

# HAMPSHIRE COUNTY COUNCIL

## Decision Report

<b>Decision Maker:</b>	Executive Member for Policy, Resources, and Economic Development
<b>Date:</b>	10 November 2022
<b>Title:</b>	Connect2Hampshire – update on Hampshire’s temporary staffing agency
<b>Report from:</b>	Director HR, OD, Communications & Engagement

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### Purpose of this Report

1. The purpose of this report is to provide the Executive Member for Policy, Resources and Economic Development with an update on the County Councils joint venture agency, Hampshire & Kent Commercial Services LLP (trading as Connect2Hampshire).

### Recommendations

2. The Executive Member is asked to note the update for Connect2Hampshire in relation to 2021/22, including its performance during this period in relation to the provision of temporary agency workers to the County Council.

### Executive Summary

3. Following Connect2Hampshire (C2H) completing its third year of trading, this report provides an update on the agency’s performance during 2021/22, including the anticipated profit share for the County Council in respect of the financial year ended 31<sup>st</sup> March 2022.

### Background and context

4. Connect2Hampshire (C2H) is the trading name of the County Councils joint venture agency (Hampshire & Kent Commercial Services LLP), which launched in April 2019. 2021/22 has seen the completion of the agencies third year of

operation, during which time the LLP has continued to support the County Council through the challenges of the COVID-19 pandemic.

5. The LLP itself is underpinned by a Members Agreement between Hampshire County Council and Kent Commercial Services Ltd, who each own 50% of the LLP. In addition, a Joint Accountability Statement sets out the basis on which the LLP will provide agency managed services into the County Council.

### **Governance and Assurance**

6. The leadership and management of C2H is governed through the LLP Board which meets quarterly, and the Executive Board which meets monthly to review operational performance. The Executive Board focuses on a range of matters including:
  - **Operational and HR performance highlights** - including delivery against any initiatives implemented, the LLPs response to any service issues, as well as team performance measures and metrics;
  - The **financial health of the LLP** - helping to track the in-year financial performance against the budget set for different areas of supply, as well as the overall financial health and commercial sustainability of the LLP;
  - Performance against **C2H's 3-year rolling business plan** and agreement of any changes to priorities within this – the business plan sets out the history of the joint venture and the business model adopted, the governance arrangements, C2H's vision and values, and any strategic assumptions. It is reviewed each year to agree the future strategy and business plan objectives, as well as to reflect the current market and potential opportunities to further support the County Council, and the financial plan for that period.
  - **Other assurance themes** – including a regular review of the LLPs risk register, and the outcome of any internal audits completed (by Kent County Council on behalf of the LLP) and any proposed management actions. Copies of these internal audit reports are also shared with the County Council's internal audit team for assurance purposes.
7. As part of this monthly Executive Board meeting, the Board Member and Senior Board Officer representing HCC also have the opportunity to note any successes, or to raise any particular areas of concern, with a view to the Board being able to consider and agree any interventions to address these.
8. Both boards are considered to be operating effectively, and good relationships have developed between the partner representatives. As such, the County Council remains in a strong position to influence the direction of travel for the LLP (ensuring this aligns with the original objectives for investing in the creation of the agency – i.e., quality and continuity of service provision, over financial profit), and to develop a robust culture of continuous improvement in terms of the agency services provided into the County Council.

### ***Changes in LLP Board and Executive Board Membership***

9. In July 2021, following Carolyn Williamson's appointment as Chief Executive of the County Council, the position of Board Member of the LLP (representing the County Council's interests) passed to Jac Broughton, Director of HR, OD, Communications and Engagement.
10. There have been no further changes to the Board Member representing the Commercial Services Group interests; this remains Matt Johnson, who took up the position of Chief Executive for Commercial Services in mid-March 2021.
11. In addition, the existing Senior Board Officers who sit on the LLPs Executive Board remain in place (representing both Commercial Services Group and the County Council).

### **Performance update**

12. During 2021/22 the County Council spent approximately £29.8m through C2H on agency provision, demonstrating the scale of services received. This represents an increase compared with previous years (£27.0m in 2019/20 and £27.1m in 2020/21), and this is partly due to the increased need for additional agency workers to support the County Council's response to the COVID-19 pandemic.
13. The most significant areas of spend by the County Council continue to include residential and nursing care agency provision (including nurses), Qualified Social Workers (QSW) and IT contractors.
14. This represents a significant level of supply from C2H into the County Council in these areas, but unsurprisingly they are also some of the services with the most significant (national) workforce challenges, impacting both our ability to recruit to our permanent workforce, as well as C2H's ability to source sufficient supply to fully meet our current levels of demand for agency workers.
15. The Joint Accountability Statement provides a basis on which to assess the high-level performance of C2H, through a set of agreed performance measures. These cover a range of quantitative and qualitative themes, including ability to fill roles, hiring manager satisfaction and candidate quality, completion of relevant vetting and other checks prior to commencement (e.g., Right to Work, DBS checks and references), and availability of C2H's systems to the County Council, their supply chain, and candidates.
16. Broadly speaking C2H are meeting all of the performance targets. The overall volume of roles which have been fulfilled (and the associated expenditure) provides a strong indication of C2H's ability to meet the vast majority of the County Council's current levels of demand, albeit it is acknowledged there are more challenging or harder to fill roles within this position. A good example of how C2H have risen to the challenge set them has been their successful contribution to the recruitment of the County Council's 'Test and Trace' workforce (aka the Covid Warriors), circa 80 staff, most of which were sourced and provided by C2H.

17. One of the key priorities for C2H has been to build its ‘directly sourced’ candidate workforce – this essentially means the LLP providing their own candidates to the County Council for available roles, rather than relying on 3<sup>rd</sup> party agencies filling these (through the framework), contributing toward service improvement, quality, and resilience. Good progress has continued to be made in this space as noted in table 1 below, in particular within directly sourced care roles, increasing from 14% as at Q4 last year, to 28% as at the end of Q4 this year (33% at Q3).
18. Some areas have seen marginal reductions in recent months, but not to a level which would indicate cause for concern. For example, other professionals has still performed very well (with directly sourced candidates at 74%, slightly lower than last year), and Care which experienced a slight reduction between Q3 of 2021/22 (at 33%) and the end of the year (28%).

Table 1

Type of supply	Direct Fill as a % of total supply		
	2020/21 – Q4	2021/22 – Q4	RAG
Business and Administration	87%	89%	↑
Care (including nurses)	14%	28%	↑
Qualified Social Work (Adults & Children’s)	26%	29%	↑
Other Professionals (e.g., IT)	75%	74%	↓

### Challenges experienced and Connect2Hampshire’s response

19. The Executive Member will be aware of the ‘national’ workforce recruitment and retention challenges experienced this year, and how the impact of the pandemic has intensified these, in particular within Social Care – residential and nursing care and qualified social work – but not exclusively. This has also translated in terms of C2H’s ability to meet our resulting levels of demand for agency workers in some of these harder to fill roles, to complement our permanent recruitment.
20. It is however acknowledged that this is broader than just the LLP’s ability to respond. The County Council are working closely with C2H to collectively understand the wider landscape and evidence the numerous factors which drive up our demand (and the extent to which we rely on) our agency workforce to address any resource shortages. The intention will be to develop a more strategic approach to our joint workforce planning, and how we respond to such challenges.

## **Initiatives supported**

21. During the year C2H have supported the County Council with several new initiatives; one of the main benefits of working in partnership and being a 50% owner of the LLP is that we can quickly influence and implement changes in how the agency supports our temporary workforce requirements. Examples include:
- the support for the County Councils *Call2Care* recruitment initiative, as well as the ability to begin to test a new offer of permanent recruitment services to the independent care sector as *Connect2Care*. Whilst the *Connect2Care* initiative is showing some promising signs of success, it is too early to report on the performance of the pilot and the LLPs longer-term ability to support this. A further update will be provided in next year's report;
  - expanding the existing managed service provider offer to support recruitment of Children's Qualified Social Worker's through delivery of a new model of 'social work team' supply.

## **Financial Performance**

### ***Final Profit share for 2020/21***

22. As noted to the Executive Member in July 2021, the LLP were estimating a net profit position for 2020/21 of approximately £352,000 (pre any final accounting adjustments).
23. The final position was unchanged, and the accounts were signed off by the appointed External Auditors with an unqualified opinion. As a result, the County Council received a dividend (profit share) payment last year in relation to 2020/21 of around £176,000 (i.e., 50% of the overall net profit).

### ***Estimated profit share for 2021/22***

24. It is too soon to confirm the final year-end net profit position for 2021/22; this will be declared once the accounts have been audited. However, at the time of writing this report, the estimated net profit is expected to be in the region of £500,000, an increase of approximately 42% on the final position for the previous year.
25. This is a strong achievement for the LLP, solidifying financial confidence in the sustainability of the model. It should be noted however, that 2021/22 includes additional revenue for roles which are unlikely to be repeated to the same extent in future years – for example, the supply of Test and Trace roles.
26. This position is also prior to any accounting adjustments or provisions that may need to be made as part of the final accounts prepared, so is subject to change. This could see the County Councils (50%) profit share to be in the region of up to £250,000 for 2021/22, subject to approval by the LLP Board.
27. As in previous years, any dividend received could be allocated to departments cost of change reserves (in line with their proportion of the overall revenue


expenditure incurred for the year), or alternatively used to support the delivery of broader strategic workforce initiatives.

**Repayment of initial loans made by partners**

- 28. When the LLP was initially set up, each partner contributed an initial loan of £230,000 (a total of £460,000). This was intended to support the initial cash flow requirements for mobilising the creation of the agency, as well as any pre-trading expenditure incurred before C2H was formally launched In April 2019.
- 29. Following a review by the LLP Board the loan has now been repaid in full to both partners, including all accrued interest due.

**LLP Business Plan**

- 30. As noted earlier in the report, C2H’s operating model is underpinned by a 3-year business plan (2020-2023), which is reviewed each year.
- 31. The business plan includes further details of the Joint Venture model adopted for the LLP and the basis on which it operates – including the shareholding agreement. It also provides details of the Board Members and their responsibilities, as well as those of the Operational Delivery team, led by the Connect2Hampshire Business Manager.
- 32. It sets out C2H’s aspirational vision (as agreed with the Executive Board in 2020), as well as its core values:

<b>Vision</b>	By 2023 C2H will be a trusted workforce solutions provider to both its two contracting authority shareholders and will be providing its services to a number of Hampshire’s maintained and non-maintained schools and academies. C2H will tailor solutions to challenges with cost, control, compliance and continuity of supply. Driven by results and directed by our stakeholders needs, C2H will leverage procurement, recruitment and technology for a better customer experience and improved efficiencies.
<b>Values</b>	<p>By truly understanding candidates and hiring managers, C2H helps people and organisations achieve lasting impact. C2H values aim to reflect this promise and underpin its culture and behaviours.</p> <p><i>These values are:</i></p> <div style="display: flex; justify-content: space-around;"> <div data-bbox="406 1355 694 1821" style="border: 1px solid #ccc; padding: 10px; background-color: #f0f0f0;"> <p><b>Caring</b></p> <p>Displaying kindness and concern for others.</p>  </div> <div data-bbox="742 1355 1029 1821" style="border: 1px solid #ccc; padding: 10px; background-color: #f0f0f0;"> <p><b>Trustworthy</b></p> <p>Able to be relied on as honest or truthful.</p>  </div> <div data-bbox="1077 1355 1364 1821" style="border: 1px solid #ccc; padding: 10px; background-color: #f0f0f0;"> <p><b>Ethical</b></p> <p>Relating to beliefs about right and wrong.</p>  </div> </div>

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<sup>1</sup> Source, Connect2Hampshire Business Plan 2020-23

33. The Business Plan is refreshed each year to agree any changes to the future strategy and business plan objectives, taking in to account the workforce market at that time, and potential (new) opportunities to further support the County Council, along with (indicative) potential timescales.
34. Generally speaking, the objectives of the Business Plan have been met. However, throughout the course of the pandemic the focus of the Executive Board has very much been in the space of maintaining existing services in response to the pandemic and beginning to build toward recovery. As such the Executive Board have consciously agreed that many of the potential areas of service growth which could be explored would be deferred indefinitely, aligning with the priorities for the County Council.
35. The business plan will be reviewed again by the Executive Board in the coming months.

### **Key priorities for 2022/23**

36. As C2H moves toward 2022/23, the LLP will continue to focus on several key priorities to support the County Councils requirements as we recover from the impacts of the pandemic.
37. This includes continuing to embed a culture of continuous improvement within the C2H team and further developing and maturing the service provided to the County Council, as well as continuing to identify and expand on new opportunities and strategic initiatives which will support the sourcing of candidates for harder to fill roles.

### **Climate Change**

38. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience impacts of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2°C temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.
39. The decision for this report is essentially to note the performance of Connect2Hampshire during the financial year 2020/21. It does not recommend any changes, and as such does not have any climate change considerations.

### **Conclusions**

40. Despite the continued challenges faced by Connect2Hampshire during 2021/22, C2H has effectively supported the County Council to meet our temporary workforce requirements throughout the year.
41. The LLP is expected to declare a net profit in the region of £500,000 in relation to the 2021/22 financial year. This could see the County Councils (50%) profit share to be in the region of up to £250,000.

**REQUIRED CORPORATE AND LEGAL INFORMATION:**

**Links to the Strategic Plan**

<b>Hampshire maintains strong and sustainable economic growth and prosperity:</b>	Yes
<b>People in Hampshire live safe, healthy and independent lives:</b>	Yes
<b>People in Hampshire enjoy a rich and diverse environment:</b>	Yes
<b>People in Hampshire enjoy being part of strong, inclusive communities:</b>	Yes

**Other Significant Links**

<b>Links to previous Member decisions:</b>	
<u>Title</u>	<u>Date</u>
Executive Member for Policy and Resources: Creation of a Joint Venture Local Authority Trading Company	17 September 2018
Executive Member for Policy and Resources: Supply of Agency Workers to Hampshire County Council	8 March 2019
EHCC Committee: Joint Venture with Commercial Services Kent Ltd to supply agency workers to Hampshire County Council	13 March 2019
Executive Member for Policy and Resources: Connect2Hampshire – an update on Hampshire’s Agency	14 July 2020
EHCC: Connect2Hampshire – an update on Hampshire’s staffing Agency	5 July 2021
Executive Member for Policy and Resources: Connect2Hampshire – an update on Hampshire’s Agency	28 July 2021
EHCC: Connect2Hampshire – an update on Hampshire’s temporary staffing agency	7 July 2022
<b>Direct links to specific legislation or Government Directives</b>	
<u>Title</u>	<u>Date</u>
N/A	

<b>Section 100 D - Local Government Act 1972 - background documents</b>	
<p><b>The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)</b></p>	
<u>Document</u>	<u>Location</u>
None	



## **EQUALITIES IMPACT ASSESSMENT:**

### **1. Equality Duty**

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

### **2. Equalities Impact Assessment:**

There are no changes proposed in this report. As such a further equalities impact assessment has not been undertaken.