

CABINET

17 February 2020

Title: Contract for Provision of Temporary / Interim Staff and Ancillary Services	
Report of the Cabinet Member for Finance, Performance and Core Services	
Open Report	For Decision
Wards Affected: None	Key Decision: No
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Accountable Director: Hilary Morris, Commercial Director	
Accountable Strategic Leadership Director: Claire Symonds, Chief Operating Officer	
Summary: <p>This paper outlines the options available to the Council to procure the provision of temporary / interim staff and ancillary services.</p> <p>The report sets out a recommendation to utilise the MSTAR3 (Managed Services for Temporary Agency Resources) framework which has been procured by the Eastern Shires Purchasing Organisation (ESPO). The preference is a "Managed Service Provider" (MSP) model - a solution where a single company manages the temporary worker recruitment for an organisation and is responsible for the end-to-end management of the contingent workforce – from supplier management to strategic workforce planning.</p> <p>To ensure value for money is achieved, a Pan London working group has conducted a further competition which has leveraged the market and has tightened the terms and conditions on which the 'MSP' service will be provided and the outcome is that Adecco UK has been successful and will be the preferred provider for the Council under Lot 1b of the MSTAR3 framework. The Council had two representatives on the evaluation panel. The further competition was competed on a quality and cost basis (e-auction).</p>	
Recommendation(s) <p>Cabinet is recommended to:</p> <ul style="list-style-type: none">(i) Approve the re-procurement and award of contract for the provision of temporary / interim staff and ancillary services, through the ESPO framework (Mstar3) Lot 1b – Managed Service Provider, to Adecco UK in accordance with the strategy set out in the report; and(ii) Delegate authority to the Chief Operating Officer, in consultation with the Cabinet Member for Finance, Performance and Core Services and the Director of Law and Governance, to award and enter into the contract and all other necessary or ancillary agreements including the period of extension.	

Reason(s)

To assist the Council to achieve its Priority objective of a well-run organisation.

1. Introduction and Background

- 1.1 In February 2016, the Cabinet approved a decision to commence the procurement of a contract for the provision of temporary staff; this was to be conducted through the ESPO framework, more commonly known as Mstar2.
- 1.2 The tender was a collaboration across London Local Authorities and other Public Sector Bodies, this was led by One Source (LB of Newham and LB of Havering), who also conducted the e-auction. The e-auction combined with the quality aspect enables a preferred bidder to be awarded. The e-auction was the process that enabled the margins providers were to secure against spend to be set for the duration of the contractual term and the period of extension.
- 1.3 Adecco was the successful bidder and was awarded as the Managed Service Provider (MSP) for any Council on a Pan London basis that required a fully managed service. This was the agreed route to market for the Council and Adecco is therefore the Council's incumbent supplier.
- 1.4 The initial contract term commenced on the 16th July 2016 for a term of 3 years expiring on the 16th July 2019. There was an option to extend for period of 12 months and this option was taken following approval by the Procurement Board. The contract expiry will now be on the 16th July 2020.
- 1.5 The contract margins (cost charged by the provider to cover its operational costs and profit element) were set across a variety of main categories, set out in the table below.

Admin & Clerical	Catering / Hospitality	Chief Executive's Service	Commercial
Corporate Governance	Children's Service	Customer Services/Call Centre	Domiciliary Care
Driving	Engineering & Surveying	Environment & Operations	Environmental Services
Facilities Management & Building Services	Financial	General Industrial	Healthcare - Qualified
Healthcare - Unqualified	Housing	Human Resources	Information Systems
Legal	Leisure	Marketing	Parking
Policy, Performance and Review	Procurement/Logistics/Supply Chain	Revenues & Benefits	Social and Health Care Services

- 1.6 In previous contractual arrangements for Temporary Labour in order to establish a true saving upon commencement of the contract, and to ensure the savings were recognised centrally, it was agreed that a percentage on-cost would be applied to the margin, which would then be calculated per hour per candidate and then paid back to the Council on a weekly basis. This is in the process of being reviewed for the new MSP contract and any outcome will be applied prior to the contract being implemented

1.7 One Source (Newham and Havering) have continued to lead the pan London steering group for the current procurement where the Council was represented by two staff members.

2. Proposed Procurement Strategy

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

The service specification will be consistent with the specification outlined in the contract for 1st and 2nd generation service provision and will include the following main features:

Summary of Current Requirements

One stop shop for Temporary Staff	2 nd Tier Agency Management
On line portal	Consolidated weekly Billing
Manage recruitment process from registration to placement	Single point of contact for the Council
Mange approved supply chain list	Onsite presence (Adecco consultant)
Conduct regular Audit of 2 nd Tier Agencies	Out of Hours contact point (Public Realm as a priority)
Day one compliance	Report templates and bespoke reporting
Assist the Council with IR35 compliance	Talent Pool Technology within the MSP's service wrap (optional)

One Stop Shop for Temporary Staff

The provider will be a single Organisation (MSP) who will have a senior consultant on-site within LBBD to manage its own pool of direct staff and a 2nd Tier of quality agencies to provide specialist staff. They will meet the Councils diverse requirements in terms of person specification, job type, location and overall cost (basic wage, margin, savings rebate, Agency Welfare Reform costs (AWR), NI, Tax etc) as well as an out of hours and public holiday provision to ensure labour shortages are managed. This provider will manage the full lifecycle of the candidate from attraction, ensuring they are registered giving full and correct details and evidence (work history or proof of eligibility to work etc) and to also conduct face to face meetings to enable the MSP to review if the candidate is suitable for the Councils working environment and provide consolidated weekly billing. The MSP must be able to generate a set of standard reports and also have the flexibility to produce bespoke reports from the on-line recruitment system. This will enable the Council to monitor and track a wide spectrum of information to reduce the dependency on agency staff.

2nd Tier Agency Management

The MSP will need to attract and maintain a high level of quality 2nd Tier agencies with a broad network of high calibre candidates particularly for historically hard to recruit to positions, such as Class 2 Drivers, Motor industry fitters, senior social care workers and project management roles etc. This would be through a preferred and established supply chain which is regularly audited for compliancy with UK legislations and industry best practise.

Day One Compliance

The audit and compliance requirements for on-boarding and fulfilling positions will mirror the internal compliance policy to various levels of vetting applied according to the role. All agency staff will have undergone the vetting process and be fully compliant on day one. The framework allows local variations to the contract, so prior to awarding the Council contract, key personnel will be consulted in devising the audit process for agency staff and any circumstances where temporary waivers might or might not be possible in order to allow immediate start (following a risk assessment and approval by the hiring manager).

Online Portal

The MSP provide an online portal allowing hiring Managers to upload their requirements and which will act as an information tool with the capability to track assignments once in post including all end dates, extension periods, changes in pay rates etc.

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

Initial 2-year term @ £17m per annum = £34m

Further 1-year extension period @ £17m

Total 3-year term = £51m

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

Initial term of 2 years. There will be an option to extend the contract by a further period of 1 year, this would be subject to satisfactory performance and agreement by both parties.

2.4 Is the contract subject to the (EU) Public Contracts Regulations 2015?

Yes, Services

2.5 Recommended procurement procedure and reasons for the recommendation.

The proposed route to market is through the Mstar3 framework, which was originally procured by ESPO.

Currently there are 10 active Local Authorities that have committed to using the Mstar3 Pan London Collaborative, which has a consolidated annual spend of £251m through 6.3m hours of work provided. There is currently a further 15

Local Authorities reviewing its delivery model and are looking to secure services via this operating model; this would add a further £270m per annum across the Lots 1a or 1b through 8.9m hours of staff provision.

The further competition was led by One Source, who also conducted the e-auction, below is a summary to support the recommended outcome and route to market.

Bidder	Price Score Fixed (27%)	Price Score e-auction (33%)	Non Price Score (Quality) (40%)	Total Score (100%)
Adecco	15.274%	25.766%	32.000%	73.040%
Bidder B	8.319%	26.539%	29.112%	63.970%
Bidder C	13.579%	33.000%	26.272%	72.851%
Bidder D	17.554%	24.184%	24.568%	66.306%

2.6 The contract delivery methodology to be adopted.

The Terms and Conditions to be used for this service will be formed from;

- Overarching Header Terms (ESPO Framework terms)
- Call Off Order, which mirrors the requirements as set out in the Header Terms, which also allow for Local Variation, as long as the variation does not amend the original terms.

In the event that there is conflict in the terms, consultation with ESPO will be required and a variation will need to be agreed.

Both the Framework Terms and the Call Off Contract will be reviewed by the Councils Legal Team prior to service commencement.

Contract Management of the service will be conducted by the Councils Contract Manager.

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

The main outcome is to award the service to a single managing provider, which will drive efficiencies, enable tighter control through visibility of agency usage and spend.

There will be clearer hiring costs for the temporary staff member, which will enable a clear view and any risk to budget.

The savings attributed to this procurement cannot be accurately calculated as the use of temporary labour fluctuates however the MSP margin (the profit the provider makes for each fulfilment) is generated by applying a fixed fee to the hourly charge rate of each Agency Worker which is inclusive of all costs associated with providing the MSP Services.

The range of margins which will be charged to the Council are between £0.48 per hour and £4.27 per hour dependent of the skill set of the roles which were supplied directly by Adecco which is lower than the previous agreement. If a specific agency had been identified by the Council as a sole supply source, where possible they were on-boarded into the overarching contract on margins agreed as a one off for that agency.

The range of margins for staff provided through the 2nd Tier supply chain ranged from £0.53 to £4.32 per Hour, this includes the Adecco management. Whilst the margins are higher than the previous contract this is due to additional categories of labour being added and won't necessarily increase our total annual cost. 2nd Tier supply chain is only used when Adecco did not directly fill the role.

These fees are fixed for all Customers within the London Collaboration based on the estimated volume's being procured across the different categories of staff. Based on the previous model the new contract will deliver circa £16k per annum. When reviewed against the uncertainty of Brexit at time of the procurement, this represents value for money.

By having a dedicated contract team, the Council has the opportunity to communicate directly with the provider, which enables our needs to be better understood, reducing the amount of time being spent sifting and reviewing CV's that do not quite match the needs of the hiring manager.

The IT portal will produce efficiency savings as the Hiring Managers and Contract Managers can generate their own dashboards to show information that is relevant to them, with the Contract Manager having a wider view, which can flag discussions to reduce cost. The introduction of Talent Pool Technology if pursued at a later stage will need to be thoroughly assessed and over a longer period of time will assist in re-shaping how the Council conducts its temporary and permanent recruitment.

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

The evaluation criteria as detailed in the ESPO framework terms and conditions for further competition are as follows;

Lot 1b – Managed Service Provider (MSP)
60% Price – split between 27% fixed price score and 33% e-auction score
40% Technical (Quality)

2.9 TUPE, other staffing and trade union implications.

There are no TUPE implications in this proposal

2.10 How will the procurement address and implement the Council's Social Value policies?

As part of the Adecco submission under the further competition they have stated the following in terms of Social Value;

Making the Future Work for Everyone – The Adecco Social Value Framework

During implementation, Adecco will have a workstream dedicated to the creation of a Social Value Framework. This Framework will be developed in alignment with the strategic objectives of Collaboration customers, such as:

- **Reducing Unemployment:** In London a quarter of all unemployed people have been out of work for more than year, above pre-recession levels. The longer a resident is out of employment, the harder it is to get back into work and giving the opportunity to learn new skills or engage previously inaccessible programmes may address this. In addition, London has one the highest rate of youth unemployment in the country at 15.5 per cent and our approach can be tailored across Borough's to address specific populations
- **Local Jobs for Local People:** Promoting opportunities within the local communities, creating career pathways for local residents within local employers delivering a number of benefits to the local community, economy and the environment
- **Improving the skills and prospects of residents:** 58% of London residents living in poverty live in a working household. We believe we have a duty to provide as many people as possible with the chance to learn new skills to enhance current and future employment prospects and wages. This will also help address skills shortages in key industries. In addition, as part of the flexibility of local arrangements with the contract, the Council's Contract Manager will be able to specify the Councils directive, and after consultation this area of service/impact will be tailored to meet and exceed the local requirements

3. Options Appraisal

3.1 The Council has 3 main options contained within the MSTAR 3 Framework in terms of service delivery models, which are:

Option 1 - Neutral Vendor (Lot 1a) – This Option has been Rejected

A neutral vendor approach is where the Council contracts with a single managing agent, who manages a host of Tier 1 and Tier 2 agencies to provide the required candidates but who does not have their own pool of staff. Whilst this can deliver savings (as the neutral vendor has less overheads) these would be off-set by additional HR and management activity within LBBD. The recruitment and fulfilment process is also more complex with different agencies being utilised which can lead to staff costs being different for the same role and which makes budget and forecasting for temporary role difficult to budget for

Option 2: Managed Service Provider (MSP), (Lot 1b) – *This is the recommended Option*

A Master Vendor approach is the current service delivery model used by the Council, and is where the Council contracts with one single agency who will aim to provide all the required staff through their own network of internal talent and where required manage a 2nd Tier supply chain to provide the specialist staff at the same agreed margins that are in place with the Master Vendor. In exceptional circumstances special margins may be agreed in order to secure staffing levels to mitigate any operational risk.

The master Vendor is responsible for the end to end supply chain from search and selection to audit and payment of the staff; this includes hosting an online management and reporting e-tool.

The MSP Model allows for flexibility within the supplier to increase scope of delivery staff due to the size of the organisation, and can react quickly to the changing needs within the Council, and can also react to any service deficiency in a timely manner.

This has been the most beneficial approach to date in terms of fill rates, compliance and value for money based on the agreed margins.

As the MSP model is the existing one, the implementation timeline is approximately 5 weeks against a full implementation of up to 16 weeks for the neutral vendor. This reduces the risk to the Council of supply slippage.

Option 3: Talent Pool (Lot 3) – This option is rejected

The procurement of Lot 3 is still on-going but it might be an option considered beneficial to the council in the future to compliment the Master Vendor service.

- 3.2 The recommendation was that the Council joins the Pan London Collaboration under the MSTAR 3 Framework as economies of scale should yield financial benefits. It should be noted that the margins achieved within MSTAR2 were very competitive and there is no guarantee that the Council will be able to achieve same margin levels, particularly with the supply of Social Workers fluctuating and margins being pushed higher as the quality candidates are becoming less available.

4. Waiver

- 4.1 Not Applicable

5 Equalities and other Customer Impact

- 5.1 Due to the nature of the contract, the Service Provider will be required to align to the Council's policies. A local presence that's easily accessible to residents will ensure that the quality of service to all our staff and residents is easier to control and monitor.

6. Other implications

- 6.1 **Risk and Risk Management** - Contract Management function already in place. Will continue to ensure Service Provider and suppliers on supply chain are maintaining required standards through 'day one' audit compliance.

Regular Contract Management Meetings will be undertaken for performance monitoring and management. Initially, for the first 6 months post implementation performance monitoring meetings will take place monthly and past this milestone, quarterly contract monitoring meetings will be arranged. Independent Audit reviews will also be scheduled on quarterly basis.

Management Information to be provided to Council Officers on regular bases with details on Contract KPIs and other required Management Information.

- 6.2 **Property / Asset Issues** - The council will be required to provide support in circumstances where events are being organised to attract residents into the service provider's talent pool and to enable residents to access work or return to work. private meeting space may also be required at times in the event that the meeting is of a personal nature (example- sign up candidates for talent pool database and interviews).

7. Consultation

- 7.1 The proposals in this report have been considered and endorsed by the Procurement Board.

8. Corporate Procurement

Implications completed by: Euan Beales, Head of Procurement and Accounts Payable

- 8.1 The recommended option outlined in the report is a Pan London Collaboration, whose requirements have been procured through a further competition of the ESPO Framework named Mstar 3.
- 8.2 The proposal is to evaluate the responses for Lot 1b the "managed service provider" element, with a view to awarding to the provider who provided the best bid in terms of quality and price.
- 8.3 The use of the Mstar3 Framework satisfies EU Legislation and the use of the further competition complies with the Council's need to ensure a full process is conducted.
- 8.4 Based on the review and in conjunction with discussion with ESPO through the market, the recommendation to award to Adecco and to use the Managed Service Provider operating model makes sound commercial sense and mitigates risks to the Council during a period of continued change.
- 8.5 The use of the volumes contained in the Pan London Collaboration compared to the size of the Council as a stand-alone will deliver economies of scale and represent value for money.

9. Financial Implications

Implications completed by: Sandra Pillinger Group Accountant

- 9.1 The estimated contract value is quoted at £17m pa which equates to £51m over the 3-year extended term. This figure is based on gross historic expenditure before the rebate. The rebate has averaged £2.6m pa over the last three years. It is not clear whether a rebate system will operate under the new contract.
- 9.2 Expenditure under the contract will be charged to individual services' budgets depending on their usage of agency staff. There are generally no budgets for agency expenditure, as services are expected to manage the cost of agency staff from vacancy savings on salaries budgets.

10. Legal Implications

Implications completed by: Kayleigh Eaton, Senior Contracts and Procurement Solicitor

- 10.1 This report is seeking approval to call-off the MSTAR3 framework set up by the Eastern Shires Purchasing Organisation (ESPO) for the provision of Temporary Agency/Interim Staff and Ancillary Services. The report advises at section 2.5 that the Pan London Collaboration has conducted a further competition to award to a preferred provider for Lot 1B, the Managed Service Provider service provision, which the Council intends to make use of. The identified provider following this mini competition is Adecco UK. The report sets out that joining the pan London approach will achieve economies of scale.
- 10.2 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 call-off is made in line with the Framework terms and conditions. The Public Contracts Regulations 2015 also permits contracting authorities to call-off valid frameworks in order to procure goods, services or works, as required.
- 10.3 The use of the ESPO Framework will satisfy the above requirements as the Council is permitted to call off from the framework, which has been set up following a compliant OJEU process for all local authorities in the country and commenced on 11 April 2019 for a period of 2 years with the option to extend for a further 2 years.
- 10.4 Section 2.8 of this report states that the evaluation criteria for the mini competition was 60% price (broken down into 27% fixed price score and 33% e-auction price) and 40% quality.
- 10.5 In line with Contract Rule 50.15, Cabinet can indicate whether it is content for the Chief Officer to award the contracts following the procurement process.
- 10.6 As the value of the Contract exceeds £100,000, in line with rule 52.2 of the Contract Rules, the Contract will require sealing. Legal Services will be on hand to assist in any queries which may arise and also assist in the sealing of the Contract documents.

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

List of appendices: None