



# Local Government Professional Services Group

What does 'good' look like? Guidelines for agency-managed services in the Local Government context



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Over the last 3-4 years, many local authorities have adopted a managed service approach to the procurement of temporary agency staff. Managed services operate in one of four different ways: vendor neutral, master vendor, internal solution and partially-outsourced human resources for both temporary and permanent recruitment services<sup>1</sup>. Each of these models offers different levels of support in terms of acting as a point of contact between the local authority or client and its recruitment agencies, and the following good practice guidelines can be applied to all managed service models.

These guidelines have been compiled in consultation with the Local Government Professional Services Steering Group (LGPSSG, see contact information below). They incorporate recommendations from category experts and contract managers nationwide, all of whom have experience of procuring and/or managing an agency staff contract or who have worked within the agency industry. Some of the points will be more relevant to some authorities more than others and some are more aspirational, offering potential areas for development and improvement. These examples are not exhaustive. As the market and the public sector expertise develop, the guidelines will be refreshed accordingly.

## Who are these guidelines for?

The intended audience for these guidelines are those within Local Authorities who have an interest in spend on and management of agency staff including procurement, HR, finance, senior managers and members. They are also useful for organisations looking to facilitate and/or develop a regional approach

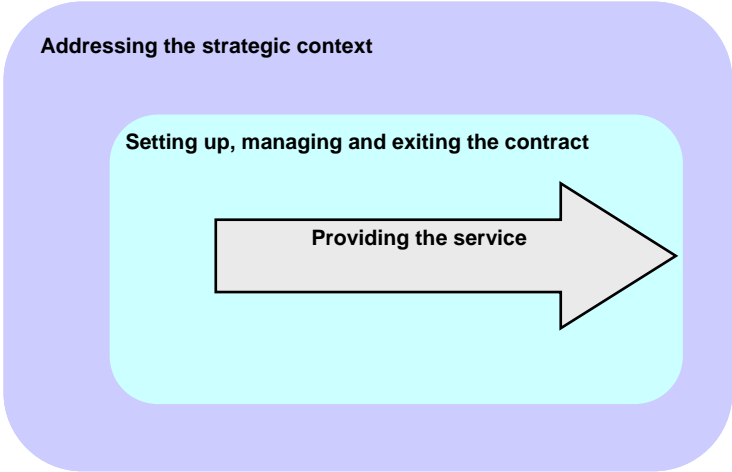
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## What do the guidelines cover?

Good practice has been identified across the managed service approach, from contract initiation to sharp-end service provision. There is a strong emphasis on putting in place organisational resourcing strategies and policies, and on managing the relationship with suppliers and agency workers. Guidelines have been grouped into 3 areas:

- A. Addressing the strategic context
- B. Setting up, managing and exiting the contract
- C. Providing the service

A number of points are made in relation to each area, including examples and supporting information.



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<sup>1</sup> See Agency Staff Toolkit for further details [http://www.lcpe.gov.uk/AgencyStaff/Your\\_Toolkit\\_for\\_Success.asp](http://www.lcpe.gov.uk/AgencyStaff/Your_Toolkit_for_Success.asp)

## A. Addressing the Strategic Context

**1. Local Authorities work collaboratively both within their region and with wider public sector partners in terms of procurement, supplier management and/or in information sharing, best practice exchange and joint initiatives to improve value for money and management of agency staff.** For example:

- Partners (contracting authorities) include other Local Authorities, Police, Fire & Rescue, ALMOs (Arms Length Management Organisations) and regional transport organisations, working collaboratively, sharing market knowledge, expertise and good practice - ideally prior to any procurement – thus securing value for money through aggregation of volume and a service which will benefit all parties.
- Local Authorities also link up with regional bodies such as their RIEP (Regional Improvement and Efficiency Partnership) and their LGPSSG representative, to develop and investigate regional collaboration and the integration with the national picture.
- Parties agree on the model (eg master vendor) and categories of agency staff required prior to the procurement and are committed to using the resulting agreement. Note all collaborating parties must be named in the advert eg OJEU Notice, contract opportunity portal etc, to give suppliers as much information as possible to form their commercial proposition and in order to comply with legal requirements.
- By working collaboratively on a regional basis through their contract, Councils have common mark-ups and pay rates to improve equity for agency candidates and to resist attempts by agencies to remove local competition by pushing up and/or fixing prices.
- Collaborating parties work together with the supplier/s on strategic issues relating to the use of agency staff and the framework.

**2. Local Authorities and partners keep up to date with statutory and legislative changes, and there is an**

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**early warning of the impact and implementation of these changes by the supplier/client accordingly.** For example:

- The managed service provider proactively monitors and advises on market trends, issues and legislative changes eg screening and vetting requirements, increases to holiday pay.
- The Local Authority scans the horizon for new or proposed statutory and legal changes such as the Agency Workers Directive, engages with the consultation and understands potential impacts and plans accordingly.

**3. Demand management initiatives and resourcing strategies are in place which set out when is it appropriate to use external resources.** For example:

- The Local Authority uses its resources well and appropriately (as determined by their resourcing and efficiency strategy). Managers are aware of when it is appropriate to use an agency worker, fixed term appointee, consultant, secondee etc and are supported in finding the best fit solution to their requirement in line with the Local Authority's priorities and resources.
- The managed service is considered within the workforce strategy and integrated with other policies and initiatives, potentially including local worklessness initiatives.

**4. Clear procurement guidelines demonstrate how the managed service agreement integrates with purchases within the wider spectrum of external resources - including interims and consultants.** For example:

- There are clear defining parameters for the contract (what is in, what is out and why) and how it links in to other sourcing strategies, including consultancy and interim management, to ensure there are no gaps in coverage or uncontrolled areas of spend. Clear definitions are in place to aid benchmarking.
- Sourcing decisions in terms of which type of resource or service to use and through which procurement vehicle (eg if it is outside or within the scope of managed service) factor in risk, insurance, liability and legal implications as well as safeguarding and the provision of management information

**5. Organisational policies are in place, which provide a framework for managing agency worker assignments to secure best use of resources and value for money.** For example:

- Robust line manager guidance / policy is in place. Agency worker demand and usage is monitored and understood, use of resources is challenged, and assignments are reviewed. 'Leakage' eg into consultancy is identified and dealt with.

## **B. Setting up, managing and exiting the contract**

**6. The contract or framework agreement meets EU and UK procurement standards and requirements and the procurement is well executed.** For example:

- The opportunity is advertised and subject to a competitive process where appropriate. Principles of fairness, transparency and equality are embodied as part of the tendering exercise.
- Available guidance is utilised, for example the Agency Staff Toolkit [http://www.lcpe.gov.uk/AgencyStaff/Your\\_Toolkit\\_for\\_Success.asp](http://www.lcpe.gov.uk/AgencyStaff/Your_Toolkit_for_Success.asp), A model Framework Agreement for Services with embedded model call-off terms and conditions is available at: [http://www.ogc.gov.uk/documents/commodities\\_database/Model\\_Services\\_Framework\\_Agreement\\_Final.DOC](http://www.ogc.gov.uk/documents/commodities_database/Model_Services_Framework_Agreement_Final.DOC). This is a precedent document that covers general services and will need to be tailored to cover agency services (eg enhanced CRB provisions, addition of clauses to ensure that a contract of employment does not arise) and so should not be used without seeking legal advice.
- Information on the current arrangements including spend and volumes are included within the documentation so the supplier can understand the opportunity in order to best price and tailor their bid to meet the authorities' needs and to meet legal requirements.

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**7. The contract or framework provides clear and measurable value for money throughout its duration.** For example:

- The pricing strategy is carefully considered and the payment considerations are fully understood and future-proofed where possible. Considerations include the agency commission structure, managed service fee), the application of statutory costs (such as National Insurance, National Minimum Wage and the Working Time Directive), the pay rates and temp to perm & temp to temp fees. Volume discounts, early payment and e-trading discounts may also be relevant. Pricing is transparent to the local authority and there are regular audit checks to ensure the correct rates are being applied throughout the supply chain.
- Agency commission or the managed service provider fee within the contract allow the vendor and the supply chain to operate successfully **and** also offer the Local Authority excellent value for money (vfm) against their specification and requirements (this also includes social and sustainable procurement considerations).
- Local Authorities understand market pay rates and have benchmarked commissions, managed service fees and service costs prior to any procurement. The Local Authority understands the managed service provider market both in terms of these commercials and quality of service, and benchmarks both as part of the on going category management in order to ensure this balance is achieved. There is due consideration of SMEs and other policy requirements in the procurement sourcing plan and within the supply chain.
- Risk, insurance, liability and other legal implications have been well considered by both parties, understood, fully agreed and well incorporated within the contract.

**8. Off-contract spend is minimal or non-existent - a high percentage of spend (eg over 95%) is compliant/ on contract and billed through the managed service.** For example:

- Any off-contract spend is understood and known and the Local Authority is working with the vendor to close the 'compliance gap'/off contract. Note: the lower the compliance typically the lower the corporate savings, and lack of mandate internally will reduce the appetite for tiered suppliers to engage - for example, why would an agency sign up to 15% when it could sit outside and get 30%?
- The Local Authority has clear communication with its line managers as to the potential liability of using non approved agencies, to reduce intentional off-contract spend.

**9. Strong governance is in place including senior management/director sponsorship around the service provision, as determined by savings opportunity and the levels of spend.** For example:

- A senior manager/director is personally responsible for success of the managed service.
- The Local Authority's governance process helps resolve any issues and promotes cross-Local Authority working, with a senior manager/director lending weight and support to what can be quite tricky issues. Senior manager/ director sponsorship maintains visibility for the project including the savings and demand management/workforce issues.

**10. Contract and supplier management is robust.** For example:

- The Local Authority client manager is very proactive in order to maximise contract benefits both in terms of value for money but also in linking the organisation's agency use to other Local Authority priorities and workforce issues. Depending on contract size, a dedicated contract manager with links to both HR and procurement is in place to ensure the contract achieves maximum benefits.
- Clear and accurate benchmarks are agreed and used to monitor and review the contract's performance, and there is a published complaints and escalation procedure for all parties with clear and effective guidelines.
- Regular service review meetings are held between the local authority and the supplier/s depending on contract size, complexity and importance. The agenda is structured and agreed upfront with service performance information provided prior to the meeting in order for all parties to prepare fully.
- For collaborative arrangements, there are clear and robust reporting mechanisms in place for partners with the lead organisation taking responsibility for feedback to all users, organising a cross partner service review process/meetings with the supplier and overall framework management (where applicable).

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- The managed service provider is proactive in resolving issues, taking appropriate ownership and committed to longer-term continuous improvement to seek new ways and lead on initiatives to develop the contract, increase savings and meet the objectives of the contract.
  - The managed service provider works with their suppliers to get the best quality and value for money service for each local authority and their suppliers are paid on time or before.

**11. MI (management information) reports are accessible, relevant and used.** For example:

- MI and reports provided by the vendor are used and accessible as determined by the Local Authority, supporting it to manage its resources well. Reports are available to service managers, HR, and Procurement to assist in business planning, assess costs and resources and analyse workforce information including diversity data.

**12. Savings are presented clearly, accurately and timely and are fully understood checked and monitored by the Local Authority.** For example:

- The Local Authority understands savings figures and is able to audit them fully to confirm their accuracy. Any mistakes are resolved quickly and do not reoccur. The error rate is monitored as part of the formal review process, together with information on agency margins, pay rates, managed service provider fees and/or any shared savings pots, and timesheets.

**13. Invoices are timely, accurate, consolidated and ideally integrated with the Local Authority's finance IT system.** For example:

- Invoices/e-bills provided by the vendor are on time and accurate, including cost codes. The Local Authority takes responsibility for resolving any fundamental client side issues (eg major cost code changes) and ensures the vendor has the required information.

- Invoicing is properly interfaced with the Local Authority's own financial system to reduce the resources required to process and improve accuracy – ideally attaining the position of one consolidated invoice for accounts payable (thus offering invaluable MI and efficiency savings).
- The vendor is paid on time where bills are accurate. The Local Authority is aware of any payment issues relating the supply chain especially for SMEs. The Department for Business, Innovation & Skills (BIS) and OGC are encouraging payment within 10 days of a valid invoice being received and encouraging prime contractors to make payments down the supply chain across the public and private sector. For more information see: [http://www.ogc.gov.uk/documents/Policy\\_principles\\_-\\_Prompt\\_Payment.pdf](http://www.ogc.gov.uk/documents/Policy_principles_-_Prompt_Payment.pdf)
- Any disputes with regard to charges (eg hours worked) between managers and suppliers are resolved speedily and fairly.

**14. An exit strategy and business continuity plans are agreed and in place.** For example:

- An exit strategy is in place which mitigates any potential impact on service provision of change of supplier or non-renewal of managed service contract, etc and ensures the Local Authority is not 'locked in' impeding future competition. Issues included in the strategy include migration arrangements, data ownership and IPR (intellectual property rights).
- When drawing up plans for transfer or migration, Local Authorities address succession planning issues, transfer arrangements and TUPE - where this applies.
- Business continuity plans are in place, which address, for example, public health pandemics, system and network failures, and supplier problems eg financial difficulties.

**15. Working with Line Managers** For example

- Line managers are involved and integral to setting up and monitoring the managed service. There are opportunities for them to feedback on the service and candidate quality, with a user group in place if required. Line manager complaints are quickly resolved. This Involvement of line managers reduces off-

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contract spend and improves value for money by increasing service quality and driving continuous improvement.

- Information about the service such as a briefing pack and regular updates are easily accessible and communicated across the organisation to all managers.
- Managers are fully trained to use the managed service systems and on any changes of policy or procedures relating to the service.

## C. Providing the service

**16. Candidate quality is high and they commence assignments fully briefed and meeting statutory and Local Authority-specific screening and vetting requirements.** For example:

- The quality of agency workers is high both in terms of their ability to complete the relevant assignment and their knowledge of the assignment, organisation and policies, eg an induction or candidate handbook is provided by the managed service provider via the agency to the agency worker.
- Candidates meet safeguarding and security requirements eg fully referenced, with enhanced CRB checks, with the right to work in the UK and suitable training and qualifications. This is supported by a full audit process, where managed service providers report their findings to Local Authorities on agency standards and candidate screening compliance, and any corrective action agreed.

**17. Service levels provided by the vendors meet or exceed those within the specification and managers evaluate the service as 'good'.** For example:

- The vendor is well resourced, queries and bookings are filled within the specified time (that reflects the needs of the customer) where possible, issues are escalated and dealt with appropriately.
- A high proportion of operational managers, the client managers and senior managers feel they are getting a service that meets their needs and offers benefit to the whole organisation.
- A high proportion of queries from users and suppliers are dealt with on the phone or responded to immediately via an IT platform, depending on the requirement.

- Service delivery is tailored to the requirements of the service area and takes account of urgency and location eg offering a 24-hour service for Adults and Childrens', loading of information ready for inspections, longer response times (two weeks perhaps) for a specialist interim contractor, etc. Strong relationships are developed between key users and the managed service provider with frequent service reviews, including feedback from the provider eg where poor planning has led to short notice requests. Supplier workshops / inductions are held for hard to fill / high volume etc areas to bridge the gap between client and agency.

## Who to contact for further information?

Comments/additions to these guidelines are welcomed. If you have any queries on any aspect or are interested in a particular area, please do get in touch as we would be happy to discuss further, provide examples and discuss potential benefits/savings.

The Local Government Professional Services Steering Group (LGPSSG) was established in November 2008 and meets every two months. Members are drawn from Authorities within all English regions, RIEPs (Regional Improvement and Efficiency Partnerships), professional buying organisations, the Audit Commission and OGC (Office of Government Commerce). LGPSSG works in 2 main areas:

- developing procurement strategies for consultancy, temporary staff and other contingent labour across the sector to achieve a 'joined-up' approach
- stimulating collaborative procurement and sharing best practice to support local government in achieving efficiency targets and improved services.

For your local lead, please contact your RIEP representative or one of the OGC team members.

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### RIEP contacts:

#### East of England

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Please also contact the OGC Temp Staff team if you wish to receive the bi-annual electronic *Temporary Staff Times*, which includes topical updates eg on holiday entitlements, Agency Workers' Directive, and links to Temporary Staff case studies and guidance. [Tempstaff@ogc.gsi.gov.uk](mailto:Tempstaff@ogc.gsi.gov.uk)

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