

**Report for:** Cabinet Member Signing 18 June 2024  
**Item number:**  
**Title:** Contract Variation - Matrix  
**Report authorised by:** Jess Crowe, Director of Culture, Strategy and Engagement  
**Date:** 18 June 2024  
**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 £32,504,910 as allowed under the Council's Standing Order (CSO) 10.02.1 (b) for contracts over £500k.

**2. Cabinet Member Introduction**

Haringey Council is committed to building a motivated, collaborative, and community-focused workforce. In any organisation of our size there will be circumstances that necessitate the employment of agency workers, but this is not the Council's preferred mode of employment. Agency workers should be employed where there is a strong business need, which will primarily be to help facilitate shorter-term or finite projects. In order to build a workforce that is truly invested in our borough, the majority of staff should be employed on a permanent basis.

The number of agency staff employed at Haringey increased over the past few years due to unprecedented challenges, including Covid-19, job market challenges and Brexit. As a result of the report to Cabinet in October 2023 and the work being done to reduce the number and cost of agency workers, agency spend targets are close to being met in most Directorates. However, there is still more to do.

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 are recruited without prior consideration of all alternative options. The reduction in the numbers of agency workers is being monitored corporately once a month and I have been meeting with officers every

quarter to ensure that the reduction targets are being met. This focus on permanent staff will be supported by our new workforce strategy that is being brought to this meeting, which will update 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) the Cabinet Member for Finance and Corporate Services approves the variation to increase the value of the Matrix contract; and
- 3.2 The Cabinet Member approves an increase of up to £32,504,910 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 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 1<sup>st</sup> variation for £1,495,090 for the provision of the permanent recruitment supply agreed in 2021 was estimated based on the previous three years. A further variation for £20,000,000 was agreed by Cabinet in October 2023, making the total current contract value £129,495,090.

The original estimate could not have accounted for the unprecedented events of recent 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.

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.

- 4.2 The Chief Executive and the Corporate Leadership Team are taking further action to reduce agency spend. As a result of the report to Cabinet in October 2023, targets for reductions in Directorates were agreed. Numbers of agency workers have reduced and the targets are currently close to being met in most Directorates. Our cash spend is on a reducing trend despite pay awards being higher than in the past. The percentage of our workforce that are agency workers has also reduced, and is on a downward trend towards being in line with the London Borough average.
- 4.3 Although most areas overspent in the period October-December 2023, spend was on a reducing trajectory and the targets to reduce spend for January-June 2024 are currently forecast to be met; or be close to be met; in all Directorates other than Environment and Resident Experience and Placemaking and Housing. The Directors in those areas are redoubling efforts to reduce agency spend at pace. The Chief Executive is monitoring agency spend in these two Directorates closely and personally alongside the Directors.
- 4.4 However, further work is needed. The Chief Executive has directed officers to focus in particular on agency workers with long tenure (1 year plus), to minimise the number of long-term agency workers at the Council, which is being done on a line-by-line basis and monitored by the Chief Executive. There is also a focus on higher cost agency workers.
- 4.5 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. The Council's workforce strategy has been developed to address this and is being presented to Cabinet as a separate item on this agenda. Particularly relevant to agency spend reduction will be the development of directorate level workforce plans, programmes to grow our own talent and designing jobs that are attractive to permanent candidates. We particularly aim to focus on growing our own future talent by the use of professional graduate programmes and apprenticeship programmes in Directorates. There are good examples of this already in areas like Finance and Planning, and we plan to leverage this best practice across other areas.
- 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 £129,495,090, if we continue at the current run rate, is expected to be reached in July 2024. The contract runs until July 2025. Directorates will need to materially reduce spend in accordance with their forecasts as the contract cannot be extended further than the recommendations in this report and if spend does not reduce, the value will be exceeded prior to the contract end date.
- 4.8 Human Resources will work with Strategic Procurement to procure a new agency staff contract over the second half of 2024 and the first half of 2025, with the aim of the new contract following on from the expiry of the current one (when either the term or the value expires, whichever is the sooner). Further contract reports will be brought to Cabinet in this regard at the appropriate time.

## **5 Alternative options considered**

- 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.
- 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 2024/25-25/26. This option was discounted on this basis.

## **6. Background Information**

- 6.1 Each Director has a target to reduce agency spend on a set trajectory. Spend is being closely monitored on a monthly basis and reported quarterly to the Lead Member and on a six-monthly basis to the Leader.
- 6.2 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 currently underway includes:

- A Recruitment Approval Board, chaired by the Director of Finance, must approve all new agency worker placements. 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 holds sessions quarterly with each Director to monitor progress and hold Directors to account for variances.
- 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 has been further extended.

## **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), Assistant Director for Legal and Governance, Equalities)**

### **9.1 Finance**

- 9.1.1 The proposed variation of £32,504,910 will bring the total contract value to £162,000,000. This contract cannot be extended any further than this.

- 9.1.2 The Council is currently spending the annual equivalent of £43,500,000 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**

Strategic Procurement have been consulted in the preparation of this report.

CSO 10.02.1b) permits the Cabinet Member 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) (b)(i) and (ii) in that to change from the Matrix solution at this time would cause significant inconvenience and duplication of costs as an alternate solution would not integrate with the Council's systems and the Council is currently out to tender as part of a London borough collaboration for provision of a new solution.

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

## **9.3. Legal**

9.3.1 The Assistant Director for Legal and Governance (Monitoring Officer) has been consulted in the preparation of the report.

9.3.2 The Council has a general power of competence under 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. The recommendations in this report are compatible with the exercise of this general power of competence.

9.3.3 The report is seeking approval for the variation of the current contract between the Council and Matrix for the provision of the Temporary Agency Workers by

increasing the contract value increase of up to £32,504,910 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 bringing the total contract value to **£162,000,000**.

9.3.4 The value of the original contract was such that it was subject to application of the Public Contract Regulation 2015 (**PCR 2015**).

9.3.5 A contract subject to the PCR 2015 may only be modified (to include an extension) without a new procurement process in so far its modification is in accordance with Regulation 72 of the PCR 2015.

9.3.6 Regulation 72(1) sets out a number of “safe harbours” for the modification to be justified. If the proposed modification meets any of these safe harbours, a reprourement of the Council’s requirements is not necessary.

9.3.7 Regulation 72 (1)(b) of the PCR 2015 states that the public contract may be modified without a new procurement procedure where the Council is looking to award to the incumbent provider additional works, services or supplies b, which have become necessary and were not included in the initial procurement, where a change of contractor:

(i) cannot be made for economic or technical reasons such as requirements of interchangeability or interoperability with existing equipment, services or installations procured under the initial procurement, or; and(ii)would cause significant inconvenience or substantial duplication of costs for the contracting authority; provided that any increase in price does not exceed 50% of the value of the original contract;

9.3.8 There is no overriding legal obstacle preventing the variation of this contract under the Council’s Standing Order (CSO) 10.02.1 (b) for contracts over £500k and the contents of this report should be noted.

9.3.9 The value of the proposed uplift is within the 50% value permitted under Regulation 72 (1) (b) (ii) and 72(2) of PCR 2015. In making the final decision, the Cabinet member should be satisfied that the course of action chosen represents best value for money.

9.3.10 When considering its approach to contracting, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who do not (the public sector equality duty). Officers are expected to continuously consider, at every stage, the way in which procurements conducted and contracts awarded satisfy the requirements of the public sector equality duty. This includes, where appropriate,

completing an equality impact assessment as part of the procurement strategy, which is then considered as part of the procurement process.

9.3.11 The Assistant Director for Legal and Governance (Monitoring Officer) confirms that there are no legal reasons preventing the Cabinet Member 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



