

West Midlands Employers

Review of the business case for the West Midlands Workforce Strategy for Local Government & Service Offer

Independent Assurance Report for WME

January 2022



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This document including appendices contains 26 pages
Ref: C:\Users\Kathryn Booth\Documents\Cassie Houlden\WM Workforce Strategy for Local
Government and Service Offer Bus Case Review Jan 2022 v3 - tracked changes.docx

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Executive Summary

Introduction

This Executive Summary provides an overview of the findings of an independent assurance process undertaken by AMION Consulting, of West Midlands Employers' (WME's) business case to develop and implement a West Midlands Workforce Strategy for Local Government and Service Offer, based on the 11th January final draft (v 1.0).

AMION Consulting has provided critical friend support throughout the development of the business case to help WME refine and strengthen its proposals, based on our experience of writing and appraising business cases for a wide range of public sector clients and funders. The assurance process has used HM Treasury's 'five case' business case model as the framework for assessment of WME's business case. Whilst the WME business case document does not follow the standard five case structure, much of the content expected by HM Treasury is covered in the WME document. This report summaries the findings of the independent review of the business case documentation.

Description of the Proposal

The business case sets out an innovative and ambitious approach to tackle well-evidenced, long-standing issues linked to existing approaches to managing and recruiting a significant temporary workforce. These issues, which have been exacerbated by the recruitment and skills shortages experienced since the pandemic and are becoming 'business critical' for many Councils, include challenges in recruiting appropriately skilled and experienced staff which impacts on the quality of service delivery, high levels of churn in the temporary workforce, competition between Councils leading to escalating costs, and considerable burdens placed on Managers as a result of the inefficiencies of the current process.

There are two complementary elements to WME's proposed response:

1. Development of the West Midlands Workforce Strategy for Local Government & Improvement Programme, which sets out five priorities on which Councils across the region will work together to tackle shared issues relating to the permanent and temporary workforce. The development of the Strategy enables partners in the region to engage regionally and nationally with other sectors / areas which have developed consolidated workforce strategies, such as the NHS.
2. Regional Agency Provision, which will introduce a regional-level service which will provide an opportunity to incrementally replace Councils' individual agency provision arrangements as existing contracts come to an end and Councils take up the new regional offer. The provider will be expected to work in partnership with WME and Councils to realise the vision and objectives set out in the Workforce Strategy.

An innovative approach

The business case provides a clear rationale for collaborative public sector intervention across the region, led by WME, to tackle the issues identified, and explains how the preferred option has been arrived at and why it is the best way forward.

The Regional Workforce Strategy for Local Government and Regional Agency provision represent a new approach for the West Midlands where Councils currently have individual relationships with agency providers but there is no collaborative approach to managing the temporary workforce. Similar approaches have been implemented elsewhere; however, these differ from the West Midlands scheme having largely been driven by a motivation to reduce costs for Councils (both in terms of temporary worker costs and procurement costs), rather than having a focus on quality improvements which is the driver for the WME approach.

Another differentiator of the WME approach is the development of a shared Regional Workforce Strategy for Local Government to tackle common workforce issues (affecting both the temporary and permanent workforce) affecting Councils across the region. The Strategy identifies priorities for improving the quality of the workforce, whilst the Regional Agency is a mechanism not only to provide greater control and influence over temporary workforce provision, but also to generate revenue to invest in improvement initiatives. This represents a new approach to tackling not only the issues arising from reliance on a large temporary workforce, but also the underlying causes.

Overall assessment

The approach proposed by WME is well-researched and well-developed. There is a risk that any new and innovative approach to tackling a long-standing problem may not be successful: it is the nature of innovation that not every new approach will work. However, there is a clear need to intervene and to ‘do things differently’ to achieve better outcomes, and the business case demonstrates that WME has carefully designed the proposed intervention to maximise the chances of success and minimise risks. The fact that Councils have existing contractual arrangements with agency providers means there is an opportunity to pilot the new approach with a small cohort, refine it, and achieve a greater critical mass of users over time.

There are strong potential benefits from the new approach – for Councils, for temporary workers and for the West Midlands economy as a whole. The provider of the Regional Agency will be expected to demonstrate enhanced investment in social value (on the back of increased volumes of business through operating at a regional level) – with potential to secure greater levels of local employment, support more unemployed residents into good quality jobs, and support temporary workers to increase their skills and convert to permanent roles. Retaining more Council wage expenditure in local areas and in the region will strengthen local economies, whilst better skilled workers will improve services for local residents. Increasing the number of temporary workers who move into permanent roles will help to meet Council ambitions to stabilise their workforce and reduce their reliance on temporary workers. All require the Regional Agency Provider to commit to working in partnership with Councils and WME to reduce the use of temporary staff – an approach which differs from the usual agency service provision.

The scale of benefits which can be achieved is closely linked to the level of take-up of the service by local Councils. Higher levels of take-up will result in greater benefits, and will generate higher levels of revenue for Councils to invest in improvement projects, in line with the priorities identified in the Strategy. The return on investment is expected to be very positive, although further quantification will be required once levels of use have become clear.

Overall, WME has produced a robust business case which provides a strong rationale for investing in the approach, and supports take-up of the service by Councils.

Introduction

1.1 Purpose of the report

This report provides an independent review of the business case ('West Midlands Workforce Strategy for Local Government & Service Offer final draft – Version 1.0'), produced by West Midlands Employers (WME) and its advisors on 11th January 2022. The report is the conclusion of an independent assurance process undertaken by AMION Consulting.

1.2 About AMION Consulting

AMION Consulting is an economic and financial consultancy practice established in 2000 by two former senior consultants from KPMG. Its senior staff are all established practitioners, each of whom has proven national expertise in the economics, finance and business, physical development, property management and implementation fields. AMION blends together this recognised expertise to offer clients an innovative, practical and focused consultancy service. The firm has a wide client portfolio, which includes Government Departments, Agencies, local authorities, regeneration partnerships, community and voluntary sector organisations, as well as private sector developers, and other interests. AMION has extensive experience of developing and appraising Business Cases, working both for organisations bidding for funding, and appraising project proposals on behalf of funders. The firm regularly provides 'critical friend' support for organisations developing project proposals, to help them strengthen their propositions in advance of seeking approval to proceed.

1.3 Process

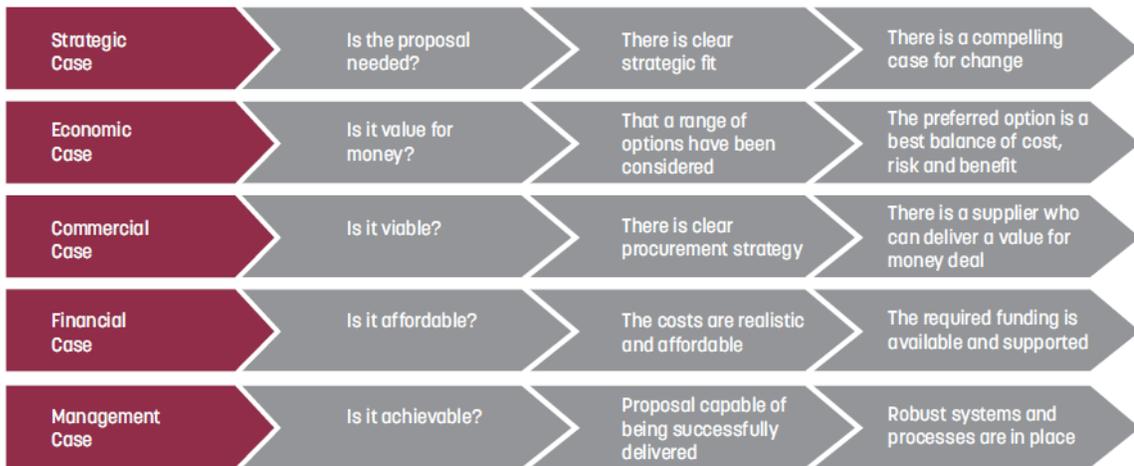
AMION Consulting was appointed to provide support to WME in the development of a business case for a Regional Agency in summer 2021. Cassie Houlden, Associate Director, has provided support and advice as WME and its advisors have developed and refined the proposals. This has included:

- advice on the structure and contents which should be included in an HM Treasury-compliant 'five case' business case document;
- scoping a 'logic model' to articulate how the proposed intervention responds to the strategic context, and how the inputs and activities are expected to lead to outputs, outcomes and impacts;
- reviewing the research and evidence gathered in support of the proposed intervention;
- undertaking research into the potential quantifiable economic benefits of the proposal, and identifying 'non-quantifiable' benefits;
- providing advice on articulating the options development process;

- keeping in contact with the WME team as the proposal has developed in response to feedback from stakeholders and advisors, and the proposed approach has evolved; and
- reviewing drafts of the emerging business case documentation and providing comments on how these could be strengthened.

The Green Book ‘five case’ model has been used to structure the assurance process, with the documentation provided reviewed in line with HM Treasury guidance, as shown in Figure 1.1:

Figure 1.1: Assurance Process, based on Five Case model



This report represents the final output from the independent assurance process, and reflects AMION Consulting’s view of the proposal, as at 14th January 2022.

2 Strategic Case

2.1 Introduction

Key Points

- The business case sets out a clear case for change, with joint action required across the region to tackle common issues relating to the temporary and permanent local government workforce.
- Current approaches, with Councils working individually with Agency providers, are not tackling underlying issues of poor quality within the temporary workforce, and a shortage of skilled workers in key roles, and are leading to competition between Councils, driving up costs. Without intervention, these issues are expected to intensify given national shortages.
- There is a clear rationale for collaborative intervention across the region. The proposed response, which includes both a Strategy defining priorities, and a Regional Agency mechanism to tackle weaknesses in the current approach to managing the temporary workforce and generate revenue to support improvement initiatives, is an ambitious and innovative approach to tackling the challenges identified.
- The aim of the proposed intervention is clearly defined, although SMART objectives should be defined (building on the logic model) once levels of take-up become clear.
- A range of stakeholders have been engaged and helped to shape the proposed approach. Lessons have also been learned from the experience of local Councils in Greater Manchester where a region-wide approach has been in place for a number of years.
- The key constraints and dependencies include the level of take-up by local Councils within the West Midlands, and the ability to select a Regional Provider who can meet the requirements of the procurement specification.

2.2 The case for change

What is the current situation, what are the drivers for change and why does it need to change now?

In developing the business case, WME and its advisors have undertaken extensive research to provide evidence of the current challenges and justify the need for change. The evidence presented in the business case and supporting Appendix A (Summary of Engagement and Research) demonstrates that the £126m annual expenditure on temporary workers is not leading to satisfactory outcomes or addressing the underlying issues of a lack of quality in the labour supply, an overall lack of supply within certain key roles (particularly in adult and children’s social services) and the resulting upward pressure on costs as councils compete to attract the workers they need.

The business case highlights the need to:

- improve the quality of the local authority workforce in order to improve service provision;
- reduce reliance on temporary staff;

- reduce costs on local Councils (both financial and in terms of manager time); and
- act collaboratively to ensure that investment made in addressing the challenges benefits all Councils.

These are summarised in the identified drivers for change which provide a clear justification for intervention:

1. **Improving efficiency** – ensuring that Agency workers are used only where necessary and overall spend on Agency provision falls over time.
2. **Increasing effectiveness** – delivering whole system improvements in the management of temporary resource and increasing regional autonomy over Agency providers.
3. **Achieving equilibrium** – stabilising the permanent workforce and ensuring higher rates of conversion from temporary to permanent roles.

2.3 Rationale or Market Failure

What is the evidence that the market will not deliver? Why is public sector intervention required? What will happen if no intervention is made?

The evidence presented in the business case and supporting Appendix A (Summary of Engagement and Research) highlights the issues (listed above) which have arisen from existing reliance on the market and individual contracts between local authorities and agency providers. Although not explicit, the market failure is one of positive externalities – there is under-investment by employers in the skills / qualifications of temporary workers. This arises because they cannot capture the full benefit of any investment made, with competition between local authorities for appropriately skilled workers meaning that there is a high degree of churn within the labour market. A collaborative approach is required to address this market failure and increase investment the skills of workers in key roles from its current sub-optimal level.

The business case highlights that the challenges identified in finding and retaining skilled workers are not specific to the West Midlands. Without intervention, the situation is likely to worsen given overall labour shortages nationally. This will result in higher costs for local Councils, increased time pressures on managers, and service delivery which is not of the quality which Councils would wish to see.

2.4 Policy alignment

What are the organisation's strategic objectives, and how does the project fit within these?

The business case sets out the region's vision for West Midlands Employers, their Employers' Organisation, to "advocate, build and champion people centred organisations for a resilient and diverse public sector workforce that benefits everyone in the West Midlands." WME works to tackle workforce issues and themes which affect multiple local authorities across the region and which require coordinated action.

The proposed Workforce Strategy for Local Government and Regional Agency Service offer are entirely aligned with these strategic objectives. The challenges arising from skills shortages in key

roles and the high dependence on temporary workers can only be effectively addressed through coordinated action, and WME's role as the Regional Employers' Organisation for 32 Councils across the West Midlands means that it is ideally-placed to take forward proposals to address these issues.

How does the project align with wider policy context?

The business case does not go into significant detail on the alignment of the proposed interventions with the wider policy context. Reference is made to the West Midlands Workforce Strategy for Local Government complementing and working alongside Councils' existing People Strategies and Workforce Plans (Section 3.1), and it would be useful for Councils to map their own Workforce Strategies against the Regional Strategy to identify areas of alignment.. The business case also highlights the national nature of the challenges which the Strategy and Regional Agency Provision are designed to address (Section 2.3), but there is no reference to existing national policies which are in place to tackle these issues, or why a regional response is necessary in addition to any national action which is already being taken.

How does the project link with other projects?

The proposed Regional Strategy and Regional Agency Provision link closely to other WME initiatives, including the WMjobs.co.uk jobs board and TalentLink e-recruitment system. The development of the West Midlands Workforce Strategy provides an over-arching strategic framework in which initiatives to address permanent and temporary workforce issues can be brought forward; whilst the Regional Agency provides a mechanism through which improvements can be made on a coordinated and collaborative basis across the region, whilst also generating a revenue stream to fund improvements (subject to take-up).

2.5 Vision and objectives

What is the aim of the proposed project, and how will it address the problem identified?

The business case clearly articulates the two complementary aspects of the proposed intervention:

1. the development of the West Midlands Workforce Strategy for Local Government & Improvement Programme; and
2. Regional Agency Provision, providing an opportunity to incrementally replace Councils' individual agency provision arrangements as existing contracts come to an end and Councils take up the new regional offer.

The ***aim of the Strategy*** is to complement the existing People and Workforce Strategies developed by individual local authorities, and address permanent and temporary workforce issues which need Councils to work together to tackle common problems. Five priorities have been agreed for the Strategy which respond directly to the challenges identified through the research undertaken in developing the business case:

- delivering economic and social value for the communities of the West Midlands;

- complementing Councils' strategies to stabilise the permanent workforce;
- delivering efficiency savings and improved service delivery;
- improving the management of temporary workers; and
- improving the experience of temporary workers.

The **aim of the Regional Agency Provision** is to deliver good quality, affordable temporary workers for the region. The intention is that the Strategy and Regional Agency Provision will together address the problems identified – high levels of spend on temporary workers; lack of quality in the temporary workforce; high levels of churn; large amounts of management time required to oversee Agency workers; competition between Councils for temporary workers in specific hard-to-fill occupations – by creating a collaborative environment where WME, Councils and a regional agency provider work together to deliver improvements and efficiencies which benefit Councils, workers and communities. This will be enhanced by the generation of a Workforce Strategy Contribution, based on a percentage of the provider profit margin, which will be used to deliver the priorities identified in the Strategy.

Are there clear SMART objectives in terms of outcomes?

The objectives for the proposed intervention are clearly set out: to increase efficiency by reducing overall reliance on temporary workers; to improve effectiveness by delivering improvements in the management of the temporary workforce; and to achieve equilibrium by stabilising the permanent workforce. SMART objectives (specific, measurable, achievable, realistic, timebound) have not been set out at this stage, because they cannot be quantified until the number of Councils which will sign up to the regional agency provision becomes clear. This in turn depends on the outcome of the procurement process and the decisions which Councils subsequently make re whether / when to take up the regional agency provision.

A number of the 'Benefits' set out in the logic model could be easily converted into SMART objectives once the scale of take-up is clearer, including:

- Reduction in the utilisation of temporary workers from XXXX to XXXX per annum
- Increase the use of local workers from X% to X% of all temporary workers, and local suppliers, from X% of expenditure to X%
- Increase the proportion of temporary workers moving into permanent posts from X% to X%.

Robust baseline data will be required in relation to each objective in order to set SMART targets.

The initial delivery plan for the Strategy covers a five year period (2022-2027), and the 'single provider framework' has a fixed term of four years (though contracts awarded through it can extend beyond the framework term). This provides a sufficient period of opportunity for the region to test out the potential of the approach. With sufficient council take up of the service WME is committed to re-procurement after the initial term. The scale of what can be delivered and the timescale over which it can be achieved, will be dependent on the number of Councils which take up the regional offer during this period, the level of temporary resource they procure

through the agency, and the level of the Workforce Strategy Contribution, which will be determined by provider profit. SMART objectives should be developed once the take-up position is clearer.

2.6 Stakeholders and engagement

Who are the key stakeholders? How have they been engaged? How have their views shaped the proposal?

Key stakeholders are WME's 32 member Councils, the managers responsible for hiring and overseeing temporary staff and the temporary workforce themselves. WME and its advisors have undertaken extensive research with each group to inform the proposal and the business case, beginning with a task and finish group which established that there was a need for intervention. The draft Strategy explicitly sets out the 'asks' established through engagement and consultation process, and what WME, the Regional Agency and the Strategy will do in response, ensuring a very strong link between stakeholder needs and the proposed intervention.

Does the project draw on evidence of what worked in the past or in other contexts?

Although not explicit in the business case documentation, the development of the proposal has been informed by consultation with other areas which have adopted similar approaches. However, the drivers in other areas (to save money and simplify procurement across partner agencies) differ from those in the West Midlands, where a greater focus is on improving the quality of the workforce, with reduced costs and a reduced burden on Council managers as a more efficient agency service is provided potential beneficial side-effects of reduced use of temporary workers, rather than the primary objective.

Key lessons which have been learned from other areas and which have informed the design of the Regional Agency Provision include:

- the economies of scale that a regional contract provides and resulting cost savings for Councils;
- the potential to align pay rates for certain roles across the region (although challenges are still experienced in ensuring the agreed rates apply for key hard-to-fill roles);
- the ability to lever significant social value from the Agency provider given the size of the contract (for example, focusing recruitment on unemployed residents; providing careers support to schools and providing interview preparation and guidance for candidates etc); and
- the ability to obtain standard data on use, spend and roles filled through a regional portal, enabling comparisons to be made between Councils.

The Greater Manchester lead who was consulted was not able to quantify the benefits of a regional approach compared to the individual contracts which Councils had previously worked through, but the regional option has seen increased take-up since it was initially implemented (including from Councils outside the Greater Manchester Combined Authority area). Councils have consistently re-committed to the approach, which is now in its fourth contract term.

Constraints and dependencies

What are the constraints and dependencies?

The business case has identified a number of potential barriers to change, and explicitly states that “*there will be no easy solution in the short to medium term*” to the challenges identified (section 2.3). Constraints and dependencies which could impact on the delivery of the proposals, and the mitigations which have been put in place to minimise this risk include:

- the need for additional investment of £80,000 from WME in 2022/23 to launch the service and support the engagement plan. Approval for this funding is being sought through the Business Case);
- the willingness and ability of Councils to sign up to the new service (given the innovative nature of the offer and the pilot nature of the scheme, and existing contractual commitments). This is being addressed through a detailed communication and engagement plan which will include one-to-one discussions with potential early adopters of the regional service.

The procurement process has addressed two further potential constraints: firstly that there might be no market interest in delivering a Regional Agency service (with six companies expressing interest and three progressing to the Invitation to Tender stage); and secondly that Councils may be prevented from using the new service due to procurement regulations. The appointment of specialist consultants to advise on the procurement process has removed this risk.

2.7 Strategic Case conclusion

The business case provides a strong strategic rationale for intervention, makes clear why WME is best placed to lead that intervention, and demonstrates that the proposed approach responds to the needs and challenges identified.

In order for the benefits of the approach to be achieved, there is a need for Councils to take up the new service and contribute to the delivery of the Regional Workforce Strategy, in order to improve the quality of the temporary workforce and reduce reliance on temporary staff.

3 Economic Case

3.1 Introduction

Key Points

- A range of options has been considered to address the challenges identified. The long-list of options has been assessed with advantages and disadvantages presented to the Board and the preferred option taken forward for more detailed development.
- Careful consideration has been made as to how the proposed interventions will generate benefits and the mechanisms through which activities will lead to outputs, outcomes and longer-term impacts. This has been illustrated in a logic model included in the business case.
- It is not possible to provide a quantified assessment of Value for Money at this stage, as the scale of activity is dependent on take-up of the Regional Agency offer by local Councils. However, given the relatively low start-up costs, it is likely that the proposal will generate 'high' value for money (a return of £2+ for every £1 invested).
- The business case identifies a number of risks to WME, and explains how these have been mitigated. The key risks to the project are that the expected benefits are not achieved, due to low levels of take-up or the failure of the model to produce the collaborative, partnership approach envisaged. The mitigation is the procurement process for the Regional Agency provider, which is covered in the section on the Commercial Case.

3.2 Options analysis

Has there been a long list of options considered? Is the process for shortlisting options clearly described?

During the development of the proposed interventions, a number of options and potential models have been considered. Consideration of the strengths and weaknesses of each option led to the development of a summary of options which was put to the Board in September 2021. This included the following:

- **Do nothing** – cease all work on the Regional Agency Project;
- **Do minimum** – develop a Regional Workforce Strategy but do not progress work on the Regional Agency;
- **Do less** – run a mini-procurement exercise with Councils able to enter into a contract within the next 6 to 12 months;
- **Do different** – a range of different procurement models were considered; and
- **Preferred option** – develop a Regional Workforce Strategy and carry out a full open procurement exercise to secure a 'single supplier' for a Regional Agency.

This reflects a reasonable long-list of options, given WME's position as a regional organisation which means that a 'regional approach' is the normal route considered when addressing challenges.

The process for assessing the options is set out in a paper to the WME Board (September 2021). This set out the advantages and disadvantages of each of the long-listed options and identified the preferred approach. Board approval was given to continue the development of this option.

3.3 Benefits

Is there a clear logic model for how the outcomes/benefits will be achieved?

The business case includes a logic model, which sets out how the proposed activities are expected to lead to outputs, outcomes and impacts. The logic model does not attempt to quantify the scale of the benefits, but does set out the types of benefits which will be delivered and the longer-term outcomes which these will bring about.

Who are the beneficiaries of the proposed intervention?

The business case concisely summarises the benefits for the following beneficiary groups:

- **Local communities** – greater social value secured through ensuring the regional provider secures local people to fill local roles, and there is greater investment in skills;
- **Councils** – more efficient agency provision, increased stability in the permanent workforce, an inclusive talent pipeline and potential financial savings;
- **Managers** – increased quality and reduced inefficiency in approach to temporary workers, increasing manager capacity; and
- **Temporary workers** – improved experience, including greater non-pay benefits.

What are the quantifiable outputs and outcomes of the project? Are any unquantifiable benefits clearly described and evidenced?

The outputs and outcomes of the Strategy and Regional Agency have not yet been quantified. The business case notes that "at this stage is it hard to quantify benefits specifically" but notes that Councils using the Regional Agency should experience improved quality and cost savings over time. The procurement specification for the Regional Agency includes a detailed list of potential KPIs, including level of spend, number of placements, conversion of temporary placements to permanent jobs etc. It is expected that WME, Councils and the service provider would work together to determine a full suite of bespoke KPIs required for Councils and the Regional Partnership.

Has additionality been demonstrated?

At this stage, it is difficult to conclusively demonstrate additionality, as the Regional Strategy and Regional Agency provision both represent a new approach for the region. The initial delivery period will be an opportunity to test the proposed approach and prove the concept. However, the strategic rationale presented strongly indicates that there will be added value from the

regional approach proposed, over and above what could be achieved through Councils operating individually.

3.4 Value for Money

Does the proposed approach offer Value for Money?

Given the inability to quantify outputs (in terms of number people placed through the Agency, the amount of funding likely to be generated through the Workforce Strategy Contribution etc) and, therefore, convert the outputs to monetisable economic benefits, it is difficult to provide an assessment of likely Value for Money in Green Book terms. It will be for each Council to assess the Regional Agency offer and rate card and how this compares to the service they receive from their current provider. They will then need to determine whether the additional benefits which the regional approach will offer (and the savings from avoiding their own local procurement process) offer value for money.

However, the up-front financial costs of establishing the Strategy and Regional Agency are relatively low in absolute terms (£80,000 to date, with a further £80,000 required to launch the service). Therefore to achieve a ‘high’ value for money assessment, only c. £400,000 of net economic benefits would be required. This could be achieved through increased investment in skills (which generate economic returns over many years), or supporting a greater number of unemployed people back into work than would otherwise have been the case (which has a ‘wellbeing value’ of c. £11,000 per person). Therefore, although a quantitative assessment of value for money cannot be undertaken at this stage, it is likely that the implementation of the proposals will result in a positive return on the investment made in economic terms.

3.5 Risks

What are the main risks to the organisation and to the project? What mitigation is in place?

The business case identifies a number of risks for WME:

- **Financial risk** – loss of the £80,000 invested to date by WME if the proposal does not progress;
- **Funding the service launch** – the need to commit a further £80,000 to launch the service; and
- **Reputational risk** – the risk that Council expectations will not be met if the business case is not approved and the proposal does not progress.

The business case states that there is no liability risk to WME’s shareholders as there is no WME contract commitment – the contracts will be between the provider and Councils.

The business case does not include a specific section on the risks to the project, but these are implicit from the information and evidence presented and include:

- too few Councils opt into the Regional Agency Provision for it to be sustainable;

- the level of funding raised through the Workforce Strategy Contribution is too low to enable meaningful improvements to be delivered;
- a strategic partnership cannot be forged between WME, the Regional Agency Provider and local Councils to tackle the issues identified; and
- national shortages of skilled and qualified workers in key roles mean that, despite regional investment, skills shortages and hard-to-fill vacancies remain prevalent.

It is acknowledged that the proposed intervention represents a new and innovative approach, and the early years of delivery will be required to demonstrate proof of concept. Therefore, risk is inherent in the project. However, the WME team have worked to minimise this risk by:

- undertaking detailed research into issues and current challenges;
- consulting with potential users of the service about their needs and priorities;
- learning what has worked well from those who have adopted similar approaches elsewhere; and
- drawing on specialist advice (for example, on procurement) to ensure the proposed model is suitable for roll-out across the member Councils. Further detail on procurement is included in the Commercial Case assessment, below.

3.6 Economic Case conclusion

The development of the business case has included a thorough consideration of alternative options, with the preferred option clearly identified based on an understanding of the advantages and disadvantages. There is further work to do to define outputs and outcomes as the level of take-up becomes clear, but the relatively low start-up costs indicate that the proposal will offer good value for money.

4 Commercial Case

4.1 Introduction

Key Points

- Existing expenditure on temporary employment agencies in the West Midlands is significant, and levels of dissatisfaction indicate that there will be demand for an enhanced service provided through a Regional Agency, although this remains to be tested.
- A number of potential suppliers have been identified in the market.
- A full and open procurement process, led by specialists MCP2, is underway and attracted six initial submissions, with three providers selected to participate in the full Invitation to Tender stage.

4.2 Market demand

Is there evidence of demand for the proposal?

There is clearly significant demand for temporary workers amongst WME's member Councils. WME's research indicates that £126m was spent on temporary workers in 2020/21, 15% of total workforce spend, and that Councils are not satisfied with the outcomes that they obtain from the investment which they make.

The proposal for a Regional Agency emerged from WME's member Councils, who asked WME to explore how challenges relating to the temporary workforce could be addressed. WME's research has identified the existing provider with whom each Council has a current contract, the contract type, and those who have no contractual arrangement in place.

The engagement work has also identified Councils who are potentially interested in using the Regional Agency, and potential early adopters who are in a position to move over to the new model from April 2022 onwards (although the number and size of these potential users is not specified in the business case). However, until details of the provider, the offer and the rate card are confirmed, there can be no firm commitment from potential users of the service. This is recognised as a risk which WME is seeking to minimise through the procurement process and through on-going engagement with Councils.

Evidence from elsewhere (Greater Manchester) has demonstrated that once a regional model is in place, demand to join has increased over time. It is intended that the early years of operation of the WME model will prove the concept and lead to more Councils opting in as their current arrangements come to an end.

4.3 Market Supply and Procurement

What engagement has there been with potential operators?

WME's early engagement with a provider in the East of England demonstrated that there were potential suppliers of a regional agency service, and the discussions with colleagues in Greater Manchester illustrated that a number of different providers had been active in delivering the regional service there over the four contract periods.

Throughout the procurement process, six potential operators responded to the Selection Questionnaire stage, with three being selected to progress to the next stage based on their responses to the quality standards. This indicates that there are a number of potential operators who might be interested in delivering the service.

What elements need to be procured? How will this be done?

The development of the Regional Workforce Strategy has been undertaken in-house by WME. The Regional Agency Provision needs to be procured from an external provider. Advice provided early on in the development of the proposed approach highlighted the importance of ensuring that procurement of the provider was undertaken in a way which makes it easy for member Councils to engage with the Regional Provider in a way which is compliant with public sector procurement rules.

Specialists MCP2 were therefore engaged to manage the procurement process. Full details of the two-stage process are set out in section 6 of the business case, plus supporting Appendices which detail the Specification, Invitation to Tender and Selection Questionnaire.

The use of a specialist procurement advisor has reduced the risk associated with procuring a service of this sort, and ensured a good response to the market opportunity.

4.4 Commercial Case conclusion

There appears to be market demand for the service which WME is proposing to establish, although this will only be finally confirmed once the regional agency offer and rate card are made available to local Councils to compare against their existing service. Market testing has demonstrated that potential providers exist within the market, and a fully compliant procurement process is underway, led by procurement specialists.

5 Financial Case

5.1 Introduction

Key Points

- The costs of the preparatory work to date has been c. £80,000, with a further £80,000 required to launch the service and support the engagement plan.
- This cost, which has been met through WME reserves, is relatively low in comparison to the start-up costs of other services.
- The Regional Agency has the potential to be revenue-raising, depending on the level of take-up by Councils across the region and the extent to which profit is generated. However, it should be recognised that further funding may be required to meet on-going costs in year 2, prior to the service becoming self-financing. The significance of this risk cannot be assessed from the information provided in the business case.

5.2 Costs

What are the public sector costs of the proposal? Is the basis for the public sector cost clearly demonstrated?

To date, development of the proposal has cost £80,000. The business case states that this covers the development of the project and business case, and the cost of running the open and competitive tender process, but no cost breakdown is provided.

A further £80,000 is being sought through the business case to launch the service and deliver the communications and engagement plan, which will include the cost of recruiting resource to manage the agency framework contract.

No further costs are identified at this stage and the intention is that the service will become self-funding, although the business case recognises that this is dependent on the level of take-up, with £0.01 per hour of chargeable services delivered under the framework contract to be payable to WME.

The start-up and launch costs seem reasonable given investment previously made in similar services such as the WMJobs recruitment service.

Has optimism bias been assessed and aligned with risk? Are the assumptions for this reasonable?

No allowance has been made for optimism bias (the commonly observed phenomenon of public sector projects costing more / delivering less than initially expected). An optimism bias allowance of up to 40% is commonly applied to capital projects. The nature of the activity being funded through the £160,000 of costs identified to date indicates that a low level of optimism bias seems appropriate, with recognition that some additional funding may be required to cashflow the

service until the level of take-up is sufficient to generate a revenue stream which can cover the central costs of delivery.

5.3 Funding and Revenue

How will the project be funded? Will the project generate any revenue?

The project has been funded to date through WME's reserves. Once the Regional Agency is operational, Councils who opt to use it will enter into service agreements with the provider and pay the provider directly for the services received, with the provider paying the framework fees to WME. This revenue stream will be used to cover WME's costs of delivering the Agency and Strategy, with the provider contributing a percentage of profits which will fund improvement initiatives through the Regional Workforce Strategy.

5.4 Financial Case conclusion

The financial information included in the business case is quite high level, with no detailed breakdown of expenditure to date and over the next year. The key concern is that no projections are provided for how or when the proposed project may begin to generate funding and the implications of this for future demands on WME resources. This reflects uncertainty regarding take-up, with the financial relationships ultimately to be between Councils using the Regional Agency and the Agency provider (with no financial commitment on the part of WME). However, providing projections under different take-up scenarios would strengthen the business case by giving an indication of the level of take-up required to generate sufficient income for the proposal to be self-sustaining.

6 Management Case

6.1 Introduction

Key points

- Project management and delivery arrangements are well-developed, with roles and responsibilities defined. The procurement specification also sets out clear expectations for the provider of the Regional Agency service.
- Although no detail can be provided yet on the date by which Councils will sign up to using the service, or the scale of activity which will be delivered through the Regional Agency, the business case does provide timescales and milestones for service implementation. A robust plan is provided for the first 15 months of operation, indicating that following approval of the business case, the project will move quickly towards delivery.
- Governance plans are well thought out and proportionate, with flexibility built in to adapt to an increasing number of Councils choosing to participate in the Regional Workforce Strategy and Regional Agency service.
- Uncertainties regarding benefits realisation are made clear. A proposed approach for monitoring and reporting on progress is set out, although there is no detail on how the Strategy and Regional Agency will be evaluated.

6.2 Project management and delivery

What is the proposed management and delivery model?

The business case provides a detailed description of the proposed operating model, together with the expected roles and responsibilities of WME, the Regional Agency Provider and participating Councils. Section 4.1 provides a diagram illustrating the relationship, whilst Section 4.3 sets out how the three parties will work together.

The key elements of project management and delivery which set the proposed model apart from existing ways of working are the intention that WME and the Agency will work together as a 'Regional Agency & Workforce Strategy Team', and that a Local Hub model will be used with the Agency team working alongside WME once service demand grows to a level which makes this viable. New governance arrangements will be introduced to oversee delivery (see below).

The procurement specification sets out detailed expectations for what the Agency Provider will deliver, and how it will work with WME and local Councils.

The information provided on ways of working demonstrates the investment which has been made in developing the model and responding to the issues raised by local Councils in designing the service.

What are the key milestones and proposed delivery programme?

At this stage (prior to confirmation of the regional agency provider and the terms of the offer to Councils) there is no user commitment to the regional agency, which means it is difficult to set out firm milestones with regard to take up and delivery of benefits. However, the business case is strengthened by the inclusion of a detailed activity plan for the next 15 months, setting out the actions which will be taken within each quarter to begin the process of service implementation.

These include actions to be undertaken by WME (e.g. identifying and securing additional funding to implement strategic workforce initiatives); jointly by the Regional Agency Provider and WME (e.g. completing contractual framework agreements); and by WME, the Regional Agency Provider and Trail Blazer Councils (exploring the service offer and establishing take up). The business case provides a comprehensive workplan for the first year of operation of the Regional Agency and Regional Workforce Strategy, and demonstrates a clear understanding of the tasks required to deliver the proposals set out in the business case.

6.3 Governance

How will the proposed approach be overseen?

The business case sets out in Section 4.2 detailed proposals on governance for overseeing the new Regional Strategy and Agency provision. Initially it is proposed that the approach to overseeing the Strategy and Agency should be separate, but there is recognition that governance arrangements will need to evolve and become more structured / formal as the number (and size) of Councils taking up the service increases over time. Some elements of governance, e.g. a Workforce Strategy Board, will only be put in place once 10+ Councils are using Agency provision. This is a reasonable approach and represents a proportionate approach to establishing governance arrangements.

The proposed governance approach is aligned with the WME Constitution. Direct links will be made between governance for the Workforce Strategy and Regional Agency and the WME Management Board and WME Board, to ensure consistency in decision-making and clear lines of sight between each layer of governance. Reporting routes are set out under each phase of governance.

This section of the business case would benefit from a diagram to illustrate how the proposed approach fits with existing governance arrangements, and how it compares to the governance in place for other WME initiatives such as the WMjobs regional jobs board.

6.4 Benefits realisation, monitoring and evaluation

What plans are in place to ensure that the proposed benefits are delivered, monitored and evaluated?

The business case sets out a range of expected benefits – for local communities, for Councils, for Managers and for temporary workers. Whilst these are not quantified at this stage, the business case does set out an approach to benefits realisation, and to monitoring progress. Section 5.1 on Benefits Realisation reiterates that the strategic benefits envisaged are dependent on income

generated through use of the Regional Agency and that significant benefits are, therefore, dependent on a greater mass of Councils using the service. This remains uncertain, therefore, no timescale is provided for benefits realisation.

Monitoring and reporting on progress will be the responsibility of a member of the WME Senior Team, who will report regularly to the Management Board during the first year of the service, ensuring timely decisions can be made if any remedial action is required. With regard to specific improvement plans and projects funded through the Regional Workforce Contribution, service improvement plans will be agreed for each project, including bespoke outcomes and benefits to be delivered. These will be reported on a project-by-project basis.

Although example KPIs are included in the Procurement Specification, the business case does not set out critical success factors against which the success or otherwise of the Regional Workforce Strategy and Regional Agency will be assessed, although the logic model in section 1 of the business case provides an indication of what these should be through the Outcomes identified (e.g. less reliance on temporary staff; temporary staff being well-trained, well-managed and integrated into the wider workforce; a reduction in hard-to-fill roles). It would be useful to confirm these at an early stage, as well as establishing plans for evaluating the Strategy and Agency, so that there are clear expectations about what will be delivered and judgements can be formed about what has been achieved.

6.5 Management Case conclusion

Certain aspects of the Management Case – project delivery, roles and responsibilities, governance – are well-developed and demonstrate the detailed work which has been undertaken in developing the Strategy and Regional Agency proposals. Although at this stage it is impossible to be specific about how many and when Councils will sign up to using the Regional Agency, a detailed work programme has been provided for the next 15 months, which sets out key milestones in getting the service operational, demonstrating a clear plan to implement the proposals once approval is given to proceed.

7 Conclusion

The business case for the Workforce Strategy for Local Government and Service Offer is well-evidenced and well-developed. It clearly demonstrates how the proposed interventions respond to the challenges identified, and includes a logic model which illustrates how the proposed activities align with the objectives, how they will deliver outputs, and how those outputs will give rise to benefits and outcomes over the longer-term.

Given the innovative nature of the service which will be introduced, there are no benchmarks on which WME can draw to estimate the scale of potential benefits. Delivering a new product, using new ways of working, means success cannot be guaranteed, but the business case makes a compelling case for the nature of the benefits which could be secured if Councils take up the new service.

The evidence in the business case demonstrates a clear need for change and a rationale for intervention. The introduction of the Regional Workforce Strategy for Local Government, accompanied by the introduction of a regional Service Offer from a Regional Agency Provider, represents an innovative and ground-breaking approach to tackling workforce issues which are both long-standing and becoming even more acute in the wake of the Covid-19 pandemic.

This business case represents an opportunity for Councils in the West Midlands to work together to tackle challenges which cannot be solved by working individually, including addressing skills shortages, recruiting to hard-to-fill vacancies without driving up costs and encouraging churn within the labour market, and ensuring temporary workers are well-trained, well-managed and integrated with the permanent workforce.

By developing the Strategy and procuring a Regional Agency Provider, WME is creating an opportunity for Councils to work collaboratively and at scale to address common challenges. In order to realise the potential benefits, there is a need for Councils across the region to take up the new offer, and work together, with WME and with the Regional Agency Provider to develop a new model which will deliver improvements and efficiencies across the local government workforce and benefit the community, councils, managers and temporary workers.