

Report for: Cabinet – 15 June 2021

Title: Request for deed of variation to include the management of a permanent recruitment supply chain in the contract for the supply of Agency Staff

Report authorised by : Richard Grice, Director of Customers, Transformation & Resources

Lead Officer: Dan Paul, Chief People Officer

Ward(s) affected: N/A

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

1. Describe the issue under consideration

- 1.1. This report seeks Cabinet approval under Contract Standing Order (CSO) 10.02.1 b) for a deed of variation to include the management of a permanent recruitment supply chain in the new contract for the supply of Agency Staff.
- 1.2. This contract variation is for the same 4-year period as the original £108,000,000 contract. The estimated additional value of £1,495,090 will apply to this contract variation, bringing the full estimated contract value to £109,495,090.

2. Cabinet Member Introduction

- 2.1 The Council are currently in-sourcing the permanent recruitment service from Hays. The in-house recruitment service is due to go-live in July 2021 and will significantly enhance the Councils ability to attract and recruit permanent staff directly. However, we anticipate there will likely be a requirement, particularly in the first year for administering an agency supply chain for specialist and hard to fill permanent positions to support the in-house recruitment team and ensure all permanent positions are filled.

3. Recommendations

- 3.1 That Cabinet approves, in accordance with Contract Standing Order 10.02.1 b), the deed of variation for the provision of the management of a permanent recruitment supply chain in the new contract for the supply of Agency Staff at a contract value of £1,495,090 over four years, from 24th July 2021 to 23rd July 2025.

4. Reasons for decision

- 4.1 The reason for the decision is that whilst the Council's new in-house permanent recruitment service goes live in July 2021, this is a new service area for the Council. The new service will be required to fill an estimated 500 permanent positions per year (hence the estimated contract value of £1,495,090) and will therefore require an agency supply chain to support during mobilisation (2021/22) and then on an on-going basis for specialist, senior/executive and hard to fill roles to ensure all permanent vacancies are filled.
- 4.2 Best value for the Council will be achieved through the procurement and management of a permanent agency supply chain via the Matrix Neutral Vendor agency worker MSTAR 3 London Councils contract. This is a compliant procurement route for the Council. The MSTAR3 framework includes the provision of permanent recruitment and was included in a robust competition led by ESPO and LB Havering processes on behalf of several London Councils. This creates efficiencies and cost savings for the Council. In addition, the supplier will bring added value to the Council through an effective technology platform for recruiting permanent staff which will deliver improved processes and management information for monitoring cost.
- 4.3 Should the Council not implement a robust permanent supply chain strategy, the risk is permanent posts will remain unfilled and expensive agency workers / interims will be brought into the Council to cover permanent posts which will create additional and unnecessary cost to the Council.
- 4.4 As the inhouse permanent service evolves, the plan will be to very closely manage and reduce the use of agencies for permanent hiring. Over the four years of the contract the Council anticipates the following scale which is reflected in the contract value stated in this paper and based on the Matrix MSTAR3 contracted fees.
- 4.5 Contract value over 4 years:
- The current Hays contract, which is expiring, stipulates three types of fees can be applied depending on the source of the successful applicant as follows:
- 4.5.1 Internal only process fee: When an existing member of staff moves to a different post within the Council.
- 4.5.2 Sourcing fee: When directly filling a permanent position from their own network.
- 4.5.3 Agency supply chain fee: When the incumbent engages a specialist agency to fill a permanent position.
- 4.5.4 Recruitment Process Outsourcing (RPO) placement management fee: The incumbent fee charged for managing the agency supply chain.
- 4.6 To estimate the contract value over 4 years the Council has reviewed the incumbent sourcing channels and resulting invoice value and applied a % year-on-year reduction for the duration of the contract.

The resulting predicted contract value with the reductions applied (as per 4.5) is as follows and demonstrates the maximum amounts of predicted spend which relates directly to the increase in the Council's own in-house permanent recruitment capability (as stated in 4.4). The estimated costs below are maximum expected values. Every effort will be made by their-sourced recruitment team to minimise the use of agencies to source candidates for permanent vacancies within the council.

The spend comparison data can be seen in figure 1 below:

Supplier	Period	Agency Sourcing % Reduction		Internal Transfer Fees	Executive Search % Reduction		Total Spend
Hays	<i>20/21 Benchmark Year</i>		£1,229,343	£42,140		£377,079	£1,648,562
Matrix	2021/22 Year 1 (Y1)	>60% 2020/21	£491,737	£0	>40% 2020/21	£226,247	£717,984
Matrix	2022/23 Year 2 (Y2)	>50% 2021/22	£245,868	£0	>30% 2021/22	£158,373	£404,241
Matrix	2023/24 Year 3 (Y3)	>50% 2022/23	£122,934	£0	>30% 2022/23	£110,861	£233,795
Matrix	2024/25 Year 4 (Y4)	>50% 2023/24	£61,467	£0	>30% 2023/24	£77,603	£139,070
Matrix	Spend (Y1 - Y4)		£922,006	£0		£573,084	£1,495,090

Figure 1

Using the above calculations, the total spend over the four-year contract for both Agency Supply & Executive Search is predicted at £1,495,090 or £922,006 for Agency Supply and £573,084 for Executive Search compared to the benchmark data spend for one year of £1,648,562.

5. Alternative options considered

5.1 Extend the existing contract with the existing incumbent.

The existing contract could be extended for a further year. However, this course of action would not allow the Council to realise the savings in the outline business case.

5.2 Not have a contract and use agencies on an individual basis.

This option has been considered and rejected as the rates available through our supplier are considerably lower than would be available through the Council using individual agencies for individual jobs as required.

5.3 Undertake a full OJEU procurement.

The option to undertake a full EU tender had been considered. However, it was deemed that the level of Authority's resources and time required to complete an EU tender process was not justified when a suitable EU compliant Framework Agreements was available.

In addition, accessing the service through the MSTAR3 London Collaboration further competition to which Haringey is a signatory allows the Council to take advantage the competitive pricing achieved by collaborating with 12 other London Boroughs.

6. Background information

The business case stating a requirement for specialist permanent recruitment suppliers arose during the Insourcing Permanent Recruitment project. When defining the sourcing channel for each staffing category, it was determined the new inhouse recruitment team would require external support to fill the high volumes and diverse, specialist nature of the permanent staff required by the Council, particularly, as stated in the early years of the new inhouse service mobilisation.

A particular focus for the supply chain will likely be senior/executive roles, qualified social care, digital services, planning, programme & project management, engineering, and regeneration.

7. Procurement Process

The Council will procure the new service via the EU compliant MSTAR3 framework via the London Collaboration Further Competition in which the London Borough of Haringey were named in the Invitation to Tender.

8. Contribution to strategic outcomes

- The procurement of a new supplier of permanent supply chain management will contribute to both the achievement of all the Council's strategic objectives and cost savings.

9. Statutory Officers comments (Director of Finance (procurement), Head of Legal and Governance, Equalities)

a. Finance:

The £1,495,090 predicted cost of this four-year contract award comprises £922,006 of agency fees for non-executive recruitment and £573,084 on executive search fees.

Agency fees for non-executive recruitment are funded from the corporate HR budget which contains sufficient provision to fund the projected sums from Year 2. The service anticipates greater use of the agency supply chain in Year 1 whilst the new in-house service beds in. This additional cost can be funded from the £250,000 set aside to support the implementation of the new contract (see para 8.1 of Future Approach to Council Recruitment Report, Cabinet 10th November 2020) and if necessary, from vacancy savings pending full recruitment to the new HR structure.

Funding for executive search fees will continue to be directly charged to the recruiting service. It is expected that service budgets will benefit in the long term as the in-house team gains experience and undertakes more direct recruitment of senior roles, avoiding the high costs associated with executive search.

- **Strategic Procurement**

CSO 7.01 b) allows for the council to select contractors from a Framework. The MSTAR3 framework is a compliant framework and route to procure. Procurement has no objection to the award of contract.

- **Legal – Head of Legal and Governance**

The report recommends the award of a contract called off from a framework agreement procured by the Eastern Shires Purchasing Council (ESPO) through a tender under EU procurement rules.

Contract Standing Orders (CSOs) apply to this procurement in as far as CSO 7.01(b) allows the Council to award a contract to a contractor selected from a framework duly established by another public sector body.

Paragraph 3.1 of the report proposes that the contract be awarded via the MSTAR framework from 24 July 2021 based on price and enhanced service features. The framework provides for public bodies, including local authorities like the Council, to call off contracts from the framework.

Given the value of the proposed contract, under CSO 9.07.01(d), the award must be approved at Cabinet level.

The Assistant Director of Corporate Governance confirms that there are no legal reasons preventing approval of the recommendations in paragraph 3 of this report.

- **Equality comments:**

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 apply to the first part of the duty.

The decision is to award a contract amendment to include the management of a permanent recruitment supply chain in the new contract for the supply of agency staff which will positively contribute to the Council's inclusion and diversity agenda and ensure equality of opportunity for all workers with protected characteristics.

There are key requirements in the framework specification that supply equal opportunity for all permanent applications.

10. Use of Appendices

None

11. Local Government (Access to Information) Act 1985

N/A