

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Cabinet

**Date:** 11/10/2021

**Subject:** Procurement strategy for the provision of the agency, interim and temporary workers contract

**Report of:** Councillor Adam Connell, Cabinet Member for Public Services Reform

**Report author:** Lucy Robinson, Strategic Resourcing Lead

**Responsible Director:** Rhian Davies, Director of Resources

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### Summary

Following an assessment of the Council's future requirements, this report sets out the rationale for the proposed procurement strategy for the recruitment of agency staff. The proposed procurement strategy will ensure Hammersmith & Fulham (H&F) can continue to deliver high quality agency and interim workers by taking a cost-effective approach to agency staff recruitment which aligns with the Council's priorities.

The Council's current contract for the provision of agency workers with Pertemps expires on 30th June 2022.

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### Recommendations

1. To note that Appendix 2 is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).
  2. To approve the procurement strategy of procuring a contract for recruitment agency staff services via call-off through a mini-competition from the Eastern Shires Purchasing Organisations (ESPO) MSTAR3 framework agreement, Lot 1a Neutral Vendor. The proposed contract will be let for 2 years starting 1 July 2022 with an option to extend for up to 2 years (1+1), for a total value of £80m over 4 years.
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**Wards Affected:** All

<b>Our Values</b>	<b>Summary of how this report aligns to the H&amp;F Values</b>
Building shared prosperity	Working with local SMEs, local jobs for local people, supporting returners to work, youth unemployment and supporting the Council's vision.
Creating a compassionate council	All suppliers will be required to align with the Council's objectives and policies. All recruitment will be based on equal, fair treatment to all candidates.
Doing things with local residents, not to them	All agency staff workers recruited by the winning bidder will participate in co-production activities (if applicable) and will have the residents at the core of their decision-making.
Being ruthlessly financially efficient	On the back of our recent successes in reducing agency spend to continue to focus on further reductions and efficiencies which underpin the Council's current agency reduction programme.
Taking pride in H&F	All agency staff workers recruited by the winning bidder will take part in delivering the Council's vision.
Rising to the challenge of the climate and ecological emergency	All bidders under the framework will be required to demonstrate how they can support H&F in rising to the challenge of the climate and ecological emergency. Providers will be required to prove what actions they are taking to reduce their carbon emissions, how they would promote local employment to reduce the carbon emission generated by transportation and how they can assure the staff they recommend to H&F will use a sustainable transportation method. The provider will also be required to show how they train their workers and agency staff in sustainability.

**Financial Impact**

This last year, we were able to successfully deliver a significant reduction in agency spend, the details of which are below. The success of the initiative was in part a

result of working closely with the agency provider and our hiring managers. Expenditure on agency spend is managed and monitored by services within their staffing budgets. This includes ensuring there is adequate budget provision in place alongside mechanisms to ensure that agency staff are assigned in accordance with guidance and local policies to ensure parity alongside cost effectiveness.

Between 2017/18 and 2019/20, expenditure rose through the Pertemps contract. To reduce this level of expenditure a working group was set up and an ambitious target was set to reduce monthly spend by 50%. H&F, in partnership with Pertemps ended the 2020/21 financial year with a total spend of £17.5m and for the 2021/22 financial year, the Council is forecast to spend £12.5m which represents a 50% reduction on monthly spend in comparison to the highest points in the 2019/20 financial year.

The table below summarises the total agency spend via Pertemps across the Council from 2017/18 to 2020/21:

Financial year	Spend
2017/18	£17m
2018/19	£22m
2019/20	£23.5m
2020/21	£17.5m

Based on the last 4 years, it is estimated that a 2-year contract with an option to extend for a further 2 years (1+1) would be worth up to a maximum value of £80m.

For reference, a breakdown of the current margin payable to Pertemps currently for different roles is listed below:

Pay Band (per hour)	Contracted Margin								
	Admin & Clerical	Facilities & Enviro Services	Financial	Housing & Planning	HR	IT	Legal	Social Care Qualified	Social Care Unqualified
≤ £8	£0.59	£0.90	£1.05	£0.65	£1.05	£1.25	£1.05	£1.85	£0.80
£8.01 - £10	£0.59	£0.90	£1.05	£0.65	£1.05	£1.25	£1.05	£1.85	£1.00
£10.01 - £11.00	£0.59	£0.90	£1.05	£1.35	£1.05	£1.25	£1.05	£1.85	£1.00
£11.01 - £12.00	£0.59	£0.90	£1.05	£1.35	£1.05	£1.25	£1.05	£1.85	£1.30
£12.01 - £15.00	£0.64	£0.90	£1.05	£1.35	£1.05	£1.25	£1.05	£1.85	£1.30
£15.01 - £20.00	£0.65	£1.20	£1.75	£1.95	£1.40	£1.75	£1.30	£2.80	£1.50
£20.01 - £25.00	£0.65	£1.65	£1.75	£2.20	£1.80	£1.75	£1.30	£2.80	£1.50
£25.01 - £35.00	£0.65	£1.95	£2.20	£2.20	£2.00	£2.50	£2.50	£2.80	£1.50
> £35	£0.65	£1.95	£3.00	£2.20	£2.00	£3.00	£3.00	£3.00	£1.50

## **Legal Implications**

This report recommends a Procurement Strategy for the provision of the agency, interim and temporary workers contract by calling off under the Eastern Shires Purchasing Organisation ('ESPO') Framework Lot 1a. The length of the contract will be 2 years with an option to extend for another 1 + 1 years.

The estimated value of the Call-Off contract is £80m over 4 years. The procurement of these services must comply with Part 2 of the Public Contracts Regulations 2015 (PCRs). Calling-off under a valid framework satisfies the requirements of Part 2. The ESPO Framework Lot 1a is for Administrative, HR and Business Support. It expires on 2<sup>nd</sup> July 2022. Use of the Framework is conditional on signing an Access Agreement. The Call-Off procedure requires a direct award or further competition. This report recommends further competition in the form of a mini competition. The evaluation criteria set by the Framework is 50:50 price to quality although there is scope to vary it. Appendix 1 - The Framework sets out a set of pre-agreed terms and conditions.

Under Contract Standing Orders (CSOs), the Call-Off is a high value contract. Use of a Framework which is compliant with the PCRs is one of the permitted types of procurement procedures for High Value Contracts.

As the procurement strategy concerns a contract with estimate value in excess of £300,000, it is a Key Decision (see Article 12 of the Constitution) and the report must be submitted to Committee Services for publication on the Council's website (CSO 18.2).

The Council is also under an obligation under the Public Services (Social Value) Act 2012 to consider how the letting of services contracts can benefit the social, economic and environmental well-being of their area. These are factors which will be considered and built into the contract and procurement documents. The Council has adopted a Social Value policy which applies to all its contracts above £100,000. It requires that suppliers provide at least 10% social value in their contracts.

The Cabinet is the decision maker for the Procurement Strategy.

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## **Background Papers Used in Preparing This Report**

None

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## **DETAILED ANALYSIS**

### **Reasons for Decision**

1. The Council's current contract for the provision of agency workers with Pertemps expires on 30th June 2022. There is a need to renew the services to ensure best value for money and to keep up with market developments (eg. the ability to work from home means a larger area of reach for recruitment). There is no option for extension under the current contract.
2. The proposed procurement strategy will enable H&F to award a contract for the recruitment of agency staff services to enable the Council to continue to deliver high quality agency and interim workers by taking a cost-effective approach to agency staff recruitment which aligns with the Council's priorities.
3. The proposal is to run a mini competition with suppliers through the ESPO (Eastern Shires Purchasing Organisation) MSTAR3 Lot 1a. The ESPO MSTAR3 Framework provides a simple but competitive route to procure a new provider for Agency Workers. All suppliers on the Framework are preselected by ESPO as being capable of providing a comprehensive range of services that incorporates both quality and value for money.

### **Contract Specifications Summary**

4. The contract will be let to deliver the following:

- To supply and manage the effective provision of temporary agency workers across H&F for the duration of the contract
- The MSTAR3 customer agreement sets out contract specifications with the option for additional modular build services in line with H&F specification
- Maintain as much stability as possible
- Provide for service managers to continue to utilise a known, embedded agency worker recruitment, management and payment system that is accessible and easy to use
- A well-known, well used and experienced provider that can prove a good track record in working well with local authorities
- Value for money
- Sustainability
- The contract will be let for 2 years with the option to extend for a further 2 (1+1) years.

### Procurement Route Analysis of Options

5. The below table sets out the strategy options available for the procurement of the provision of agency, interim and temporary workers contract.

<b>Procurement of agency workers</b>			
<b>Procedure</b>	<b>Summary</b>	<b>Advantages</b>	<b>Disadvantages</b>
Competitive procurement with negotiation (CPN)	Three stage tender that allows for negotiations between the Council and bidders. Negotiations would be based on first submissions. The first stage would allow the Council to shortlist suppliers that meet minimum standards and invite only shortlisted suppliers to bid and negotiate.	Allows for negotiation with bidders and tests the entire market	The procedure itself is quite lengthy; can take up to 12-18 months to finalise (including governance)
Call-off from ESPO - Managed Services for Temporary Agency Resources (MSTAR3)	ESPO Managed Services for Temporary Agency Resources allows for both direct award and mini competition. Only the mini competition option has been explored at this stage.	• 21 suppliers across multiple lots on the framework – implies a competitive process so incentive from bidders to deliver high quality bids and	Shop like approach - no negotiation will be permitted

		<p>competitive prices</p> <ul style="list-style-type: none"> <li>• mini competition is quite quick in terms of timelines (with governance can be done within 6-9 months)</li> <li>• Prices cannot be higher than the ones quoted to get on the framework</li> </ul>	
<p>Call-off from YPO - Managing Temporary and Permanent Recruitment - 942</p>	<p>YPO - Managing Temporary and Permanent Recruitment - 942 (lot 1) allows for both direct award and mini competition. Only the mini competition option has been explored at this stage.</p>	<ul style="list-style-type: none"> <li>• 15 suppliers on the framework - competitive so incentive to deliver high quality bids and competitive prices</li> <li>• mini competition is quite quick in terms of timelines (with governance can be done within 6-9 months)</li> <li>• Prices cannot be higher than the ones quoted to get on the framework</li> </ul>	<p>Shop like approach - no negotiation will be permitted</p>
<p>Call-Off from</p>	<p>This is in effect a call-off under</p>	<p>Direct award;</p>	<ul style="list-style-type: none"> <li>• Not testing</li> </ul>

Pan London Collaboration	MSTAR 3 (ESPO). The contract was awarded to Adecco for Master vendor and to Matrix for Neutral vendor. Currently the H&F contract with Pertemps is for Neutral vendor. This option would only allow for a direct award to Matrix.	quick process	the market • The procurement ran was not based on H&F specifications but broader specifications. While prices are cheaper, it is not necessarily best fit for H&F
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### **Option 1 Competitive procurement with negotiation**

This option would allow the Council to drive innovation and possibly better prices, however the option would require significant dedicated resource to run the procurement exercise. There would also be significant additional costs associated with this option because the Council would be required to develop its own due diligence and manage the full end to end process in-house.

### **Option 2 Apply an existing framework and run a further competition**

There are several frameworks available as set out in the table above. These frameworks accommodate numerous suppliers who would manage the competitive aspect of the procurement negotiation process on our behalf. The Council would determine its own weighting on the technical offer and price, enabling a more bespoke approach in line with H&F needs.

### **Option 3 Direct award from the London Collaboration Framework**

To directly award to either Matrix as a neutral vend or Adecco through the London pan-collaboration framework via MSTAR3. The London pan-collaboration framework has been procured through pooling spend across London boroughs enabling the two suppliers, Matrix and Adecco, to offer significant cost savings. Adecco are a master vend which would result in higher cost to H&F and therefore it is not deemed to be a viable option for H&F. Another disadvantage of this option is that the Council would not be able to determine its own weighting on the technical offer and price, which may not align with its objectives for social value.

6. Following the success the Council has had in reducing agency spend, enhancing our social value offer and the development of business intelligence to provide robust datasets for the purposes of regular reporting on a number of key areas including equality, diversity and inclusion, Officers are recommending Option 2 – to run a mini competition from ESPO (Eastern Shires Purchasing



Organisation) or YPO (Yorkshire Purchasing Organisation) for the reasons set out above.

7. The two frameworks referred to above are similar in terms of the call off conditions, however YPO includes the option for both neutral and master vend. MSTAR3 has two separate lots one for neutral and one for master vend, given the additional costs accrued with Master vend suppliers and that the current contract is neutral vend, the preferred route would be through ESPO Lot 1a.
8. The Eastern Shires Purchasing Organisation (ESPO) is a recognised consortium set up to tender for National frameworks that are accessible to local authorities and public sector bodies. This framework is compliant with UK/EU procurement legislation and allows the use of direct awards.
9. This is the third in a series of successful frameworks, (Mstar1, Mstar2 and now Mstar3) further demonstrating ESPO's proven experience, market knowledge and procurement know-how in the temporary/interim staffing market. The market has recently been tested with the Mstar3 framework in until 10 April 2023.
10. Under Mstar3 Lot1a, there are 10 suppliers (Appendix 2 page 10). All suppliers were assessed during the procurement process for their financial stability, track record, experience, technical and professional ability. Suppliers are not ranked under the framework. The delivery model under Lot1a is Neutral Vendor i.e. where the supplier manages a chain of agencies but may also supply temporary agency workers where this is done through a subsidiary company.
11. The further competition allows us to reopen competition under the framework and secure formal quotations from some or all the service providers in Lot 1a tailored to our precise requirements.

### **Market Analysis, Local Economy and Social Value**

12. There are no local suppliers who can provide the services. There is a large market for these services, but we are proposing to use the ESPO framework as all major players are on the framework and have been pre-assessed. All bidders will be required to deliver 10% of the value of the contract in Social Value and Social Value will be scored at 20% of the total quality criteria.
13. Through Social Value, the awarded contractor will be able to support local residents into employment as part of the Council's wider employment and skills objectives. The contractor will have the opportunity to engage through Council led community events including our annual apprenticeship week job fair and contribute to our local provider network activities where local partners are

supporting residents who are looking for jobs. This will increase the level of local residents accessing temporary jobs within the Council and more widely other job opportunities that the awarded contractor has access to outside of the borough.

14. The contract will require the supplier to operate as a 'neutral vendor' and provide local SME suppliers with an opportunity to supply agency workers to the Council.

### Timetable

Key Decision Entry (Strategy)	10/06/2021
Contracts Assurance Board (CAB)(Strategy)	04/08/2021
Member approval	05/08/2021
Political cabinet	06/09/2021
Cabinet Sign off (Strategy)	11/10/2021
Find a Tender Service Notice	18/10/2021
Closing date for clarifications	12/11/2021
Closing date for submissions	22/11/2021
Evaluation of Tenders	22/11/2021-03/12/2021
Key Decision Entry (Award)	1/11/2021
CAB (Award)	15/12/2021
Cabinet Member Decision (Award)	By 17/12/2021
Notification to award	By 23/12/2021
Contract engrossment	10/01/2022
Contract mobilisation and implementation	1/02/2022
Contract Commencement date	1 July 2022

### Selection and Award Criteria

15. The contract will be awarded based on the most advantageous tenderer, on a 50%-50% split between price and quality. The price will include implementation costs. No uplifts will be applied to the contract during the lifetime of the contract.

### Quality assessment:

Quality sub-criteria	Award weighting
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Ordering systems and platforms – compatibility, simplicity and accessible with options to enhance	10%
Customer service and contact points, service delivery and procedures & processes in support of service delivery	10%
Monitoring, reporting and management information	10%
Equality, diversity and inclusion including accessibility	10%
Sustainable, working to zero carbon	5%
Digital and mobile enabled services Innovation / continuous service development	10%
Implementation and marketing the service	10%
Market and supply chain intelligence	10%
Wellbeing and health and safety	5%
Social value	20%

## Contract Management

16. The following KPIs will be used to monitor the contract performance.

Standard assignment fill rate	Minimum 98%
Hard to fill assignment fill rate	Minimum 85%
Customer satisfaction	Minimum 90%
Urgency of assignment request Temp agency worker required to commence an assignment	Timescales Assignment fulfilment timescales from the service provider
Within 4 hours	Within 30 minutes
Within 24 hours	Within 1 hour
Within 2-3 days	Within 4 hours

Within 4-7 days	Within 48 hours
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Appendix 1 outlines the pre-agreed conditions to the contract and provides assurance that will enable us to robustly manage the performance of the contract. The pre-agreed conditions provide full details of remedial action that the Council can take in the form of dispute resolution should there be any concerns relating to under-performance of the standards specified.

### **Equality Implications**

17. It is not anticipated that there are any adverse equality impacts arising from this procurement strategy.
18. Through the tender specification and the evaluation process, prospective suppliers will be required to demonstrate, how they will promote equalities and support customers in meeting their equality targets and how they will manage the service in a way that ensures the customers' priorities on equalities are met.
19. The Agency Worker Regulations (effective from 1 October 2011 i.e. contract commencement) are intended to ensure that there is appropriate protection of temporary agency workers through the application of the principle of equal treatment, including pay. The supplier will be required to provide Management Information reports on agency workers' pay, which will be monitored to ensure compliance with Agency Worker Regulations.

### **Risk Management Implications**

20. The report recommends using an existing framework with a mini competition to be run to appoint a suitable neutral vendor operator. The contract is required to ensure continuity of service for residents in a number of key areas and undertaking a mini competition under the framework both protects against the risk of procurement challenge and is in line with the council objective of being ruthlessly financially efficient.

Implications completed by David Hughes, Director of Audit, Fraud, Risk and Insurance, Telephone: 07817 507 695

### **Climate and Ecological Emergency Implications**

21. All bidders under the framework will be required to demonstrate how they can support H&F in rising to the challenge of the climate and ecological emergency.

Providers will be required to prove what actions they are taking to reduce their carbon emission, how they would promote local employment to reduce the carbon emission generated by transportation and how they can assure the staff they recommend to H&F will use a sustainable transportation method. The provider will also be required to show how they train their workers and agency staff in sustainability.

Implications verified by: Hinesh Mehta, Strategic Lead - Climate Emergency, telephone: 07960 470 125

### **Local Economy and Social Value Implications**

22. This strategy is seeking approval to re-procure the recruitment of agency staff service through ESPO framework in view of the expiry date of the current provision. The Social Value assessment will be scored at 10% of the overall score, which is in line with the Social Value Strategy.
23. The strategy highlights opportunities for the winning bidder to link the Social Value element to support current challenges of the Council's Employment and Skills objectives.
24. Bidders will be required to register on the Social Value Portal to enter their social value quantitative responses. The successful bidder is responsible for paying the Social Value Portal Management Fee for the term of the contract.
25. It is recommended that contract managers will work with the Council's Social Value Officer to ensure commitments are being effectively monitored and delivered. The final contract should contain appropriate social value clauses so that the Council can enforce its right to compensation if social value commitments are not delivered.

Implications completed by: *Ilaria Agueci, Social Value Officer, tel. 0777 667 2878*

### **List of Appendices**

- Appendix 1 – MSTAR3 framework term and conditions
- Exempt Appendix 2 – MSTAR3 pricing and lot breakdown