

REQUEST FOR DMPC DECISION – PCD 34

Title: Contract Award – Temporary Agency Workers

Executive Summary:

This report requests approval to award a 4 year contract to Reed Specialist Recruitment Services for the provision of Temporary Agency Workers with a value of £110m.

Recommendation:

That the DMPC approves the request to award a 4 year contract to Reed Specialist Recruitment Services for the provision of Temporary Agency Workers with a value of £110m.

Deputy Mayor for Policing and Crime

I confirm I have considered whether or not I have any personal or prejudicial interest in this matter and take the proposed decision in compliance with the Code of Conduct. Any such interests are recorded below.

The above request has my approval.

Signature

Sybil Under

Date

27/07/2016

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE DMPC

Decision required – supporting report

1. Introduction and background

- 1.1 As part of the on-going process of managing contracts and tendering/re-tendering for goods and services, Procurement Services identifies contracts which require DMPC approval for either extension or to initiate contract action to tender or re-tender for goods or services or to award contracts.

2. Issues for consideration

- 2.1. The 4 year contract is made up an initial 2 year period followed by two 1 year options to extend. The MPS intend to work actively with the GLA Collaborative Procurement Team on the retender of their current contracts and if value for money is proven the MPS will migrate across to the new contract at the end of the 2 year period.

3. Financial Comments

- 3.1. The cost of the proposal will be met from within existing resources.

4. Legal Comments

- 4.1. The recommendation can be lawfully approved in accordance with MOPAC Contract Regulations and EU/UK Procurement law.
- 4.2. In accordance with the MOPAC Scheme of Delegation and Consent (4.8), the DMPC must approve all requests to go out to tender for contracts that exceed £500,000.

5. Equality Comments

- 5.1. Suppliers will be assessed prior to entering into agreements to ensure they comply with relevant legislation. It will be the responsibility of user departments to ensure that the MPS Equality and Diversity policies are adhered to through the life of the contract.
- 5.2. Suppliers may be asked to sign up to the Diversity Works for London Programme which assesses suppliers against the Equality and Diversity framework.

6. Background/supporting papers

- 6.1. Investment Advisory Board paper

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOIA) and will be made available on the MOPAC website following approval.

If immediate publication risks compromising the implementation of the decision it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.

Part 1 Deferral:

Is the publication of Part 1 of this approval to be deferred? NO

If yes, for what reason:

Until what date:

Part 2 Confidentiality: Only the facts or advice considered as likely to be exempt from disclosure under the FOIA should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a **Part 2** form – YES

ORIGINATING OFFICER DECLARATION:

		Tick to confirm statement (✓)
Head of Unit: The SFRM team has reviewed the request and is satisfied it is correct and consistent with the MOPAC's plans and priorities.		✓
Legal Advice: The MPS legal team has been consulted on the proposal.		✓
Financial Advice: The Strategic Finance and Resource Management Team has been consulted on this proposal.		✓
Equalities Advice: Equality and diversity issues are covered in the body of the report.		✓

OFFICER APPROVAL**Chief Operating Officer**

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Deputy Mayor for Policing and Crime.

Signature 

Date 27/07/2016



CONTRACT AWARD: TEMPORARY AGENCY WORKERS

INVESTMENT ADVISORY BOARD: 21ST JULY 2016

Report by Robin Wilkinson, Director of People & Change on behalf of the Deputy Commissioner

EXECUTIVE SUMMARY

The paper requests approval to award contract SS3/16/68 - The Engagement of a Managed Service Provider for the Provision of Temporary Agency Workers - to Reed Specialist Recruitment Services. On the basis of the information available, this option has been assessed as providing best value for money for MOPAC / the MPS.

The request is to award a contract based on a 4 year term (2 years + 1 year + 1 year). The value of the contract over 4 years has been set at a maximum of £110m. During the initial 2 year period, the MPS propose to work actively with GLA on the retender of their current contract and, if the value for money case is proven, the MPS would migrate across to the new contract at the end of the 2 year period.

The contract will provide temporary agency workers to the Met via a Master Vendor Solution. This is a single managed service supplier providing the majority of candidates from a resource pool within their own organisation, using additional '2nd Tier' agencies to supplement their resource pool as and when necessary.

Temporary Agency Workers have been supplied to the MPS via a master vendor solution for the past eight years and this model has successfully supported the MPS over that period. The master vendor model provides benefits via a single point of contact for the organisation, increased contract governance and improved performance management of the supplier.

A. RECOMMENDATIONS - That

- 1. Members approve the award of contract SS3/16/68 - The Engagement of Managed service Provider for the Provision of Temporary Agency Workers - to Reed Specialist Recruitment. Total contract value will be £110m - all charges for agency workers are funded from existing MPS revenue and capital budgets.**

B. SUPPORTING INFORMATION

Background

- 1. In January 2016, the Joint Investment Board (JIB) gave approval to initiate procurement activity in order to re-tender the contract for the provision of temporary agency staff within the MPS.**
- 2. The value of the current contract is projected to reach its threshold between October and December of this year. Should the contract value be reached without new contractual arrangements in place, the MPS would be unable to extend any existing agency support or engage new support. This would present a significant risk of service failure and stall many current change initiatives.**
- 3. This tendering process has now concluded and, following evaluation, the preferred bidder is Reed Specialist Recruitment. Given the available information, it has been**

assessed that the Reed proposal offers the best value to the MPS. The TfL option has been explored in so far as it can be however a clear best value for money case cannot be presented on the basis that it does not represent a like for like service offering and there are unknown cost dimensions which could result in higher overall costs for the MPS over the life of the contract.

4. This is the re-tender of an existing contract with the same parameters at the existing contract, specifically a contract value of £110m over a 4 year duration. The contract value does not represent a commitment but rather sets a maximum threshold of spend and considers historical spend rates under the current contract, the availability of the NEPRO route, the impact of further commercial outsourcing and the changing approach to securing support for business change activities. All costs associated with temporary agency workers are met from within the existing MPS revenue and capital budgets. No additional funding is being sought.
5. Spend on agency fees will have an immediate short term reduction under the new contract due to a reduction in margin rates.
6. The majority of spend under this contract is accounted for by candidate pay (circa 94%). Agency fees under the current contract are circa 4% plus there are additional 'employment' charges relating to National Insurance, holiday entitlement and pension contributions.

Business Requirement

7. There is an increasing requirement across the Met for a flexible workforce both in terms of capacity and capability in order to meet our internal and external demands, set against a complex budgetary and change landscape. The MPS Resourcing Strategy was presented to JIB in January 2016 by the Director of People & Change outlining the corporate framework for the engagement and management of non-permanent resources across the MPS in order to deliver the requirements of the strategic workforce plan. This framework is designed to provide clear and consistent guidance on the most resourcing approach to meet a given business need as well as to ensure that the MPS has appropriate oversight to secure the best value for moment in all of its resourcing investments.
8. Temporary agency workers continue to provide valuable support as part of the Met's overall resourcing strategy in a number of ways:
 - Covering roles pending permanent recruitment activity;
 - Covering posts where change will impact in the short to medium term, either via redundancy or TUPE processes, and therefore helping the Met offset future financial pressure;
 - Backfilling posts to allow the substantive post holder to be released for other activity on a temporary basis (e.g. supporting commercial activity);
 - Delivery 'surge' capacity to meet short term demand;
 - Accessing skills where it does not make financial sense to retain as part of the substantive workforce (e.g. Occupational Health Doctors) or where an independent status is required (e.g. CLAS security consultant).
9. In addition, agency workers have been used more directly in support of corporate change activity or other operational priorities. To illustrate, SCO have sourced ex police officers in order to support the demands of various high profile investigations, Met Training have sourced Associated Trainers to scale up in support of increased demand running through the Recruitment process and Digital Policing have utilised temporary staff in support of delivering the transformation of DP including some critical leadership roles.

10. It should be noted that for National Policing Units where the MPS is lead / host Force, the current arrangement is that SO will use the MPS temporary agency worker contract directly in order to source their temporary staffing requirements. Whilst this is not paid for by the MPS, it does draw off the MPS agency contract value.
11. As the Met progresses with further commercial outsourcing ambitions in support of focusing of core policing activities, there will be a corresponding decrease in the requirement for temporary agency workers. In October 2015, the outsourcing of Business Support Services resulted in a reduction of approximately 60 agency workers (equating to just over 10% of the current total) linked to the transfer of service delivery to Shared Services Connected Limited (SSCL) - and offset c£1.4M of potential redundancy costs. In addition, we are projecting a reduction of a further circa 90 agency workers linked to the implementation of the new target operating model within Digital Policing. Live procurement activity within Fleet Services, Catering and Occupational Health will further reduce our requirement for temporary agency workers.
12. HR Business Partners are currently working with Chief Officer Groups to review their agency spend and highlight any new and emerging resourcing requirements in order to ensure the most appropriate and best value for money routes are being used to meet operational requirements (e.g. where it would be preferable to use NEPRO to procure outcome based services or fixed term employment contracts in preference to agency).

Performance Management & Governance

13. Establishing and utilising a broader workforce including temporary agency workers is a cost effective option if used effectively when it comes to addressing skill / capability gaps which it does not make financial sense to retain within the substantive workforce, addressing surge requirements and offsetting future redundancy / outsourcing costs. There are currently 577 agency workers engaged with the MPS, performing a wide range of roles. Agency workers are funded from both the revenue and capital budgets dependent on the specific assignment (477 and 100 respectively). Revenue funded agency workers constitute only 5.1% of the MPS police staff population. However, it is vital that the use of all resource groups is properly controlled and managed to ensure best value for money is achieved in the delivery of corporate objectives and that the strategic workforce plan is delivered within the set budget (both corporately and at the Business Group level).
14. More specifically, the following controls are in place;
 - The annual workforce plan is produced by the Strategic Workforce Planning & Deployment Team (part of the Met HQ Retained HR function). This ensures the coordination and management of all MPS workforce requirements including police officers, substantive police staff and temporary resourcing needs. The workforce plan is monitored by Management Board - Performance & Investment.
 - Supported by HR Field Workers, (B)OCU level monthly Local Resource Planning Meetings (LRPMs) feed the annual workforce plan - ensuring that workforce decisions are affordable, consistent with the agreed design and captured on the system to ensure workforce data integrity. All vacancies must be initially ratified at the LRPM including requests for temporary workers.
 - Business group workforce planning meetings authorise all recruitment including temporary workers to ensure it is affordable. Managers must operate within their devolved police staff budget meaning decisions to use temporary agency workers must be contained within their overall resourcing plan.

- All requests for temporary agency workers pass through HR where a review is completed to ensure the temporary worker is the most appropriate and best value for money resource option. HR will work with the business to use FTC or NEPRO arrangements where this gives best value for money. This process is also undertaken for any extensions to existing contracts.
 - Benchmarking data is provided centrally to inform rates of pay and ensure these represent value for money and a fair, competitive market value.
 - Extensions for agency staff beyond 12 months require ACPO / Director level sponsorship.
15. Monthly management information products are shared with the business regarding agency usage to ensure fully informed resourcing decisions can be made. The monthly MI is broken down by business area and includes level of usage, length of engagement and pay rate details. A 'high earners' list is also produced on a monthly basis for test and challenge by relevant ACPO / Director leads. A skeleton record is now held for each temporary agency worker on MethR and HR has aligned individuals to cost centres in the new MPS structure - this has ensured greater transparency of use and improved management information.
16. The introduction of the National Police Procurement Hub (NPPH) is an electronic marketplace that provides the police service in England and Wales with the ability to buy goods and services from approved contracts whilst linking into our existing ERP system. Within the MPS this system is branded as 'iBuy'. iBuy ensures inbuilt, robust governance through automated workflows. This requires all requests for a temporary agency worker to be scrutinised for the required approvals with no possibility for work arounds.
17. Combined, the programme of activity outlined above addresses a number of risk areas raised by the MOPAC Directorate of Audit, Risk and Assurance (DARA) in August 2015 via their report 'The Use and Control of Consultancy Services (including interims)'.

Procurement Strategy

18. The use of temporary workers to fill short-term capacity or skills gap is common to large organisations, public sector ones in particular. In 2015, the MPS joined a collaborative programme across the GLA to combine purchasing of similar services across the functional bodies (MPS, TfL, GLA, LFB etc.). This includes the engagement of an agency to provide interim workers. Our procurement strategy has been driven by our responsibility to secure the best value for money for MOPAC / the MPS - although the MPS will join any collaborative agreement where it can be proven that this route provides best value for money and also meets MPS business / operational requirements.
19. Prior to engaging in this procurement action the MPS, through the GLA Collaborative Procurement Team (CPT), sought to ascertain the benefit of joining the current TfL Agency Worker contract. Initial high level benchmarking analysis by the CPT of the TfL contract costs compared to the current MPS contract, suggested there could be a benefit to transferring to the TfL contract. This benefit was based upon staff transferring to a special 'gifted resource' rate on the TfL contract that is lower than the current MPS fees. However the standard rates, that are higher than on the MPS contract, would apply to any new appointments. To calculate the actual cost to the MPS requires a complex analysis of the agency rates and the 'churn' of workers through the contract. This analysis was requested from the CPT but not completed due to their resource constraints. Therefore the MPS could not confirm whether there was any actual benefit of moving to the TfL contract.

20. The TfL contract offers a different service structure to that in the MPS contract. The MPS has streamlined its' internal temporary agency worker management team to a single manager, who oversees the Agency Worker contract. The contractor then provides all administration support to the organisation via an on site team. In contrast, the TfL service delivery model is an in-house service management team that manages all administration with the agency solely providing the temporary workers. If the MPS was to move to the TfL contract service model we anticipate it would cost a minimum of £200,000 per annum to employ staff to undertake the service differential work. Growing the HR team to manage this additional work is contrary to the goal of moving back office services to a target of 15% of MPS budget.
21. On the basis of the uncertainty regarding commercial benefit and the service delivery differential it was concluded that the best option was to undertake a mini-competition for the short term MPS requirement immediately and to combine requirements with the CPT for the renewal of the wider GLA contract which will come into operation in approximately two years. The addition of extension options to this contract was to provide contingency should the GLA contract not be in place when the first two years of this contract expire.

Value for Money Statement

22. This new contract requires the provider to engage all workers transferred from the previous agreement on a special agency rate (similar to the proposal under the TfL contract). This offers an immediate benefit to the MPS as this new rate equates to a 2.9% margin on agency fees where previously it was 3.9%. The standard rate under this new agreement is approximately 0.4% higher than the current rate, equating to approximately 4.3% of total amount payable. This increase is well below the level of inflation incurred since the current contract was let in January 2014, which is 3.48%.
23. The MPS also compared costs to those on the TfL agreement. The detail of this is shown in the exempt section of this paper, due to the commercial confidentiality of this information. This new agreement manages any cost impact risk much better than the TfL alternative, as the range between special and standard agency rates is narrower and the higher standard rate fees are lower.

Routes to Market

24. Strategic Procurement and HR (contract owners on behalf of the MPS) jointly evaluated a range of routes to market for the re-tender of the engagement of agency workers contract. These are outlined below. Decisions regarding the preferred route to market were made on the basis of professional advice from Strategic Procurement subject matter experts.

Option 1: Shared Services Connected Ltd (SSCL) - Discounted

The provision of agency workers to the Met fell within the initial scope of the Business Support Services due diligence activity regarding services that could be provided by Shared Services Connected Limited (SSCL). However, more detailed work during the due diligence phase, led to this service being taken out of scope for the SSCL contract on the basis that the original SSCL proposal failed to deliver financial benefit to the MPS. SSCL's outline proposal consisted of engaging with a master vendor provider to act as the managing agent for the supply of temporary staff. This model would have effectively led to a 'margin on margin' cost structure as the Met would be paying two suppliers for the services. The SSCL solution offering has subsequently been discounted on this basis.

Option 2: Full Market Competition (OJEU) - Discounted

MOPAC have the option of undertaking its own tendering process via a full market competition. However, the resource and time implications associated with this option did not make it viable, especially given the existence of frameworks which can deliver the required services. Therefore this route to market was discounted.

Option 3: Crown Commercial Services Contingent Labour One Framework - Discounted

Crown Commercial Services (CCS) have established a framework consisting of 3 separate lots for the provision of temporary agency staff: Lot 1 - Neutral Vendor, Lot 2 - Managed Service (Admin & Clerical) and Lot 3 - Managed Service (Operational & Support)

As CCS have made a distinction between administrative roles and operational/technical roles the Met would have to contract with two separate providers under this framework. This would mean multiple points of contact for service provision, increased contract management time and a more complicated governance structure. This option was therefore been discounted on a value for money basis.

Option 4: MSTAR 2 Direct Award - Discounted

The current contract with Reed was awarded via a direct call-off from the Eastern Shires Purchasing Organisation (ESPO) Managed Service for Temporary Agency Resource (MSTAR) framework. ESPO have subsequently renewed this framework which is known as MSTAR 2. Commercial Services explored the value for money benefits of engaging with Reed via a Direct-Award call-off from MSTAR2, however, the standard pricing which would apply via this route illustrates a significant increase in the margin costs that would be payable. Based on the projected demand profile, agency fees to Reed would increase by c£800k per annum if this option were chosen. It was therefore discounted as not representing value for money.

Option 5: GLA Collaborative Procurement Team: Discounted

In April 2015 the GLA established a Collaborative Procurement team with the aim of delivering pan-GLA corporate services via a centralised procurement function. The provision of agency staff falls within scope of the GLA portfolio and collaboration between MOPAC and the GLA team was technically possible, however due to a lack of clarity on the commercial benefits available via this route to market, it was discounted as a viable option. The solution from the GLA was to incorporate the MOPAC's requirements into the existing TfL contract with Hays Plc. Whilst this option would avoid the need to undertake a competitive tendering process, the absence of a detailed benchmarking activity has prevented the MOPAC from pursuing this as the preferred route to market. Following approval by JIB in January Commercial Services engaged the GLA Collaborative Procurement team to benchmark the rates offered by Hays. Despite numerous discussions with the GLA they were unable to provide the data necessary to undertake the benchmarking exercise.

Option 6: MSTAR 2 Further Competition - Selected Option

The existing MSTAR 2 framework - which the MPS can utilise - also offers the option of a further competition process to select a supplier, as distinct from a direct award. MSTAR 2 contains 13 suppliers, including all of the leading organisations within the agency worker supply market. There are 3 models of contracting which include Neutral Vendor, Master Vendor and Hybrid Supply Chain Optimisation. This option provides increased flexibility in terms of determining the scope of services to be provided against MPS requirements and also subject bidders to further competition on commercial terms. The assessment was that

this route to market therefore is the best option for the MPS in terms of meeting operational requirements and driving best value for money.

C. OTHER ORGANISATIONAL & COMMUNITY IMPLICATIONS

Equality and Diversity Impact (mandatory)

1. There are no adverse equality or diversity implications associated with the award of this contract. During the evaluation, bidders were asked to describe how they will ensure that candidates reflect the diversity of the communities of London which the MPS service with a specific focus on monitoring diversity, awareness raising and how to encourage applications from diverse groups. Reed emphasised engagement, detailed monitoring and reporting at each stage of the recruitment process, the use of dedicated diversity champions in their response as well as evidencing success at targeted recruitment campaigns.

Financial Implications / Value for Money (mandatory)

2. No additional funding is being sought. The re-tender is based on the same parameters as the existing contract - a maximum of £110m over a duration of 4 years. All costs associated with temporary agency workers are met from within the existing MPS revenue and capital budgets.
3. Budget owners are responsible for ensuring that spend on agency staff represents best value for money and is affordable within their overall resourcing plan. In addition, the following corporate controls are in place to ensure value for money relating to the engagement of temporary agency workers:
 - All requests for new agency workers or extensions require sign off by the relevant Finance Business Partner as an additional check on affordability.
 - Benchmarking data is provided by Reed for all roles to ensure the set pay rates represent VfM and a fair, competitive market values and HR will provide additional scrutiny as needed.
 - A skeleton record is now held for each temporary agency worker on the MetHR system and HR has aligned individuals to cost centres in the MPS structure – this has ensured greater transparency of use and improved management information.
 - The new NEPRO arrangements will align with existing processes to ensure we are sourcing additional resources via the best value for money route.

Legal Implications (mandatory)

4. This report recommends MOPAC to approve and award a contract to Reed Specialist Recruitment for the provision of temporary agency workers for a 2 year period with an option to extend for a further 2 years, and with a total maximum spend of £110m. The total value of the contract far exceeds the minimum threshold set out in the Public Contract Regulations 2015, which would usually require MOPAC (as the contracting authority) to competitively tender the requirement. However, a 'call off' from a framework agreement that has been procured in accordance with Regulation 33, and that is available to the MOPAC, is a compliant route to market. This report confirms that Procurement Services have undertaken due diligence and confirmed that the MSTAR2 framework is accessible by the MPS / MOPAC. Whilst the length of the contracts is not limited under the regulations, the duration has been set in accordance with current guidance which states that a contract should not exceed 4 years. On the basis of the contents of this report and discussions with Strategic Procurement, DLS have not identified any issues and are content for the report to progress.

Consultation undertaken (mandatory)

5. In addition to the specific stakeholder groups captured in Section C, consultation has been undertaken with senior colleagues from Commercial & Finance, the OMM Portfolio Transformation Office / Design Authority and Digital Policing. All are supportive of contract award.

Risk (including Health and Safety) Implications (mandatory)

6. There are no Health and Safety implications associated with the award of this contract.

Real Estate and Environmental Implications (if relevant to the subject)

7. There is no change to the existing requirement on the MPS estate arising from the award of this contract. The delivery of the current contract is management by HR and supported by the presence of an on-site management team from the supplier. This will be an ongoing requirement under the new contractual arrangements with no changes.