

**TITLE OF REPORT: Provision of Temporary Workers**

**BUSINESS CASE AND CONTRACT AWARD**

**Key Decision No FCR R.6**

**CPC MEETING DATE**  
**(2020/21)**

**15th February 2021**

**CLASSIFICATION:**

**Open with EXEMPT APPENDIX 3**

**By Virtue of Paragraph(s) 3, Part 1 of schedule 12A of the Local Government Act 1972 appendix 3 is exempt because it contains information relating to the financial or business affairs of any particular person (including the authority holding the information) and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.**

**WARD(S) AFFECTED**

**All Wards**

**CABINET MEMBER**

**Councillor Williams**  
**Employment, Skills and Human Resources**

**KEY DECISION**

**Yes**

**REASON**

**Spending and Two or More Wards**

<b>GROUP DIRECTOR</b>
<b>Ian Williams – Group Director, Finance and Corporate Resources</b>

**1) CABINET MEMBER'S INTRODUCTION**

- 1.1 This report sets out the proposed procurement exercise carried out to appoint a managed service provider for the supply of Agency and Temporary Staff which ensures the Council secures a service solution that is reflective of the changing needs of the business and the dynamic nature of the external market for skills and talents.
- 1.2 The preferred procurement exercise proposed is to award via the further competition undertaken by the London Collaboration further competition via Eastern Shires Purchasing Organisation (ESPO) Managed Service for Temporary Agency Resources (MSTAR) national framework for Agency workers. The report gives a detailed review of the options available for the provision of the service and the best solution to meet our requirements over the forthcoming years, especially in view of the financial challenges the Council will face.
- 1.3 The Council has in the past engaged and will continue to deploy Agency and Temporary staff to provide short term resources for absences, vacancies for specific projects and for the delivery of core services such as social care and waste. This notwithstanding, we will continue to manage the level of Agency workforce and ensure that we strike the right balance between permanent and temporary workforce. The proposed procurement route will enable the Council to review the position and ensure to attract high quality staff whilst ensuring that the staff are adequately and equitably remunerated. The proposed procurement addresses the Council's priorities in relation to inclusive leadership, equality and diversity issues and the engagement of local residents. It will also provide an enhanced level of service to Council departments with the potential to deliver efficiency and financial savings to the Council over the coming years. I commend the report to the Committee.

**2) GROUP DIRECTOR'S INTRODUCTION**

- 2.1 This report sets out the proposed procurement exercise to be carried out to appoint a managed service provider for the supply of Agency and Temporary Staff which ensures the Council secures a service solution that is reflective of the changing needs of the business and the dynamic nature of the external market for skills and talents.

- 2.2 The procurement route proposed is to direct award via the Call-Off contract procured by the London Collaboration via Eastern Shires Purchasing Organisation (ESPO) Managed Service for Temporary Agency Resources (MSTAR) national framework for Agency workers. This report gives a detailed review of the options available for the provision of the service and sets out how the proposed route offers the best solution to meet our requirements over the forthcoming year, especially in view of the financial challenges the Council will face.
- 2.3 The Council has in the past engaged and will continue to deploy Agency and Temporary staff to provide short term resources for absences, vacancies for specific projects and for the delivery of core services such as social care and waste. This notwithstanding, we will continue to manage the level of Agency workforce and ensure that we strike the right balance between permanent and temporary workforce. The proposed procurement route will enable the Council to review the position and ensure to attract high quality staff whilst ensuring that the staff are adequately and equitably remunerated. The proposed procurement will also provide an enhanced level of service to Council departments with the potential to deliver efficiency and financial savings to the Council over the coming years. I commend the report to the Committee.

### **3) RECOMMENDATION(S)**

**Cabinet Procurement Committee** is recommended to:

- 3.1 Note the various options considered regarding engagement of temporary workers as detailed in this report.
- 3.2 Agree the procurement strategy detailed in this report, allowing officers to proceed with a direct award process via the London Collaboration Call-Off contract from the ESPO MSTAR 3 Framework, to appoint the sole supplier on that Lot, Matrix SCM (the Council's incumbent supplier), as Master Service Provider (Neutral Vendor), to manage the Council's agency and temporary staff needs. The contract term will be two years with the option to extend for two further years (2+2 years).

### **4) RELATED DECISIONS**

- 4.1 A report considering the option of in-sourcing the procurement of temporary workers was produced for the Group Director, Finance and Corporate Services; it is attached as Exempt Appendix One.

### **5) OPTIONS APPRAISAL AND BUSINESS CASE (REASONS FOR DECISION)**

- 5.1.1 The current contract for the provision of agency workers is due to expire on 10 July 2021 for the Council and 1 September 2021 for Hackney Education (formerly Hackney Learning Trust). Since the contract was let, the agency worker supply market for local government and public sector organisations has changed significantly. In view of the challenges posed by Fair Funding, Brexit and the recent COVID pandemic, it is a near certainty that austerity measures will be in place for the foreseeable future. In addition, the reduction in local government funding places pressure on the Council's ability to deliver services to the residents of Hackney. In view of this there is a need for the Council to continually review options for saving money, and it is appropriate to use the end of the incumbent's contract term as an opportunity to further seek improved value for money.
- 5.1.2 The Council has looked and continues to seek ways to reduce its expenditure on the supply of agency workers and improve supply rate to ensure directorates and service areas secure the right people to deliver their services. The fixed margins, no temp to permanent fees and tenureship fees has contributed to a reduction in spend. Some directorates have implemented processes to reduce agency spend, for example moving agency workers from temp to permanent and decision making panels on agency recruitment.
- 5.1.3 The current contract provides a neutral vendor solution wherein the principal (Matrix SCM) manages the supply chain of agencies. Matrix SCM is not an agency. Agencies that have enrolled in specific job categories, supply agency workers to the Council through Matrix SCM.
- 5.1.4 Following a detailed review of the current contract and drawing from lessons learned from the operation of the contract since 2017, it has been clear that the neutral vendor solution has been a more flexible contract, that combines the benefits of a single management arrangement with access to a broad array of talents that resides in the supply chains of generic, specialist, interims and education categories, than the master vendor arrangement under the previous contract which ended in 2017. The current contract allows managers to engage with the appointed service provider in a way that will ensure that they secure the workers they require using the appropriate route to the supply market as opposed to one size fits approach which has huge limitations. In addition, the continued master vendor arrangements with the incumbent for Environmental Operations has proven to be very successful.
- 5.1.5 The current contract has highlighted the importance of simplifying the contracting burden on the Council (i.e. we only contract with one principal rather than multiple agencies). The incumbent has demonstrated experience and capacity to manage the network of supply options, and has shown its ability to ensure that indemnities are back to back with a third party supply chain so that the Council has the right of redress directly through them. This has been successful, especially with changing the master vendor arrangements for Hackney Education.

- 5.1.6 There is no provision to extend the contract, but if necessary it can be mutually agreed with the incumbent supplier to extend the contract for a short period to allow the procurement process to be completed.
- 5.1.7 The options for future service provision have been explored and discussed in this report. The in-house option is unlikely to be cost effective relative to the neutral vendor model currently operated because of the fixed margins, expertise etc. A contracted partner has the advantage to be able to reduce the overall cost to the Council due to economies of scale, bargaining power and expertise in the market. Further exploration of the costs of the in-house option can be found in Exempt Appendix One.

## 5.2 **BENEFITS REALISATION / LESSONS LEARNED**

- 5.2.1 The contract has achieved its objectives in that the Council has been able to engage temporary workers to support the workforce through a varied supply chain, including local Small Medium Enterprises. The contract ensures that local Small Medium Enterprises are onboarded and as such these agencies provide local residents to critical areas of the Council's business such as Provided Services and Environmental Operations. The nature of the roles within these services means that it is important that local residents are engaged. Local residents make up a good proportion of the temporary workforce. 24.3% of the agency workforce are local workers and 10.2% of the supply chain are local agencies. The local agencies worked with the incumbent supplier to support the Council's response to the pandemic. There has been a reduction in agency spend and the Council has been able to benefit from savings made through the set margins and tenure discounts. The contractor has supported the Council's workforce strategies and met all applicable contract KPI's.

The current contractor has explored ways of working in a collaborative way with Hackney Works to further engage local people and has supported Strategy, Policy and Economic Development in the roll out of engaging local residents on the traineeship programme. It is envisaged that if a Talent Pool is set up, the collaborative relationship between the supplier and Hackney Works should be further developed.

In addition, it is recognised that an improved working partnership working relationship between the supplier and Hackney Works is required; a focus on key priority groups; monitoring local labour outcomes.

- 5.2.2 Analysis of the data on agency workers at Hackney Council shows:

- women on average are paid more than men in generic roles. This is because there are significantly more women in generic roles despite that there are more male dominated jobs in posts titled operative / cleaner, grounds maintenance staff and environmental operative.

- In specialist roles, men on average are paid more than women. This is because there are more men engaged in specialist roles than women interim and specialist roles, even though in some service areas such as social workers women are predominantly engaged in these roles than men.
- In interim roles, men on average are paid more than women. The key issue for this difference is in relation to the negotiated rates for the role between candidate and hiring manager.
- Black and Minority Ethnic on average are paid less than White/White British in generic roles. This is because more Black and Minority Ethnic are engaged in roles such as unqualified social care roles.
- in interim senior roles workers engaged are from Black and Minority Ethnic backgrounds but to a much lesser degree than White/White British. A closer examination reveals that the same proportion of men and women engaged to interim roles are from Black and Minority Ethnic.

5.2.3 There have been challenges in niche areas and hard to fill roles. Some managers have the perception that the contractor cannot fill these roles. However, processes were implemented to ensure that all options are explored before any 'off contract' engagement is pursued. This has proved highly effective.

5.2.4 At the start of the contract there were a number of operational teething problems which took approximately 18 months to resolve. Fundamentally, this was due to insufficient lead time to undertake rigorous testing of processes and operations and integration with the Council's Financial Systems. Despite this issue, the Council has benefitted from subsequent developments to Matrix's system which integrates with the Council's systems.

5.2.5 During the contract, the contractor has invested in management information systems which has helped the Council, and has fostered a partnership relationship which in principle has proved largely cost efficient, effective and supportive.

5.2.6 Generally, the contract has been delivered to a good standard and hiring managers have been satisfied with the service provided by the supplier. This has been verified by annual customer satisfaction surveys and discussions with key managers.

5.2.7 During the contract period concerns have, from time to time, been raised by service areas about the challenges faced hiring agency workers via the contract. The contractor has been responsive to the issues and there have been meetings with the contractor at a senior level to address the issues and in the majority of cases this was successfully resolved.

### **5.3 Strategic Context**

- 5.3.1 The Workforce Plan recognises that there are always sound business reasons for the use of agency workers and recognises the excellent work they provide. However, there is a commitment to reduce the agency spend and headcount of agency workers.
- 5.3.2 One of the aims is to ensure that the workforce reflects the make-up and talents of the borough and that local residents consider the Council as a viable employer. The provision of the contract will continue to facilitate the engagement of local residents to agency opportunities within the Council. An option to be considered is for Hackney Works to be established as a formal sub-contractor sitting under the supplier as a neutral vendor; and processes will be put in place for the supplier to induct Hackney Works accordingly. The supplier will commit to this option.
- 5.3.3 The Council operates an equality proofed pay and grading structure, which is a points-based system used to allocate jobs to specific grades. The Agency Workers Regulations 2010, entitles agency workers to the same minimum level of pay as an employee. On the whole, men and women are paid the same for equivalent jobs. The only area where there is a divergence in the rate of pay is in the interim role category, however this is due to the negotiated rates between the candidate and hiring managers.
- 5.3.4 The current contract underpins the Council's position on equality of opportunity, inclusive leadership and improving life chances of local residents. The diversity data on the current contract of the temporary workforce reflects the local community to some degree but it is recognised that more work is needed to engage people in temporary roles from certain groups of the local population and at senior levels within the Council.
- 5.3.5 As mentioned under 5.1.1 it is expected that the Council will experience financial challenges which will impact services in the coming years as a result of the economic pressures facing the UK. As such, the contract will ensure best value to ensure that there is good governance and effective management of resources, with a focus on improvement, to deliver the best possible outcomes and services for the local residents.

### **5.4 Preferred Option:**

- 5.4.1 The preferred option is to appoint a Managed Service Provider (Neutral Vendor), via a call-off contract procured, via the ESPO MSTAR 3 Framework, by a group of London Boroughs named the London Collaboration. The group undertook a further competition on behalf of all London boroughs for the managed service for temporary agency resources. All 33 London Boroughs were asked to contribute to the procurement process and are named in the tender documentation.

5.4.2 All the Master Service Providers from Lot 1 of the ESPO MSTAR 3 Framework were invited to submit bids against the London Collaboration's specification, with the process aiming to appoint both a neutral and master vendor model.

5.4.3 This competition led to the award to one neutral vendor and one master vendor.

5.4.4 It was determined that the London Collaboration Framework offered a more cost effective solution than Hackney running its own mini competition from the ESPO MSTAR framework. A benchmarking exercise (shown in Appendix 3) was carried out utilising 2019-20 spend and hours and illustrated that the London Collaboration option is cheaper for the following reasons:

- Statutory costs – the MSTAR 3 Framework is 13.8%, whereas the London Collaboration is 6.7% to 12.8% depending on the PAYE pay rate;
- Pension – the MSTAR 3 Framework is 3% whereas the London Collaboration is 2.4%;
- Agency Margins – In 90% of the job categories, the London Collaboration margin is cheaper compared to the MSTAR 3 Framework for example, social care qualified under the London Collaboration is £2.30 compared to the MSTAR 3 Framework which is £2.45.

5.4.5 Further benchmarking has highlighted that a possible saving of 19% against current costs could be achieved by utilising the London Collaboration Neutral Vendor option.

5.4.6 In addition, using the London Collaboration offers the following benefits:

- The appointment of the supplier is via direct award which removes the requirement for a long, costly and resource intensive procurement process.
- The supplier appointed to the London Collaboration for Neutral Vendor is the Council's incumbent supplier Matrix SCM. The compliant continued use of the same supplier will remove the transition period, potential downtime and associated costs of changing provider.
- Research data suggests that as a result of COVID-19, the landscape of the temporary workers market is likely to be different in the coming years and as such the London Collaboration would be a prudent and



best value approach to take as the contract would be for 2 years with the option to extend for 2 years. This will enable officers to assess and review the position during the second year and decide the best options going forward for the Council.

- Hackney can shape its own specification and clearly state its requirements as part of the direct award. The London Collaboration built this into the mini competition process it ran against the ESPO MSTAR 3 Framework.
- Ten other London Boroughs who have recently gone out to procure a Master Service Provider have used the London Collaboration option as opposed to other frameworks. This use of the same model offers the benefits of shared knowledge and ability to feed into and improve the Framework.

5.4.7 The benefits of using a Managed Service Provider - Neutral Vendor model include:

- a) simplify the contracting burden on the Council (only contract with one principal rather than multiple agencies);
- b) contractual transparency between the Council and the principal, the principal has the experience and capacity to manage a network of supply options, particularly the ability to ensure that indemnities are back to back with a third party supply chain so that the Council has the right of redress directly through the managed service provider;
- c) undertaking auditing of the supply chain and addressing compliance issues;
- d) flexible arrangement that combines the benefits of a single Managing Agent with access to a broad array of talents that resides in the supply chains of generic, specialist, interims and education categories;
- e) managers are able to engage with the appointed service provider in a way that will ensure that they secure the workers they require using the appropriate route to the supply market as opposed to one size fits approach which has huge limitations;

## **5.5 ALTERNATIVE OPTIONS (CONSIDERED AND REJECTED)**

5.5.1 The options considered are listed below:

- Do Nothing
- Insourcing

- Collaboration models
- Full OJEU Process
- External Framework
- Temporary recruitment delivery models

#### 5.5.2 Do Nothing

This is not a viable option. The current contract expires in July 2021 and the Council requires agency staff, available on a flexible basis, particularly for specialist areas, to be supplied after that date.

#### 5.5.3 Insourcing

The Council has the option to bring the service fully in-house. To do this would require the Council to TUPE the existing contractor workers, and if required in the future to align their wage/salary structure to Council pay scales with associated on-costs. A detailed analysis of the in-house option has been produced for consideration and is appended to this report as Exempt Appendix One.

#### 5.5.4 Collaboration Models

With the continual focus on Local Authority cost savings, Commercial Services (Kent County Council) has provided an option to work with other local Authorities to efficiently implement a number of recruitment of temporary worker solutions through the Teckal, Hamburg exemptions or Section 95 models, or a blend of each. This model is in its infancy stage as only 1 County Council has so far adopted this model. This option, and the reasons for not utilising it, have been included in the in-house option analysis.

#### 5.5.5 Full OJEU Process

A full OJEU process could be run to identify a new supplier. A procurement via a Restricted OJEU process would be time consuming - nine to twelve months, and the market is healthy so a large number of compliant bids would be expected. It would also be costly in terms of staff time and resources. Further, there is no guarantee that the rates provided under a full OJEU tender would offer better value than those offered in a Framework, the opposite may be true where the potential for multiple clients offered by a Framework may promote better pricing.

This option has been discounted as there are a number of Frameworks available which include a wide spread of agency staff suppliers and offer a shorter and EU compliant route to market.

#### 5.5.6 External Frameworks

There are a number of external Frameworks available, which were reviewed to see if they could meet the Council's needs. A summary of the options is provided below:

#### Crown Commercial Services (CCS)

CCS manages a number of Frameworks around temporary recruitment, however these do not offer the Master Service Provider (MSP) model that the Council requires.

#### Yorkshire Purchasing Organisation (YPO)

The YPO Framework for Managing Temporary and Permanent Recruitment (942), launched in January 2020, does offer the MSP model required and a previous iteration of this Framework was used to procure our current supplier in 2016. Analysis and benchmarking of this Framework showed that whilst this is a strong option, the preferred route via the London Collaboration offers better value for money in terms of the fees and margins charged.

#### ESPO Managed Services for Temporary Agency Resources (MSTAR 3)

ESPO introduced their new MSTAR 3 framework in 2019, offering three lots including Managed Service Provision with both Neutral Vendor and Master Vendor options. The Framework is open to public sector bodies and YPO members are eligible for a financial rebate based on spend against the Framework. The Framework meets the Council's requirements for a Master Service Provider, and Neutral Vendor, and offers a strong and compliant solution.

However, analysis of the rates and margins available under this Framework illustrated that, despite the potential rebate, the costs offered under the preferred option, provide better value for money for the Council.

### **5.6 Success Criteria/Key Drivers/Indicators:**

- 5.6.1 There are no statutory or government targets with this type of service provision. The success criteria/key drivers for this contract are to ensure that Council has the appropriate workforce to deliver its obligations and services to the residents of the borough. In addition, another success criteria is to meet the aims within the Workforce Strategy. The contract will deliver savings to the Council.

### **5.7 Whole Life Costing/Budgets:**

- 5.7.1 The spend on agency workers under the current Council contract is as detailed in Exempt Appendix Two. These costs are based on previous annual expenditure. It is not a recurring cost and is driven by Directorates' requirements which may be affected by grants and local staff requirements to cover vacancies or specific short-term project type work. Over the years, the level of agency use has reduced significantly through the controls put in

place via Directorates' recruitment panels and this is expected to continue under the new contract.

5.7.2 The budget for the project is provided from existing budgets and resources. The costs of the dedicated contract manager will be met from existing budget and rebates that will accrue from departments using the contracts.

5.7.3 The contract cost is largely made up of workers' pay and associated add-ons including National Insurance contributions, Pension contributions and sick pay. The combined agencies supply margins and managed service charges are less than 10% of the annual expenditure.

## 5.8 Policy Context

5.8.1 The Council as an accredited London Living Wage Borough will require tenderers to fully meet the requirements of London Living Wage and that all such costs are met and transparently declared as required by the Council. The successful bidder will also support the Council policies on economic growth, promoting recruitment opportunities to local people and working with Small Medium Enterprises/local agencies.

## 5.9 Consultation/Stakeholders:

5.9.1 Satisfaction surveys are conducted yearly. Customers were mostly happy with the service and rated it above average.

The results show over the past 3 years the following:

	2018	2019	2020
Respondents	49	73	49
Satisfied with the time taken for CVs to be submitted	82%	80%	90%
Happy with performance of candidates appointed	81%	72%	100%
Easy to find and approve timesheets	80%	94%	92%

Extending an existing assignment is straightforward	84%	85%	93%
Matrix team are effective in resolving queries issues	88%	87%	100%
It is good having an on-test presence from the Matrix team	100%	100%	100%
Overall it is easy to use the Matrix CR net system	82%	82%	84%

5.9.2 Regular review meetings are held with key service directorates; Environmental Operations, Provided Services and Hackney Education.

5.9.3 Engagement sessions have taken place with other service areas.

5.9.4 Key client directorates will be invited to participate in the formal procurement and/or form part of the tender assessment panel.

## 5.10 Risk Assessment/Management

5.10.1 The main risk is the Council's agency contract with Matrix SCM will end on 10 July 2021 for the Council and 1 September 2021 for Hackney Education, and it will be left without a contract for its temporary agency needs beyond this period.

5.10.2 Therefore, it is paramount that a final decision is arrived at by all boards and committees by mid-March 2021 in order to action and implement future change.

5.10.3 If there are any delays and in extreme circumstances mutual discussions with the incumbent can be requested to extend the contract temporarily for a short period of time, however this is a last resort.

Risk	Likelihood	Impact	Overall	Action to avoid or mitigate risk
	L – Low; M – Medium; H - High			

No contract in place	L	H	L	Procurement process to begin. The incumbent has agreed in principle to extend the current contract to allow the procurement exercise to be completed.
No savings made over existing contract	L	M	L	Accessing the frameworks will ensure that savings are realised over the existing contract.
Maximum use of the service/contract by all departments	M	M	M	Stakeholder engagement
Challenge by other Managed Service Providers about direct award	L	L	L	Liaise with London Collaboration partners to demonstrate that process was compliant, Legal advice has stated that the process is compliant and in line with Hackney's CSOs.

### 5.11 Market Testing (Lessons Learnt/Benchmarking):

5.11.1 A review of the Master Service Provider market identified that there were none within the borough. The Master Service Providers are national organisations that supply their services across the country and in different sectors.

5.11.2 There are 18 Master Service Providers on the two frameworks researched - Yorkshire Purchasing Organisation (YPO) and ESPO; 10 submit bids as Master Vendors, 2 as Neutral Vendors and 6 as Master/Neutral Vendors.

5.11.3 Information from London Councils shows that all boroughs, bar one, use a Master Service Provider to manage the engagement of temporary workers. The boroughs have used the available Frameworks to procure these services.

5.11.4 Benchmarking exercises were undertaken on the Frameworks and the London Collaboration Call-Off which are summarised in Exempt Appendix 3.

5.11.4 The benchmarking data indicated that bringing the contract in-house is not likely to be cost effective. The recurrent cost of TUPE workers and the technology to deliver the service is more expensive than the Master Service Provider fee - Exempt Appendix 1 provides more detail on insourcing.

## **5.12 Savings**

5.12.1 As indicated in 5.7 above, the contract cost is made up of workers' pay and associated add-ons including National Insurance contributions, Pensions contributions, Working Time Regulations etc. as well as agencies supply margins and managed service charges. The potential for savings is mainly limited to the two latter elements as the pay rate is directly linked to permanent workers pay scales or what departments are willing to pay to secure good quality workers to perform required duties for a given assignment.

5.12.2 As part of the procurement exercise, the annual number of hours per assignment will be used to determine the projected annual cost of the new contract. This exercise shows that the new contract will not cost more than what the Council currently pays and also has the potential to deliver about 6% savings due to the managed service fee and agency margins under the collaboration being cheaper on approximately 90% of the job categories.

5.12.3 The preferred option, the London Collaboration Call-Off Direct Award delivers 19% (neutral vendor) and 24% (master vendor) cost savings from the main ESPO MSTAR 3 framework prices.

5.12.4 The managed service provider is prepared to meet any additional costs to the lead authority on the London Collaboration should a direct award under the ESPO London Collaboration be approved.

## **6 SUSTAINABILITY ISSUES**

### **6.1 Procuring Green**

6.1.1 The integration of the Vendor Management system into Hackney's Financial Management system as is the case under the current contract will ensure paperless data transfer, payments and reporting.

### **6.2 Procuring for a Better Society**

6.2.1 The opening up of the supply chain to greater competition as expected by the Master Service Provider has the potential to promote opportunities for local suppliers thus impacting positively on the local economy. This will also enable local residents to find employment within the Council and the borough thus helping to reduce social inequalities which the Council is at the forefront of championing.

This work will include consideration of best practice at other Councils; as well as working through the detail of a range of options and risk

### **6.3 Procuring Fair Delivery**

6.3.1 The engagement of a Master Service Provider will enable the Council to fulfil its public sector equality duty and will support the Council's stance on equality and diversity. It is required that the Master Service Provider will have a diverse workforce and supply chain and pay at least London Living Wage to its workforce. In addition, it is a requirement that the Master Service Provider provides their statement tackling modern slavery and human trafficking.

6.3.2 A 'task and finish group' will be established to report back to explore future detailed options around how the Council's agency spend and agency contract can be most effectively leveraged to deliver against the Council's Inclusive Economy aspirations.

### **6.4 Equality Impact Assessment and Equality Issues**

6.4.1 The Master Service Providers' activities with regards to equal opportunity issues forms part of the reporting under the proposed contract. It will allow the Council to have visibility of how they optimise equality and diversity through all aspects of service delivery including the supply chain.

6.4.2 The contract underpins the Council's position on equality of opportunity, inclusive leadership and improving life chances of local residents. The Master Services Provider will be committed to this aim and work with the Council to achieve this objective.

6.4.3 Recent data has highlighted that there is an imbalance of diverse candidates, especially falling into the senior interim categories. This contract will aim to address this disparity by:

- Driving a cultural change alongside permanent recruitment to ensure that this imbalance is tackled Council wide
- Incorporating diversity of minority groups into the supplier tiering system
- Actively promoting inclusive leadership through regular seminars and recruitment events
- Consistently re-visiting the data to ensure that the imbalance is rectified/improved over time
- Engaging with hiring managers to ensure diversity is explored across all stages of recruitment
- Adapting the technology platform to trial interview panel diversity and candidate anonymity

6.4.4 There will be flexibility in the new contract to consider the creation of a Talent Pool. The successful supplier will ensure that any candidates entering this



talent pool remain entirely anonymous, with candidate ranking purely focused on experience, job title, skill sets or attributes.

6.4.5 Across the board, this contract will ensure that upon successful recruitment, especially at a senior level as this is where the greatest imbalance lies, successful candidates are encouraged to disclose equalities data for reporting. This will assist in the continuous review of progress, to further improve the diversity imbalance within the Borough.

## **7 PROPOSED PROCUREMENT ARRANGEMENTS**

### **7.1 Procurement Route and EU Implications**

7.1.1 The procurement of managing the engagement of temporary workers contract will comply with Public Contracts Regulations 2015 through the use of a compliant Call-Off contract procured via mini competition against an EU compliant Framework procured following the OJEU Restricted procedure for services. This does not depart from the Council's Procurement Procedures.

7.1.2 The London Collaboration mini competition against the ESPO MSTAR 3 framework named London Borough of Hackney in its tender documentation as a potential user of the contract. All suppliers under the relevant lots of MSTAR 3 were invited to tender and one supplier was appointed to each of the two London Collaboration lots - Neutral Vendor and Master Vendor.

### **7.2 Resources, Project Management and Key Milestones:**

7.2.1 The timetable for this procurement route, direct award, is set out below:

<b>Key Milestones</b>	
Report to CPC	February 2021
Contract start	July 2021

### **7.3 Contract Documents: Anticipated contract type**

7.3.1 The Council will use the Terms and Conditions from the London Collaboration. The contract will be reviewed by the Council's Legal team prior to signature.

### **7.4 Sub-division of contracts into Lots**

7.4.1 This contract is utilising a call-off from a Framework which is broken into Lots. It is not possible to divide the contract into smaller lots due to the benefits of economies of scale and negotiated margins. Due to the nature of the Neutral Vendor model, small local suppliers can provide staff to the Council by joining the supply chain of the Neutral Vendor.

## **7.5 Contract Management:**

7.5.1 The current contract provides an annual rebate which covers the role of the HR Contracts Manager and contributes an element of cost towards the Head of HR Business Partnering role. It is expected that the new contract will also include a rebate provision.

7.5.2 The current HR Contracts Manager will be responsible for the day-to-day management of the contract and all interactions with the principal supplier. The Head of HR Business Partnering will continue to have strategic responsibility for the new contract and will ensure that contract objectives are delivered across the organisation. The Procurement Category Lead will also provide support for any commercial negotiations and resolution of issues as part of the contract management regime.

7.5.3 Once the procurement process is completed and the contract is awarded, the Supplier will work with the Council to:

- Ensure that the deliverables are set out and communicated in a clear and structured way.
- Maintain regular reporting communication between all project stakeholders.
- Proactively identify and resolve risks to the satisfaction of all project stakeholders.
- Achieve strong awareness from Hackney Council users with the solution, through briefings and communications.
- Provide Hackney Council users with a diverse supply chain, ready to supply from the go-live date.

## **7.6 Key Performance Indicators:**

7.6.1 A very detailed set of Key Performance Indicators and SLAs based on the current contract documents will form part of the contract which are summarised in Appendix 4. Review meetings will be held on a monthly basis throughout the duration of the contract to manage issues. The HR Contracts Manager will monitor and review the contractor's performance against these key performance indicators and will discuss and resolve any contract issues and complaints that arise. Success will be measured against the KPIs and SLA.

## **8 COMMENTS OF THE GROUP DIRECTOR FINANCE AND CORPORATE RESOURCES**

- 8.1 This report recommends that we proceed with a direct award process via the London Collaboration Call-Off contract from the ESPO MSTAR 3 Framework, to appoint the sole supplier on that Lot, Matrix SCM (the Council's incumbent supplier), as Master Service Provider (Neutral Vendor), to manage the Council's agency and temporary staff needs. The contract term will be two years starting in July 2021, with the option to extend for two further years (2+2 years).
- 8.2 Exempt Appendix 2 demonstrates that Matrix SCM via the London Collaboration route is the cheapest option on offer, and clearly awarding the contract directly to our incumbent provider gives us a smooth and cost effective procurement route.
- 8.3 Hackney's annual agency spend, at circa £40m, remains high, with both members and officers aware of this. Focus must be maintained on bringing about a more appropriate permanent/agency workforce ratio.

## **9 VAT Implications on Land & Property Transactions**

- 9.1 Not Applicable

## **10 COMMENTS OF THE ACTING DIRECTOR, LEGAL & GOVERNANCE**

- 10.1 This Report recommends the award of a contract for 2 years with an option for the Council to extend for an additional 2 years (a maximum of 4 years in total) and the contract value is above £2m (Medium Risk). Accordingly, pursuant to CSO 2.5.3 this Report and recommendation must be approved by Cabinet Procurement Committee.
- 10.2 CSO 5.1.7 allows a combined Business Case/Contract Award Report for direct awards from a compliant Framework in the circumstances outlined in this Report.
- 10.3 The recommendation in this Report is for a direct contract award via the *London Collaboration* Call-Off contract. The *London Collaboration* was a further competition run under the ESPO MSTAR 3 Framework, to appoint a sole supplier (Lot 1a) as Master Service Provider (Neutral Vendor). The proposed procurement route is compliant with the Public Contracts Regulations 2015.

- 10.4 The Contract Manager(s) should monitor contract spend regularly to ensure it is both necessary and justified, and that it stays within the initial estimates of the total spend.

## **11 COMMENTS OF THE PROCUREMENT CATEGORY LEAD**

- 11.1 The recommendation of this business case is supported and is in full compliance with EU procurement regulations and the Councils CSO's. The preferred procurement exercise proposed is to award via the further competition undertaken by the London Collaboration via the Eastern Shires Purchasing Organisation (ESPO) Managed Service for Temporary Agency Resources (MSTAR) national framework for Agency workers. A thorough benchmarking exercise has been undertaken of the various options available to the Council and this has resulted in the recommendation presented.

## **APPENDICES**

**Appendix One – In-House Analysis**

**Appendix Two - Agency Spend**

**EXEMPT Appendix Three - Managed Service Provider Cost Benchmarking**

**Appendix Four – Key Performance Indicators and SLA**

By Virtue of Paragraph(s) 3 Part 1 of schedule 12A of the Local Government Act 1972 appendix 3 is exempt because it contains Information relating to the financial or business affairs of any particular person (including the authority holding the information) and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

## **CONFIDENTIAL**

Not Applicable

## **BACKGROUND PAPERS**

**In accordance with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012 publication of Background Papers used in the preparation of reports is required**

**Description of document (or None)**

None

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