

## CABINET

17 January 2023

<b>Title:</b> Procurement of a Resilience Contract for Welfare Services	
<b>Report of the Cabinet Member for Finance, Growth and Core Services</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> All	<b>Key Decision:</b> No
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<b>Accountable Director:</b> Stephen McGinnes, Director of Support & Collections	
<b>Accountable Strategic Leadership Director:</b> Fiona Taylor, Acting Chief Executive	
<b>Summary:</b> <p>There is significant demand for skilled Welfare Service staff across the country which means that the recruitment of permanent skilled officers has become increasingly difficult, with a premium now required for ad-hoc agency staff.</p> <p>The Welfare Service holds a resilience contract that provides support with staffing to maintain the statutory duties of processing benefits claims and welfare administration. It provides for a fully trained addition to the Council's permanent workforce, allowing the service the flexibility needed to match resource to service demand.</p> <p>The current contract is due to expire on 31 March 2023 and a new, direct award contract is proposed to allow for the uninterrupted continuation of the service and its duties. It is intended for the contract to be reprocured via a Direct Award from the YPO framework.</p>	
<b>Recommendations</b> <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none"><li>(i) Agree that the Council proceeds with the procurement of a resilience contract for the Welfare Service via a Direct Award to Consultancy+ (part of the Reed Group) via the YPO Framework 940 (Managing Consultancy &amp; Professional Services), in accordance with the strategy set out in the report;</li><li>(ii) Authorise the Director of Support and Collections, in consultation with the Cabinet Member for Finance, Growth and Core Services and the Chief Legal Officer, to conduct the procurement and award and enter into the contract(s) and all other necessary or ancillary agreements with the contractor, in accordance with the strategy set out in the report.</li></ul>	

## **Reason(s)**

To assist the Council to achieve its priority of a 'Well Run Organisation'.

### **1. Introduction and Background**

- 1.1 As part of the transfer of Elevate Services back to the Council, there were several supply contracts that were held by Elevate. This included a resilience contract undertaken by Elevate East London, appointed following funding provision from LBBB to recruit additional resources to support the workloads associated to Welfare Reform.
- 1.2 The current contract allowed for the provision of up to 11,500 processing hours per annum (equal to 7 full-time equivalent (FTE) staff) and included the management of the resources.
- 1.3 By using an external contractor for resilience the service was able to gain flexibility to adjust to peaks in demand, whilst maintain value for money with the average cost per FTE calculated at £35,600 per annum versus ad hoc agency appointments at £69,000 per annum (2020/21 costs). It also allowed for one of the FTE to be a hybrid manager and processor and, as such, all HR related matters were undertaken by the incumbent supplier reducing the cost to the LA associated to staff management.
- 1.4 The current contract has been extended to 31 March 2023, at which point the Welfare service will be vulnerable in terms of delivery and additional cost pressures if reliant on ad-hoc agency appointments.
- 1.5 The current welfare demands and Government grant administration are such that these resources are required to allow for the service continuation and its statutory duties to be undertaken in a timely manner. With the planned migration of Universal Credit in 2024, this requirement is expected to be short term, with the longer-term expectation being a reducing workforce.

### **2. Proposed Procurement Strategy**

#### **2.1 Outline specification of the works, goods or services being procured**

- 2.1.1 The appointment of a supplier to provide a remotely managed benefit assessment service.

#### **2.2 Estimated Contract Value, including the value of any uplift or extension period**

- 2.2.1 £350,000 per annum, which includes the costs to any intermediary third parties through the procurement process.
- 2.2.2 £700,000 total cost (1year plus 1 year)

### 2.3 Duration of the contract, including any options for extension

2.3.1 1 April 2023 to 31 March 2025 – This would be an initial one-year term plus an option to extend a further year.

2.4 **Is the contract subject to (a) the (EU) Public Contracts Regulations 2015 or (b) Concession Contracts Regulations 2016? If Yes to (a) and contract is for services, are the services for social, health, education or other services subject to the Light Touch Regime?**

2.4.1 Yes

### 2.5 Recommended procurement procedure and reasons for the recommendation

2.5.1 YPO Framework 940 – Managing Consultancy & Professional Services Framework. This framework is a single supplier framework (provider is Consultancy +, Reed, part of the Reed group) and allows appointment of a single provider to deliver a managed service provision.

2.5.2 Benchmarking of the costs of procuring through alternative third party resilience contracts who are not on YPO has been undertaken with the outcome as below.

2.5.3 This exercise has highlighted that alternative suppliers are generally transactionally based which means they charge per transaction they complete rather than per hourly rate and overall hours of contract. The sample charge rates are:

Process	Min Transaction Fee	Max Transaction Fee
New Claim	£14.00	£19.00
Change	£7.50	£12.00
Universal Credit File	£7.50	£10.00
DHP	£10.00	£15.00
Reconsiderations	£8.75	£15.00

2.5.4 It is not possible to do an exact comparison of costs given the different charging models used by different frameworks however for comparison the cost of an officer of the YPO framework supplier is £37,495 for 1,643 annual hours which equates to £22.82 per hour, 47 weeks per year covering all existing work streams whereas an alternative supplier would cost £37,600 if you calculate the day rate against 47 weeks and 35 hours and is dependent on the alternative provider officer covering all work streams within that day rate which is not clear.

2.5.5 As such, the YPO framework continues to offer value for money against benchmark levels of other similar non framework suppliers, with the added benefit that they operate contractual terms and pricing which is consistent with our current operating model. Given the relatively short-term intention with this contract, moving to an alternative contract pricing model will not offer any additional value for money.

### 2.6 The contract delivery methodology and documentation to be adopted

2.6.1 This contract would be delivered under the relevant terms and conditions as specified by the YPO framework, with the cost met within the exiting Welfare Budget. The only additional contractual clauses that would be required are clauses

associated to the flexibility of resources in year two if Universal Credit managed Migration does proceed.

2.6.2 The processor would provide the services off site using LBBD equipment and infrastructure which is already being utilised by the existing provider.

2.6.3 The third parties eligible for this procurement will be companies that already have the infrastructure required to support the contract, set up and staffing requirement. The staff would be subject to the relevant Best Practise Security Standards for specific system access and this would be managed by the LA if the checks had not already been completed.

## 2.7 **Outcomes, savings and efficiencies expected as a consequence of awarding the proposed contract**

2.7.1 This procurement is for the purpose of gaining flexibility, quality of service and value for money. By using a third party the authority receives the same standards of work, performance and quality but at a reduced cost to that of ad hoc agency staff. The contract can also allow for one of the staff to be a hybrid manager and processor and as such all HR related matters were undertaken by the third party reducing the cost to the LA associated to staff management as well as a lengthy recruitment process.

2.7.2 The continuation of Government Grants such as the Household Support Fund and Energy Rebate Scheme have driven competition within the London authorities. Most agencies now have waiting lists of London authorities awaiting recruitment of temporary staff, this demand has seen the price of agency staff increase from £24.50 an hour to £32 per hour.

2.7.3 With Universal Credit Managed Migration proposed to start in 2024 the service will be reviewing its resources due to a potentially reduced administrative burden. By releasing the resources within the third party contract the Authority can recognise an in-year cost reduction with no associated redundancy costs.

2.7.4 The third-party processor is an offsite processor incurring no facility costs and comes with pre skilled officers that are required to undertake the role. Most third parties processors also provide all staff training required and adhere to all internal processes, procedure and quality assurance. If staff assigned to the contract leave, then the third party covers all recruitment costs associated to that vacancy.

2.7.5 A third party processor gives the service the flexibility to meet the current demands as well as an option to reduce its resources if the demand changes

## 2.8 **Criteria against which the tenderers are to be selected and contract is to be awarded**

2.8.1 Not applicable as direct award

## **2.9 How the procurement will address and implement the Council's Social Value policies**

2.9.1 Given that this contract will be awarded to a specific supplier through a framework, we are unable to evaluate and score any Social Value commitments. However Social Value will be discussed with the supplier during the contract and any suitable commitments offered will be monitored and reported.

## **2.10 Contract Management methodology to be adopted**

2.10.1 The contract will be managed by the Welfare Service, specifically Service managers with day-to-day operational responsibility. Performance and quality parameters are defined at the start and an agreement on regular checks and assurance.

2.10.2 The contract used to govern this service will be the call of terms of the framework

## **3. Options Appraisal**

### **3.1 Option 1 – Do nothing**

3.1.1 The current contract has been extended to 31st March 2023 at which point the Welfare service will be vulnerable in terms of delivery and additional cost pressures if reliant on ad hoc agency appointments.

3.1.2 For these reasons, this is not the preferred option.

### **3.2 Option 2 – Recruit Interim Agency Staff**

3.2.1 A recruitment drive can be undertaken through agencies however due to the existing market demands the authority would need to offer a minimum of £32 per hour per contractor and homeworking to incentivise staff to leave existing contracts they are in or increase the rate to over £32 per hour for site working. This would incur additional costs within the service through interviews and testing for the initial recruitment, time for inductions, processes and procedure and 100% quality assurance on all contractors to ensure that the authority is receiving the required standards of quality and performance. Due to demands within the market this would be a lengthy process and the required levels of staff would not be secure in a timely manner.

3.2.2 For these reasons, this is not the preferred option.

### **3.3 Option 3 – Recruit permanent assessment officers**

3.3.1 Recruitment within the authority can take between 3 and 6 months from inception to a starting date on an assumption that you obtain the required number of applicants. For the levels of staff being recruited for this purpose, costs would be incurred through advertisement, potential open day recruitment, internal service costs for the vetting, interviewing and testing process, associated on costs for permanent staff, inductions, service onboarding and quality assurance. For the number of staff required it is expected that this process could take up to 12 months to complete as the market demands are such that permanent staff are leaving placements to undertake contracting because of the associated financial gains.

- 3.3.2 An alternate is a full training programme to recruit unskilled applicants and train them into assessment officers. This process has been undertaken before, it was a one-year process that cost approx. £9k per person recruited in training and support costs on top of the base costs associated to recruitment, salary and on costs. As managed migration is proposed for 2024, potentially the staff will not have completed training or be in infancy of assessments when this occurs.
- 3.3.3 An advantage of recruiting and upskilling new officers is the retention rates. The former training initiatives that have been undertaken within the service have seen staff retention rates of over 70%, 10 years after the training period. This can also provide jobs for local residents however the longevity in assessment roles due to migration is limited.
- 3.3.4 For these reasons, this is not the preferred option.

#### **3.4 Option 4 – Third Party remote processor**

- 3.4.1 A third party resilience contract provides trained skilled staff, cost avoidance & reduction versus ad hoc agency placements, the ability to decrease your work force in accordance with service needs, without financial implications as well as obtaining the required skill set. Due to the welfare needs across the country, the ability to directly recruit skilled officers has become virtually impossible, either through Adecco, external agencies or permanent recruitment.
- 3.4.2 Due to the length of time the other options present, their associated costs and limited guarantee of success, this is the preferred option.

#### **4. Waiver**

- 4.1 Not Applicable

#### **5. Consultation**

- 5.2 The proposals in this report were considered and endorsed by the Procurement Sub-Group on 5 December and the Procurement Board on 19 December 2022.

#### **6. Corporate Procurement**

Implications completed by: Euan Beales, Head of Procurement

- 6.1 The Councils Contract Rules require all spend over £50,000 to be procured in an open market, however this rule can also be complied with by using a pre-procured and accessible framework.
- 6.2 The YPO Framework 940 – Managing Consultancy & Professional Services Framework is a compliant route to market and YPO as a framework operator has good understanding of Local Authority requirements.
- 6.3 The framework has a sole supplier awarded and the service is underpinned by a professional supply chain.

- 6.4 As detailed in the report the service requirements cannot be fulfilled by the Temporary Labour contract as this is more than 'body shopping' staff and the additional requirements and flexibility would not be able to be provided due to the peaks and troughs of demand.
- 6.5 In summary, the proposals represent a compliant route to market and will mitigate the risk of service reduction due to its flexibility.

## **7. Financial Implications**

Implications completed by: Shaheen Khan, Finance Business Partner

- 7.1 The appointment of a third-party off-site processor to provide a remotely managed benefit assessment service. Value up to a maximum of £350,000 per annum for 2 years. This includes the costs to any intermediary third parties through the procurement process.
- 7.2 Duration of the contract, including any options for extension - 2nd April 2023 to 31st March 2025. This would be an initial one-year term plus an option to extend a further year.
- 7.3 Cost will be met within the exiting Welfare Budget. From a financial point of view, this procurement ensures flexibility (option to adjust resources required in line with the demand) and value for money (no facility, training, or recruitment costs) as well as being more cost effective compared to recruiting agency staff). As such I support the recommendations made in this report

## **8. Legal Implications**

Implications completed by: Kayleigh Eaton, Principal Solicitor – Contracts and Procurement

- 8.1 This report is seeking approval to call off from the YPO framework to provide a Resilience Contract for Welfare Services for a term of one year plus the option to extend for one further year.
- 8.2 It is noted that Consultancy + is the sole supplier on the YPO framework. This framework has been procured under the Public Contract Regulation 2015 which means it is a compliant route to market. The requirements for competitive tendering, as contained within the Council's Contracts Rules are met as Rule 5.1 (a) advises that it is not necessary for officers to embark upon a separate procurement exercise when using a Framework Agreement providing the Framework being used has been properly procured in accordance with the law and the procurement is made in line with the Framework terms and conditions.
- 8.3 The framework commenced on 1 October 2019 and expires on 30 September 2023 so the anticipated call off is within the terms of the framework,
- 8.4 The Law and Governance team will be available to advise and assist throughout the process.

## **9. Other Implications**

- 9.1 **Risk and Risk Management** – If a contract is not procured then the Welfare service will be vulnerable in terms of delivery and additional cost pressures if reliant on ad hoc agency appointments.
- 9.2 **TUPE, other staffing and trade union implications** - None
- 9.3 **Corporate Policy and Equality Impact** – There are no perceived negative impacts on these protected characteristics. There are provisions in place within the service to escalate urgent cases that would negatively impact residents, those with protected characteristic or those with socio-economic disadvantage. Such cases include those who are risk of eviction or repossession, cases where delays in processing would have severe detrimental effects on mental health, the health and wellbeing of a child or whose condition would be worsened by delays. There is no requirement to complete a full Equalities Impact assessment.

**Public Background Papers Used in the Preparation of the Report:** None

**List of appendices:** None