

Agency Supply Contract Extension and Variation

Date: 2.4.24

Report of: Head of HR

Report to: Director of Strategy and Resources

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

- This report proposes extending and varying a contract with REED Specialist Recruitment Ltd (REED) for the supply of Temporary Staff (agency workers). This follows a prior decision to award a 2-year contract (via the YPO 942 Framework for Managed Services for Contingent Labour (Master Vendor Model) with REED in 2021. This included provision to make further extensions for up to 2-years i.e. until January 2026.
- Rather than immediately offer a 2-year contract extension, a decision was taken to enter into discussions to modify the contract with REED. To achieve this, a short-term extension was agreed to allow both parties time to develop new arrangements.
- An agreement has now been reached on revised contract terms and conditions and consequently a longer contract can be offered for the period up to 26th January 2026.

Recommendations

- a) Approve the proposal to extend and vary the call off contract from Lot 1 of the YPO 942 Framework for Managed Services for Contingent Labour (Master Vendor Model) with REED for another 21 months. This will commence from 26th April 2024.

What is this report about?

- 1 In 2022, Leeds City Council entered into a contract for the supply of temporary workers with REED. This contract was for two years, with the option to extend the contract for a further two years.
- 2 Contract evaluation showed that REED offered best combinations of pricing and quality. Performance of the contract has been effective in terms of the supply of temporary staff, especially considering labour-market supply issues post-Covid. It has also allowed LCC to continue to monitor its use of agency staff and work-force plan. On this basis, we would consider extending the contract. We would also bear-in-mind the amount of work necessary to re-tender and potentially to also implement another supplier, having operated the contract for only 2-years.
- 3 However, in light of our Financial Challenges, major contracts are being reviewed to explore the potential to realise savings. To address this, we have introduced restrictions on the use and hiring of agency staff to cut demand.
- 4 In January 2024, however it was felt there would be scope for modification of the contract terms to save LCC money. This potentially would also be of interest of REED, who could retain business with LCC for up to a further two years - reflecting the commercial value of this large contract.

What impact will this proposal have?

5. A further extension of the contract would mean LCC will achieve guaranteed savings and some rebates on past expenditure. It is expected that savings would be in region of £200k. REED would also amend their business model which would allow LCC, in some circumstances, to achieve further savings. The degree to which some savings can be achieved would be dependent upon levels of expenditure. If demand for agency workers rises, we achieve savings. However, we will not be penalised if there is lower demand and savings are made through reducing expenditure.
6. It is stressed that achieving savings would not compromise service delivery and quality. But, to realise benefits HR will need to augment existing contract management arrangements and monitor some additional aspects of the service. This nevertheless would be proportionate to the value and complexity of the contract. In summary, HR will check savings are achieved in areas like the following:
 - a. Rebates and discounts on long-term hiring of agency workers
 - b. Reductions on rates relating to employer pension contributions, where agency workers opt out of workplace pension schemes.
 - c. Restricting agency workers to a standard 37 hour week, unless there are exceptional needs and thus avoiding premium rate overtime costs
 - d. Other work for sourcing agency workers.

How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing Inclusive Growth Zero Carbon

7. Offering agency work remains directly relevant in terms the social value of employment; supporting Inclusive Growth. This will include using the opportunity of temporary work via agency assignments as a means of allowing people who find work hard to find gain experience and better employment. We will continue to focus on this through a revised contract management plan.

What consultation and engagement has taken place?

8. The proposals to extend and vary the agency contract have been shared with the Executive Board Member for Resources and Trade Unions.

Wards affected:

Have ward members been consulted? Yes No

What are the resource implications?

9. Annual spend on this contract is c.£8m p.a. and covers the all agency supply, with the exception of IDS roles. The hiring of agency workers will remain under strict controls. In parallel to our vacancy controls, agency workers will only be used to cover critical or income generating work.
10. It is also noted that approximately 95% of costs relate to paying agency workers and employment costs NI, holiday pay and pensions etc.. The forecast savings will therefore largely arise from REED and sub-contracted suppliers reducing margins or being able to work more effectively in their sourcing and placing agency workers.
11. HR will need to bolster current contract management arrangements to ensure savings are tracked and achieved.

What are the key risks and how are they being managed?

12. In terms of service delivery risks remain largely unchanged. Through regular contract meetings REED have been able to respond to fluctuating needs and work with LCC to continue to attract agency workers despite labour shortages.

What are the legal implications?

13. Procurement and Commercial Services have advised that the contract extension and variation aligned with our plans to optimise contract savings. This is a significant operational decision as a direct result of a key decision taken on 20/12/21 ref D54706, which led to LCC

commencing a contract in January 2022. A link to this is given as a background paper and therefore the decision to extend the contract is not open to call in. The decision to extend the contract is permitted under the terms of the current contract and therefore complies with requirements of CPR 21.

Options, timescales and measuring success

What other options were considered?

14. No alternative options are envisaged at this stage of the process. It was important to seek savings rather than just offer a full 24-month contract extension on the same terms and conditions. Achieving these savings opportunities with the current provider is also preferable to immediately retendering this contract, which would have been a time-consuming process. Instead it is expected the contract will be reviewed and retendered prior to its expiry in 2026. Decisions on this will reflect future needs to support our work-force through contingency cover from agency workers.

How will success be measured?

15. Success will be measured in terms additional savings that can be made. We will also consider how this might affect qualitative aspects of contract performance which have currently been acceptable.

What is the timetable and who will be responsible for implementation?

16. Subject to agreement to this decision, a contract extension and variation can be made, with services expected to continue operating for another 21 months up to January 26th 2026.

Appendices

- None

Background papers

[Council and democracy \(leeds.gov.uk\)](https://leeds.gov.uk)