

HAMPSHIRE COUNTY COUNCIL

Decision report

Decision Maker	Leader and Executive Member for Hampshire 2050 and Corporate Services
Date considered:	25 September 2023
Title:	Connect2Hampshire – update on Hampshire’s temporary staffing agency
Report from:	Director People and Organisation

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Purpose of this Report

1. The purpose of this report is to provide the Executive Member for Hampshire 2050 and Corporate Services 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 2022/23, 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 fourth year of trading, this report provides the Executive Member with an update on the agency’s performance during 2022/23, including the anticipated profit share for the County Council in respect of the financial year ended 31st March 2023.

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. 2022/23 has seen the completion of the agencies fourth year of operation, during which time the LLP has continued to support the County Council through recovery from 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:
 - The key **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, and changes to the Managed Service Provider fee charged back to the County Council;
 - 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, the outcome of any internal audits completed (by Kent County Council on behalf of the LLP) and any proposed management actions, the status of any FOIs, SARs or complaints received, and any Health & Safety points to note. Copies of 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 can also 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 operating effectively, and good relationships continue to develop 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 our 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 services provided into the County Council.

Changes in LLP Board and Executive Board Membership

9. In April 2023, Matt Johnson, the LLP Board Member representing Commercial Services, stepped down from this role because of changes within the wider Commercial Services Group organisation. This responsibility has passed to

Helen Archer-Lock, Managing Director of Recruitment and Executive Director for the Commercial Services Group, who previously held the position of Senior Board Officer on the Executive Board.

10. As a result, the position of Senior Board Officer representing Commercial Services has also changed to Victoria Harper (Operations lead for recruitment in Commercial Services).
11. There have been no changes to the Board Member representing HCC's interests (this remains Jac Broughton, Director People and Organisation), or to the Senior Board Officer role (this remains Stephanie Randall, Deputy Director People and Organisation).

Performance update

12. During 2022/23 the County Council spent approximately £37m through C2H on agency provision, demonstrating the continued scale of services provided by our joint venture, and a continued growth in demand from the County Council compared with previous years (£27.0m in 2019/20, £27.1m in 2020/21 and £29.8m in 2021/22). This is partly due to the ongoing workforce recruitment and retention challenges continued to be experienced with our permanent workforce, but also reflects broader changes in our operating model.
13. The most significant areas of spend by the County Council remain residential and nursing care agency provision (including nurses), Qualified Social Workers (QSW) in Adults' Health & Care, and Children's Services, 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 level 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. During 2022/23, C2H met all of the agreed performance targets, and the overall volume of roles which have been fulfilled (and the associated expenditure) provides significant assurance of the agency's ability to meet the vast majority of the County Council's temporary workforce demand, albeit it is acknowledged there continue to some roles which are more challenging or harder to fill (e.g., Care and QSWs).
17. A key priority for C2H remains the ability 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 3rd party agencies filling these (through the framework), contributing toward service improvement, quality, and resilience. Steady progress has continued to be made in this space

as noted in table 2 below, in particular within directly sourced Qualified Social Worker roles, increasing from 29% as at Q4 last year, to 54% as at the end of Q4 this year.

18. There has also been considerable growth in the level of direct supply from C2H within our Children’s residential homes during 2021 and in to 2022/23, contributing to a significant reduction in the County Council’s dependence on more costly off-contract agencies for this service.
19. There was a reduction in direct supply for Care roles as at Q4 compared with the position in the previous year, but not to a level which would indicate cause for concern. This reduction is likely to be due to higher levels of demand for agency workers during the last quarter of the year (increasing the requirement for 3rd party agency supply), as well as the exclusion of Children’s Residential supply (now reported separately), which has a high level of workers directly sourced by C2H.

Table 1

Type of supply	Direct Fill as a % total of total supply			
	2020/21 Q4	2021/22 Q4	2022/23 Q4	RAG
Business and Administration	87%	89%	95%	↑
Care (including nurses) ¹	14%	28%	22%	↓
Qualified Social Work (Adults & Children’s)	26%	29%	54%	↑
Children’s Residential ²	-	-	84%	↑
Other Professionals (e.g., IT)	75%	74%	89%	↑

Challenges experienced and Connect2Hampshire’s response

20. The Executive Member will be very aware of the ‘national’ workforce recruitment and retention challenges that have continued to intensify this year; in particular within Social Care – residential and nursing care and qualified social work – but not exclusively. These challenges play out in terms of how 3rd party agencies are either able to, or choose to, supply through the established C2H framework - particularly within some of our harder to recruit roles where we have higher levels of demand; for example, Children’s Qualified Social Work, where the model of supplying ‘social work project teams’ through alternative arrangements has become more prevalent in the market.
21. The agency worker issues experienced within Children’s Qualified Social Work have also been recognised by the Department for Education, who launched a consultation seeking views on proposals to introduce national rules on the use

¹ Prior to 2022/23 ‘Care’ included Children’s Residential supply.

² Direct supply data for Children’s Residential prior to 2022/23 not available.

of agency child and family social workers in local authority children's social care. The County Council worked closely with C2H to develop our own response to the consultation, which closed in early May. C2H also submitted their own response. The outcome of the consultation is expected later in the summer.

22. The C2H Executive Board have also taken the opportunity to review the operating model of the agency to ensure that it is best placed to continue to meet the changing requirements of the County Council's in the future, and this has resulted in greater investment in capacity to further enhance the agencies approach to supporting our hiring managers, as well as in skills such as Strategic Resourcing, Planning and Workforce Insight, Performance Improvement and Quality Assurance. This has helped to further develop the maturity of the operating model, and the value this can continue to provide the County Council.

Initiatives supported

23. During the year C2H have supported the County Council with several new initiatives. Whilst the Joint Accountability Statement (effectively our contract of services) is well defined in terms of the services that will be provided, the benefit of working in partnership and being a 50% owner of the LLP is that we can quickly influence and implement a change control to the agreement, enabling C2H to evolve and provide additional services (or to change aspects of the service provided), without the need to complete an additional procurement process. Examples include:
 - **Call2Care** – continuation of promotional campaigns which seek to encourage people to consider a career within the care sector. This initiative is intended to support recruitment across all care providers within Hampshire.
 - **Children's Social Work** – continuing to expand the existing managed service 'agency' offer to support recruitment of Children's Qualified Social Worker's through delivery of an alternative model of 'social work team' supply.
 - **Transition of our current Casuals workforce** – C2H are working closely with the County Council to implement a change in approach to how we recruit our casual workforce, through the provision of a 'bank' workforce.

Financial Performance

Final profit share for 2021/22

24. As noted to the Executive Member in November 2022, the LLP were estimating a net profit position for 2021/22 of approximately £500,000 (pre any final accounting adjustments).
25. The final position was unchanged, and the accounts were signed off by the appointed External Auditors with an unqualified opinion, following which the

County Council received a dividend (profit share) payment of around £250,000 (i.e., 50% of the overall net profit).

Estimated Profit share for 2022/23

26. It is too soon to confirm the year-end position for 2022/23; 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 £798,000 for the full year, a potential increase of approximately 60% on the final position for the previous year.
27. This is an exceptional achievement for the LLP, further solidifying financial confidence in the sustainability of the model longer-term.
28. This position is 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, but subject to these adjustments, this could see the County Council's (50%) profit share being in the region of £399,000 for 2022/23. The final profit share paid to the LLPs shareholders will be subject to approval by LLP Board. Any profit share received will be used to support one-off investment in the County Council's approach to developing our strategic response to the workforce challenges we continue to experience.

LLP Business Plan

29. As noted earlier in the report, C2H's operating model is underpinned by a 3-year business plan (currently 2020 to 2023), which is reviewed each year.
30. 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.
31. It sets out C2H's aspirational vision as well as its core values:

Vision

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.

Values

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.

These values are:

Caring

Displaying kindness and concern for others.



Trustworthy

Able to be relied on as honest or truthful.



Ethical

Relating to beliefs about right and wrong.



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32. 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.
33. The core objectives set out in the Business Plan continue to be the primary focus of Executive Board. However, as was the case in 2021/22, in view of the workforce challenges that continue to be experienced (and as part of the recovery strategy following the pandemic), of primary importance to the Executive Board is the ability to maintain and develop the existing services which are crucial to the County Council's ongoing business and service delivery.
34. The business plan will be reviewed again by the Executive Board in the coming months.

Key priorities for 2023/24

35. As C2H moves toward 2023/24, the Executive Board will continue to focus on several key priorities to support business development and improvement.
36. This includes continuing to further embed the culture of continuous improvement within the C2H team, identifying opportunities and initiatives to support sourcing of candidates for our hard to fill roles, and successfully implementing the new C2H Bank Worker service model.

³ Source, Connect2Hampshire Business Plan 2020-23 (revisions incorporated in September 2021)

Climate Change

37. 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.
38. The decision for this report is essentially to note the performance of Connect2Hampshire during the financial year 2022/23. It does not recommend any changes, and as such does not have any climate change considerations.

Conclusions

39. Despite the continued challenges faced by Connect2Hampshire during 2022/23, C2H has effectively supported the County Council to meet our temporary workforce requirements throughout the year.
40. The LLP is expected to declare a net profit in the region of £798,000 in relation to the 2022/23 financial year. This could see the County Councils (50%) profit share to be in the region of £398,000.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

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

Other Significant Links

Links to previous Member decisions:	
<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
Executive Member for Policy and Resources: Connect2Hampshire – an update on Hampshire’s staffing agency	28 July 2021
Executive Member for Policy and Resources: Connect2Hampshire – an update on Hampshire’s temporary staffing agency	10 November 2022
EHCC: Connect2Hamshire – an update on Hampshire’s temporary staffing agency	30 June 2022
Direct links to specific legislation or Government Directives	
<u>Title</u>	<u>Date</u>
N/A	

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	

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.