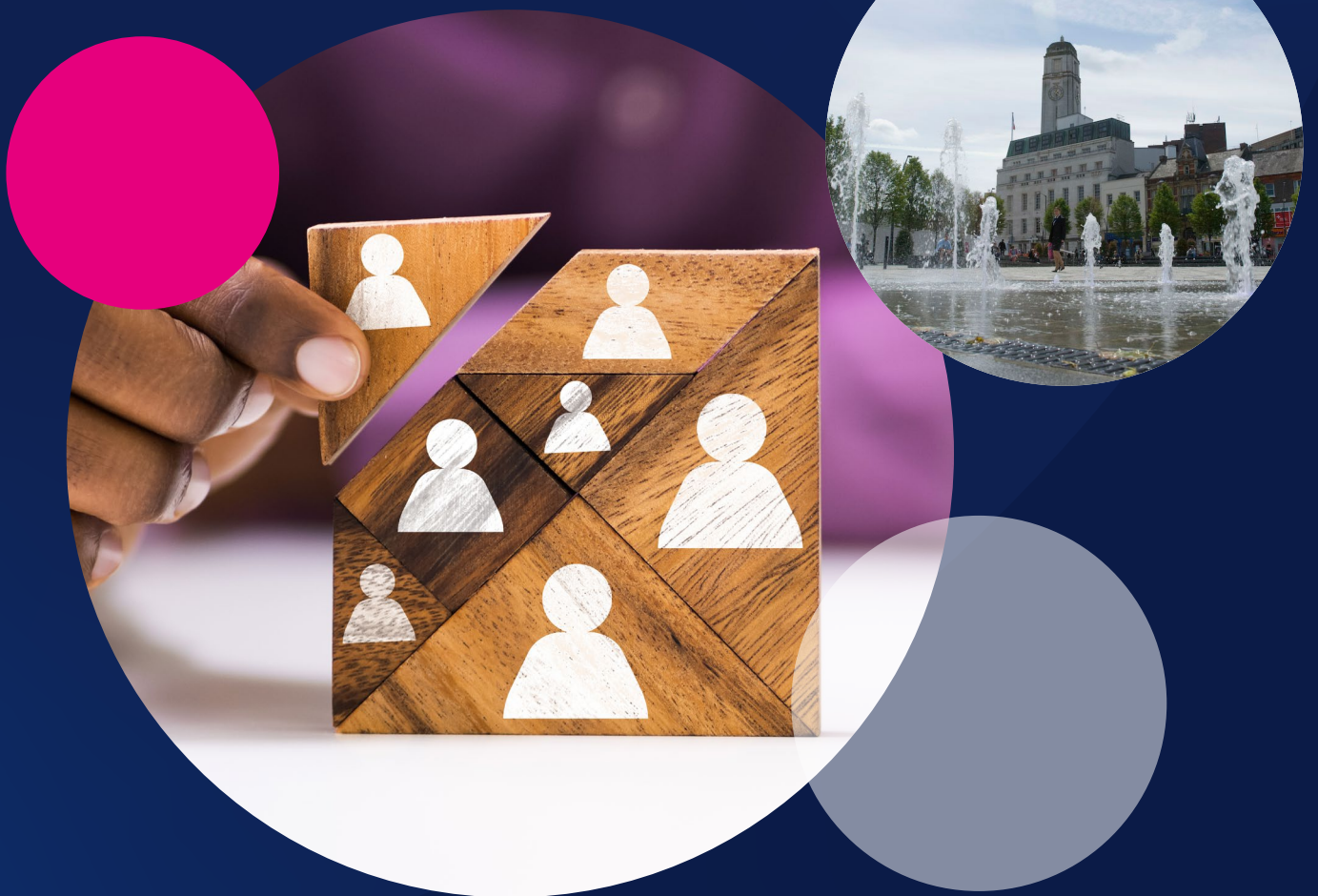


# Case Study

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Luton fills skill shortages in permanent workforce with a fresh approach to contingent recruitment



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## About Luton Council

**Luton**

Luton Borough Council (Luton) employs 2,554 staff of which 12% are contingent workers. The highest volume of contingent roles that Luton fills are Qualified Social Worker, Neighborhood services, and Care Worker.

When the contract to supply temporary staff came up for renewal, Luton reviewed the existing approach against three priorities – ability to; generate additional savings, reinvest savings in council services, and to strengthen the permanent workforce.

After scoping a range of options, the council chose a new direction, creating an in-house recruitment service. Three years on, this approach has delivered a stronger permanent workforce and generates greater savings. Critically, Luton has control over those savings to reinvest in community wealth building projects.

## The challenge:

Luton is a unitary authority in the East of England, that serves some 225,300 residents. In the face of a national workforce crisis in local government, Luton was struggling to retain permanent staff and fill vacancies. As a result, in 2019, spending on Luton's contingent workforce risked spiraling out of control.

Demand for workers across all role categories was increasing, particularly for hard to fill roles such as social work. At the same time, Luton, in common with most councils, was struggling to retain and attract permanent staff. This exacerbated the need for contingent staff and put additional pressure on the permanent workforce to deliver increased demand for services with less staff.

In 2003, Luton appointed a Managed Service Provider to reduce contingent workforce spend. While this approach generated savings, Luton realised there were limited opportunities to drive additional savings from this low margin, high markup model. Not least because privately funded MSPs are required to deliver a profit to shareholders.

Helen Davey, Head of Recruitment, Luton Borough Councils explains:

“

With council budgets under increasing pressure to deliver more with less, we had to find ways to create additional savings to fund our vision that by 2040, no resident should be in poverty. An ambitious project that combines multiple workstreams to decrease unemployment by increasing employability, reduce financial hardship by securing higher wages for residents and break the cycle of poverty by ensuring the next generation of school leavers are equipped with the skills that local businesses need.

...”

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Added to which, we could see that strengthening our permanent workforce would decrease our reliance on contingent workers, making further savings possible. To achieve this goal, we would need to convert temporary roles to permanent, requiring us to create an attractive employer value proposition to successfully compete with neighboring councils that offer higher wages. And to build talent pools in anticipation of future workforce requirements reducing our need to make expensive, distress purchases.

Frustratingly, under the MSP model, the money we saved on our contingent workforce was returned to private sector shareholders rather than being reinvested in public services.

Together these challenges gave us three clear priorities to manage our contingent workforce: generate greater savings, reinvest those savings to deliver our 2040 agenda, and to strengthen our permanent workforce.”

### The solution:

When the council assessed the ability of the two dominant contingent workforce supply models on the market, it concluded that neither could deliver the three key priorities. As a result, the council concluded it needed to find a route to move recruitment in-house.

While agreeing with this conclusion, a wide range of stakeholders including Councillors, Officers and HRDs of social care, raised concerns. Did Luton have the commercial experience, IT infrastructure, resource or money to set up and run an in-house recruitment service? One that could compete with a private sector provider.

Helen says:



We needed an option to share costs and manage risk while improving ROI. Other councils achieved this by entering a joint venture partnership. We discounted private sector partners because any profit would be returned to investors. And explored public to public sector partners against our strategic priorities.

Having assessed the risk and opportunity, we partnered with Commercial Services Group (GSG). Wholly owned by Kent County Council, CSG is one of the largest, local authority owned, trading organisations in the UK. It offers a joint venture model to move contingent workforce recruitment in-house, with a with a proven track record of success. Their in-house model can deliver up to 46% savings on fees compared to an outsourced model. Critically, Luton would own those savings to reinvest in community wealth building projects.



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Over a six-month period, CSG supported us to create our own contingent recruitment service, Connect2Luton. We drew on their expertise to set up business processes, policies and practice. We established a robust governance structure, evaluation method and reporting. We used their IT infrastructure to deliver back office support including, billing and payment and compliance vetting and checks. In turn, CSG drew on our local knowledge to help build a supply chain of local recruitment agencies and to manage communication and relationships with internal stakeholders.”

## The impact:

Three years on, the award-winning, Connect2Luton delivers on all three key priorities.

### Savings

Connect2Luton smashed savings targets generating:

Year	Surplus savings (data registered with Companies House)	% increase on target
1 – 21/22	£290K	159%
2 – 22/23	£480 K	182%

The strong performance achieved enabled Luton to pay back the set-up loan to CSG in half the time – 18 months rather than the allowed three years.

### Reinvested savings

Luton reinvested in projects that:

- increase employability of long-term unemployed residents and care leavers
- boost local employment - 54% of Connect2Luton staff are residents
- work with schools, academies and adult learning providers to fill skill gaps identified by local businesses
- attend career and recruitment fairs to promote and recruit for local government jobs.

### Strengthen Workforce

At a time when local government is experiencing a national workforce crisis, Connect2Luton strengthened the council’s permanent workforce between 2021-2023:

- 560% increase converting temp to permanent roles
- 400% increase in direct recruitment of permanent staff saving agency placement fees
- 35% increase in fulfillment rate from 62% to 97%
- 100% pre-employment and compliance checks completed prior to job holder starting work

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- built a more agile workforce able to quickly respond to emergencies and events – supplied 98% of paid workers across Luton’s Covid-19 testing sites
- built talent pools to fill anticipated future skills shortages.

## How is the new approach being sustained?

Connect2Luton has established a successful and respected recruitment brand. This has enabled Luton to create a strong business plan to generate further income to support the long-term sustainability of an in-house recruitment service. It is currently in discussion with the government to supply recruitment services to support the expansion of Luton Airport.

Connect2Luton continues to strengthen its offer through:

- continuous review and diversity of its recruitment supply chain
- close work with Luton’s HR team to ensure the team has a clear and up to date understanding of the Council’s present and future
- building talent pools in anticipation of future skills and workforce requirements
- adoption of modern recruitment methods to attract and engage youth, early career and previously hard to reach candidates
- in anticipation of future skills and workforce requirements
- ongoing communication with stakeholders and councillors and hiring managers to maintain awareness and manage expectations .

## Lessons learned:

The business case for moving to an in-house recruitment model is clear, enabling councils to generate additional savings, at a time when new savings are hard to find. And to take ownership of those savings for reinvestment in public services.

Create a clear set of priorities for workforce supply and use these to review your existing model against moving recruitment in-house.

Don’t dismiss the idea of a joint venture over cost, resource, or capability concerns. A partner with a successful record of moving recruitment services in-house de-risks the project.

In a tough recruitment market, moving recruitment in-house enables a council to create a more stable workforce and fill roles where there is a national shortage.

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## Award winning Connect2Luton

PPMA Best partnership/collaboration and Gold award 2023



We would be delighted to have an opportunity to talk through what we can offer your organisation.

**Steve Wilson - Commercial Director**

[stephen.wilson@cs ltd.org.uk](mailto:stephen.wilson@cs ltd.org.uk)

t 01622 236694 m 07885 823393

## About CSG

Since its inception over 70 years ago, CSG has grown to be one of the leading suppliers of products and services to education and the public sector. CSG is the umbrella for 26 trading brands which continues to grow, with 1800+ staff and nearly £500m in revenue. We are about profit with a purpose and have contributed over £50m back to frontline public services.

As we continue to develop, CSG is proud to be recognised not only by our public sector peers, but also within the UK Recruitment market.