

Report for: Cabinet 17 October 2023
Item number:
Title: Contract Variation - Matrix
Report authorised by: Jess Crowe, Director of Culture, Strategy and Engagement
Date: 17 October 2023
Lead Officer: Dan Paul, Chief People Officer
Ward(s) affected: N/A

**Report for Key/
Non-Key Decision:** Key

1. Describe the issue under consideration

This report seeks to vary the contract between the Council and Matrix for the provision of the Temporary Agency Workers by increasing the contract value by up to £20,000,000 as allowed under the Council's Standing Order (CSO) 10.02.1 (b) for contracts over £500k.

2. Cabinet Member Introduction

In any organisation there will be circumstances that necessitate the employment of agency workers, but for the Council this should not be the default position. Agency workers should for the most part be employed to help facilitate shorter-term or finite projects, as the employment of permanent staff is central to our aim of building a strong, collaborative, and community-focused workplace culture.

As described in this report, the number of agency workers in Haringey has accelerated recently and the assumptions made at the beginning of this contract underestimated the cost required for the duration. This decision will extend the funding of the contract.

All directorates are working to ensure that there is a solid reason for every agency worker employed at the Council, that there is an end date for their employment, and that no new workers will be recruited without prior consideration of all alternative options. The reduction in the numbers of agency workers will be monitored corporately once a month and I will be meeting with officers every quarter to ensure that the reduction targets are being met. This focus will be supported by a new workforce strategy that will be coming to Cabinet shortly, which will revise our policies around recruitment and retention. The Council values

the hard work of all our current agency staff and hopes that where possible these employees will join us on a permanent basis.

3. Recommendations

- 3.1 It is recommended that, in accordance with the Council's Contract Standing Order (CSO) 10.02.1 (b) Cabinet approves the variation to increase the value of the Matrix contract; and
- 3.2 Cabinet to approve an increase of up to £20,000,000 for the duration of the contract. This increase is to ensure that the Council can continue to provide short term agency / interim workers and support the permanent agency supply chain where required.
- 3.3 Notwithstanding 3.2, the Chief Executive be required to submit a progress report to the Leader of the Council no later than 1st June 2024 detailing any variations from the targets set. At this point, the Leader of the Council may require further reductions in agency spending.
- 3.4 The contract duration is four years, from 26 July 2021 to 18 July 2025.

4. Reasons for decision

- 4.1 The initial contract value of £108,000,000 agreed by Cabinet on 20 November 2020 and a 1st variation for £1,495,090 for the provision of the permanent recruitment supply agreed in 2021 was estimated based on the previous three years.
- 4.2 This estimate could not have accounted for the unprecedented events of the past few years, including: Covid and the large number of additional agency workers as a result of the Covid testing programme, job market challenges, Brexit, and the higher-than-expected annual pay increases. We are anticipating a further potential increase in Housing to work on the improvement programme. None of these higher costs and additional spend were accounted for in the original contract estimate.
- 4.3 In 2022, the Council migrated several off-contract interim workers on the Local Government Recruitment Partnership (LGRP) framework to Matrix as well as other agency suppliers, which reduced overall costs. However, it increased the value of spend through the Matrix contract, contributing further to the increased rate at which the overall contract value was being used up.
- 4.4 The Chief Executive and the Corporate Leadership Team are taking quick and decisive action to control and reduce agency spend, as detailed in 5.3 below. The development

of a new workforce strategy to replace the existing one, which has run from 2019-23 and delivered a number of improvements in our HR service, is paramount for solving this issue on a sustainable basis. As an organisation with a large and diverse workforce delivering services in a wide range of disciplines, the Council needs to develop a range of workforce planning approaches that address the different challenges that exist in different service areas. These need to sit under an overall strategy to attract people with the right skills, values and attributes to want to work for us on a permanent basis, demonstrating commitment to the borough and enabling the Council to invest in developing its staff and services for the long term.

- 4.5 The work to develop this strategy is under way and will be reported to Cabinet in due course. We are currently carrying out a staff survey and will be engaging with staff networks, managers and trade unions to inform the strategy.
- 4.6 However, whilst the Council will always seek to reduce the reliance on agency staff, there will remain a continuing requirement to plug skills gaps, address market and recruitment challenges which often pertain across the whole local government sector and ensure the continuation of essential services. The Council needs to therefore ensure that it can continue to acquire the right skills to serve our residents while securing the maximum value for money possible. Extending the value of the existing contract ensures the achievement of that objective.
- 4.7 The spend of the current contract value of £109,495,090, inclusive of the 1st variation; if at last year's run rate, is expected to be reached in early 2024. The contract runs until July 2025. Directorates will need to materially reduce spend in accordance with their forecasts as, even with the value increase recommended in this report and the expected reduction in run rate as per Directorate forecasts, Officers project that the contract value will be exceeded shortly before the contract end date.

5 Alternative options considered

- 5.1 Not to extend the contract value. This would mean the Council could not continue to use agency workers without services procuring each worker individually on the open market. This would substantially increase costs and reduce corporate control and monitoring. This option was discounted on that basis.
- 5.2 Re-procure a different contract. This would result in unnecessary work and considerable disruption to Council services. A new contract for provision of temporary, interim and permanent recruitment will be procured in 2024/25 and will include consideration of an insourced solution. This option was discounted on this basis.

6. Background Information

- 6.1 Each Director has undertaken a line by line review of existing agency workers and set end dates to produce a spend reduction trajectory. This is based on an assessment of the work each worker is engaged in carrying out, so that agency end dates are aligned to completion of projects, planned restructures and permanent recruitment exercises, and other workforce planning activity such as 'grow your own' plans, increased recruitment of apprentices etc.
- 6.2 Spend reduction targets have been set for each Director based on these trajectories, and agreed by the Leader of the Council. These will be closely monitored on a monthly basis and reported quarterly to the Lead Member and on a six monthly basis to the Leader to ensure the forecasts are met, as set out in recommendation 3.3 above.
- 6.3 The Council recognises that there needs to be a strong focus on reducing agency spend, and Directors are dealing with this as a priority. The full list of actions being taken to materially and quickly reduce spend includes:
- A Recruitment Approval Board, chaired by the Director of Finance, must approve all new agency worker placements from the date of this report. The Director of Finance may agree exemptions from this approval process for categories of workers where appropriate to ensure continuation of Council services.
 - Directors are required to discuss agency spend against their forecast at least monthly with Assistant Directors and report variances to the Chief Executive.
 - Directors are focusing at pace on reducing the number of long-standing agency workers and the number of higher paid agency workers.
 - The Cabinet Member will hold sessions quarterly with each Director to monitor progress and hold Directors to account for variances.
 - The Council is developing a new workforce strategy to address the current and future challenges in service delivery from a workforce perspective, as set out above.
 - Services are required to ensure that agency worker hours are comparable to the hours worked by direct employees.
 - Services are required to ensure that agency workers take appropriate time off so that costs are managed.
 - Where services wish to source workers themselves, for example because they require a particular specialist skill not readily available through the usual recruitment channels, they should be secured via Matrix's payroll facility where margin rates are considerably lower than those engaged via other agencies.

- The current process to allow conversion of agency workers to employees in appropriate circumstances will be extended. This has already resulted in a number of agency staff joining the Council's directly employed workforce.

7 Contribution to strategic outcomes

Ensuring that Council services operate with the staff required contributes to all of the Council's priorities. Having a contract with a neutral vendor ensures compliance with procurement regulations, financial regulations and provides management information and control to evidence value for money.

8 Carbon and Climate Change

There is no impact on Carbon and Climate Change of this report.

9 Statutory Officers comments (Chief Finance Officer (including procurement), Head of Legal and Governance, Equalities)

9.1 Finance

- 9.1.1 The proposed variation of £20,000,000 will bring the total contract value to £129,495,090. A further variation of up to £32,504,910 in the future would be possible.
- 9.1.2 The Council is currently spending c.£45,000,000 per annum on agency staff of which the vast majority is paid in salaries to the recruited workers – who are paid via the agency. The fee to the agency for recruitment services is a far smaller proportion of contract value. The actions outlined in this report are intended to considerably reduce agency spend.
- 9.1.3 The key reasons for this higher level of annual spend compared to the original contract estimate in 2020 are set out in Section 4 above. The Council's significant reliance on agency staff is a continuing pressure on the Council's finances and a relentless focus by senior management on reducing spend is imperative. Nevertheless, the proposed contract increase is necessary to ensure continuity of services and value for money for the remainder of the contract.

The funding for this contract comes from the service staffing budgets and the impact of agency staffing on budgetary management is highlighted within services narrative in the quarterly financial update to Cabinet where appropriate.

9.2. Strategic Procurement

CSO 10.02.1b) permits the Cabinet to vary a contract where the value is £500,000 or more. The variation in value is compliant with Public Contract Regulations 2015, Reg. 72 (1) (c).

Strategic Procurement supports the recommendations in section 3 of this report.

9.3. Legal

9.3.1 The Head of Legal and Governance (Monitoring Officer) has been consulted in drafting this report.

9.3.2 Legal Services consider that the variation which this report relates to is in accordance with Regulation 72 (1)(c) of the Public Contracts Regulations 2015.

9.3.3 The Head of Legal and Governance (Monitoring Officer) sees no legal reasons preventing Cabinet from approving the recommendations in the Report.

10. Equalities

10.1 The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
- Advance equality of opportunity between people who share those protected characteristics and people who do not
- Foster good relations between people who share those characteristics and people who do not.

The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

The Matrix contract includes commitments to follow equalities legislation in line with the council's commitment:

The Service Provider shall not unlawfully discriminate within the meaning and scope of Equality Legislation or any other Law relating to discrimination (whether in age, race, gender, religion, disability, sexual orientation or otherwise) in employment.

The Service Provider shall take all reasonable steps to secure the observance of Condition by all Staff employed in performance of this Agreement.'

The contract variation will continue our previous equalities recommendations to positively contribute to the Council's inclusion and diversity agenda and ensure equality of opportunity for all workers with protected characteristics.

11. Use of Appendices / background documents

None