

<b>REPORT TO:</b>	<b>CABINET 21st OCTOBER 2019</b>
<b>SUBJECT:</b>	<b>Variation to the contract for the provision of a Managed Service for Temporary Agency Resources</b>
<b>LEAD OFFICER:</b>	<b>Jacqueline Harris-Baker, Executive Director of Resources Sarah Warman, Director of Commissioning and Procurement</b>
<b>CABINET MEMBER:</b>	<b>Councillor Simon Hall, Cabinet Member for Finance &amp; Resources</b>
<b>WARDS:</b>	<b>All</b>

### **CORPORATE PRIORITY/POLICY CONTEXT/ AMBITIOUS FOR CROYDON**

Temporary agency workers are an essential part of the Council's workforce and help to ensure resilient and flexible service delivery. This enables the Council to ensure resources are available to cover short term or specialist requirements and to continue to deliver high quality services and meet the needs of service users.

#### **AMBITIONS FOR CROYDON and WHY WE ARE DOING THIS:**

The Council relies on its workforce to deliver and manage services to communities, and relies on having access to specialist and temporary agency workers to support the delivery of all outcomes within the Corporate Plan.

This report supports the ambition of taking a prudent approach to managing the Council's finances and improving value for money for local public services.

To ensure best value for money, there will be a strong emphasis on contract management and internal processes for the final year of the contract, alongside the procurement of a new contract to secure the target operating model for the Council.

### **FINANCIAL IMPACT**

The original contract award in 2016 was for the value of £80m over the 4 year term of the contract (3+1). The Council spend has exceeded £80m as it approaches the final 1 year extension, so a variation to the contract award value is required to take into account the increased spend of approximately £135m over the 4 year term of the contract.

There is no specific budget for temporary agency workers. Costs for temporary agency workers are provided for by vacant posts or using project related funds.

**FORWARD PLAN KEY DECISION REFERENCE NO.: 19/16/CAB**

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below.

## **1. RECOMMENDATIONS**

- 1.1 The Cabinet is recommended to approve the increase in spend for the temporary agency workers contract with Adecco for a new maximum contract value of £135,000,000.
- 1.2 The Cabinet to note that the Chair of Contracts and Commissioning Board has approved the one year permitted extension of the contract with Adecco.

## **2. EXECUTIVE SUMMARY**

- 2.1 The London Borough of Croydon entered into a contract with Adecco Ltd on 7<sup>th</sup> November 2016 for a term of 4 years and for an estimated value of £80m.
- 2.2 The contract is a call off from the London Collaborations mini competition which was awarded in July 2016.
- 2.3 The original contract award to Adecco was approved by Cabinet on 11/07/16 (ref: A83/16).
- 2.4 It is to be noted that the original award to Adecco was for approximately £80m over the term of the contract, and this amount has been exceeded as the final years extension is due to be activated. The year's extension has been approved by the Chair of Contracts and Commissioning Board subject to approval of the extra expenditure by Cabinet recommended in this report.
- 2.5 Since the start of the contract, there has been significant focus on ensuring that all of the council's temporary staff are resourced through the contract with Adecco. This has improved controls on spend and enabled the reporting of a more accurate figure of the councils total spend on temporary staffing. This has resulted in a higher reported spend because at the time of the contract award there was a proportion of off-contract spend.
- 2.6 The council has increased spend on temporary staffing in certain areas, most noticeably in children's social care. This is in part due to the additional staffing requirements as a result of the Ofsted inspection, but also because of the difficulty of permanent recruitment across the children's social care sector.
- 2.7 The council has explored options for the optimum operating model which would bring the different resourcing elements of the council together to ensure that the correct resourcing route is followed by Hiring Managers. This model will be enabled through the MSTAR 3 framework by introducing emerging technology within the temporary resourcing market such as talent pools.

- 2.8 The contract with Adecco and spend on agency staffing is monitored monthly, and internal agency challenge sessions have been introduced for services to justify agency spend and to demonstrate plans for reducing agency usage.
- 2.9 The council has also introduced new internal controls with Executive Director authorisation now required for recruitment of both temporary and permanent staffing, to ensure that the correct and appropriate resourcing route is followed.
- 2.10 This report is asking for a variation in contract value for the final year of the contract.
- 2.11 The content of this report has been endorsed by the Contracts and Commissioning Board.

<b>CCB ref. number</b>	<b>CCB Approval Date</b>
<b>CCB1516/19-20</b>	<b>27/09/2019</b>

### 3. DETAIL

- 3.1 There is a corporate requirement to engage temporary workers for a number of reasons, such as:

- to cover for vacancies pending permanent recruitment
- to cover for absence when a return date is unknown (e.g. long term sickness)
- to cover for absence when a return date can only be estimated (e.g. maternity)
- to deliver short-term project work where a resource is either needed immediately, is too specialist to secure through the council's recruitment team or is too short-term to consider a permanent or fixed term contract.

- 3.2 Since the award of the contract, the Council's annual spend on temporary agency workers has increased from an estimated amount of £20m per annum to £30m - £40m per annum. There are a number reasons for this increase, including the following:

#### Cost:

- an annual increase in cost of living payments
- an increase in interim rates driven by competition amongst local authorities (particularly in social care markets)

#### Demand:

- an increase in the number of short term capital projects delivered by the council that do not require a permanent resource
- difficulty in recruiting permanent staff to particular roles, such as social workers
- results of the Ofsted inspection prompting an urgent additional resource requirement, alongside increased demand for social workers across local authorities, particularly within London.

- an increase in the council insourcing of services, such as grounds maintenance, that require an element of agency provision as part of the workforce

#### Management information

- Improvement in management controls since the award of the contract has resulted in 100% of the agency spend correctly captured. This has distorted the annual spend comparison because not all agency spend was originally correctly classified as such.
- 3.3 The increase in contract value represents over 50% of the originally estimated contract value. There is a risk that this may be considered outside of the scope of modifications to regulated contracts permitted to be implemented by Regulation 72 of PCR 2015 without requiring a further procurement procedure. However, it is considered there is minimal risk of challenge as the original contract was called off from an OJEU compliant framework, neither the contract term nor type of services are being extended/varied, and the original contract value was estimated.
- 3.4 Whilst there is a significant increase in spend for the reasons given above, the Managed Service Provider (MSP) element of the contract with Adecco offers good value for money. LB Croydon have joined the London Collaborations in collectively calling off from the ESPO MSTAR2 (Managed Services for Temporary Agency Resources 2) contract and so benefit from the economies of scale in the provision of the payroll service and over 200 agencies within the supply chain. This MSP fee does not increase with the extension of the contract.
- 3.5 During the extension period the council will complete a procurement strategy for the future contractual arrangements with a view to achieving the optimum temporary resourcing operating model for the council.
- 3.6 The council has to date already explored the different options for an optimum operating model, namely a fully external model, a fully internal model and a hybrid of the two. It has been concluded that the hybrid model is optimal in terms of price and quality, and also allowing the council to retain greater control of the service delivery. The route to market for this will be developed during the extension period.
- 3.7 The optimum operating model would also bring together the different resourcing elements of the council, and to introduce new controls and processes to ensure that the appropriate resourcing route is followed and temporary resourcing is not a default response to a vacancy.
- 3.8 This new model will also explore how to prioritise employment opportunities for local residents by incorporating Croydon Works within the approach to resourcing.
- 3.9 The extension period will allow the Council to test these elements of the optimum operating model before it enters into new contractual agreements. This includes:

- the sourcing of the majority of roles by Adecco and its supply chain with the exception of specialist roles in social care and executive interim
- focusing on a contract management approach and monitoring of Key Performance Indicators such as role fill rates and supply chain management
- controls on resourcing, including permanent and temporary resourcing functions with tighter controls on recruitment
- trialling how Croydon Works could support local residents into employment

3.10 The council will look to reduce spend on temporary staffing as part of the controls put in place as listed above.

#### **4. CONSULTATION**

4.1 No consultation is required as the extension award is within the original scope of contracted services.

#### **5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

5.1 There is no specific budget for temporary agency workers. Costs for temporary agency workers are provided for by vacant posts or using project-related funds. The figures below set out incurred spend and the anticipated spend for the final year of the contract:

<b>Year</b>	<b>Expenditure</b>
November 2016/2017	£24,000,000
November 2017/2018	£30,800,000
November 2018/2019	£38,345,000 (estimated)
November 2019/2020 (extension period)	£42,000,000 (estimated)

#### **5.2 The effect of the decision**

The effect of the decision will be to vary the amount of the contract award with Adecco, as it enters the final year of the contract. The contract management approach will be reviewed to ensure that the council is receiving best value. This includes implementing internal processes and recruitment controls to prevent unnecessary usage of agency staff where permanent staff can be recruited.

#### **5.3 Risks**

There is a financial risk that the cost of agency staff will exceed available budgets. This needs to be managed within existing departmental staffing budgets.

#### 5.4 **Options**

No other options are being considered at this time. There are other providers in the market for a Managed Service Provider, but it is considered that the council already has the best contract in place for this in terms of cost.

#### 5.5 **Future savings/efficiencies**

The contract in itself is already delivering at low margins and provides good value for money. Further savings and efficiencies will not necessarily come from the contract itself, but a change in approach to the wider resourcing of the council to reduce the reliance on agency staff.

The Council's will continue to manage the contract throughout the extension period to manage the performance of Adecco and seek any further efficiencies and cost reduction.

Approved by: Ian Geary, Head of Finance. Resources & Accountancy

### **6. LEGAL CONSIDERATIONS**

- 6.1 The Director of Law notes that the legal considerations are as set out in this report.

Approved by: Sean Murphy, Director of Law and Deputy Monitoring Officer

### **7. HUMAN RESOURCES IMPACT**

- 7.1 There are no immediate HR issues arising from this report for Croydon Council employees.

- 7.2 The use of agency staff will continue to be reviewed through internal mechanisms and processes, including Agency Challenge meetings, to ensure the appropriate scrutiny where agency staff are engaged or extended.

Approved by: Gillian Bevan, Head of HR Resources, on behalf of the Director of Human Resources

### **8. EQUALITIES IMPACT**

- 8.1 An initial EIA was completed for the original contract award and showed that the award of the contract was not likely to have an adverse impact on any protected group and as such a full analysis was not required.

Approved by: Yvonne Okiyo, Equalities Manager

### **9. ENVIRONMENTAL IMPACT**

- 9.1 There are no environmental impacts arising from this report.

## **10. CRIME AND DISORDER REDUCTION IMPACT**

10.1 There are no crime and disorder considerations arising from this report.

## **11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

11.1 The recommendation set out in 1.1 and 1.2 will ensure that the Council continues to have a flexible and resilient workforce whilst the council develops its future resourcing requirements.

## **12. OPTIONS CONSIDERED AND REJECTED**

12.1 No other options are being considered at this time.

## **13. DATA PROTECTION IMPLICATIONS**

13.1 **WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?**

**YES**

Adecco and the associated supply chain will process and hold personal data for each of their workers as the worker is directly employed by them. This includes information regarding personal contact details and bank details which are stored and processed in line with GDPR regulations.

13.2 **HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?**

**NO**

As this is an extension to an existing contract, there are already contract schedules in place with the supplier regarding the handling of personal data.

Approved by: Sarah Warman, Director of Commissioning and Procurement

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### **CONTACT OFFICER:**

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**BACKGROUND DOCUMENTS:**           None