



## CABINET

<b>Subject Heading:</b>	<b>Contract Award for the Supply of Temporary Workers</b>
<b>Cabinet Member:</b>	<b>Cllr Damian White</b> Leader of the Council
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<b>Policy Context:</b>	N/A
<b>Financial Summary:</b>	Annual spend of c.£20m
<b>Is this a key decision?</b>	Yes, due to financial value
<b>When should it be reviewed?</b>	March 2023
<b>Reviewing OSC:</b>	Overview and Scrutiny Board

### The subject matter of this report deals with the following council objectives:

Communities making Havering	<input type="checkbox"/>
Places making Havering	<input type="checkbox"/>
Opportunities making Havering	<input checked="" type="checkbox"/>
Connections making Havering	<input type="checkbox"/>

### SUMMARY

This report asks Cabinet to approve a contract award for the supply of temporary workers to Matrix via the ESPO Mstar3 London Collaboration call-off. It is also recommended that the Council's contract with Adecco, the incumbent supplier, is extended by a period of six months.

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These recommendations are made to Cabinet following an extensive exercise to evaluate the different options available to the Council for sourcing temporary workers. Of all the options considered, a contract award to Matrix via the London Collaboration call-off delivers the greatest financial benefit, estimated at £180k – £350k per annum. In addition, the Matrix model includes the introduction of an innovative technology platform which, over time, will reduce the Council's spend on agencies by directly connecting hiring managers and temporary workers.

Transitioning to a new supplier and delivery model requires careful planning and change management, and a rushed implementation of the new contract would carry significant risks. A substantial implementation period was factored into the original procurement timetable, but that plan was unexpectedly disrupted by the Covid-19 pandemic. As a result, a six month extension of the Council's contract with Adecco is recommended. This will ensure a transition to the new provider and delivery model can be effectively managed alongside the Council's Covid-19 response, which continues to place exceptional demands on the Council and its workforce.

### **RECOMMENDATIONS**

For the reasons set out in this report, it is recommended that Cabinet agree:

1. to approve a contract award for the supply of temporary workers to Matrix via the ESPO Mstar3 London Collaboration call-off for a duration of two years with the option to extend for a further two years
2. to extend the Council's existing contract with Adecco, the incumbent supplier, by a period of six months

### **REPORT DETAIL**

## **1 Background**

- 1.1 The Council is committed to reducing the use of temporary workers and building a stable, highly-skilled permanent workforce. Nevertheless, there will always be circumstances where the use of temporary workers continues to be necessary or appropriate – for example, where the Council requires access to specific skillsets for a defined period of time, or where there are challenges recruiting and retaining suitable permanent employees.
- 1.2 In 2016, Cabinet agreed to approve a contract award for the supply of temporary workers to Adecco. The original contract term was for three years with the option to extend for a further year. Following a Cabinet decision in January 2020, the contract was extended until December 2020; it was

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subsequently extended by a further month, to January 2021, via an executive key decision to enable this paper to be brought forward to Cabinet.

### **2 Procurement process and contract award**

- 2.1 Since the Cabinet decision in January 2020, officers have undertaken an extensive exercise to evaluate the different options available to the Council for sourcing temporary workers. This has included: engaging with stakeholders from across the Council to understand their requirements; researching all viable frameworks, suppliers and delivery models; and detailed financial analysis.
- 2.2 In total, the following options were considered:
- awarding a contract through the YPO framework *Temporary and Permanent Recruitment*
  - awarding a contract through the ESPO framework *Managed Services for Temporary Agency Resources*, commonly referred to as Mstar3
  - awarding a contract through the London Collaboration call-off from the Mstar3 framework – this option is explained further at 2.3 below
  - entering into a joint venture with either Kent Commercial Services (Kent County Council) or Opus People Solutions (Suffolk County Council)
- 2.3 In all, more than 40 different options were considered. The recommendation resulting from this work is a contract award to Matrix via the London Collaboration call-off. The London Collaboration is a group of London local authorities, led by the London Borough of Havering, who ran a further competition under the Mstar3 framework in 2019. By leveraging their collective buying power, the boroughs were able to secure a reduction to the core Mstar3 pricing structure and a range of service improvements, including the introduction of new technology designed to transform the process of temporary recruitment.
- 2.4 Of all the options considered, a contract award to Matrix via the London Collaboration call-off delivers the greatest financial benefit to the Council, estimated at £180k – £350k per annum. It also meets all of the critical operational requirements identified by stakeholders. Further analysis supporting this recommendation is set out in **Appendix A**, which is an exempt document on the grounds of commercial sensitivity.

### **3 Implementation**

- 3.1 There are significant differences between the service provided by the Council's incumbent provider, Adecco, and the model operated by Matrix. Adecco supply the Council with temporary workers via the Adecco branch in Romford and only draw on their supply chain where they cannot meet a requirement directly. Matrix do not have branches or their own temporary workers and their model is technology-driven. When a hiring manager requires a temporary worker, Matrix provide two sourcing solutions:

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- the Matrix supply chain: agencies included in the supply chain, who have signed up to pre-agreed rates, have access to the Council's requirements and can put their candidates forward for consideration
  - the digital talent pool: this is an innovative technology platform, which directly connects hiring managers to temporary workers without involving an agency
- 3.2 The introduction of a digital talent pool is an especially significant development as, over time, it is expected to transform the Council's approach to temporary recruitment – firstly, by reducing reliance and spend on agencies and, secondly, through the introduction of digitised candidate vetting and compliance processes.
- 3.3 Transitioning to a new supplier and delivery model requires careful planning and change management. Existing temporary workers will need to be migrated to Matrix and, while this is standard industry practice, a smooth transition which does not disrupt the Council's service delivery requires detailed engagement and communication. Other aspects of the implementation programme include the introduction of a new IT system, training for hiring managers, the potential application of TUPE to existing staff employed by Adecco, and the development of a detailed SLA and operational protocols with Matrix.
- 3.4 The initial timetable for this exercise included provision for this transition. However, that timetable was unexpectedly disrupted by the Covid-19 pandemic since key resources allocated to the project were redeployed to support the Council's emergency response. A rushed implementation of the new contract would carry significant risks and, for this reason, it is recommended that the Council's contract with Adecco, the incumbent supplier, be extended by six months until July 2021.
- 3.5 In ordinary circumstances, a shorter extension may be sufficient to facilitate a transition from one provider to another. However, on this occasion, a six month extension is recommended because the transition requires engagement and input from officers who are playing a critical role in the Council's Covid-19 response, which continues to place exceptional demands on the Council and its workforce.

### **REASONS & OPTIONS**

#### **4 Reason for the decision**

- 4.1 A contract award to Matrix via the London Collaboration call-off delivers the greatest financial benefit to the Council. It also meets all of the critical operational requirements identified by stakeholders.

## **5 Other options considered**

- 5.1 Officers have undertaken an extensive exercise to evaluate the different options available to the Council for sourcing temporary workers, as detailed in paragraph 2.2 above. This exercise included consideration of suppliers accessible to the Council via frameworks as well as joint ventures with two local authorities.

## **IMPLICATIONS & RISKS**

## **6 Financial implications and risks**

- 6.1 The modelled annual cost of the contract with Matrix is £1.18m – £1.35m. This covers the cost of suppliers' margins and the Matrix management fee. It does not include the cost of temporary workers' pay (including employers' national insurance, pension contribution and apprenticeship levy).
- 6.2 The lower end of this range assumes that all requirements for a temporary worker will be met by the digital talent pool, while the higher end assumes that all temporary workers will be supplied by an agency in the Matrix supply chain. In practice, the Council will need to draw on both of these sourcing routes and actual spend will fall somewhere between the two figures. However, the more the Council makes use of the talent pool, the lower the total cost of the contract.
- 6.3 It is important to note that these are modelled costs drawing on a year's worth of historical temporary worker usage. Actual costs will depend on the number and type of temporary workers engaged during the lifetime of the contract.
- 6.4 There is no separate budget for temporary workers or the margin and management fee associated with their use. Rather, directorates are expected to contain these costs within their agreed salary budgets.
- 6.5 Of all the options considered, the recommended route delivers the greatest financial benefit to the Council, estimated at £180k – £350k per annum. However, a greater financial benefit can be achieved by reducing the use of temporary workers altogether. The Council's Senior Leadership Team is committed to driving down the number of temporary workers across the Council and this is a key area of focus in the People Strategy adopted by Cabinet in November 2019.

## **7 Legal implications and risks**

- 7.1 The Council has a general power of competence under section 1 of Part 1, Chapter 1 of the Localism Act 2011, which gives it the power to act as an individual would, subject to other statutory provisions limiting or restricting its use of such power.

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- 7.2 This report asks Cabinet to approve a contract award for the supply of temporary workers to Matrix via the ESPO Mstar3 London Collaboration call-off and the recommendations in this report are compatible with the exercise of the Council's general power of competence.
- 7.3 In so far as the Council has followed the procurement process prescribed by the Mstar3 framework and the London Collaboration call-off (as set out in paragraph 2 of this report), it will have conducted a fully compliant procedure and it is unlikely that this contract award would be challenged.
- 7.4 Cabinet approval of a six month extension to the Council's existing contract with Adecco is also proposed. On this point, the Council can avail itself of the safe harbour provided by Regulation 72(1)(c) of the Public Contracts Regulations 2015 (also captured in Rule 19.1(iii) of Havering's Contract Procedure Rules), which permits modification of existing contracts provided:
- the proposed modification is occasioned by circumstances which a diligent contracting authority could not have foreseen;
  - the overall nature of the contract is not altered; and
  - any increase in price does not exceed 50% of the value of the original contract.
- 7.5 Paragraphs 3.4 and 3.5 above evidence that the outbreak of the Covid-19 pandemic and subsequent restrictions imposed by the UK Government has upset the timetable for this procurement and led to the need for the proposed six month extension. The purpose of this extension is to ensure the transition to a new provider and delivery model can be effectively managed alongside the Council's Covid-19 response, which continues to place exceptional demands on the Council and its workforce.
- 7.6 Since the current contract has run for a period of four years, it is highly unlikely that the proposed value of the six month extension will come close to 50% of the total contract value.
- 7.7 For the reasons set out in the preceding paragraphs, and since a properly regulated procurement has been held, the proposed extension of the contract with Adecco can be accommodated by virtue of Regulation 72(1)(c) of the Public Contracts Regulations. The risk of a likely challenge to the extension is assessed as low and, even if a challenge were brought, the likelihood of its success is also assessed as low.

### TUPE

- 7.8 The potential application of TUPE is referenced at 3.3 above. If applicable, TUPE will apply automatically by operation of law, but in order for this to be the case, the following conditions must be met:
- there must be an organised grouping of employees dedicated to carrying out the service for Havering exclusively; and

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- the conduct of the service provided by Matrix must be fundamentally the same as the service provided by Adecco.

### **8 Human Resources implications and risks**

8.1 These are addressed throughout the body of the report.

### **9 Equalities implications and risks**

9.1 Under section 149 of the Equality Act 2010, the Council has a duty when exercising its functions to have “due regard” to:

- the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- the need to advance equality of opportunity between persons who share protected characteristics and those who do not; and
- the need to foster good relations between those who have protected characteristics and those who do not.

9.2 The protected characteristics are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

9.3 The procurement process for the supply of temporary workers took full account of the Council’s duties, which will be reflected in the contract awarded to the successful supplier.

9.4 There are no significant risks to consider.

### **10 Health and wellbeing implications and risks**

10.1 There are no significant implications or risks to consider.

**BACKGROUND PAPERS**

None.