

Report of: Executive Member for Finance and Performance

Meeting of:	Date:	Ward(s):
Executive	2 September 2021	N/A

Delete as appropriate	Non-exempt
------------------------------	------------

**SUBJECT: Procurement Strategy for the Supply of Temporary Agency Workers to the London Borough of Islington****1. Synopsis**

- 1.1 This report seeks pre-tender approval for the procurement strategy in respect of the supply of temporary agency workers to the London Borough of Islington in accordance with Rule 2.7 of the Council's Procurement Rules.
- 1.2 The Council requires a contract for the supply of temporary agency workers to cover short-term vacancies, to provide additional capability where there are skills shortages in order to deliver responsive, effective services for residents.

2. Recommendations

- 2.1 To approve the procurement strategy to supply temporary agency workers via Lot 1 of the Managing Temporary and Permanent Recruitment Framework (Ref 942) provided by Yorkshire Purchasing Organisation (YPO), for a period of four years.
- 2.2 To delegate authority to award the contract to the Corporate Director of Resources in consultation with the Executive Member for Finance and Performance.

3. Background

- 3.1 This report recommends a strategy for the procurement of all categories of temporary agency workers across the Council. Temporary agency workers are used by Islington to provide short-

term resources to fill absences, vacancies and add capacity to deal with peaks in workflow. The contract will allow for interim staff (highly skilled professionals) who can enable the authority to fill skills gaps, work on fixed term projects and add an external perspective to the management of the organisation.

To ensure a high calibre of candidates and an effective process for sourcing, placing and managing these individuals, it is important for Islington to secure a service solution that can adapt to the changing needs of the business. The use of temporary resources is under ongoing scrutiny by the Policy and Performance Scrutiny Committee, examining annual spend, the reasons for using temporary resources and the measures taken to reduce spend and usage.

The current contract was for a maximum period of 48 months (36 months with the option to extend for 12 months). The current contract is due to expire in January 2022 and there is no provision for a further extension.

3.2 Estimated Value

For the current contract, the spend for the last two years was £23.8m for 2019/20 and £25.7m for 2020/21, however the costs for 2020/21 have been affected by increased agency usage to address COVID (e.g. £460K for agency staff to undertake lateral flow testing). Anticipated spend for the new agreement based on current spend is £25m per year (£100m over a four year period).

The procurement of a new contract will seek to generate savings for Islington. The aim will be to achieve this by finding more flexible ways of delivering the service and securing a service which is capable of delivering quality and consistency. Costs and fees for the provision of the service will be managed and controlled by Human Resources. The council will specify no temporary to permanent fees after 13 weeks and minimise temporary agency worker overtime to control costs.

The service needs to meet different types of supply dependent on hiring managers' needs, the nature of supply, the nature of the work and the required timeframe. It will take into account the technology and the optimum balance between costs and outcomes (i.e. quality of candidates) in order to provide a cost-effective service.

3.3 Timetable

The current contract is due to expire in January 2022. It is proposed that the future contract expiration date is the end of March, to align to the council's financial accounting period. The timetable below sets out the key milestones.

Executive approves the strategy	September 2021
Development of specification	July to August 2021
ITT issued	September 2021
Contract award	November 2021
Contract implementation/transition	November 2021 to January 2022

To achieve the best outcome, HR will consult with managers to identify specific business needs. Representatives from user departments across the Council will be

consulted on developing the specification, tender assessments and selection of the solution that best meet the needs of the organisation.

The YPO framework agreement also includes a lot that can be accessed by schools. Consultation with schools will take place to determine whether they wish to take advantage of this provision.

3.4 Options appraisal

It is proposed that a single provider is sought to meet the Council's requirements. The intention is to commission a flexible contract that combines the benefits of a single managed vendor with access to a wide range of workers sourced through the supply chains of generic, specialist and local agencies. The Council wants to ensure that the contract reflects commitments to equality and inclusion and our wider social value agenda.

The Council requires a tailored solution where providers propose a delivery model against our specification.

Options appraisal:

- Having no service is not a viable option as this would mean services would be unable to function in the absence of required resources.
- An internally managed service is ruled out. For the Council to set up its own service (including purchase of a relevant IT system, establishment of specialist supply chains, additional resource within Finance, a compliance team and a resource for direct sourcing) would be too expensive. The cost for this model is estimated at in excess of £300,000 staffing costs per annum, plus approximately £70,000 per annum for an appropriate IT system to run the process, which exceeds the cost of the service currently provided by Reed.
- Contract with each agency individually as opposed to having a managed vendor. This would be cost-prohibitive and inefficient in terms of contract management.
- There is no existing 'one size fits all' solution, with different models being more appropriate for different types of temporary workers. The Council has a different operating model to other boroughs due to more in-house services and our needs may not be met by a solution used by other councils.
- Across London boroughs different solutions are utilised. It is how the service is tailored and the contract managed that determines success.

The recommended option is to procure the service via Lot 1 of the Managing Temporary and Permanent Recruitment Framework Agreement (Ref 942) provided by Yorkshire Purchasing Organisation (YPO). Lot 1 – Managing Temporary Recruitment for Local Authorities.

This framework agreement will offer the best value for the following reasons:

- YPO offers a framework agreement of pre-assessed providers against a broad set of requirements, with a choice to carry out a further mini competition;
- Quick, simple, compliant route to market;

- The council is an associate member of the YPO. If the YPO is used as the procurement vehicle the council will receive a share of the profits, based on spend, from the YPO each year.

3.5 Key Considerations – References to social value and impact on staff

It is important that if a new provider is selected, the transfer must take place without any disruption to services. Careful planning for implementation, promoting continuity of service (including the transfer of workers to a new supplier should this be necessary) is required before a contract is awarded.

Transfer of Undertakings (protection of Employment) regulations 2006 ("TUPE") (as amended by The Collective Redundancies and Transfer of Undertakings (Protection of Employment) (Amendment) Regulations 2014) will apply to two staff of the current provider of this service to the Council.

Pay rates for temporary workers are within the control of the Council. Therefore our policy of paying at least the London Living Wage will apply. The provider will also be required to ensure that their employees are also paid at least the London Living Wage as one of the conditions of the contract.

Social value will be maximised in this contract via the framework agreement. In the award criteria social value will be allocated a weighting of 20%.

The council currently has an in-house job brokerage and employment support service, which recently expanded its reach to include an Islington Jobs Portal – Islington Working. This team has a track record of working with recruiting managers to support local recruitment to temporary roles, with case studies available on demand. Roles have been supported across a range of job profiles, with a focus on PO1 and below.

It is recommended that all bidding companies should be alerted that this service will be a required part of their supply chain, and be asked to consider this when answering the social value questions. This will create a positive impact on the number of residents securing employment through the appointed agency, particularly for the priority groups e.g. women; Black, Asian and minority ethnic; people with disabilities.

All jobs recruited through the agency must be advertised via the Islington Jobs Portal – Islington Working, to promote greater local recruitment.

It is noted that by providing this service, the Council will be acting in a sub-contractor role without the reward of the usual 'finders' fee', normally paid to sub-contractors. Currently, the iWork roles are core-funded.

There is potential that the Council's iWork service could be the first point of call for specific vacancies e.g. seasonal vacancies. This would allow the Council to coach and prepare a pipeline of applicants.

In addition, the appointed agency should be asked to track and share data (GDPR compliant) on progression of workers, to understand how local residents are progressing

through roles, to see if there are broad trends which the Council can design interventions around to enable residents to gain skills and better paid work.

In terms of additional Social Value, contractors and sub-contractors should be also be required to contribute to the Council's 100 Hours of the World of Work.

3.6 Evaluation

The framework agreement allows the option for either direct award or award by further competition. It is proposed that the 'further competition' route be undertaken to allow maximum benefit to the Council to maximise competition. The specification and tender documentation will be produced with departments across the Council including social value considerations as set out above.

A competition will be undertaken with the providers on the framework agreement. The framework agreement includes a broad array of suppliers, each of which may provide a somewhat different solution to meet our requirements. These solutions will then be reviewed to determine the best proposal for the Council's The framework agreement allows for a choice in the price/quality ratio.

It is proposed that the contract would be awarded to the Most Economically Advantageous Tender (MEAT), based on criteria of 60% quality and 40% cost.

Quality criteria will be :

- Proposed methodology delivery of the service (30%) comprising;
 - Service delivery model (10%)
 - Implementation (10%)
 - Information Technology (10%)
- Social value, equality, diversity and inclusion – 20%
- Contract Management -10%

3.7 Business Risks

A risk register will be agreed as part of the procurement. With such a large contract being used by managers across the Council, the implementation of the contract is a key consideration. Within the tender documentation appropriate questions will ensure the successful provider can effectively manage the transition. This will need to include an element of training for hiring managers to ensure they understand the new ways of working and how any new system will work.

3.8 The Employment Relations Act 1999 (Blacklist) Regulations 2010 explicitly prohibit the compilation, use, sale or supply of blacklists containing details of trade union members and their activities. Following a motion to full Council on 26 March 2013, all tenderers will be required to complete an anti-blacklisting declaration. Where an organisation is unable to declare that they have never blacklisted, they will be required to evidence that they have 'self-cleansed'. The Council will not award a contract to organisations found guilty of blacklisting unless they have demonstrated 'self-cleansing' and taken adequate measures to remedy past actions and prevent re-occurrences.

3.9 The following relevant information is required to be specifically approved by the Executive in accordance with rule 2.8 of the Procurement Rules:

Relevant information	Information/section in report
1 Nature of the service	Supply of temporary workers across the Council. See paragraph 3.1
2 Estimated value	The estimated value per annum is estimated at £25M based on current spend. The Council, however is committed to driving down agency spend. See paragraph 3.2
3 Timetable	The new contract will run from January 2022 to March 2025 with the option of a one year extension. It is proposed that the new contract is aligned to the financial accounting year. See paragraph 3.3
4 Options appraisal for tender procedure including consideration of collaboration opportunities.	A blended, customer-led option. See paragraph 3.4
5 Consideration of: Social benefit clauses; London Living Wage; Best value; TUPE, pensions and other staffing implications	Islington Council is committed to paying the London Living Wage. TUPE will apply See paragraph 3.5
6 Award criteria	Details contained within the report. See paragraph 3.6
7 Any business risks associated with entering the contract	Details contained within the report. See paragraph 3.7
8 Any other relevant financial, legal or other considerations.	

4. Implications

4.1 Financial implications:

The council's average spend on agency contract for the last two years was around £24.8m approx. which is only expected to increase in the current year due to on-going pandemic. As the existing contract is now coming to an end, the proposal for now is to seek a new long term contract with a single but flexible provider who can supply and fulfil the council's agency staff requirements across departments whilst ensuring adherence to the council's standard policy and practices being followed in terms of pay and equality.

The costs of agency staff will be funded by the hiring departments within the council however having a single provider of agency staff that can also be used by schools, means it will give the council more power to negotiate in terms of service provisions and delivery, which in turn will

help to cut down the costs overall within the organisation for example reduction in the mark-up of agency charges or through removal of fees from agency to permanent recruitments after a period of 13 weeks, will enable departments to make savings.

Since the council is an associate member of the proposed vendor, YPO, the council is also expected to gain from the share of the profits generated by the agency service provider. Thus it is anticipated the new contract will bring in efficiency and service delivery which will result in overall indirect savings across the council.

4.2 Legal Implications:

The council has the power under section 111 of the Local Government Act 1972 and section 1 of the Local Government (Contracts) Act 1997 to procure and award the recommended contract for four (4) years at an annual value of c£25m, a total contract value of c£100m.

The proposed contract is a contract for services. The threshold for application of the Public Contracts Regulations 2015/2020 (the Regulations) is currently £189,330.00 for service contracts. The council's Procurement Rules also require contracts over the value of £189,330.00 to be subject to competitive tender.

The proposed procurement strategy is to use the Managing Temporary and Permanent Recruitment Framework (Ref 942) established by the Yorkshire Procurement Organisation (YPO) on behalf of various organisations, including all local authorities. The YPO framework agreement was procured in compliance with the Regulations and OJEU advertisement. The duration of the framework agreement is from 6 January 2020 to 5 January 2023 with an option for YPO to extend the framework agreement for a further year. It is therefore available for use by the council as proposed in this report. A contract may be awarded in accordance with the provisions set out in the framework agreement after the proposed further competition amongst the framework suppliers for Lot 1.

In deciding whether to award the contract to the selected service provider the Corporate Director of Resources should be satisfied as to the competence of the supplier to provide the services and that the contract price represents value for money for the Council.

4.3 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030:

The contract to supply temporary agency workers to the council has some environmental impacts related to the office use and servers of the organisation the contract will be awarded to. These include energy, paper and water use and waste generation. Colleagues in the Energy services team will be engaged in the specification development to ensure this can be mitigated where possible.

4.4 Resident Impact Assessment:

Please retain this standard paragraph and add relevant text about specific impacts and mitigation below:

The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard

to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

A Resident Impact Assessment has not been completed because the report seeks pre-tender approval for the procurement strategy. If agreed, the 'further competition' route will be undertaken to allow maximum benefit to the Council to maximise competition. The specification and tender documentation will be produced with departments across the Council and an RIA will be undertaken as part of this and mitigations included in the specification and evaluation stage of the tendering process.

5. Reason for recommendations

- 5.1 The Council needs an agreement for the supply of temporary agency workers to meet the resourcing needs of the Council in a responsive way.

Lot 1 of the Managing Temporary and Permanent Recruitment Framework Agreement (Ref 942) provided by Yorkshire Purchasing Organisation (YPO) have been determined to offer value for money for the Council obtaining the service in a compliant and efficient manner, whilst maximising competition.

Appendices: None

Background papers: None

Final report clearance:

Signed by:



20 August 2021

Executive Member for Finance and
Performance

Date

Report Author:

Julie Foy

Tel:

020 7527 2680

Email:

Julie.Foy@islington.gov.uk

Financial Implications Author:

Khogen Sutradhar

Tel:

020 7527 2499

Email:

Khogen.Sutradhar@islington.gov.uk

Legal Implications Author:

Clive Sheldon

Tel:

020 7527 2965

Email:

clive.sheldon@islington.gov.uk