY PRIORITY:	Financial and Asset Management
CABINET MEMBER:	Councillor John Campion
RESPONSIBLE OFFICER:	Head of Cultural, Leisure and Commercial Services
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APPENDICES	None

1. PURPOSE OF REPORT

- 1.1 To seek Cabinet approval to take advantage of a market testing exercise recently undertaken by the Worcestershire Procurement Partnership (WPP), with the support and guidance of the West Midlands Centre of Excellence (WMCOE) that will contribute significantly to the cashable and non-cashable savings required by the Gershon initiative.

2. RECOMMENDATION

The Cabinet is asked to RECOMMEND TO COUNCIL:

- 2.1 **an Exception to Standing Orders allowing Wyre Forest District Council to undertake a pilot scheme for a nine month period in order that the unique services of Comensura can be evaluated.**
- 2.2 **that, if the Pilot Scheme is successful, Wyre Forest District Council place the required Official Journal of European Union (OJEU) advertisements and carry out a full tender procedure for Manual Agency Labour.**

3. BACKGROUND

3.1 During the year 2003-2004, Wyre Forest District Council spent a total of £70,704 on the supply of agency labour (i.e. manual workers).

In 2004-2005 this figure increased to £187,088 (June 2005-06 to date £39,338). This expenditure was almost exclusively within Cultural, Leisure & Commercial Services for the supply of labour for the various phases of the Kerbside Recycling scheme.

3.2 There is no evidence to suggest that this category of expenditure has been market tested by the Council within the past few years (the increase in expenditure is only a recent phenomenon)

3.3 The need to undertake a market testing exercise was identified at a meeting of the WPP after it was established that total spend for all combined participants was in excess of £1.2 million, shared amongst more than 21 separate agencies.

3.4 It was noted that other Councils had undertaken similar exercises, notably:

- London Borough of Islington (£24m p.a.),
- The London Borough of Greenwich (£6m p.a.),
- Essex County Council (£8m p.a.), Gloucester County Council (£3m p.a.),
- Surrey County Council (£3m p.a.).

Many of these Councils used pilot schemes to assess their chosen supplier (Comensura) in order to evaluate the new and innovative services made available by a vendor neutral option. Surrey County Council is in process of advertising through OJEU having concluded a successful year trial.

The councils involved in the WPP exercise are:

- Bromsgrove District council
- Redditch Borough Council
- Worcester City Council
- Malvern Hills DC
- Worcester & Hereford Fire Services
- Wyre Forest District Council

3.5 The support and practical assistance of the WMCOE was obtained from the outset. The WMCOE viewed this initiative as a beacon project that could be extended to all Local Government entities irrespective of their size or annual spend.

3.6 A Request for Proposal was sent out by the WPP (using the WMCOE letterhead) to twenty-one local Employment Agencies asking them submit rates and change proposals that would streamline the management of this category of expenditure. The specific request was phrased thus:

“The Worcestershire Procurement Partnership is seeking to establish and use framework agreements by requesting proposals and selecting a small number of agencies that will supply future requirements. In

exchange for this measure of exclusivity the WPP hopes to achieve improvements in operational efficiency and competitive costs.

Particular emphasis will be given to assessing temporary staff vetting procedures and opportunities to achieve efficiency through electronic commerce. It is also important to facilitate consultation with key stakeholders at all levels and improve management reporting through the use of performance indicators."

- 3.7 Eleven responses were received by the WPP via the offices of the WMCOE. Ten of the proposals were for "Master Vendor Agreements", only one was for a "Vendor Neutral Agreement"
- 3.8 The Supplier responses were each evaluated by all participating members of the WPP using a common approach. This process was fully documented by the WPP, all associated documentation being retained for future scrutiny.
- 3.9 After initial evaluation the 11 responses were reduced to 4 preferred suppliers - each of whom made presentations to the Panel expanding upon their proposals and allowing the Panel to ask questions of the candidates.

4. KEY ISSUES

4.1 The main features of the proposal include:

- Reduced commission paid to Agency
- Predetermined uplift factor on hourly rate paid to Temporary worker (WFDC set the pay rate to the Temp worker)
- Aggregated purchasing power when negotiating future rates (both in terms of Comensura's relationship with Supplying agencies through prime supply rates and in terms of participating Councils with Comensura through a gain share option)
- Retention of Local Agency network - building local capacities and offering them the opportunity to expand through the Comensura network of contacts.
- Better management of local Agency network - Continuous assessment of Supplying Agencies (by Comensura) using a balanced scorecard approach. Because of Comensura's knowledge of the regional Agency Supply economy they should be able to manage supply rates in Wyre Forest District Council's favour.
- Consolidated overview of total agency spend allowing greater understanding of total resource requirements
- Improved management information from one single source (Comensura)
- Greater use of e-solutions (e-timesheets, e-invoicing, e-management information)
- Ability to extend scheme to cover all grades of staff – from manual, support, administrative through to professional – thereby extending the opportunity to increase savings.
- Option to use facility to recruit and manage seasonal and casual workers

- Presents opportunity to change all weekly paid staff to monthly salaried staff (i.e. all residual weekly staff processed through Comensura).
- Saving of time by HR/payroll in raising contracts, processing timesheets, processing of wage payments

4.2 If approved this proposal will have to be referred to the Senior Consultation Group for review.

5. **FINANCIAL IMPLICATIONS**

5.1 **Basis of Cost Savings**

Rates currently paid for:

Skill	Current rate	Current Supplier's Proposed rate	Comensura rate	Saving over current rate
Driver	10.25	11.65	9.67	5.7%
Loader	7.30	7.94	6.91	5.3%
			Ave	5.4%

5.2 It must be noted that the reduction in pay rate is attributed to reductions in Agency uplift NOT the rate paid to the operative. The average saving of 5.4% is based upon the current rates. The savings against the rates that were proposed by the current supplier is nearer 13.4% This against an annual spend of £187,000 amount to an annual; saving of £10,054 and £25,022 respectively.

5.3 If the cost of processing invoices (and timesheets) is estimated to be £30.00 per invoice, then with an annual number of invoices processed of 660 p.a. this suggests that potential administrative saving could amount to £19,800 pa. If full e-invoicing were adopted.

5.4 This proposal would result in a streamlined process for securing the services of temporary workers across all areas of the Council. The proposal represents an opportunity to reduce our direct costs by on average £17,500 and our in-direct cost by as much as £19,800 per annum.

6. **LEGAL AND POLICY IMPLICATIONS**

6.1 All contractual relationships are subject to Terms & Conditions currently under review by Legal & Democratic Services Division. HR are to be involved in a review of employment issues, with specific need to review length of service of temporary workers.

7. **RISK MANAGEMENT**

7.1 Comensura is underwritten by the Blue Arrow Agency and their financial stability is assessed as good.

8. CONCLUSION

- 8.1 The proposal put forward by Comensura (a Vendor Neutral option) was by far the most economical proposal, offering potential cashable savings to Wyre Forest District Council calculated to be on average £17,500 p.a., with streamlined solutions that promise as much again in non-cashable efficiencies.
- 8.2 This Pilot scheme, if adopted, will contribute significantly to the cashable and non-cashable savings identified by the Gershon report. If this type of supply contract is used to its natural conclusion then Wyre Forest District Council will be able to delegate most Administrative, Basic Training and Induction processes to Comensura. Short term and Seasonal Employees could be redirected through the Agency network, freeing up Admin and Payroll Support.

9. CONSULTEES

- 9.1 CMT

10. BACKGROUND PAPERS

- 10.1 None

TJ/JHL
20th September 2005