

**Cabinet Member delegated decision**

**Decision Due:** 3 January 2017

**Report title:** Extension of Temporary Agency Worker Contract

**Wards:** All

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

**Portfolio:** Deputy Leader (Finance), Councillor Imogen Walker

**Contact for enquiries:**

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**Report summary**

This paper seeks the approval of the extension of the Managed Service Provider contract with Matrix Supply Chain Management for the period of four months from 1 January 2017 to 30 April 2017 with the provision for a further extension for four months from 1 May 2017 to 31 August 2017 whilst a new service is procured. This will give the council the opportunity to ensure that following completion of the agency contract retender there is sufficient time for onboarding any potential new supplier. The retender is expected to be completed in the week commencing 12 December 2016.

The cost over the extension period is estimated to be up to £27m.

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.

**Finance summary**

The total estimated cost of this extension for the period 1 January 2017 to 31 August 2017 is up to £27m.

Due to the nature of the contract, with uncertain demand, a contract value of £27m 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.

**Recommendations**

1. To waive sections 17.2(b) and 17.2(e) of the Council's contract standing orders on the basis of representing '*Demonstrable Best Interest*' and '*Urgency*' to ensure continued service provision whilst a new service is procured.
2. To extend the contract with Matrix Supply Chain Management, for the provision of agency workers is extended for four months from 1 January 2017 to 30 April 2017, with the possibility of a further four month extension from 1 May to 31 August 2017, whilst competition for the replacement of this service is completed. The value of the eight-month contract extension is anticipated at up to £27m.

## 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 was initially approved on the basis of a Hybrid Model being put in place. However, HR wished to revisit the strategy on the basis that it was felt that approach was not the best option. The Strategy was then revised to change the approach back to a Neutral Vendor Model. However, HR then sought external advice to review the HR strategy. The external advice recommended an agnostic approach i.e. letting the supplier decide on the best model. Therefore the Invitation To Tender (ITT) is being updated to reflect this.
- 1.4 External advice also advised that, three months' transition may be inadvisable, and so assuming the contract is awarded by 31<sup>st</sup> March 2017, a further transition period makes more sense (in the event a new supplier wins). Therefore an extension is needed to cover this period. The re-procurement is being undertaken via the Yorkshire Purchasing Organisation framework.

## 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 31<sup>st</sup> December 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 date.

### 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

<b>2014/15</b>	605	593	615	610	616	583	587	640	605	604	604	621
<b>2015/16</b>	608	639	636	630	670	690	706	582	528	594	518	526
<b>2016/17</b>	503	522	509	530	516	500	516	511				

- 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 31 December 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.

### **3 Finance**

- 3.1 The anticipated cost of this extension is estimated to be £27m over the period 1 January 2017 to 31 August 2017.
- 3.2 As the contract is demand led, this figure is estimated and cannot be guaranteed. A contract value of up to £27m 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 Deputy Leader (Finance) has the authority to enact this report's recommendations following consultation with the Leader of the Council.
- 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 in the Forward Plan on 5 August 2016 and the necessary 28 clear days' notice has been given. In addition, the Council's Constitution requires the report to be published on the website for five 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 cannot 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.

## **6. Risk management**

- 6.1 There is a risk that the procurement exercise may take longer than the contract extension provides for due to unforeseen questions arising during the tender process or additional time required to onboard a new supplier. We have mitigated this by seeking external advice on the procurement route, along with using a framework that has been used by a number of other local authorities.

## **7. Equalities Impact Assessment**

- 7.1 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.

## **8. Community Safety**

- 8.1 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.

## **9. Organisational Implications**

### **9.1 Environmental**

There are no known environmental impacts.

### **9.2 Staffing and Accommodation**

The council currently has over 500 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.

### **9.3 Procurement**

The Procurement Strategy for the re-procurement has been approved and then re-approved following changes to the recruitment strategy.

#### 9.4 Health

There are no health impacts of this procurement.

### 10 Timetable for implementation

The table below sets out the timetable

Activities	Timeline
Forward Plan	28 <sup>th</sup> November 2016
Procurement Board	1 <sup>st</sup> December 2016
Contract extension enacted	January 2017
Contract extension in force	January 2017

<b>Audit trail</b>				
<b>Consultation</b>				
<b>Name/Position</b>	<b>Lambeth Directorate/division or partner</b>	<b>Date Sent</b>	<b>Date Received</b>	<b>Comments in para:</b>
Martin Crump	Corporate Resources: Finance Division	05.12.16	08.12.16	
Tim Harlock	Corporate Resources: Finance	05.12.16	08.12.16	
Michael O’Hora	Corporate Resources: Integrated Support	05.12.16	06.12.16	
Maria Burton, Democratic Services	Corporate Resources: Corporate Affairs	13.12.16	19.12.16	Throughout
Jonathan Evans	Director of HR	07.12.16	08.12.16	
Jackie Belton	Strategic Director Corporate Resources	07.12.16	12.12.16	
Cllr. Walker	Deputy Leader	12.12.16	16.12.16	
<b>Internal Officer Board</b>	<b>Date of meeting</b>			
Procurement Board		01.12.16		Amended extension terms

<b>Report History</b>	
<b>Original discussion with Cabinet Member</b>	12.12.16
<b>Report deadline</b>	N/A
<b>Part II Exempt from Disclosure/confidential accompanying report?</b>	No
<b>Key decision report</b>	Yes
<b>Date first appeared on forward plan</b>	05.08.16
<b>Key decision reasons</b>	Expenditure, income or savings in excess of £500,000
<b>Background information</b>	<u>Extension to Temporary Agency Worker Contract 09 February 2016</u>  <a href="#">Lambeth Procurement Plan</a>
<b>Appendices</b>	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 \_\_\_\_\_

**Paul Ewing, Organisational Development and Change 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. Imogen Walker, Deputy Leader of the Council (Finance)**

Any declarations of interest (or exemptions granted):

Issue

Interest declared