

**Report: Vendor Neutral Managed Service for the  
Provision of Agency Staff.**

**Date: Tuesday 7<sup>th</sup> August 2012**



## Summary

### Vendor Neutral Managed Service for the Provision of Agency Staff

#### 2011 to 2012

Caerphilly Council implemented a Vendor Neutral Managed Service for the provision of agency workers in June 2010. The contract was awarded to Comensura under a procurement process carried out by Cardiff Council.

The purpose of implementing a managed service was to enable Caerphilly Council to closely manage agency workers and their suppliers via a reduction in fees and an increase in visibility with regards to management information and procurement of varied suppliers.

Since Implementation in July 2010 to March 2012 **£5,291,392.55** has been spent on agency workers; however the Comensura contract has indicated **£164,849.00** of cashable savings for Caerphilly Council, by managing and reducing supplier mark-ups.

In addition to cashable savings, the electronic management systems provided by Comensura have generated efficiency savings. These are created by a reduction of invoices from 12,250 to 52 per annum, producing effective management information and streamlined procurement and recruitment procedures.

A review of the procedures used to procure and pay for agency workers 'pre' and 'post' Comensura have revealed estimated efficiency savings of over £184k per annum.

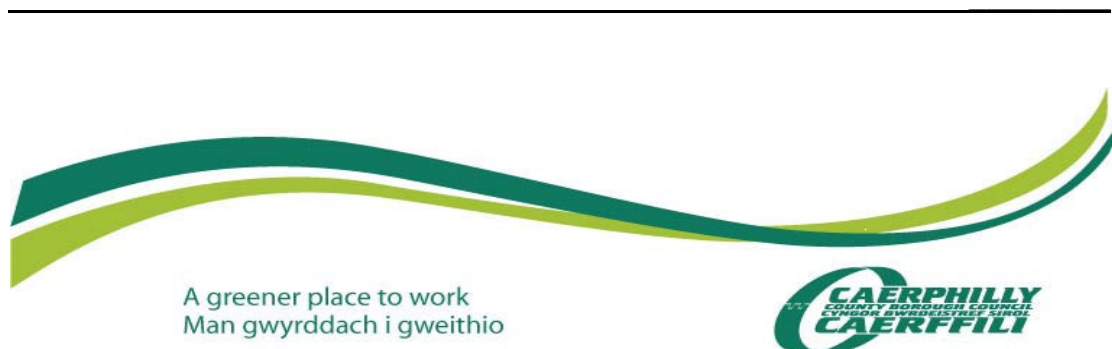
A significant challenge for 2011/12 has been the requirement for Caerphilly Council to comply with the Agency Workers Regulations (AWR) which came into Force on October 2011. The regulations mean that workers with 12 weeks or more service at Caerphilly Council will be entitled to the same basic employment rights as our employees; this includes equal pay and annual leave but not benefits linked to long term reward and retention such as pensions and occupational sick pay. The regulations stipulate that Caerphilly Council provides its suppliers with the means to uphold the regulations, including the clear flow of information between us and the supplier to ensure compliance within both parties. Without appropriate management Caerphilly Council could become liable for claims under the regulations.



The clarity of management information and the direct link with suppliers provided by the Comensura system has benefited Caerphilly Council in the management of the AWR. The council has been able to monitor the length of service data, any increases in spend as the result of the regulations and where workers are placed.

Externally the system has been used to communicate to our agency suppliers the entitlements the workers will receive as a result of the regulations so they may also uphold the regulations.

Looking ahead to 2012/13, the contract with Comensura will end in December 2012. Plans are already in place to provide continued management of agency supply in Caerphilly Council. Caerphilly Council's Procurement department and HR are currently tendering for agency managed services



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## 1. Purpose of Report

This report will outline how the Vendor Neutral Managed Service for the provision of Agency Staff with Comensura as the agent, has benefited Caerphilly CBC since the implementation date of 28<sup>th</sup> June 2010.

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## 2. Background

In June 2010, Caerphilly Council implemented a Vendor Neutral Managed service for the provision of agency workers. The contract was awarded to Comensura under a procurement process carried out by Cardiff Council, who had been using Comensura since July 2008 and had achieved significant savings, both process and cashable. Neath Port Talbot and Monmouthshire councils have also agreed contracts with Comensura under the Cardiff Council procurement framework.

Prior to using Comensura, Caerphilly Council spent in the region of £4.8m per annum on agency workers. The authority had formal agreements with 3 master vendors; however there had been compliance issues, subsequently approximately 20% of agency worker spend was with 17 other agency suppliers.

This made the management of agency workers difficult to administer and monitor. This was influential to the decision to partner with Comensura who were contracted to manage and procure all temporary staffing services required by the Council. In addition, it limited an ability to effectively view where all agency workers were employed.

The benefit of the partnership was to provide the authority with a unified system that would improve processes by providing a more efficient and effective management and ordering system for the procurement and payment of agency staff throughout the authority. The system is also designed to reduce transaction costs, mitigate risk, improve candidate quality and provide clear and consistent levels of management information, which is available on demand.

As part of the Comensura arrangement, an exercise was carried out whereby standard mark-up rates were re-negotiated with agencies, to reduce the costs of procuring agency workers to a sustainable level. Comensura' management fee is taken from the savings gained from the re-procurement of rates at a ratio of 65:35 in Caerphilly Councils favour. Therefore if no savings are made, Comensura charges no fees.



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### 3. Post Implementation

Following the successful implementation by the planned Go-Live date of the 28<sup>th</sup> June 2010 Caerphilly CBC has benefited from the following.

- Detailed and accessible management information
- Cashable savings on the cost of using agency workers
- Efficiency Savings including the reduction of invoices (From 12,250 to 52 per annum)
- Efficiency Savings
- Visibility of agency use and spend
- Regular audit of supplying agencies

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#### 3.1 Detailed and Accessible Management Information

Prior to the implementation of Comensura in Caerphilly Council, management information on agency workers was inadequate and difficult to accurately produce.

Now Caerphilly Council has easy access to a suite of reports which can include order details, assignments, timesheet approvals, costs, savings, ordering justifications and equalities data. This information can be further broken down by Directorate, Service Area and Department.

The visibility of information we now have on Comensura has provided significant benefits to Caerphilly Council with the Agency Worker Regulations (2010) having been introduced in October 2011. The regulations mean that agency workers who have a minimum of 12 weeks service with Caerphilly Council will be entitled to the same basic employment conditions as employees. This includes rate of pay and annual leave entitlement but does not include conditions linked to a long term employment relationship such as pension and occupational sick pay.

The benefits of the data management systems provided by Comensura are demonstrated by the difficulties in producing spend and supplier information prior to implementation.

This led to overestimates in the benefits analysis produced by Comensura prior to the project implementation, which stated that cashable savings would be in the region of £105K and process savings would be in the region of £390K.



### 3.2. Cashable and Process Savings

During July 2010 to March 2012 of the Comensura Contract the following savings were achieved;

|                     | Actual Spend | Equivalent Pre-Comensura Spend | Gross Savings | Net Savings (Caerphilly Gainshare) | % Savings (Net) | % Savings (Gross) |
|---------------------|--------------|--------------------------------|---------------|------------------------------------|-----------------|-------------------|
| Q1 (Jul - Sep 2010) | £768,453     | £792,265                       | £23,812       | £15,478                            | 2%              | 3%                |
| Q2 (Oct - Dec 2010) | £688,389     | £723,444                       | £35,055       | £22,786                            | 3%              | 5%                |
| Q3 (Jan - Mar 2011) | £724,147     | £758,547                       | £34,399       | £22,360                            | 3%              | 5%                |
| Q4 (Apr - Jun 2011) | £733,077     | £761,798                       | £28,722       | £18,669                            | 3%              | 4%                |
| Q5 (Jul - Sep 2011) | £771,542     | £801,854                       | £30,312       | £19,703                            | 3%              | 4%                |
| Q6 (Oct - Dec 2011) | £763,022     | £795,285                       | £32,263       | £20,971                            | 3%              | 4%                |
| Q7 (Jan - Mar 2012) | £804,912     | £840,154                       | £35,241       | £22,907                            | 3%              | 4%                |

In November 2009 Comensura produced a proposal for the provision of a Vendor Neutral Managed Service, the proposal makes reference that Caerphilly CBC could save £390k process savings.

Comensura estimated the savings based on an Accenture study, that typically it costs organisations £54 to process each invoice. Comensura also estimated that the cost would be £15 post Comensura, resulting in estimated annual savings to Caerphilly Council of up to £394,757.45. This figure also includes process savings from the processing of timesheets, Comensura suggested in their experience the cost of processing a timesheet would equate to £1.67 and post implementation this figure would reduce to £1.00

Therefore the following data was produced estimating the annual cost of processing invoices pre and post the implementation of Comensura:



| <b>PRE – COMENSURA</b>                    |                    |                    |
|---|--------------------|--------------------|
| <i>Cost per invoice (Accenture study)</i> | £54.00             |                    |
|   | £3,000,000 spend   | £4,000,000 spend   |
| CCBC estimated annual invoices            | 5,426              | 7,235              |
| Total cost for invoices pre-comensura     | <b>£293,004.00</b> | <b>£390,690.00</b> |
| <i>Cost per timesheet</i>                 | £1.67              |                    |
|   | £3,000,000 spend   | £4,000,000 spend   |
| CCBC estimated annual timesheets          | 5,426              | 7,235              |
| Total Cost for timesheets pre-comensura   | <b>£9,061.42</b>   | <b>£12,082.45</b>  |
| <b>POST – COMENSURA</b>                   |                    |                    |
| <i>Cost per invoice</i>                   | £15.00             |                    |
|   | £3,000,000 spend   | £4,000,000 spend   |
| Annual Invoices                           | 52                 | 52                 |
| Total Cost for invoices post-comensura    | £780.00            | £780.00            |
| <b>SAVINGS FOR INVOICE HANDLING</b>       | <b>£292,224.00</b> | <b>£389,910.00</b> |
| <i>Cost per timesheet</i>                 | £1.00              |                    |
|   | £3,000,000 spend   | £4,000,000 spend   |
| CCBC estimated annual timesheets          | 5,426              | 7,235              |
| Total cost for timesheets post-comensura  | £5,426.00          | £7,235.00          |
| <b>SAVINGS FOR TIMESHEET HANDLING</b>     | <b>£3,635.42</b>   | <b>£4847.45</b>    |
| <b>TOTAL ESTIMATED SAVINGS</b>            | <b>£295,859.42</b> | <b>£394,757.45</b> |

However, during and post implementation the Project Manager conducted ‘as-is’ and ‘to-be’ workshops for the major users (Public Services and Social Services) to establish any non-cashable efficiency savings. From these workshops the process of each service area was mapped and costed. This information was then forwarded to HR who completed the costing exercise. This resulted in the estimated cost per invoice Pre-Comensura to be £19.86 and the estimated cost per timesheet to be £15.74.

Post Comensura, service areas now approve the actual payment of an agency worker by approving online timesheets, which Comensura consolidates into a weekly electronic invoice. Finance has estimated the cost of processing this to be £1.11. Following the ‘to-be’ process, calculations were made and the average cost per timesheet / worker is £8.37.

The calculations based on the above mentioned workshops have determined that Comensura over-estimated the pre-comensura cost to Caerphilly for the cost of processing invoices and that Caerphilly CBC has gained an estimated £184,591.27 efficiency savings per annum under the Comensura arrangement, compared to previous arrangements. The breakdown of this is below;





| <b>PRE-COMENSURA</b>  |                    |
|---|--------------------|
| <i>Processing cost per invoice (CCBC findings)</i>                        | £19.86             |
| CCBC estimated annual number of agency worker invoices (based on 2009/10) | 8'693              |
| <b>Total cost of invoice processing pre-comensura</b>                     | <b>£172,642.98</b> |
| <i>Processing cost per timesheet</i>                                      | £15.74             |
| CCBC estimated annual timesheets  | 8'693              |
| <b>Total cost of timesheets ordering pre-comensura</b>                    | <b>£136,827.82</b> |
| <b>POST – COMENSURA</b>   |                    |
| <i>Processing cost per invoice (CCBC findings)</i>                        | £1.11              |
| Number of annual invoices   | 52                 |
| Total cost of invoice processing post-comensura                           | £57.72             |
| <b>Invoice Processing Savings</b>   | <b>£172,585.26</b> |
| <i>Average cost per worker</i>  | £8.37              |
| CCBC estimated annual timesheets  | 14'913             |
| Total cost of timesheet processing post-comensura                         | £124,821.81        |
| <b>Timesheet and ordering savings</b>                                     | <b>£12,006.01</b>  |
| <b>TOTAL ESTIMATED SAVINGS PER ANNUM</b>                                  | <b>£184,591.27</b> |

#### 4. Number of orders and why?

Prior to Comensura the authority was unable to produce clear reports for the usage of agency workers. However, since implementation of Comensura, when placing an order, ordering managers must confirm the reason for their order; this has given the authority the ability to produce detailed information on reasons for use, more detail is available on the Comensura annual management information at appendix 1

Additionally we are able to monitor the hours being worked by agency workers, the below tables demonstrates the number of full time equivalents (FTE's) being filled by agency workers in Caerphilly council since implementation in July 2010.

#### Number Of Hours For Last 12 Months (July 10 - Mar 11)

|  | Total Hours | Weeks in Period | Average Hours Per Week | Equivalent FTEs (37 Hours) |
|--|-------------|-----------------|------------------------|----------------------------|
| Chief Executive                          | 698         | 25              | 28                     | 0.8                        |
| Corporate Services                       | 12,396      | 38              | 326                    | 8.8                        |
| Education, Lifelong Learning and Leisure | 16,625      | 38              | 438                    | 11.8                       |
| Environment                              | 122,308     | 40              | 3,058                  | 82.6                       |
| Social Services                          | 20,427      | 39              | 524                    | 14.2                       |



|              |                |           |              |              |
|--------------|----------------|-----------|--------------|--------------|
| <b>Total</b> | <b>172,455</b> | <b>40</b> | <b>4,311</b> | <b>116.5</b> |
|--------------|----------------|-----------|--------------|--------------|

## Number Of Hours For Last 12 Months (Apr 11 - Mar 12)

|  | Total Hours    | Weeks in Period | Average Hours Per Week | Equivalent FTEs (37 Hours) |
|--|----------------|-----------------|------------------------|----------------------------|
| Chief Executive                          | 60             | 3               | 20                     | 0.5                        |
| Corporate Services                       | 36,724         | 51              | 720                    | 19.5                       |
| Education, Lifelong Learning and Leisure | 28,313         | 51              | 555                    | 15.0                       |
| Environment                              | 142,155        | 52              | 2,734                  | 73.9                       |
| Social Services                          | 24,940         | 52              | 480                    | 13.0                       |
| <b>Total</b>                             | <b>232,192</b> | <b>52</b>       | <b>4,465</b>           | <b>120.7</b>               |

## 5. Key issues for going forward

### 5.1 Agency Worker Regulations

The Agency Worker Regulations has been in force from October 2011. The regulations mean that agency workers who have a minimum of 12 weeks service with Caerphilly Council will be entitled to the same basic employment conditions as employees. This includes rate of pay and annual leave entitlement but does not include conditions linked to a long term employment relationship such as pension and occupational sick pay.

The regulations have had an impact on the cost of using agency workers in Caerphilly Council. We seen an increase in the cost of engaging agency workers, particularly in areas where the rate of pay offered to agency workers is significantly below that which is paid to permanent members of staff, for example, refuse and cleansing and parks.

Comensura have developed software to manage the regulations and track the length of assignments. Comensura have also been asked to manage the procurement of workers to ensure that agencies do not see an increase in profits when pay rates increase where they are on a percentage mark-up.

### 5.2 Future Agency Managed Service Contract Arrangements

The current contract with Comensura is due to end in December 2012 and Caerphilly Council has opened a tender for an agency managed service framework.



This will include options for either a master or neutral vendor managed service

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## APPENDIX

1. Comensura corporate management information July 2010 – March 2012