

Report For: Cabinet – 21 January 2025

Item number: 14

Title: Contract Award – Agency Staff Contract

Report authorised by: Jess Crowe, Director of Culture, Strategy and Engagement

Lead Officer: Taha Asfahani, Head of Talent & Resourcing

Ward(s) affected: All

Report for Key/  
Non-Key Decision: Key

## **1. Describe the issue under consideration**

- 1.1 This report seeks Cabinet approval under Contract Standing Orders (CSO) 7.01 (b) (selecting one or more contractors from a Framework) and 9.07.1(d) (Contracts valued at over £500k may only be awarded by Cabinet) to award a contract for the provision of Temporary Agency Workers and agency support for permanent recruitment.
- 1.2 This report sets out the outcome of the procurement exercise carried out by the London Collaboration that Haringey is part of. The London Borough of Havering was the lead authority in this collaborative procurement. The opportunity was based on a cumulative annual spend by 18 boroughs of £453,000,000 spent during 2023/2024. The London Borough of Havering issued on behalf of the collaboration an invitation to tender under Lot 1a – Neutral Vendor of ESPO'S Managed Services for Temporary Agency Resources Framework to appoint a single service provider under the MSTAR4 Framework and in accordance with the framework rules for undertaking a further competition.

- 1.3 The winning bidder for the Lot 1a – Neutral Vendor is Matrix who is the Council's incumbent supplier and has been since 25 July 2021. Based on the 2023/2024 hours worked, the data illustrates that the fees included within the new contract value will increase by 4.71%, which in comparison to the rate of inflation over the past 4 years is very low. The ONS has measured CPI inflation over the period September 2021 - September 2024 to be 19.5%.

## **2. Cabinet Member Introduction**

- 2.1 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 engaged where there is a strong business need, which will primarily be to help facilitate shorter-term or finite projects, and to address unavoidable skill shortages in order to maintain services to residents.
- 2.2 All directorates are working to ensure that there is a solid reason for every agency assignment and that no new workers are recruited without prior consideration of all alternative options. There are strong management and monitoring mechanisms in place to challenge the engagement of new agency workers and monitor spend, which will be further enhanced. The measures taken over the last year have decreased the numbers and level of expenditure on agency workers and this effort will continue to be a strong focus for senior managers.
- 2.3 This new contract represents the best value way to engage agency workers, and it is important to note that there is no minimum spend and no penalties or increased costs if the Council does not spend up to the authorised contract value.
- 2.4 The Council values the hard work of all our current agency staff and hopes that, where possible, these workers will join us on a permanent basis.

## **3. Recommendations**

- 3.1 Cabinet approves the award of a contract for temporary agency provision and permanent agency recruitment support to Matrix on a neutral vendor basis, under Lot 1a – Neutral Vendor of ESPO'S Managed Services for Temporary Agency Resources Framework to appoint a single service provider under the MSTAR4 Framework.
- 3.2 To approve the contract award for 2 years with the option to extend for 2 further periods each of 2 years up to a maximum term of 6 years. Cabinet is being requested to approve the contract spend for the first two-year period of this contract. A further report will be brought to Cabinet prior to the end of this initial period, to authorise the extension period and further contractual spend if required.
- 3.3 To approve the contract spend of £88,636,000 to cover the initial 2-year contract period

<b>Year</b>	<b>Value with 3% cost of living added</b>
Year 1, 2025/26	£41,200,000
Year 2, 2026/27	£42,436,000
Contingency (5%)	£5,000,000
<b>Total</b>	<b>£88,636,000</b>

- 3.3 The estimated value is based on current spend and considering future market rates, insourcing and pay increases. As this contract is demand led, if agency demand reduces then the value of the contract then reduces.

#### **4. Reasons for decision**

- 4.1 The Council's current contract expires in July 2025; however, the current contract value will be exhausted earlier than that and there is no possibility of a further value extension. A procurement process in collaboration with the London Collaboration has been undertaken to ensure a new contract can be placed to continue to meet the Council's current requirements.
- 4.2 The new contract will allow the Council to continue to make savings and offer the Council the best value over the period of the contract based on current agency

worker usage. Working as part of the London Collaboration, the 2 year + contracts are the best value option available. The new contract will commence upon reaching the maximum value on the existing contract, or July 2025, whichever is the earlier.

4.3 The new contract will enable Haringey Works to continue to support residents into work. This team is the “first line” supplier for vacancies and are given a short exclusive period in which to field candidates for any temporary roles before the roles go out to the wider supply chain. Any successful candidates supplied by the Council are processed by the neutral vendor as a referral from the Council and we do not pay a margin to the supplier, simply a small payroll fee.

4.4 As permanent roles come up within the Council, the increasing number of local workers in temporary roles will be in a better position to successfully apply for them as they will already work in a Council service and have knowledge of the organisation.

4.5 To date Haringey Works have engaged the following number of local residents into work with the Council:

**2022/2023** - 100 job starts of which eight progressed to fixed term / permanent work with the Council.

**2023/2024** - 90 job starts of which twelve progressed to fixed term / permanent work with the Council.

## **5. Alternative options considered**

5.1 Not to have any contract. This would mean the Council would not have a centralised corporate provision to engage agency workers. Therefore each service will have to engage each worker on the open market. This would substantially increase costs and reduce corporate control and monitoring. This option was discounted on this basis.

- 5.2 Procure a different contract / supplier via the London Collaboration. This would result in unnecessary work, particularly during the SAP ERP review which is currently in progress and would be unwise to select a different provider until the outcome of the SAP review / options and appraisal. Currently Matrix has a data flow from SAP and our Learning Management System solution. Procuring a new provider would create considerable disruption to Council services incurring very considerable set up costs. There is no other neutral vendor option as part of the London Collaboration. This option was discounted on this basis.
- 5.3 Carry out our own open tender process for a Neutral Vendor– We could not achieve the same value based on our own buying power as opposed to the buying power of the London Collaboration which we have been involved in detail. The London Collaboration opportunity was completed based on a cumulative annual spend of 18 boroughs of £453,000,000. To procure Matrix via a direct award outside of the London Collaboration would cost 15.17% more than the recommended option. This option was discounted on this basis.
- 5.4 Carry out our own open tender process for a Master Vendor or procure a Master Vendor solution via the London Collaboration. The Council moved from a Master Vendor model in 2021. Whilst our agency spend is higher based on usage based on the factors mentioned the Council has to date made £2,729,810 savings in comparison to the Master Vendor model which offers the service through the provision of agency workers from their own pool of temporary staff in the first instance. Only where this is not possible does the Master Vendor use their resources to source workers from alternative agencies on their framework of suppliers. This would reduce the options services have to select agency workers and reduce the option for Haringey Works to provide workers. A master vendor would be an additional 27.73% cost to the Council. . This option was discounted on this basis.
- 5.5 Insource the current agency provision – this option is not viable as there would be a considerable cost implication in addition to not having the expertise, set up, or resources to do so. This option was discounted on this basis.

## **6. Background Information**

- 6.1 Whilst the Council will always seek to reduce the reliance on agency staff, there will be 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 ensure that it can continue to acquire the right skills to serve our residents while securing the maximum value for money possible. By re-procuring Matrix this ensures the achievement of that objective.
- 6.2 In November 2020 the Cabinet approved a contract with Matrix CR.net to act as a Neutral Vendor Service provider for temporary agency roles, providing a permanent recruitment framework and enabling Haringey Works to act as a supplier to provide employment opportunities to local residents supporting Social Value and community wealth.
- 6.3 The Neutral Vendor contract went live on 25 July 2021 and expires on 18 July 2025. The Neutral Vendor supplier (Matrix) provides temporary staff via a framework of agencies (with no primary provider). This creates far more flexibility than a Master Vendor model and means that the Council, through Haringey Works, can also be the supplier for appropriate vacancies. A Master Vendor model offers the service through the provision of agency workers from their own pool of temporary staff in the first instance. Only where this is not possible does the Master Vendor use their resources to source workers from alternative agencies on their framework of suppliers.
- 6.4 In general, such suppliers (Neutral Vendors) have access to a greater number of agencies at competitive rates, creating efficiency and cost savings for the Council whilst growing our local workforce and reducing reliance on recruitment agencies.
- 6.5 The initial contract value was £108,000,000 with a first variation of £1,495,090 for the provision of the provision of permanent recruitment supply. A second variation was approved for a further £20,000,000 and third variation for £32,504,910 totalling to £162,000,000 has also been approved.
- 6.6 The 2021 contract value was estimated based on the previous three years and 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 spending was accounted for in the original contract estimate.

- 6.7 The below illustrates Haringey's spend and savings since contract start in 2021. Appendix 1 provides more detail in relation to hours.

Data per financial year					
Year	Spend	MSP (Matrix) fees	Agency fees	Savings (compared to previous contract)	Hours
2021/22 (part year)	£23,388,632	£107,995	£1,212,515	£439,162	652,551
2022/23	£45,064,434	£189,708	£2,946,458	£907,282	1,098,810
2023/24	£45,423,125	£187,154	£3,012,017	£973,514	1,072,542
2024/25 (to end September 2024)	£20,138,555	£83,973	£1,218,593	£409,852	474,521
<b>Total</b>	<b>£134,014,746</b>	<b>£568,830</b>	<b>£8,389,583</b>	<b>£2,729,810</b>	<b>3,298,424</b>

- 6.8 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.

- 6.9 The Council's workforce strategy has been developed to address this 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 using professional graduate programmes and apprenticeship programmes in Directorates.

- 6.10 Officers have made substantial efforts to reduce agency spend. Actions taken include a line-by-line review of each agency worker, particular focus on those agency workers with long tenure and higher day rates, and regular challenge sessions between Directors and Cabinet Members. A Recruitment Approval Panel, chaired by the Director of Finance, must approve all new agency worker requests.

In developing Directorate workforce plans in 2024/25, Directors will further focus on reducing agency workers and this is a specific part of the action plan development process. Directorates were asked to reduce workers who have been engaged over one year, resulting in a substantial reduction. Directorates have also set monthly savings targets and spend is declining.

- 6.11 Further reductions will be made to the agency spend by the Corporate Leadership Team taking action to, for example, further limit agency tenure, ensuring that agency workers take time off when service demand is lower and that additional hours are kept to a minimum.
- 6.12 The direction of travel on agency spend is downwards, and hence the baseline value of this contract in 2025/26 is set significantly lower than the 2023/24 outturn spend, even considering significant inflation and pay awards. As of August 2024, spending has significantly reduced, when compared to August 2023 spend reducing by 14.37%.
- 6.13 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 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.
- 6.14 The Councils Corporate Leadership Team have agreed to the following:-
  - 1. Continue to set monthly reduction targets
  - 2. End longstanding agency workers
  - 3. Limit the duration that an agency worker can be engaged for, to 1 year
  - 4. Standardise working hours
  - 5. No automatic cover pending recruitment, except in exceptional circumstances
  - 6. Annual leave enforcement



7. Statement of Work / project type engagements to be procured via a Statement of Works framework
8. Added approvals on agency extension requests

There will be some exemptions that will be agreed by the Corporate Leadership Team.

## **7 Contribution to strategic outcomes**

- 7.1 Ensuring that Council services operate with the staff required contributes to all 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 As set out in paragraph 7.7 above the Council has been 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. As a significant budget head it is imperative that the Council considers delivery options for agency staffing that provide value for money. Retaining the Neutral Vendor model, which provides access to a greater number of agencies at competitive rates whilst growing our local workforce and ultimately reducing reliance on recruitment agencies, provides that opportunity.

- 9.1.2 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 showing positive results. Nevertheless, the proposed contract (and value) is necessary to ensure continuity of services and value for money.
- 9.1.3 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.

A further competition was undertaken under the ESPO framework MSTAR4 by a collaboration of London authorities led by the London Borough of Havering. The ESPO framework is a public sector procurement framework compliant with CSO 7.01b).

CSO 7.01b) permits the selection of a contractor from a public sector framework and the recommendation in section 4 of this report is compliant with the further competition procedure for Lot 1a (Neutral Vendor) of the framework.

CSO 3.1b) and CSO 9.07.1d) permits the Cabinet to approve the award of contracts valued at £500,000 or more.

Strategic Procurement see no reason not to support the recommendations in section 4 of this report

### **9.3. Legal**

9.3.1 The Assistant Director for Legal and Governance has been consulted in the preparation of this report.

9.3.2 Strategic Procurement confirmed that a compliant procurement process was undertaken using the ESPO framework MSTAR4 by a collaboration of London authorities led by the London Borough of Havering in line with the Council's Contract Standing Orders (CSO) and the Public Contracts Regulations 2015 (PCR2015).

9.3.3 CSO 7.01(b) and Regulation 34 of the Public Contracts Regulations 2015 permits the Council to procure a contractor through a Framework and as such the procurement of the contract through the ESPO Framework MSTAR4 is in line with both Council's CSO and the PCR2015.

9.3.4 Pursuant to the Council's CSO 9.07.1(d), Cabinet has the power to approve the award of a contract where the value of the contract is £500,000 and above and as such the recommendation in paragraph 4 of the report is in line with the provisions of the CSO.

9.3.5 The Assistant Director for Legal and Governance sees no legal reasons preventing the approval of 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 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 award will continue the commitment made under the previous contract 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

### Appendix 1

**This table illustrates total hours by job categories**

Values	23/24	22/23	21/22
Sum of Social Care & Health Qualified	217,240	224,865	121,672
Sum of Interims Up to Director Level (Hours)	191,003	163,101	60,118
Sum of Admin/Clerical	135,437	161,031	85,864
Sum of Social Care & Health Non-Qualified	83,098	63,543	42,021
Sum of Housing	74,627	67,442	10,735

Sum of Engineering & Surveying	54,801	58,725	40,963
Sum of Management	53,343	86,371	60,734
Sum of Trade & Operations	44,335	15,928	0
Sum of Manual Labour	35,659	37,627	25,497
Sum of Planning	29,080	28,398	17,096
Sum of Environmental Services	28,755	45,348	69,562
Sum of Revenue & Benefits	22,315	25,771	21,014
Sum of IT	22,104	30,418	19,392
Sum of Commercial	19,929	32,952	28,530
Sum of Legal	17,204	16,200	5,239
Sum of HR	13,891	12,640	9,317
Sum of Education Qualified	12,132	9,958	3,746
Sum of Financial	12,058	15,680	7,389
Sum of Marketing & Communications	2,673	1,195	3,475
Sum of Catering Qualified	1,490	775	0
Sum of Procurement	1,368	339	921
Sum of Total hours: Any Other Category	0	0	2,087
Sum of Allied Health / Psychology	0	0	0
Sum of Interims Senior Executive (Hours)	0	0	0
Sum of Legal - Senior Posts	0	0	275
Sum of Nursing	0	0	0
Sum of Parking	0	0	0
Sum of Public Health	0	0	4,272
Sum of Security	0	0	0
Sum of Transformation & Regeneration	0	0	0
Sum of Financial - Senior Posts	0	0	12,087
Sum of Driving	0	506	549