

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Cabinet Member Decision

**Date:** 25/05/2022

**Subject:** Award for the provision of the agency, interim and temporary workers

**Report of:** Cllr Rowan Ree, Cabinet Member for Finance and Reform

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

**Responsible Director:** David Tatlow, Interim Director of Resources

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### SUMMARY

Following the approval of the procurement strategy for the further competition of the provision of the agency, interim and temporary workers contract via the Eastern Shires Purchasing Organisations (ESPO) MSTAR3 Lot1a Neutral vend framework, this report sets out the rationale for the award to Pertemps Limited for the contract, for an initial period of 2 years (up to a maximum value of £40m) with an option to extend for a further 2 years (with a further maximum value of £40m).

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

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### RECOMMENDATIONS

1. To approve the award of a contract for 2 years starting 1 July 2022 with an option to extend for up to 2 years, not exceeding a total value of £80m over 4 years to Pertemps Limited for the provision of the agency, interim and temporary workers.
2. £80m is the maximum value of the contract award based on the last 4 years spend as specified in the strategy report. However, during the financial year 2021/22 the Council spent £11m on agency staff, achieving the 50% reduction target set in 2020. This contract will use the enhanced services and competitive rates to monitor and make cost savings and therefore the sum, over the 4-year contract period is likely to be substantially less than £80m.
3. To note that **Appendix 2 and Appendix 3** are not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that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).

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**Wards Affected:** All

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<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	The supplier will 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 supplier will participate in co-production activities (if applicable) and will have the residents at the core of their decision-making.
Being ruthlessly financially efficient	Reducing agency spend and underpinning the Council's current agency reduction programme.
Taking pride in H&F	All agency staff workers recruited by the supplier will take part in delivering the Council's vision.
Rising to the challenge of the climate and ecological emergency	Under the framework the supplier will be required to demonstrate how they support H&F in rising to the challenge of the climate and ecological emergency. The supplier will be required to prove what actions they are taking to reduce their carbon emissions, how they 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 supplier will also demonstrate how they train their workers and agency staff in sustainability.

## Financial Impact

Expenditure on agency spend is managed and monitored by services within their overall staffing budget envelopes, with corporate oversight provided through quarterly corporate performance reporting. Services are expected to ensure that there is adequate budget provision in place and providing mitigating actions so that costs are kept within control.

Between 2017/18 and 2019/20, expenditure on agency staff rose to £23.5m. To reduce this level of expenditure the Council set up an ambitious target to reduce spend by 50%.

At the end of the 2020/21 financial year H&F had reduced the spend to £17.5m and at the end of 2021/22 financial year, delivered a total reduction of 50% over the two-year period.

The table below summarises the total agency spend across the Council from 2017/18 to 2021/22:

Financial year	Spend
2017/18	£17m
2018/19	£22m
2019/20	£23.5m
2020/21	£17.5m
2021/22	£11m

The value of the contract has been based on the total expenditure over 2017/18 to 2020/21. It is estimated that a 2-year contract with an option to extend for a further 2 years would be worth up to a maximum value of £80m. However, this value is at the maximum estimated level and given the significant reduction in agency costs over the last 2 financial years, it is not anticipated the council will incur the maximum value over the length of the contract.

No additional contract implementation costs are required.

*Andre Mark, Head of Finance, 27<sup>th</sup> April 2022*

*Emily Hill, Director of Finance dated 4 May 2022*

## Legal Implications

This report recommends awarding a contract for the provision of the agency, interim and temporary workers to Pertemps Limited (the current providers) over a potential 4-year period for up to a maximum of £80m. The value of the contract is over the threshold at which a full procurement is required under Part 2 of Public Contracts Regulations 2015 ('PCR'). Carrying out further competition under a valid framework

satisfies this requirement. In this instance, the Council carried out further competition under the ESPO MSTAR3 Lot 1a Neutral Vendor Framework. Pertemps Limited scored the highest. The decision maker must be satisfied that Pertemps' tender is the most economically advantageous.

The recommended quality price ratio in the Contract Standing Orders is 60:40 quality to price. The weighting adopted in the further competition was 50:50. This deviation must be justified in this report.

The decision to approve the award 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. The award decision cannot be implemented without the expiry of the call-in period for that decision and expiry of the Standstill Period. The Contract should be drafted and sealed by Legal Services.

The appropriate decision maker is the relevant Cabinet Member. An electronic copy of the completed (dated) Contract must be uploaded to the Contracts Register along with a copy of the award report. As soon as possible after the contract has been awarded the Council must send a contract award notice to the Find a Tender Service. In accordance with the PCR this must be done within 30 days.

*Angela Hogan, Chief Solicitor (Contracts and Procurement) 26<sup>th</sup> April 2022*

## **DETAILED ANALYSIS**

### **Proposals and Analysis of Options**

1. The Council's current contract for the provision of agency workers with Pertemps Limited expires on 30th June 2022.
2. A procurement strategy was approved on 11 October 2021 for the services, to ensure both quality and best value for money.
3. The strategy proposal was to run a mini competition with suppliers through the ESPO (Eastern Shires Purchasing Organisation) MSTAR3 Lot 1a.
4. 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 set out Appendix 1 – MSTAR 3 Core specification.
5. The tender has been subject to further competition through the Eastern Shires Purchasing Organisations (ESPO) MSTAR3 framework agreement, Lot 1a Neutral Vendor.

6. H&F set additional criteria to assess the quality of each submission through a range of different questions specific to the needs of the Council outlined in the table below:

Quality sub-criteria	Award weighting
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 (through the Social Value Portal)	20%

7. All responses received were evaluated by an officer panel against the criteria set out above and subject to moderation in arriving at the final scores.
8. Contract Standing Orders is 60:40 quality to price. The weighting adopted in the further competition was 50:50.
9. The tender evaluation weighting was varied from the standard CSOs 60:40 to 50:50 in the procurement strategy and applied to this procurement. This was because The MSTAR 3 Core specification - Appendix 1 provided reassurance that the assessment already undertaken by ESPO demonstrated suppliers' capability of providing a comprehensive range of services that incorporates both quality and value for money. The weighting of 50:50 for the further

competition was to ensure suppliers were assessed on price and quality equally against the H&F specification.

10. The price will include implementation costs. No uplifts will be applied to the contract during the lifetime of the contract.

## **Reasons for Decision**

11. The Council, in common with all local authorities, requires the potential to be able to engage a wide range of agency placements to cover vacant posts or for specific time-limited projects or roles where it does not have internal capacity or expertise. It is normal practice to use a neutral vendor provider through which suitable candidates can be sourced and engaged.
12. Working with the supplier has, particularly over the last two years, been highly collaborative as the council focusses on spend control in this area. The new contract and arrangements will continue and accelerate that collaboration to control spend whilst remaining adaptive to sudden changes in the labour market.
13. 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.
14. 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 was tested with the Mstar3 framework in place from 11 April 2019 to 10 April 2021 with an option to extend for a further 24 months until 10 April 2023.
15. Under MSTAR3 Lot1a, there are 10 suppliers. All suppliers were assessed during the procurement process for their financial stability, track record, experience, technical and professional ability.
16. 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
17. The MSTAR3 customer agreement Appendix 2 sets out contract specifications with the option for additional modular build services in line with H&F specification.
18. The Neutral vend will supply and manage the effective provision of temporary agency workers across H&F for the duration of the contract.

19. Through the tender Pertemps Limited have demonstrated good technical knowledge and provided value for money. Full technical and commercial evaluation can be found in Appendix 3.

### **Contract Specifications Summary**

20. 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 Appendix 2 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.

### **Equality Implications**

21. It is not anticipated that there are any adverse equality impacts arising from this contract award.
22. Through the tender specification and evaluation process, Pertemps Limited were required to demonstrate, how they will promote equalities and support H&F in meeting their equality targets and how they will manage the service in a way that ensures the priorities on equalities are met.
23. 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.
24. A completed Equality Impact Assessment can be found in Appendix 4

### **Risk Management Implication**

25. To deliver all services effectively for its residents the Council contracts with third parties and employs permanent staff. Where vacancies exist in key staffing roles, roles are difficult to recruit to or specific skills, expertise or additional capacity are required for time-limited projects, it is normal practice for councils to engage workers on a temporary basis via agencies.
26. By appointing a neutral vendor provider to source suitable candidates, the Council mitigates a number of risks including pre-engagement vetting/eligibility to work checks and ensuring that key posts (often in front line services) can be filled quickly to protect continuity of service. Carrying out a competitive process to appoint a third party to do this is in line with the Council objective of being ruthlessly financially efficient.

*David Hughes, Director of Audit, Fraud, Risk and Insurance, 25 April 2022*

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

27. Under the framework the supplier will be required to demonstrate how they support H&F in rising to the challenge of the climate and ecological emergency. The supplier will be required to prove what actions they are taking to reduce their carbon emissions, how they 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 supplier will also demonstrate how they train their workers and agency staff in sustainability.

*Hinesh Mehta, Strategic Lead – Climate Emergency, 27 April 2022*

### **Procurement Implications**

28. Ten members of the Framework were invited to bid but only two came forwards with bids. Those being Pertemps – who are in incumbent provider – and Matrix.
29. Neither bidder failed any question in terms of threshold, that is to say neither score lesser than a 2 in any section, a 0 or a 1 out of 5 being a mandatory exclusion (neither scored less than a 3 out of 5).
30. Both bidders provided the confirmations and assurances mandated in the tender documents.
31. Both bidders passed the mandated 10% social value threshold.
32. Both bidders were therefore taken through to detailed evaluation across: Technical and Social Value\*, and Commercial. \*The *Social Value Portal*. H&F's appointed partner supported the procurement through executing the social value elements of the procurement.



33. Pertemps Limited scored the highest in the technical evaluation, in lay terms this is to say that they had the superior solution / offer. Full technical and commercial evaluation can be found in Appendix 3.
34. Pertemps Limited also scored higher in the Commercial evaluation, in lay terms that is to say they were cheaper than Matrix. Full technical and commercial evaluation can be found in Appendix 3.

*The results of the evaluation process have been verified against the e-tendering system on David von Ackerman – Interim Head of Procurement 25/4/2022*

## **LIST OF APPENDICES**

- Appendix 1 - MSTAR 3 Core specification
- Appendix 2 – MSTAR 3 Customer Agreement
- Appendix 3 – Technical and commercial evaluation
- Appendix 4 - Equality Impact Assessment (EIA)