

LONDON BOROUGH OF WALTHAM FOREST

Meeting / Date	Cabinet 13 October 2022	
Report Title	Award of Contract for Agency Workers	
Cabinet Portfolio	Councillor Paul Douglas Portfolio Lead Member - Public Service	
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Wards affected	None specifically	
Public Access	Open save for Appendix C which is exempt in accordance with Section 100(A-H) of the Local Government Act 1972 and Schedule 12A as amended, on the grounds that it involves the likely disclosure of exempt information as defined in Part 1, paragraph 3, as the document contains information relating to the financial or business affairs of any particular person (including the authority holding the information) and disclosure would not be in the public interest.	
Appendices	Appendix A: Matrix KPIs Appendix B: Equalities Screening Assessment Appendix C1 - C4: Financial Analysis of MSTAR and YPO frameworks (exempt) Appendix D: breakdown of equality data	

1. SUMMARY

- 1.1 The following summarises the historical contractual arrangements for this requirement: On 5 September 2017, Cabinet agreed to award a contract for the provision of its agency workers to Matrix SCM via the Yorkshire Purchasing Organisation (YPO) HR Services and Solutions framework. In November 2018 Cabinet approved a further year extension to 31 January 2020.
- 1.2 During this contract extension period (January 2019-2020) the Council piloted the Neutral Vendor Model (under which Matrix-SCM manage the delivery of

temporary staff into LBWF, via the Tier 2 supply chain, using the same service level response, to all job roles required), to a Hybrid Model (whereby Matrix-SCM adapted the service delivery and amended the Tier 2 supply chain in response to specific job roles or categories, with the addition of an on-site account manager) which offered additional benefits and savings to the Council.

- 1.3 The accepted proposal in October 2019 was to Direct Award a 3+2-year contract to Matrix-SCM, via the YPO Framework Managed Service for Temporary Labour on the Hybrid model, with effect from 2 December 2019 with the current contract due to terminate on 30 November 2022. The Council are not proposing to take up the 2- year extension option from existing contract/framework. Instead, it is proposed that the Council will utilise ESPO framework and direct award a new call-off contract.

2. RECOMMENDATIONS

- 2.1 For the reasons outlined in this report, Cabinet is recommended to:
 - 2.1.1 approve the Direct Award Call-Off contract to Matrix SCM from the MSTAR3 (Managed Services for Temporary Agency Resources) framework agreement (London Collaboration) set up by the Eastern Shire Purchasing Organisation (ESPO), commencing 1 December 2022 until 30 November 2025 with the possibility of extending for a further one year, until 30 November 2026.

3. PROPOSALS

- 3.1 Under the existing terms of this YPO Framework Managed Service for Temporary Labour on the Hybrid model contract, the Council has made savings of **£1,836,408** (non-cash savings between December 2019 to June 22) by utilising this contract. These are the savings compared to the previous contract. However, having explored alternative options, further savings can be made under the MSTAR3 framework agreement, as shown in Appendix C:
 - Since the start of the latest contract, the Council's agency spend has been approximately between £4.5M and £5M per quarter. The Council has not exceeded the levels of £7M, which the Council was doing pre-2019
 - (i) The number of workers remain at around 360 workers and continues to be less than the 378 workers, pre-2019, with FTE being 270 workers, where the target was to be below 300 workers.
 - (ii) Over the past 2 to 3 years the Council's agency spend has remained relatively consistent, with additional support being given to agency workers during the COVID pandemic
 - (iii) The Council continues to engage on average circa 90 social workers, due to national, and particularly acute in London, recruitment challenges

(iv) Whilst our average quarterly agency spend is £5M per quarter, the average across other London Borough's is £5.5M, and the Council resides £500k below the pan London average

(v) Working with Matrix, the Council will be able to save a further £120k per year to assist further with the downward expenditure trend. These savings will be monitored quarterly by the procurement team as part of the Quarterly Review Contract Meetings.

- 3.2 The Council will continue to work with services to limit any dependency on agency workers. Nevertheless, there remain circumstances where the use of agency workers will continue to be necessary, for example, where the Council requires access to specialist skillsets for a defined period, or where there are challenges in recruiting and retaining suitable staff. For this reason, the Council has sought to obtain better value from the new call-off contract. If approved by Cabinet, the proposals in this report will continue to achieve the following benefits;
- 3.2.1 **Bespoke supply chains for different job categories:** this is designed to improve the quality of candidates submitted for each role and further reduce the margins paid to agencies. The supply chain has been streamlined, in terms of numbers, whilst new suppliers continue to be able to join. This indicates that the supply chain has shifted in line with LBWF's requirements. Time taken to fulfil roles has reduced, indicating that those shortlisted are of an appropriate quality, which is reinforced by a recent Matrix-SCM survey findings of LBWF managers.
- 3.2.2 **On-site support for hiring managers with specialist or hard-to-fill requirements:** while most agency workers will continue to be sourced via an automated, online portal, enhanced on-site support will be provided to managers who are not able to identify quality candidates in this way. The recent Matrix-SCM survey was positive in terms of the support Hiring Managers receive from the On-Site Account Manager. Service areas and job roles have seen an increase in requirement to fill temporary roles, for example, Planning, which has specialist hard to fill role areas.
- 3.2.3 **Additional financial benefits:** financial modelling demonstrates that the approach proposed by Matrix SCM will help to further reduce the Council's spend on agency workers as well as contracting under a Hybrid model the Council has also sought additional benefits, including, but not limited to;
- Increased Social Value benefits for the Council and wider community. Matrix-SCM have appointed a dedicated employee to offer an active and significant programme of social value-add activities which are being delivered across the Borough, including employability workshops, CV writing and Interview technique workshops for college leavers and local residents.
 - Additional cost savings using Talent Pool technology will also be sought during this contract term. This enables the open-market promotion of vacancies through to pay and benefits, all available on a web portal and / or mobile applications. Hiring Managers will see the matched and shortlisted candidates available to them, within seconds of creating their job order.

- Additional cost savings due to collaborative and shared resources across 14 London Boroughs currently utilising London Collaboration Neutral Vendor Lot 1a Tenure Discounts – Matrix aim to obtain further savings through the offer of tenure discounts. If workers have been with the Council for over 26 weeks or 52 weeks, Matrix will work with the supply chain to reduce the agency margins further
- Matrix SCM continue to work with other Boroughs across London and with our commitment and continued compliance with the London Pledge to help ensure that Social Worker pay rates do not spiral upwards with the increased demand for these roles

3.3 During the last 12 months procurement officers have carried out an options appraisal and benchmarked prices and information from other providers available on this framework and the MSTAR framework. Part 4 of this report sets out that options appraisal and Appendix C contains the financial appraisal.

Procurement of Matrix SCM

- The MSTAR3 framework agreement (London Collaboration) set up by the Eastern Shire Purchasing Organisation (ESPO), is open to the Council to use, allowing a direct award to Matrix SCM without requiring formal tendering activity or resourcing. The proposal is to commence the new call-off contract upon termination of the current contract, from 1 December 2022 and to use this Framework until 30 November 2025 with an option to extend for up to one year until 30 November 2026.
- To carry out a financial analysis of providers, officers compared rates across the YPO framework by applying their respective rates to an agency workforce of 320 across job categories. We used assumptions on number of roles within each job category based on actual LBWF Agency staff composition during financial year 2021-22. The detailed costs under each framework for that 'workforce' for a week supply is set out in the exempt Appendix C.
- Appendix C sets out detailed calculation under each framework model, including the summary of savings that can be achieved under each of the three frameworks compared.
- Value for money has been demonstrated through the benchmarking. As well as the favourable benchmarking on price the proposal also has the benefit of:-
 - LBWF already utilising this contract, with all systems / templates in place
 - Hiring Managers are all aware of how the contract operates and how to engage with the on-site Account Manager
 - Supplier Relationship Management {SRM} activity at LBWF already undertaken with Matrix
 - Outcomes are being met, for example savings are being delivered
 - Matrix-SCM are offering additional savings under a new contract
 - Avoids provider switching costs

- 3.4 Matrix-SCM provide LBWF with Quarterly Management Information, as attached in Appendix A, Key Performance Indicators. This will continue under the new arrangement, to ensure that the service continues to deliver quality temporary staff and savings.

4. OPTIONS & ALTERNATIVES CONSIDERED

- 4.1 The following options were reviewed, however overall the disadvantages considered outweigh the advantages as summarised below:
- 4.2 **Do Nothing, allowing current contract to expire:** if there were no overarching arrangements for agency staff, cost control across the Council, would be extremely difficult to manage.
- 4.3 **Mini Competition via alternative frameworks, such as YPO 942 Managing Temporary and Permanent Recruitment, Crescent Purchasing Consortium Temporary and Permanent Staffing, or Crown Commercial Service Public Sector Resourcing (single lot framework)** Whilst best value would be assured from the market and it is possible that an alternative provider could deliver additional savings / innovations that would benefit the Council, however the cost and benefits delivered to date are such that the potential is limited. This has been factored against the cost of change, resourcing the procurement and implementation costs and time associated with a change of provider, for example, templates, processes, new supply chain, new relationships etc. Additionally training would be required for Hiring Managers on a new system.
- 4.4 **Set up DPS (Dynamic Purchasing Scheme) for Agency Staff, with LBWF Supply Chain.** The advantages would be no Managed Services fee, high levels of competition and a diverse market, the DPS remains 'Open' for the whole contract duration, enabling new providers to join the contract at any time, so the market is as up to date as possible and each requirement is competed, so best rates obtained. This was weighed against the lack of technical expertise in-house to advise Hiring Managers, a whole new Supply chain would need to be created, time taken to procure the DPS and implement the contract for example, supplier engagement / enrolment and 'gatekeep' it, the current rebate would disappear.
- 4.5 **Bespoke Find a Tender Procurement.** This would enable the Council to tailor the requirement to LBWF. However again, this has been weighed against the time, costs and resource to procure, it is considered that it is unlikely to achieve better VFM, than the national frameworks already in existence and by selecting any alternative, the benefits would be minimal. There would also be added cost associated with new processes and systems, should a new supplier be successful.
- 4.6 **Joint Venture (JV).** This would potentially give a dividend paid to LBWF through the Joint Venture arrangement, market shaping and cost control ability and flexible approach that can be adapted to changing needs if both parties agree. If it was Teckal compliant there would be no need for

procurement process. A JV could deliver services on behalf of additional Local Authorities in the future, so income generation opportunities. However it would require high level of resource to set-up, lengthy and complex governance arrangements and a higher cost associated with bottom line. Likewise such an arrangement would limit future choice and options.

- 4.7 **In-house Recruitment Service;** This would save on the procurement costs and time as none would be required, staff employed to deliver an in-house service on behalf of LBWF could 'sell' this service to other LAs and generate income. The Council would be in control of demand, activities, processes and costs associated with service delivery. However, there would be significant costs associated with setting up an internal service and governance and decision making could be lengthy, especially as the Council has limited in-house technical expertise of providing and selling such a service meaning it may need to be developed / bought in.

5. SUSTAINABLE COMMUNITY STRATEGY PRIORITIES (AND OTHER NATIONAL OR LOCAL POLICIES OR STRATEGIES)

- 5.1 The proposed contract will further encourage local agencies to supply agency workers, therefore increasing job opportunities to the local community. This contract will deliver interim and temporary resource to ensure that the Council is able to deliver on its commitments to residents.

6. CONSULTATION

- 6.1 Consultation has taken place with relevant services within the Council and through the Strategic Commissioning Board.

7. IMPLICATIONS

7.1 Finance, Value for Money and Risk

- 7.1.1 The funding for all agency spend is funded from individual service budgets. As illustrated in the table, within the Exempt Appendix C, Financial Analysis of MSTAR and YPO frameworks, the recommended option provides LBWF with continued savings of £120k annually on Agency Margins and Matrix SCM Management fees and will contribute to the overall MTFS savings target.

7.2 Legal

- 7.2.1 The Council has power under section 1 of the Localism Act 2011 to do anything that an individual may do unless constrained by other legislation and the direct award of a call-off contract of this type would be enabled under that power. The Council also has the power under section 111 Local Government Act 1972 to do anything incidental to, or which facilitates or is conducive to the exercise of any other Council function. Proposed contract as detailed in this report can therefore be procured under these powers.
- 7.2.2 Section 1 of the Local Government (Contracts) Act 1997 provides that every statutory provision conferring or imposing a function on a local authority confers power on the local authority to enter into a contract with another person for the provision or making available of assets or services, or both, (whether or not

together with works or goods) for the purposes of, or in connection with, the discharge of the function by the local authority.

- 7.2.3 From the information supplied using an ESPO framework to direct award a call-off contract to Matrix SCM will be in accordance with the Council's Contract Procedure Rules and the Public Contracts Regulations 2015 ("PCR 2015"), and assuming that the legal documents will go through the Legal Services' scrutiny, there should be minimum risk in entering into a contract with Matrix SCM.
- 7.2.4 Under the PCR 2015 competitive tendering is not required where the Council procures through a legally compliant framework, which the Council has the right to access. As set out in the report the Council has the right to access the MSTAR3 framework.

7.3 Equalities and Diversity

- 7.3.1 Under section 149 of the Equality Act 2019, the Council must consider its wider public sector equality duty (PSED) when making its decision. The duty requires the Council, when exercising its functions, to have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited under the Act; advance equality of opportunity between those who share a 'protected characteristic' and those who do not share that protected characteristic; and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (this involves having due regard, in particular, to the need to (a) tackle prejudice and (b) promote understanding).
- 7.3.2 A completed Equality Analysis Screening was conducted in July 2022 and attached as Appendix B.
- 7.3.3 The proposal is not considered to have any potential for negative impact on the protected equality characteristics. All providers of agency staff are required to have up-to-date equal opportunities policies. Please refer to Appendix B, Equalities Screening Assessment and Appendix D, breakdown of equality data for more information.

7.4 Sustainability (including climate change, health, crime and disorder)

- 7.4.1 There are no significant sustainability implications of this report.

7.5 Council Infrastructure

- 7.5.1 The contract for the procurement of agency workers, due to the value and importance of supply, is viewed as a strategic contract and will be managed in accordance with the Strategic Management Framework.
- 7.5.2 The provider has responsibility for the extended supply chain, its accommodation and facilities.

BACKGROUND INFORMATION (as defined by Local Government (Access to Information) Act 1985)

None