



Mayor and Cabinet

Approval to Procure report for Agency Managed Service Provider Procurement

Date: 21 September 2022

Key decision: Yes

Class: Part 1

Ward(s) affected: N/A

Contributors: Courtney Richards, Head of Learning, Talent and Resourcing; Sherene Russell-Alexander, Head of HR; Mia Agnew, Senior Lawyer and Nick Penny, Head of Financial Services Partner

Outline and recommendations

The purpose of this report is to seek authorisation from the Mayor and Cabinet to commence the procurement process for the Agency Managed Service Provider contract.

Currently agency workers are supplied to the Council via a Managed Service Provider (MSP) delivered through Reed Specialist Recruitment. The current contract with Reed commenced in April 2017 for a period of two years with the ability to extend for a period of up to two years.

Due to the emergency Covid-19 pandemic situation, there was also an exceptional extension of this contract for a further period of two years. Paragraph 17.3 of the Council's Contract Procedure Rules allowed for an extension of the current contract based on unforeseen circumstances. This contract will expire on 31 March 2023.

It is recommended that the Council procures a two year contract (from 1st April 2023 to 31st March 2026), with the option to extend for a further two years at the Council's discretion.

Timeline of engagement and decision-making

- April 2017 – Current contract commenced
- April 2019 - Extension of the contract for a permitted 2 years to March 2021
- April 2021 – Exceptional Covid-19 extension of the contract for 2 years to March 2023
- September 2022 – Mayor and Cabinet Approval to Procure Report
- November 2022 – Tender live
- January 2023 – Mayor and Cabinet Contract Award Report
- April 2023 – Commencement of new contract

1. Summary

- 1.1. The current agency contract was awarded to Reed Specialist Recruitment who have been the Managed Service Provider (MSP) to the Council since April 2017 when the contract was initially awarded for a two year period with the option to extend for two years. A further two-year extension was exceptionally awarded by the Chief Executive, due to the Covid-19 pandemic emergency, for the period April 2021 to March 2023.
- 1.2. This report is to examine and consider the procurement options for the retendering of the agency contract.
- 1.3. The annual estimated value of the contract is £23.7m. The contract term is proposed as a two-year contract from 1 April 2023 to 31 March 2025, with the option to extend for a further two years at the Council's discretion. Therefore, the estimated total value would be £94.8m over the length of the entire contract, including discretionary extensions.

2. Recommendations

- 2.1 Mayor and Cabinet are recommended to approve the re-procurement of an external provider to deliver an Agency Worker Supply Service to the Council. The terms of the contract would be two years, with an optional two year extension commencing on 1 April 2023.
- 2.2 It is recommended that the Mayor and Cabinet approves the chosen approach of a direct award via the [London Collaboration Contracts](#) under the ESPO MSTAR 3 Framework Agreement.

3. Policy Context

- 3.1 This proposal aligns with the Council's Corporate Priorities set out in the Lewisham's "Corporate Strategy 2018-2022" as follows:
 - **Building an inclusive local economy** - Everyone can access high quality job opportunities, with decent pay and security in our thriving and inclusive local economy. Employees will continue to receive the London Living Wage as a minimum.

4. Background

- 4.1 The supply of agency workers to the Council is currently provided by Reed Specialist Recruitment. They have held the existing contract since 2017, having successfully re-bid for it in 2016. The service provided by Reed includes the provision of an in-house team for on-site support.
- 4.2 The Council engages on average 504 agency workers per month (financial year 2021-22). The average spend on agency workers over each of the last 5 years was £23.7m, which compares to a pan London median of £23.3m spend over the same period.
- 4.3 These workers provide vital additional people resourcing to the Council particularly in areas where we are unable to attract and recruit in the open market e.g. social workers. As well as giving the Council the ability to flexibly scale resources up and down as required.

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5. Procurement Options Considered – Route to Market

- 5.1 The following options set out below were considered:
- 5.2 **Open Tender** – Going to the open market would mean that the Council would test the market as a whole however, this approach would not provide the Council with the best outcome because there are existing frameworks with providers that have already been vetted for quality and price which would give the Council a better offer than procuring on its own due the buying power of multiple purchasers from the framework agreement. Therefore, this option is not recommended.
- 5.3 A mini – competition under **the ESPO** (Eastern Shires Purchasing Organisation) **MSTAR3 - Framework 653F_19**. This is only open to those suppliers on the framework – all of whom would have been assessed for their financial stability, track record, experience and professional ability. Whilst the pricing structure is not standardised across the suppliers they do operate within a more transparent and structured pricing framework. However, the costs listed within this framework are higher than those available within the London Collaboration Contracts outlined in 5.4 below. Therefore this option is not being recommended.
- 5.4 **Direct award** using the [London Collaboration Contracts \(LCC\)](#). LCC are a collaboration of London boroughs led by Havering Council. Together a mini competition was carried out under the ESPO framework agreement that would allow for all London Boroughs to use at the point that their current contracts terminated. Because there were so many boroughs involved it allowed the boroughs to leverage greater economies of scale. By pulling together the collective spending power of the London Boroughs (currently 22), the LCC were able to achieve savings of around 10% compared to the ESPO MSTAR3 framework. As part of the procurement of this contract, Lewisham Council together with the other London Councils were included as potential users. Therefore, the Council will be able to directly appoint one of the two pre-selected suppliers.

There are two suppliers (Lots) in the LCC Framework:

- **Lot 1A - Neutral Vendor (NV)** provides agency workers. However, instead of filling roles directly themselves, they manage supply chains of national agencies and local SMEs giving them fair access to opportunities on a level playing field. Neutral Vendors do not make money from placing candidates and therefore the cost for delivering their service is all contained within their management fee. With a Neutral Vendor, there will still be an on-site presence (between 1-2 staff), but they will be more focused on managing a supply chain of agencies rather than assisting managers with recruitment needs. Matrix was awarded Lot 1A, Neutral Vendor, under the London Collaboration Contracts.

Lot 1B - Master Vendor (MV) is on a master supply chain management basis, where the MSP supplies agency workers directly from their own books and may additionally use other agencies to support the provision of candidates. This is similar to Reed Specialist Recruitment who are a Master Vendor. The suppliers have the market knowledge but there can be some delay in master vendors subcontracting requests out to third party suppliers. Adecco was awarded Lot 1B, Master Vendor, under the London Collaboration Contracts.

The Council have carried out a benchmarking exercise showing the comparative costs of using the London Collaboration Contracts vs. going directly through the ESPO MSTAR3 framework as described in 5.4 above. This exercise showed that using either Matrix NV or Adecco MV provides at least 10% cost savings when compared against MSTAR3 framework.

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Since the LCC call-off contract was set up in 2019, 22 of the 33 London local authorities are signed up to it (18 on a Neutral Vendor basis and 4 on a Master Vendor basis. This agreement expires in April 2025

The table below, provided by London Councils, outlines which London Boroughs are using which agency models.

Council	Name of agency worker provider (eg: Comensura, Matrix etc.)	Council	Name of agency worker provider (eg: Comensura, Matrix etc.)
Barking and Dagenham	London Collaboration Cont. - Adecco MV	Brent	MSTAR3 - Comensura
Croydon	London Collaboration Cont. - Adecco MV	Kensington & Chelsea	MSTAR3 - Comensura
Ealing	London Collaboration Cont. - Adecco MV	Merton	MSTAR3 - Comensura
Hounslow	London Collaboration Cont. - Adecco MV	Southwark	MSTAR3 - Comensura
Barnet	London Collaboration Contr. - Matrix NV	Bexley	Reed Managed Service (MSTAR)
Bromley	London Collaboration Contr. - Matrix NV	City of London	Hays
Camden	London Collaboration Contr. - Matrix NV	Greenwich	In-house
Enfield	London Collaboration Contr. - Matrix NV	Hammersmith & Fulham	Pertemps
Hackney	London Collaboration Contr. - Matrix NV	Harrow	Pertemps
Haringey	London Collaboration Contr. - Matrix NV	Hillingdon	Pertemps & Guidance
Havering	London Collaboration Contr. - Matrix NV	Lewisham	Reed
Islington	London Collaboration Contr. - Matrix NV		
Kingston & Richmond (AFC)	London Collaboration Contr. - Matrix NV		
Kingston (ASW only)	London Collaboration Contr. - Matrix NV		
Lambeth	London Collaboration Contr. - Matrix NV		
Newham	London Collaboration Contr. - Matrix NV		
Redbridge	London Collaboration Contr. - Matrix NV		
Sutton	London Collaboration Contr. - Matrix NV		
Tower Hamlets	London Collaboration Contr. - Matrix NV		
Waltham Forest	London Collaboration Contr. - Matrix NV		
Wandsworth CSW + R&W ASW	London Collaboration Contr. - Matrix NV		
Westminster	London Collaboration Contr. - Matrix NV		

6. Procurement Project Plan

- 6.1. The proposed procurement will be a direct award to one of the two suppliers in the London Councils Collaboration contract.
- 6.2. The successful supplier will be recommended for award of contract, following a further report to Mayor and Cabinet setting out rationale for the recommended supplier.
- 6.3. A detailed timetable will be scoped and provided once permission is granted by Mayor and Cabinet

7. Financial implications

- 7.1 The council has a staffing budget of £137.8m which it uses to fund the salary expenditure for permanent staff, when there is a gap in permanent staffing that cannot be managed within the service there may be a need for agency staff support for a short

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term period. Any agency costs incurred are managed from within unspent staffing budgets within the services arising from posts being vacant in the first instance and across the division as a whole when this is not possible.

- 7.2 The council spent £22.7m on agency staff under the previous contract during 2021/22, the level of agency staffing is dependent on need each financial year but could be reasonably estimated at £45.4m over the next 2 financial years.

8. Legal implications

- 8.1 The report seeks approval to future delivery of agency managed services by an external provider. Given the potential spend on this contract (at a length of 2 + 2 years) this contract would be categorised by Contract Procedure Rules as a Category A contract. The report also seeks approval to use the contract procured by LCC under the ESPO framework agreement by a mini competition. The report sets out the other options considered and explains why these are the recommended options.
- 8.2 Assuming that Mayor and Cabinet accepts the recommendation for future delivery of agency managed services by an external provider, Contract Procedure Rules place requirements on how that should happen. Under the Council's Contract Procedure Rules the Council may use a framework agreement set up by a public sector body where that framework agreement has been procured in accordance with the Public Contracts Regulations 2015 ("Regulations") and allows for the Council to use the Framework Agreement. It appears that the framework agreement has been procured in compliance with the Regulations and that the Council is entitled to use the framework agreement and the contract procured by a mini competition under the framework agreement by LCC.
- 8.3 The Rules require that when letting contracts steps must be taken to secure value for money through a combination of cost, quality and competition, and that competitive tenders or quotations must be sought depending on the size and nature of the contract (Rule 5). Given the potential spend on this contract the Regulations will also apply. The requirements of both Contract Procedure Rules and the Regulations would be satisfied by use of the contract procured by LCC under the ESPO Framework Agreement. The process for procurement and the award of the contract would have to be in accordance with the Contract Procedure Rules. As a Category A contract, it would be for Mayor and Cabinet to take a decision on the award of a contract.

9. Equalities implications

- 9.1 The Council's Single Equality Framework for 2020-24 will provide an overarching framework and focus for the Council's work on equalities and help ensure compliance with the Equality Act 2010.
- 9.2 The Council's Equalities objectives are addressed in the contract documentation and will form part of the criteria used in the pre-tender evaluation.

10. Climate change and environmental implications

- 10.1 There are no climate change or environmental implications

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11. Crime and disorder implications

11.1 There are no crime and disorder implications arising from this report.

12. Health and wellbeing implications

12.1 There are no specific health and wellbeing implications arising from this extension.

13. Social Value

13.1 Using either a master vendor or a neutral vendor solution could result in the Council being able to build up a talent pool of candidates from which agency workers can be sourced to work for the Council. The talent pool will be the first place that neutral vendors would source agency workers from. Some London Boroughs are successfully using talent pools as a social value vehicle (Camden; Barnet, Barking and Dagenham, and Haringey). Hackney Works are encouraging local people to join the talent pool so they can be considered for jobs. There is a potential opportunity for Lewisham Works to use the talent pool in the same way.

13.2 The Council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that, where appropriate, contractors and subcontractors engaged by the Council to provide works or services within Lewisham pay their staff at a minimum rate equivalent to the LLW rate. The successful provider will be expected to meet LLW requirements and contract conditions requiring the payment of LLW will be included in the service specification and contract documents.

13.3 The incorporation of Social Value into Lewisham contracts will significantly help the Council to deliver on its strategic corporate and Mayoral priorities and deliver added value for the borough as a whole.

14. Background papers

14.1 Contract Extension paper March 2021



Reed Provision of
Temporary Agency S

15. Glossary

Term	Definition
LLW	London Living Wage
MSP	Managed Service Provider
MV	Master Vendor
NV	Neutral Vendor
LCC	London Collaboration Contracts

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16. Report author(s) and contact

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