



# Havering

LONDON BOROUGH

This Report is part exempt and Appendices A to D are not available for public inspection as they contain or relate to exempt information within the meaning of paragraph 3 of Schedule 12A to the Local Government Act 1972. They are exempt because they refer to *Information relating to the financial or business affairs of any particular person (including the authority holding that information)*, and the public interest in maintaining the exemption outweighs the public interest in disclosing the information

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## CABINET

**Subject Heading:**

**Contract Award for the Supply of Temporary Workers**

**Cabinet Member:**

**Cllr Ray Morgon  
Leader of the Council**

**ELT Lead:**

**Joanne Budden – Assistant Director of HR and Organisational Development**

**Report Author and contact details:**

**Euan Beales, Head of Procurement**

**Policy context:**

N/A

**Financial summary:**

Annual spend approx. £29.4m per year; £28m via the contract relating to agency workers' pay and approx. £1.484m relating to the management of the contract by Adecco (covering agency fee, Adecco's management fee and framework rebate).

**Is this a Key Decision?**

Yes, due to financial value

**When should this matter be reviewed?** January 2025

**Reviewing OSC:** **Overview and Scrutiny Board**

**The subject matter of this report deals with the following Council Objectives**

People - Supporting our residents to stay safe and well  
Place - A great place to live, work and enjoy  
Resources - Enabling a resident-focused and resilient Council X

**SUMMARY**

This report asks Cabinet to approve a contract award for the supply of temporary workers to Adecco via the Eastern Shires Purchasing Organisation (ESPO) Mstar4 London Collaboration Lot 1b call-off.

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 Adecco via the London Collaboration call-off delivers the greatest financial and operational benefit, as set out in **Appendix A**.

In addition, the Adecco model includes the introduction of an innovative programme to support those residents furthest from the labour market back into work. Over time, this will reduce the Council's spend on agencies by directly connecting hiring managers with residents seeking opportunities within the council.

**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 Adecco (Company number 00593232) via the Eastern Shires Purchasing Organisation Mstar4 London Collaboration call-off for a duration of two years with the option to extend for two further periods of two years for a total duration of six years.

**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 2020, Cabinet agreed to approve a contract award for the supply of temporary workers to Matrix. The original contract term was for two years with the option to extend for a further two years. Following a Cabinet decision in March 2023, the contract was extended for a further two years from July 2023 until June 2025, when it will expire with no further extension periods available.

**2 Procurement process and contract award**

- 2.1 Since the Cabinet decision in January 2023, 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 main options were considered:
- Awarding a contract through the London Collaboration call-off from the MSTAR4 framework – **Recommended**, and this option is explained further at 2.3 - 2.5 below.
  - Both Crown Commercial Services frameworks (PSR / Non-Medical) were discounted due to the rebate compared to other public sector frameworks.
  - Awarding a contract through the Yorkshire Purchasing Organisation framework Temporary and Permanent Recruitment via a Further Competition. – **Not Recommended**
  - Awarding a contract through the Eastern Shires Purchasing Organisation framework Managed Services for Temporary Agency Workers, commonly referred to as Mstar4, via a Further Competition as an individual Council. – **Not Recommended**
  - Entering into a joint venture with Kent Commercial Services (Kent County Council). – **Not Recommended**

- Completing and Open Tender directly with the Market. – **Not Recommended**

- 2.3 In all, more than 40 different options were considered. The recommendation resulting from this work is a contract award to Adecco 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 Mstar4 framework in 2023. By leveraging their collective buying power, the boroughs were able to secure a reduction to the core Mstar4 pricing structure and a range of service improvements, including the introduction of new resident work programmes to support those furthest from the labour market into work.
- 2.4 Of all the options considered, a contract award to Adecco 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. Further analysis supporting this recommendation is set out in **Appendix A**, which is an exempt document on the grounds of commercial sensitivity.
- 2.5 The Procurement Process undertaken by the London Collaboration, led by the London Borough of Havering, is included in **Appendix B**.

### **3 Implementation**

- 3.1 There are significant differences between the service provided by the Council's incumbent provider, Matrix, and the model operated by Adecco. 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 go out to their supply chain of compliant agencies who can put their candidates forward for consideration. 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.
- 3.2 The introduction of an innovative programme to support those residents furthest from the labour market back into work, over time, this will reduce the Council's spend on agencies by directly connecting hiring managers with residents seeking opportunities within the council.
- 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 Adecco 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 Matrix, and the development of a detailed Service Level Agreement and operational protocols with Adecco.

- 3.4 The initial timetable for this exercise includes time for this transition. Key council resources will need to be allocated to the project to support the transition, and should these not be available the Council may require some external subject matter resources to support the implementation to ensure timelines are met and the implementation and move of a Business As Usual state is achieved with minimum disruption.

## REASONS AND OPTIONS

### **4 Reasons for the decision:**

- 4.1 A contract award to Adecco 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 The Following options were considered and discounted:

- **Running a Further Competition under either YPO (Temporary and Permanent Recruitment) or Eastern Shires Purchasing Organisation (MSTAR4) frameworks.**

This was discounted as it is more resource intensive, has a higher risk of challenge, and rates may not be as favourable as the level of spend would not achieve the same economies of scale provided by the London Collaborative procurement and the cost avoidance subsequently achieved.

- **Open Tender**

This approach would be highly resource intensive, and rates may not be as favourable as the level of spend would not achieve that cost avoidance achieved by the London Collaborative procurement, whose consolidated spend is ten times that of the Councils. It is highly likely that it would be the same suppliers submitting who have also been procured already under the available frameworks, with the addition of the suppliers that were unsuccessful on gaining entry to the MSTAR4 or Yorkshire

Purchasing Organisation frameworks (e.g. out of 40 bids on MSTAR4 16 were awarded a place).

In addition, the Council would have to draft it's own specific contract terms and conditions that would need to be specific to the contingent labour market to ensure compliance with all relevant legislation.

- **entering into a joint venture with Kent Commercial Services (Kent County Council)**

This would require setting up a company and team to deliver and manage the recruitment service within Havering, in conjunction with Kent Commercial Services. Robust knowledge, expertise and skills would be required and would take time to implement and all accountability would lie with the organisation.

In addition TUPE would be applicable as the current provider and the Council has several members of staff dedicated to the current service.

This in an option that has been successfully implemented outside of London, but has not yet been used inside London where the competition between boroughs for resource is higher, as such this option has been discounted.

## IMPLICATIONS AND RISKS

### **6 Financial implications and risks:**

6.1 This report asks Cabinet to approve a contract award for the supply of temporary workers to Adecco via the Eastern Shires Purchasing Organisation (ESPO) Mstar4 London Collaboration Lot 1b call-off at a cost of approx.

6.2 The modelled annual cost of the contract with Adecco is £1.484m (which is a small saving when compared to the existing contract), as detailed in Appendix A. This covers the cost of suppliers' margins and the Adecco management fee and framework rebate. It does not include the cost of temporary workers' pay (including employers' national insurance, pension contribution and apprenticeship levy) which is in the region of approx. £28m per year.

6.3 It is important to note that these are modelled costs drawing on a year's worth of historical temporary worker usage for Financial Year 23/24. 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 There will need to be a carefully managed transition of existing agency workers over to Adecco as well as the implementation of a new IT system and training for managers. The cost of this will be by Adecco in the main with some support from existing budgeted Council resources.

6.6 Of all the options considered, the recommended route delivers the greatest financial benefit to the Council, as set out in Appendix A. However, a greater financial benefit can be achieved by reducing the use of temporary workers altogether. The Council's Senior Leadership is committed to driving down the number of temporary workers across the Council.

6.7 An additional benefit of the contract with Adecco is the inclusion of an innovative programme to support those residents furthest from the labour market back into work, over time, this will reduce the Council's spend on agencies by directly connecting hiring managers with residents seeking opportunities within the council. It is not possible to put an estimated value on such a benefit at this time.

## **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.

7.2 This report asks Cabinet to approve a contract award for the supply of temporary workers to Adecco via the ESPO Mstar4 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 The London Collaboration is a group of London local authorities, led by the London Borough of Havering, who are permitted by ESPO to run further competitions under the Mstar4 framework. In so far as the Council has followed the procurement process prescribed by the Mstar4 framework and the London Collaboration call-off (as set out in Appendix B), it will have conducted a fully compliant procedure.

7.4 Although there may be TUPE implications between the incumbent supplier (Matrix) and the potential new supplier (Adecco), there are no TUPE implications to the Council as the Council is not the incumbent employer or the new employer.

7.5 The Council is able to run the two contracts in parallel although Officers will note that the activities on one will be winding down, while the other mobilises.

## **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 As part of the Procurement Process of the London Collaboration Contract, Havering, as the lead authority completed an Equality & Health Impact Assessment (EQHIA), **Appendix C**, on the 5<sup>th</sup> September 2023 to be reviewed in September 2026.

9.5 The EQHIA concluded that this contract would provide a positive impact to all protected characteristics and would provide increased work opportunities to these groups over the lifetime of the contract.

9.6 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.

### **ENVIRONMENTAL AND CLIMATE CHANGE IMPLICATIONS AND RISKS**

Please see Appendix D for the Summary Outline for Carbon Reduction, which is an exempt document on the grounds of commercial sensitivity.



**BACKGROUND PAPERS**

**Appendix A – Financial Analysis (Exempted)**

**Appendix B – Procurement and Evaluation Report (Exempted)**

**Appendix C – EQHIA and DPIA**

**Appendix D – Adecco Carbon Reduction outline (Exempted)**