

Cabinet Member delegated decision

Decision Due:

Report title: Extension of Temporary Agency Worker Contract

Wards: All

Report Authorised by: Strategic Director for Corporate Resources, Jackie Belton

Portfolio: Deputy Leader for Finance and Investment, Councillor Paul McGlone

Contact for enquiries:

Dmatthews1@lambeth.gov.uk

Dawn Matthews, Organisational Development Manager, HR, 020 7926 9875

Report summary

This paper seeks the approval of the extension of the Managed Service Provider contract with Matrix Supply Chain Management for the period 2 January 2016 to 31 August 2016 whilst a new service is procured.

The cost over the extension period is estimated to be £26m.

The current contract commenced on 2 January 2012, and was procured via a framework agreement with Enfield Council until 1 January 2016. The call-off now needs to be varied to enable this extension and ensure business continuity.

The accompanying part II report is exempt from disclosure by virtue of the following paragraph of Schedule 12A to the Local Government Act 1972:

“Information relating to the financial or business affairs of any person (including the authority holding that information).” is exempt from publication.

Finance summary

The total estimated cost of this extension for the period 2 January 2016 to 31 August 2016 is £26m.

Due to the nature of the contract, with uncertain demand, a contract value of £30m is recommended to allow contingency.

All costs associated with the Matrix contract are initially met by the Human Resources & Organisational Development Division prior to being recharged to the service areas utilising the agency staff resource.

Recommendation

That the contract with Matrix Supply Chain Management, for the provision of agency workers is extended for the period 2 January 2016 to 31 August 2016, whilst competition for the replacement of this service is completed. The value of the contract is anticipated at £30m.

A waiver under section 17.2b&e of the council's contract standing order is sought to extend the existing contractual arrangement on the basis of representing '*Demonstrable Best Interest*' and '*Urgency*' to ensure continued service provision whilst a new service is procured.

Context

- 1.1 Since June 2015, a Temporary Agency Worker Project Group has been reviewing the service and commercial arrangements of the council in relation to the provision of agency workers.
- 1.2 This review concluded that the broad approach taken by the council for the provision of agency workers is appropriate, in that a managed vendor (single agency) arrangement is viable and cost effective. However, the project group agreed that the model needs to be revised to improve service delivery, increase supply chain quality and resilience and reduce costs for simple elements.
- 1.3 The Procurement Strategy paper for this is being finalised and will seek to appoint a so-called 'hybrid master-neutral vendor' for the service. With such a model the Council would continue to benefit from the managed vendor approach (single agency) for lower graded and non specialist roles but also implement a neutral vendor (where appointments are made through a managed pool of agencies) for higher graded and specialist roles. This will help the authority drive internal efficiency, through increased service from the contractor, a greater supply chain resilience through joint management and reduced cost through supply chain simplification. The new contract will also seek to increase local employability and use of local workers.
- 1.4 This approach requires the undertaking of a relatively complex procurement exercise (which we will simplify as much as possible through use of a framework agreement) and implementation, which is scheduled to be completed by August 2016. Section 2.4 of this report details the period of time required for new supplier mobilisation.

2. Proposal and Reasons

- 2.1 The current contract between Matrix Supply Chain Management and the council, for the provision of temporary labour ends on 1 January 2016. No alternative arrangement has been made for this service so extension of the current contract with Matrix Supply Chain Management is crucial to ensure the continued supply of temporary agency staff to meet the Council's temporary staffing demands.
- 2.2 Given the anticipated timelines of the reprocurement, it is necessary for the organisation to extend the current contract between Matrix Supply Chain Management and the council, for the provision of temporary labour (Contract Register Reference: C004384-001).

- 2.3 The table below outlines the number of agency workers engaged during 2012/13 to January 2015/16.

Number of Agency Workers:

	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
2012/13	383	397	384	422	412	435	418	415	402	387	410	436
2013/14	436	445	452	470	516	545	542	572	575	573	575	612
2014/15	605	593	615	610	616	583	587	640	605	604	604	621
2015/16	608	639	636	630	670	690	706	582	547			

- 2.4 Since April 2012 there has been an increase in spend across the council. Some of this can be attributed to the programme of change that the council has been going through for the last three years, and the need for business continuity. To continue providing a service to citizens whilst minimising redundancies, it has been necessary to fill vacancies with temporary labour. Additionally, we have been forced to temporarily engage specialists to deliver several change programmes across the council, where internal expertise is not available, or the involvement of staff may present a conflict of interest.
- 2.5 Market research has indicated that it can take up to 12 weeks for mobilisation of a new supplier, and this has been taken into account in the contract extension period. If a new supplier is appointed sufficient time has been incorporated for a robust implementation and handover to be completed.
- 2.6 The existing contract (Contract Register Reference: C004384-001) ends on the 1 January 2016, the current provider has agreed to continue providing a service to the council in accordance with the existing terms and conditions of the current contract whilst formal confirmation of the contract extension is sought.
- 2.7 In September 2015 it became evident that the council would need to seek an extension of the existing contract, as it would not be possible to carry out a tender process for a new contract in time for implementation on 1 January 2016. However, there was a considerable amount of debate amongst stakeholders about the length of the contract extension. Following market research about the length of time it takes to implement such a provision following awarding a contract, it was agreed that the existing contract should be extended until 31 August 2016, and only at this point could a formal extension of the existing contract be sought.

3 Finance

- 3.1 The anticipated cost of this extension is estimated to be £26m over the period 2 January 2016 to 31 August 2016.
- 3.2 As the contract is demand led, this figure is estimated and cannot be guaranteed. A contract value of up to £30m is therefore recommended to allow for some contingency as to the level of agency staff usage. This contract value does not reflect any anticipated

extra demand but ensures suitable contingency for agency staff if the Council's demands for temporary staffing were to exceed the normal anticipated levels.

3.3 There are no capital implications arising as a direct result of this contract.

4. Legal and Democracy

4.1 The Cabinet Member for Finance & Investment has the authority to enact this report's recommendations following consultation with the Leader of the Council. Before exercising that authority, the approval of the Procurement Board should be obtained.

4.2 The EU procurement regime applies to the proposed award by virtue of the Public Contracts Regulations 2015. The Regulations allow contracting authorities to negotiate contract extensions where additional services are required from the contractor that through unforeseen circumstances were not included in the original contract. It must be the case that the additional services cannot be technically or economically separated from the original contract without great inconvenience to the contracting authority, or although separable, are strictly necessary for the completion of the original contract.

4.3 This proposed key decision was entered onto the Forward Plan on the 18 December 2015 and the necessary 28 clear days notice has been provided. In addition, the Council's Constitution requires the report to be published on the website for 5 clear days before the proposed decision is approved by the Cabinet Member. Any representations received during this period must be considered by the decision-maker before the decision is taken. A further period of five clear days – the call in period – must then elapse before the decision is enacted. If the decision is called-in during this period, it can not be enacted until the call-in has been considered and resolved.

5. Consultation and Co-Production

5.1 The ongoing strategy has been agreed with stakeholders across the council. The stakeholder consultation group comprised representatives from each Directorate as nominated by the relevant Strategic Director. Consultation has also taken place with the Deputy Leader for Finance and Investment.

6. Equalities Impact Assessment

6.1 As the service is not changing, there will be no impact on equalities and the present EIA which had an outcome of 'LOW' will remain in force.

7. Community Safety

7.1 If the service extension is not approved, there is a potential increase in risk to community safety as the council will find it increasingly difficult to provide sufficient cover for posts within frontline services, which are sometimes difficult to recruit to directly.

8. Organisational Implications

8.1 Environmental

There are no known environmental impacts.

8.2 Staffing and Accommodation

The council currently has 547 temporary workers in place. Extension of the current contract with Matrix Supply Chain Management will ensure the continued supply of temporary agency staff to meet the Council's temporary staffing demands.

Procurement

A procurement strategy is being finalised and will be presented to the Procurement Board on 14th January 2016 for consideration and approval. An outline of the strategy is described in sections 1.3 and 1.4 above.

8.3 Health

There are no health impacts of this procurement.

9 **Timetable for implementation**

The table below sets out the timetable

Activities	Timeline
Present GW3 to Procurement Board	31 December 2015
Decisions On-line (5 working days)	18 January 2016 to 22 January 2016
Call-In Period (5 working days)	25 January 2016 to 29 January 2016
Contract extension enacted	29 January 2016
Contract extension in force	29 January 2016

Audit trail				
Consultation				
Name/Position	Lambeth Directorate/division or partner	Date Sent	Date Received	Comments in para:
Martin Crump	Corporate Resources: Finance Division	05.01.16	06.01.16	3
Michael O'Hora	Corporate Resources: Integrated Support	21.12.15	22.12.15	4
Democratic Services	Corporate Resources: Corporate Affairs	22.12.15	24.12.15	Full
Nana Amoah-Buahin	Director of HR	04.01.16	18.12.15	Full
Cllr. McGlone	Deputy Leader	04.01.16	18.12.15	Full
Internal Officer Board		Date of meeting		
Procurement Board		23.12.15	30.12.15	Clarifications made as requested
External				

Report history	
Original discussion with Cabinet Member	15 December 2015
Report deadline	N/A
Date final report sent	N/A
Report no.	N/A
Part II Exempt from Disclosure/confidential accompanying report?	YES
Key decision report	YES
Date first appeared on forward plan	18 December 2015
Key decision reasons	Expenditure, income or savings in excess of £500,000
Background information	http://moderngov.lambeth.gov.uk/documents/s36126/ODDR%20GW3%20Report%20-%2031-10-2011.pdf
Appendices	None.

APPROVAL BY CABINET MEMBER OR OFFICER IN ACCORDANCE WITH SCHEME OF DELEGATION

I confirm I have consulted Finance, Legal, Democratic Services and the Procurement Board and taken account of their advice and comments in completing the report for approval:

Signature _____ Date _____

Dawn Matthews, Organisational Development Manager, HR & Organisational Development

I confirm I have consulted the relevant Cabinet Members, including the Leader of the Council (if required), and approve the above recommendations:

Signature _____ Date _____

Cllr. McGlone, Deputy Leader of the Council (Cabinet for Finance & Investment)

Any declarations of interest (or exemptions granted):

Issue

Interest declared