



Mayor and Cabinet

Permission to Award Contract for Agency Managed Service Provider

Date: 8 February 2023

Key decision: Yes

Class: Part 1

Ward(s) affected: N/A

Contributors: Head of Learning, Talent and Resourcing; Director of People and Organisation Development; Senior Lawyer and Head of Financial Services Partner

Timeline and Engagement

14 September 2022	M&C approves procurement approach for the Agency Managed Service Provider via direct award using the London Collaboration Contracts (LCC) for either a master or neutral vendor under the ESPO MSTAR 3 Framework Agreement.
October-November 2022	Carried out survey of frequent hiring managers and consulted with DMTs in order to hone specification and criteria for tender evaluation of Master and Neutral vendors.
November 2022	Specification and criteria finalised and shared with vendors in advance of procurement presentations.
5 January 2023	Vendor presentations to group of key stakeholders including Executive Directors, Heads of Service and key end users.
16 January 2023	Evaluation of presentations collated and preferred supplier/vendor identified and agreed by panel.

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Outline and recommendations

Mayor and Cabinet are recommended to award a contract to the following provider as set out below to deliver Lewisham Council's Managed Service Provider (MSP) for agency workers:

- 1) This report recommends that Matrix SCM Ltd are awarded the contract to deliver a MSP for the provision of agency workers as required by the Council.
- 2) This will be a direct award via the London Councils Collaboration contract. The annual estimated value of the contract is £23.7m. The contract term is proposed as a two-year contract from 1 July 2023 to 30 June 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.

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1. Summary

- 1.1 The report outlines the procurement exercise undertaken to find a suitable Managed Service Provider (MSP) to deliver the provision of agency workers as required on an ad-hoc basis by the Council according to demand.
- 1.2 The Council currently has a MSP delivered via Eastern Shires Purchasing Organisation, Managed Services for Temporary Agency Resource (known as the ESPO MSTAR3 framework). This framework agreement was commissioned by the Local Government Professional Services Group and allows access by organisations within the Public Sector. The Council's current contract on this framework ends on 31 March 2023.
- 1.3 The London Collaboration Contract (LCC) is a MSTAR framework delivered alongside the ESPO MSTAR 3 framework. Set up in 2011, with the London Borough of Havering acting as the lead authority, this framework provides at least 10% costs savings vs. going directly through the ESPO MSTAR3 framework. There are two suppliers in the LCC Framework, Lot 1A Neutral Vendor and Lot 1B Master Vendor.
- 1.4 The Council's existing MSP contract is due to expire on 31 March 2023. Permission to procure this service via a direct award using the LCC framework was agreed by Mayor and Cabinet on 14 September 2022.
- 1.5 A three month mobilisation period will be put in place to ensure a smooth transition to the new supplier.
- 1.6 Officers have undertaken a full review of the current provision to develop proposals to better meet the Council's need for the provision of agency workers.
- 1.7 This report summarises the work undertaken and procurement approach implemented to recommend the contract award.

2. Recommendations

- 2.1 It is recommended that the Mayor and Cabinet:
 - 1) Authorise officers to award a contract to Matrix SCM Ltd to deliver the provision of agency workers as required via a MSP. The annual estimated value of the contract is £23.7m. The contract term will be for an initial period of two years from 1 July 2023 to 30 June 2025, with the option to extend for a further two years at the Council's discretion.
 - 2) Approves the total budget for the scheme, details of which are contained within Part 2 of the report.
 - 3) Approve an interim extension to the existing contract held by REED, to ensure a smooth mobilisation from the incumbent to the new supplier. The extension will be from 1 April 2023 for a period of 6 months with a break from the 30 June allowing a notice period of one month for the remaining 3 months.

3. Policy Context

- 3.1 The proposed award of the contracts detailed in this report aligns with the Council's Corporate Priorities set out in the Lewisham's "Corporate Strategy 2022-2026" as follows:
 - **A strong local economy** - We will actively work to attract jobs and businesses to Lewisham, building on the success of Lewisham Works and creating more spaces for pop-up stores and markets in shops that are temporarily empty. We will continue to work with businesses across the borough, encouraging them to

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become London Living Wage employers.

- **Cleaner and greener** – the contract will deliver local jobs for local people which should reduce the amount of travel outside the borough
- **Health and Wellbeing** – the contract will allow residents to access a range of quality employment opportunities. All temporary workers engaged through this contract will be paid at least the London Living Wage, currently £11.95 per hour. Officers in the People and Organisation Development Service will work with the MSP to ensure that all temporary workers are fully aware of and benefit from their rights to fair and equal treatment, including pay parity, access to internal job vacancies, and paid annual leave. The MSP have committed to engaging local SMEs in their supply chain and to a social value offering of careers advice, group employability workshops, staff volunteering days and setting up a local talent pool.

4. Background

- 4.1 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. The Council is determined to ensure a reduction in agency numbers and spend. The LCC savings of around 10% compared to the EPSO MSTAR3 contract will contribute to this objective.
- 4.2 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. They also give the Council the ability to flexibly scale resources up and down as required e.g. waste management services.

5. Procurement Arrangements

- 5.1 The procurement followed the process outlined in the London Collaboration Contract (LCC) framework.
- 5.2 The LCC is a Managed Services for Temporary Agency Resource (MSTAR) contract delivered alongside Eastern Shires Purchasing Organisation (ESPO), with the London Borough of Havering acting as the lead authority. A 'mini procurement process' was carried out in 2011, under the ESPO framework agreement that would create a further contract (the LCC) which all London Boroughs, including Lewisham Council, could sign up to, if they wished, when their individual managed supplier contracts finished with their existing providers. When the LCC was first launched, because so many boroughs were involved, it allowed the boroughs to leverage greater economies of scale. By pulling together the collective spending power of the London Boroughs (14 in 2011, but as at January 2023, 22 Boroughs are signed up), the LCC were able to achieve savings of around 10% compared to the ESPO MSTAR3 framework.
- 5.3 One of the key benefits of the LCC is there is no need for a procurement process. There are two providers on the contract: one for Lot 1A (Neutral Vendor) and one for Lot 1B (Master Vendor). Both providers on the framework have already been fully vetted for financial stability and have track records of technical and professional excellence.
- 5.4 Under the LCC, the Council can directly appoint one of the two pre-selected suppliers.
- 5.5 Officers carried out a survey of managers who frequently engage agency workers and consulted with Directorate Management Teams (DMTs) to hone specification and

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criteria for further evaluation of the Master and Neutral vendors on the LCC framework.

- 5.6 Following an analysis of the survey, the specification and a set of essential criteria were developed that represented the “10 must haves” as cited by hiring managers (see Appendix 1).
- 5.7 A comparison of the costings for both neutral and master vendor options was undertaken based on the agency worker hours per job family undertaken in the last financial year, details of which are outlined in Part 2 of the report.

6. Synopsis and evaluation of the presentations

6.1 The two vendors representing Lot 1A and 1B were provided with the specification and invited to present their service offers on 5 January 2023 before a group of key stakeholders including Executive Directors, Heads of Service and key end users. Each provider attended for an hour, consisting of 45 minutes for presentation followed by 15 minutes Q&A with the panel. Each provided:

- An overview of their provider model and its benefits
- Their proposed account management and service delivery structure and on/off-site model
- A description of their implementation process with specifics on their process with incumbent suppliers and temporary workers
- Information of how they source workers in all categories and hard to fill / niche skills
- Any unique additional offering that in their experience adds value to the council

6.2 Each presentation was evaluated for quality against the “must haves” criteria and each element scored in the following way: Met (M), Part Met (PM), Not Met (NM). The preferred supplier/vendor was identified and agreed by the panel. Out of the 11 raters, 10 chose Lot 1A, the Neutral Vendor model, for which Matrix SCM Ltd is the supplier under the LCC framework.

6.3 Full synopsis can be found in section 6 of Part 2 report

6.4 A credit check was run on Matrix SCM Ltd by the Council’s Procurement team in January 2023, which demonstrated the company was considered low risk.

7. Financial implications

7.1 This report seeks approval to award a contract to Matrix SCM Ltd for the provision of a Neutral Vendor agency staff provider service. The contract is for an initial 2 years from July 2023 with an option to extend for a further 2 years.

7.2 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-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 when this is not possible.

7.3 The average expenditure on agency staff over the past five years is approx. £23.7m however the annual amount has fallen in recent years and the council spent £22.7m on agency staff under the current REED 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. These amounts include the payment to the agency worker themselves and the oncost charged by the agency. A comparison of the

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element charged by the agency under the new contract with Matrix compared to the existing contract with REED indicates that across a range of types of agency worker the oncost charged will be less overall.

7.4 Credit safe report is set out in section 15.1 in Part 2 report.

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 agency managed service provider contract provides services for temporary workers to the Council. The service is required to abide by equality legislation.

9.2 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.

9.3 The Council's Equalities objectives are addressed in the contract documentation and were part of the tender evaluation criteria.

10. Climate change and environmental implications

10.1 There are no environmental implications.

11. Crime and disorder implications

11.1 There are no crime and disorder implications.

12. Health and wellbeing implications

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12.1 There are no specific health and wellbeing implications.

13. Social Value

13.1 The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the wellbeing of the local area can be secured.

13.2 Using Matrix SCM Ltd 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 enables maximisation of existing bank staff as first option for resourcing temporary requirements. 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.

13.3 Matrix offers the following as part of their social value offering:

- Careers advice
- Group employability workshops
- Staff volunteering days
- 10x30 mins One to One CV writing and Interview Practice (bi-annually) for anyone the Council identifies, including staff at risk of redundancy, apprentices coming to the end of their placement, job seekers or hard to reach people within the community.

Specific commitments will be discussed at the initial start-up meeting.

13.4 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. Successful contractors will be expected to meet LLW requirements and contract conditions requiring the payment of LLW will be included in the tender documents.

13.5 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. Contract Management

14.1 In accordance with the Council's contract management framework this contract is a tier 1 contract. Contract Management meetings will be held on a monthly basis and the key performance indicators (KPIs) on the contract management dashboard will be monitored and reported on accordingly.

15. Background papers

15.1 Permission to Procure Report for Mayor and Cabinet



Approval to Procure
MC - Temp Agency F

16. Glossary

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

17. Report author and contact

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17.3 Nick Penny – Head of Service, Finance Nick.Penny@lewisham.gov.uk

17.4 **Comments for and on behalf of the Director of Law, Governance and HR**

17.5 Mia Agnew – Senior Lawyer Mia.Agnew@lewisham.gov.uk

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Appendix 1

Officers carried out a survey of frequent hiring managers and consulted with Directorate Management Teams in order to hone the specification and criteria for tender evaluation. This was distilled into a list of Top 10 'must haves' as required by managers (in no particular order)

1. Dedicated support team to search for candidates, book interviews etc
2. Immediate access to a wide choice of agency workers
3. Streamlined, easy processes (no duplication of effort)
4. Ability to go directly to individual agencies with managers self-servicing
5. Service consistency and standardisation including management information
6. Simple communication channels
7. The Council having control through a single point of contact
8. Ability to provide good quality candidates quickly taking into account service needs
9. Ability to immediately access agency workers in niche areas from a pool of specialist agencies
10. Talent pool from which to source (local) candidates

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