

# HAMPSHIRE COUNTY COUNCIL

## Decision Report

<b>Decision Maker:</b>	Executive Member for Policy and Resources
<b>Date considered:</b>	14 July 2020
<b>Title:</b>	Connect2Hampshire – an update on Hampshire’s Agency
<b>Report from:</b>	Director of Corporate Resources & Deputy Chief Executive

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### Recommendations

1. The Executive Member is asked to note the significant progress achieved by Connect2Hampshire during the first 12 months of operation, including meeting the objective of providing greater transparency and control to the County Council in relation to its agency workforce.

### Executive Summary

2. Connect2Hampshire is the trading name of Hampshire & Kent Commercial Services LLP, a Joint Venture between Hampshire County Council and Commercial Services Kent Ltd, for the delivery of agency worker supply to the County Council.
3. Following a decision by Cabinet in September 2018, the LLP was formally created, and after a subsequent period of implementation and migration to the new arrangements, Connect2Hampshire commenced the provision of agency services to the County Council on 1 April 2019. The agency has therefore now completed a full trading year of service provision.
4. This paper provides an update to the Executive Member on some of the achievements and challenges experienced during this first year, as well as the anticipated profit share for the County Council for the financial year ended 31<sup>st</sup> March 2020.
5. The report also reflects on the more recent challenges Connect2Hampshire have been managing and supporting the County Council with, including the response to the Covid-19 pandemic, alongside a significant cyber-attack experienced by the Commercial Services Group, which affected the various systems underpinning the operation of Connect2Hampshire.

### Background

6. On 17 September 2018, Cabinet agreed a report from the Director of Corporate Resources, recommending the creation of a new Joint Venture Local Authority Trading Vehicle (LATV), for the purpose of providing agency services to all departments within the County Council. This decision was in recognition of the important role agency workers fulfil as part of the County Council's workforce requirement, and the County Council's desire to gain greater influence and control over the supply of these workers.
7. Working in partnership with Commercial Services Kent Ltd (CSKL), who had an existing and well-established agency service that they already provided to Kent County Council, Connect2Hampshire was created. This approach enabled the County Council to access CSKL's extensive and specialist knowledge in this area, as well as providing Connect2Hampshire access to CSKL systems, processes and back office support, helping the agency to keep operating costs lower. The LLP is owned 50:50 by the County Council and CSKL.
8. As part of the creation of the agency, it was necessary to incur various set up costs to establish the LLP, as well as operational pre-trading costs ahead of 1<sup>st</sup> April 2019 (for example, the salary costs of the new team recruited ahead of the operational launch of the agency). To cash-flow these early costs, sufficient funding was agreed to be set-aside by both partners, ahead of revenue beginning to be generated.

### **Recent Challenges**

9. Whilst this report focuses on the outcomes achieved by Connect2Hampshire during the first year of trading, the agency has recently been impacted by some challenges which are important for the Executive Member to note for further context.
10. Connect2Hampshire has responded quickly to the recent challenges presented by the Covid-19 pandemic, initiating their business continuity plans in line with the Government's lockdown directive. This has included enabling all operational staff to work from home, ensuring that they have been able to successfully continue to support the County Council through this particularly challenging period.
11. The agency has been further impacted by a serious cyber-attack on the systems owned by the Commercial Services Group, which underpin the delivery of the Connect2Hampshire service. This has resulted in a loss of systems since the beginning of April 2020.
12. Connect2Hampshire has quickly and successfully implemented further business continuity measures to ensure that their operations could continue to be provided effectively. Commercial Services Group have also taken swift and robust action in response to the attack, to ensure that their systems can be rebuilt and released safely.
13. One consequence of this however is that Connect2Hampshire currently is unable to extract performance information for 2019/20, whilst these systems are rebuilt and the data for the period since the incident is reconstructed. It is important to note though that during this time Connect2Hampshire has been able to continue to respond to enquiries, new requests for agency workers, as well as ensuring processes were quickly established to ensure both directly recruited agency workers and those sourced via agencies would be paid on time.

## **Achievements during the first 12 months**

14. The first year has seen a strong start by Connect2Hampshire. Despite the expectation that as a new start-up Connect2Hampshire would experience a period of stabilisation as the new arrangements bedded in (both within the new team, but also within the County Council), in reality this was achieved fairly quickly, with a seamless transition away from the previous incumbent provider.
15. As with any new team, some operational challenges have been identified over the course of the year. However, as these have been identified the Connect2Hampshire team have responded promptly and taken steps to address these.

### ***Improving Transparency***

16. One of the most significant outcomes achieved following the introduction of Connect2Hampshire relates to the County Councils objective to secure a greater degree of control, oversight and influence over the sourcing and supply of its agency workforce. For the first time transparency exists in terms of understanding both the demand for agency workforce in to the County Council, and how this demand is being met, including any arrangements through other off-contract arrangements (i.e. not sourced through Connect2Hampshire or another existing contract).
17. Generally off-contract arrangements are more costly to the County Council than if sourced through Connect2Hampshire, but these also introduce a degree of risk as there is limited assurance that can be obtained with regard to the right to work, vetting and other pre-employment checks that are completed by the supplying agency. Within Connect2Hampshire no agency worker (whether directly supplied or sourced via a 3<sup>rd</sup> party supplier on their approved supply chain) can commence a work placement until all pre-employment checks and supporting documentation has been provided to them and validated.
18. Working collaboratively with Connect2Hampshire, significant progress has been made with the County Council to identify alternative options for the supply of workers where off-contract arrangements had previously been considered necessary. This has enabled a reduction in the use of these arrangements, and a financial saving to therefore be achieved by the hiring department. This focus on reducing off-contract arrangements will continue in to 2020/21.
19. The County Council also now has greater oversight of any 3<sup>rd</sup> party agencies who are supplying through Connect2Hampshire, including through the completion of supplier audits (for example vetting & checks and pay audits). Where concerns are identified (for example with regard to appropriateness of a supplier's business processes or practice), the County Council has been involved closely in any decision taken about the ongoing suitability of a supplier.

### ***The benefits of Connect2Hampshire being a managed service provider***

20. As a managed service provider, Connect2Hampshire both directly recruits their own agency workforce to supply only to the County Council, as well as sourcing candidates through their contracted 3<sup>rd</sup> party suppliers. This arrangement provides flexibility to the County Council, through being able to source from multiple suppliers to meet changes in demand.

21. However, one of the key objectives of creating Connect2Hampshire was to enable the County Council to grow its own dedicated agency workforce, thereby contributing toward improvements in the overall continuity and quality of the service we provide, as well as offering a flexible alternative option to a wider workforce pool (for example where agency work better suited someone's personal circumstances). It also provides a potential pipeline into permanent employment with the County Council at a lower cost.
22. Directly resourcing agency workers also removes the fees paid to other 3<sup>rd</sup> parties, contributing instead to the resulting net profit of Connect2Hampshire, and therefore the profit share ultimately returned to the County Council. Understanding the extent to which Connect2Hampshire has been able to grow the number of agency workers who are directly supplied is therefore a key measure of success.
23. As at the end of the year, in the region of 70% of all admin agency roles were resourced and supplied directly by Connect2Hampshire, in the region of 60% of IT & Professionals agency roles, and 100% of Catering, Warehouse & Facilities Management agency roles. This is a significant achievement for the first year.
24. More moderate progress has been made with regard to direct resourcing of non-qualified care, nursing and qualified social worker's (less than 20% of these agency roles were directly supplied as at the end of the year, with a larger proportion of demand being met through Connect2Hampshire's 3<sup>rd</sup> party supply chain). However, there has been success increasing this position during the early months of 2020/21, and this will continue to be a key focus for the team.

### ***Operational performance***

25. The operational performance of Connect2Hampshire is governed through the LLP's Executive Board. This Executive Board includes two Directors: the Deputy Chief Executive and Director of Corporate Resources for the County Council and the Chief Executive of Commercial Services Kent Ltd, as well as a Senior Board Officer from each organisation, and Connect2Hampshire's Business Manager.
26. Additionally, the day-to-day performance and delivery of services to the County Council is reported through quarterly service review meetings held between senior representatives of the County Council and Connect2Hampshire. These meetings consider performance measures such as the rate of fulfilment against demand for agency workers (i.e. has Connect2Hampshire been successful in sourcing appropriate candidates), and the quality of the services received. Quality focuses on two aspects; the quality of service provided by the Connect2Hampshire team, and the overall quality and suitability candidates once they have been placed (for example, understanding if placements have ended early for reasons relating to inadequate experience or unacceptable behaviour of a worker).
27. Information available during the year indicated that good progress was being made by the service, with expected performance levels for the first year being met. However, monitoring of performance through these regular serviced reviews, together with building close working relationships between key members of the Connect2Hampshire team and the County Council has helped to identify and escalate any emerging issues (arising on both sides) quickly, enabling these to be understood and promptly addressed as appropriate.

28. Through this approach the key areas of strategic focus for Connect2Hampshire in terms of developing necessary resourcing and marketing plans are also agreed with the County Council, aligned to our workforce priorities.

## **Finance**

29. The estimated revenue spend on agency services by the County Council through Connect2Hampshire during 2019/20 was expected to be in the region of £32m. This was informed based on previous years agency expenditure incurred and allowed for an increase in cost of living pay inflation.
30. The final revenue spend through Connect2Hampshire for 2019/20 was lower than this at approximately £27m, representing a reduction in expenditure across the County Council Departments. It is important to note however this excludes any off-contract spend, as referenced earlier in the report, as well agency expenditure incurred through a very small number of specialist contracts the County Council already had in place with other providers, and which run alongside the agreement with Connect2Hampshire.
31. In terms of the final financial position for Connect2Hampshire, during the first 12 months of trading an overall net profit was generated of approximately £224,000 (excluding pre-trading set-up revenue costs), representing a profit share for Hampshire County Council of £112,000. This position has enabled the LLP to fully offset the pre-trading revenue set-up costs incurred.
32. In line with all organisations, the future trading position for 2020/21 will be uncertain in the context of Covid-19; the LLPs operating model is wholly reliant on the requirements of HCC. The LLPs Executive Board are therefore taking a prudent position with regard to the expected revenue generation for 2020/21 and will closely monitor the impact of the current situation throughout the coming year.

## **Future direction and opportunities**

33. As previously noted to the Executive Member, the creation of Connect2Hampshire is a new direction for the County Council in this crucial area and is intended to address challenges previously experienced. The immediate priority for the new joint venture arrangement has been ensure the continuity of agency worker provision to the County Council's core business. However, the arrangement also provides a vehicle for the County Council to support other potential temporary workforce opportunities in the future.
34. The Executive Board are responsible for setting out the future business plan for the LLP, and this will be reviewed in September 2020. This will be very mindful to ensure that all planning takes full account of supporting the County Council first, particularly in light of Covid-19.

**CORPORATE OR 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> Creation of a Joint Venture Local Authority Trading Company Supply of Agency Workers to Hampshire County Council	<u>Date</u> 17 September 2018 8 March 2019
<b>Direct links to specific legislation or Government Directives</b>	
<u>Title</u> None	<u>Date</u>

**Section 100 D - Local Government Act 1972 - background documents**

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.)

<u>Document</u>	<u>Location</u>
None	

**IMPACT ASSESSMENTS:****1. Equality Duty**

1.1. 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 under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

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

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

**1.2. Equalities Impact Assessment:**

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

**2. Impact on Crime and Disorder:**

2.1. There is no expected impact on Crime and Disorder.

**3. Climate Change:**

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

No impact considered.

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

No impact considered.