

For General Release

REPORT TO:	Cabinet 11 July 2016
AGENDA ITEM:	16.2
SUBJECT:	Contract Award for a Managed Service Provider for Temporary Agency Resources
LEAD OFFICER:	Sarah Ireland, Director Strategy, Commissioning and Communities Richard Simpson, Assistant Chief Executive (Corporate Resources) and Section 151 Officer
CABINET MEMBER:	Councillor Simon Hall Cabinet Member for Finance and Treasury
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT/ AMBITIOUS FOR CROYDON & WHY ARE WE DOING THIS:	
<p>Temporary agency workers are an important part of the Council's workforce and help to ensure resilient and flexible service delivery. This enables the Council to ensure resources are in place where required to cover short term or specialist requirements and continue to deliver high quality services thereby meeting the needs of service users.</p> <p>The new service model will ensure that the Council continues to deliver high quality and value for money public services. The new service will include a contractually mandated focus on ensuring local people are provided greater opportunity to fill temporary roles. The contract will ensure that there is sufficient flexibility to enable the Council to explore possibilities for alternative models of delivery, including in-house provision. Therefore this recommendation supports the ambition for promoting investment in Croydon's local communities; taking a prudent approach to managing the Council's finances and; improving value for money for local public services.</p>	
FINANCIAL IMPACT: Current annual spend on temporary agency workers is circa £20million per annum. Therefore spend over the total term of the new contract (4 years) is forecast to be around £80million (indicative value). However, over the life of this contract the Council will be working to further develop its contract management arrangements and will through the proposed service model, develop a partnership approach with the successful provider to manage demand, and the market, in order to ensure the new contract delivers best value for money. This will include looking where appropriate to reduce the agency spend.	
KEY DECISION REFERENCE NO.: 19/16/CAB The decision may be implemented from 1300 hours on the expiry of 5 working days after it is made, unless the decision is referred to the Scrutiny & Strategic Overview Committee by the requisite number of Councillors.	

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 award of a contract for a master vendor managed service provider for temporary agency workers to Adecco Group UK for a period of four years at an estimated total contract value of £80million by way of call-off from the Eastern Shires Purchasing Organisation's Managed Service for Temporary Agency Resource 2 (MSTAR2) Framework Agreement.

2. EXECUTIVE SUMMARY

- 2.1 The Council has undertaken a procurement exercise to engage a Managed Service Provider for Temporary Agency Resources to ensure the Council has a flexible workforce that is able to ensure service continuity and meet the needs of Croydon's communities.
- 2.2 The current contract for the provision of these services expires on 9 July 2016 however a further extension was approved by Cabinet on 25 April 2016 [decision reference A49/16] via a variation to the term of the original contract for three months commencing 10th July 2016 with the option to extend for a further two months (3 + 2 months). This extension will allow for an effective mobilisation period.
- 2.3 In accordance with the Leader's delegated decision [decision reference 48/16LR] the procurement strategy was approved by the Assistant Chief Executive (Corporate Resources) in consultation with and the Cabinet Member for Finance and Treasury and the Leader on 30 June 2016 [decision reference 04/16ACECR]
- 2.4 The purpose of this report is to advise Cabinet of the outcome of the tendering exercise and to seek recommendation of award of contract as set out in 1.1 above.
- 2.5 The content of this report has been endorsed by the Contracts and Commissioning Board.

CCB Approval Date	CCB ref. number
30/06/16	CCB1152/16-17

3. DETAIL

- 3.1 Temporary agency workers are an important part of the Council's workforce. The use of temporary resource enables the Council to deliver organisational objectives without interruption to resourcing levels, ensuring resilience and service continuity.

- 3.2 A Managed Service Provider will ensure the Council is able to access a wide pool of potential candidates and ensure that temporary resources are engaged in a way that complies with employment legislation and HMRC requirements.
- 3.3 A Make or Buy assessment was carried out and it showed that outsourced service provision would best deliver the intended outcomes and ensure a quality service in the short to medium term. It should however be noted that the opportunity exists for the Council to explore developing internal capacity and capability to deliver all, or part, of the service in-house in the future.
- 3.4 As the Council develops its approach to managing its workforce, it is important that a more integrated view of non-permanent engagement is developed which not only builds the internal capacity to deliver the services included in this contract but also aligns to the Council's approach to supporting career development through a range of different opportunities including secondments, work placements and apprenticeships. This contract will enable this approach and ensure flexibility by not guaranteeing any minimum levels of spend or volume. The Council will where appropriate be seeking to reduce the agency spend from current levels.

Procurement approach

- 3.5 A mini competition has been undertaken by the MSTAR2 London Collaboration ('The Collaboration') under Lot 2 (Master Supply Chain Management) of the Eastern Shires Purchasing Organisation's (ESPO) Managed Service for Temporary Agency Resource 2 (MSTAR2) Framework ('the Framework')
- 3.6 The Collaboration is a group of London and other local government authorities, including Croydon Council, working together on a collaborative basis to run a joint procurement for a London wide solution for the managed service provision of temporary agency workers under the MSTAR2 ESPO National Framework. The mini competition was led by London Borough of Newham, a member of the Collaboration
- 3.7 It is for each Contracting Authority within the Collaboration to decide whether, and if so when, to formally call-off from the Framework following conclusion of the mini competition. Each Contracting Authority will enter into a Framework access agreement with ESPO directly and a call-off contract with the preferred supplier. No contractual relationship will exist between members of the Collaboration or the lead organisation, the London Borough of Newham.
- 3.8 An invitation to Further Competition/Call Off was issued to the panel of providers appointed to the Framework (lot 2) and four bids were received.
- 3.9 The tender evaluation was based on a comprehensive evaluation matrix comprising quality 40% and price 60% as allowed under the Framework terms. Suppliers were clearly advised of the process which included an e-auction to establish final bid prices.
- 3.10 The evaluation panel consisted of a number of individuals from different local

authorities participating in the Collaboration. Scores were moderated by a representative from London Councils and Croydon Council.

- 3.11 The e-auction achieved savings of 44.18% on Adecco Group UK's pre and post e-auction price.

Total Scores are as follows:

Ranking	Supplier	Total Score (Quality & Price)
1	Adecco Group UK UK & I	88.775
2	Reed Specialist Recruitment Ltd	88.652
3	Hays Specialist Recruitment Ltd	86.884
4	Pertemps Recruitment Partnership Ltd	84.69

- 3.12 Voluntary Standstill Period

Though strictly not necessary under legislation, The Collaboration, as a matter of good practice, notified all suppliers of the intention to award to Adecco Group UK and entered into a voluntary standstill period on 1st April 2016. The Council will issue its own notification of award letter to the Provider, following the decision to award, and will enter into a further voluntary standstill period.

- 3.13 Adecco Group UK's tender submission has been subject to an evaluation process consistent with the methodology described in the invitation to tender documentation and due diligence has been undertaken and completed to the satisfaction of the evaluation panel.

- 3.14 This report seeks approval to accept the tender received from Adecco Group UK.

Evaluation

- 3.15 A value for money assessment was undertaken which modelled the Council's 15/16 spend against the bidder's tender submissions; this showed that the service would have cost £384k less if it had been provided by Adecco Group UK on the basis of tendered prices. The table below sets out the further details of the potential savings per spend category.

Category	Adecco Group UK tender prices	Current spend	Savings
Admin / Financial / Rev & Bens	3,035,501	3,109,194	-73,693
Catering/Hospitality	13,332	13,798	-466
Engineering /Surveying / Housing / Planning	1,580,527	1,612,745	-32,218
Facilities and Environmental Services	369,567	375,120	-5,553
Human Resources	25,869	26,533	-664

Information Technology	615,198	635,563	-20,365
Interim Executive	3,993,841	4,028,863	-35,023
Legal	392,165	399,865	-7,700
Manual Labour / Trades/ Driving	375,133	393,020	-17,887
Marketing	90,865	97,051	-6,186
Procurement	174,368	180,644	-6,276
Social Care	9,175,019	9,353,234	-178,215
Grand Total	19,841,384	20,225,630	-384,247

Contract management

3.16 The form of call off contract under the Framework to be entered into between the supplier and each Local Authority contains provision for each Authority to specify unique elements and services needed for each client (local specification). The Council is currently developing its local specification to ensure Croydon's local priorities in terms of driving growth and supporting local business and employment are thoroughly embedded in the future contract. These requirements will not substantively change the service delivered and as such it is not anticipated that there will be any significant commercial implications.

3.17 Priorities currently being scoped are set out below:

- Driving service through the local 'hub' based in Croydon, one of the largest in the country which has been working with the Job Centre and supporting local people for 20 years
- IT training and support for people who want to get back to work, which ultimately could end in a work placement
- Developing a local branch project focussing on 18-22 year olds leaving university/college and offering targeted opportunities to get them into work
- Developing potential scope for roles of equivalent Grade 4 and below to be only filled by local people through the aforementioned training programmes
- Inclusion of a Payroll Only/Referral category of supply saving money for candidates who have previously worked for Croydon
- Inclusion of an Executive & Specialist category which offers competitive rates through specialist agencies against other more expensive frameworks
- Development of the Service Level Agreement with an enhanced focus on customer service, specifically offering dedicated account management to support hiring managers and the contract management team.
- Verifying and agreeing the scope of audit and safeguarding under the service, specifically introducing up front audits against all placements
- Ensure all current SMEs sustain business with the Council - altering SME insurance requirements and ensuring SMEs are paid within one week of billing.

3.18 These will form part of the final call-off contract which will be managed in accordance with the Council's new commercial contract management model. As such the Category Manager Enabling will be responsible for supporting the Head of Service and relevant Director on commercial contract management.

3.19 Since January 2014 the Council has increased the focus and resource on the

Agency contract by hiring a dedicated contract manager and contract officer. Significant benefits have been delivered by the contracts team including both cost avoidance through active management of the market and service improvements.

- 3.20 Operational contract management resource requirements will be less under the Master Vendor Model as the provider will offer greater ordering manager support and provide more detailed management information as part of their core offer. However the good practice and demand management controls established under the existing contract will be replicated in the new contract as part of the previously mentioned local specification.
- 3.21 The resource requirement will be finalised as part of the contract mobilisation period. Any resource requirements will be met from within existing budgets within the SCC Resources team.

4. CONSULTATION

- 4.1 Officers across the Council have been engaged in the options appraisal shaping the preferred model for Croydon. This has included officers working within HR, frequent ordering managers and targeted conversations with the senior management teams in both adults' and children's social care.
- 4.2 As part of the London Collaboration the procurement leads have worked with officers from across London to agree the preferred procurement route and to manage the procurement process.

5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 5.1 The current spend on agency workers currently circa £20m per annum. This leads to a forecast of £80m over the four year life of this contract. However the Council will be looking to reduce agency spend over the lifetime of the contract. It is anticipated that there will be the opportunity to achieve efficiencies over the contract life and at current usage rates this is estimated to be approx. £380k per annum.

The effect of the decision

- 5.2 The effect of the decision will be to enter a contract for a managed service provider for temporary agency resources for a period of four years at a total estimated indicative cost of £80million.

Risks

- 5.3 There is a financial risk that the cost of agency staff will exceed available budgets but robust contract and demand management should enable any financial risks to be mitigated and it is anticipated that spend on agency staff will decrease throughout the contract period.

Options

5.4 All options considered have been set out in the main body of this report.

Future savings/efficiencies

5.5 The Council will continue to work over the next four years to reduce spend on temporary workers through effective contract management and by proactively working to manage market demands. Spend will continue to be monitored on a quarterly basis and the Strategic Category Manager (responsible for commercial contract management) will work with specific service teams, and HR, to identify interventions to continue to drive costs down.

Approved by Lisa Taylor, Assistant Director and Section 151 Officer

6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

6.1 The Acting Solicitor to the Council comments that the procurement process as described in this report seeks to support the Council's duty to achieve best value pursuant to the Local Government Act 1999 and appears to have been undertaken in accordance with the requirements of the Eastern Shires Purchasing Organisation's (ESPO) Managed Services for Temporary Agency Resource 2 (MSTAR2) Framework

Approved on behalf of Gabriel Macgregor, Acting Council Solicitor & Acting Monitoring Officer

7. HUMAN RESOURCES IMPACT

7.1 HR needs to continue to be consulted to ensure that people resourcing is a priority and the use of temporary staff is appropriate. There are no other immediate Human Resources considerations arising from the award of contract for Council staff or workers.

Approved by: Michael Pichamuthu, HRBP on behalf of Heather Daley, Director of Human Resources

8. EQUALITIES IMPACT

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

9. ENVIRONMENTAL IMPACT

9.1 There are no environmental impacts arising from this decision.

10. CRIME AND DISORDER REDUCTION IMPACT

10.1 There are no crime and disorder reduction impacts arising from this decision.

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

11.1 The recommendations set out in 1.1 will ensure the Council continues to have a flexible and resilient workforce to meet the needs of Croydon’s communities whilst also ensuring best value for citizens and tax payers.

12. OPTIONS CONSIDERED AND REJECTED

12.1 The Council undertook a make or buy assessment as part of the commissioning process. This found that the Council does not currently have the required skills or knowledge to deliver this service itself. There is however opportunity to develop some level of in house provision over the lifetime of this contract.

12.2 In deciding the final procurement strategy, a thorough options appraisal has been carried out which considered a number of options for service delivery models including vendor neutral and hybrid models.

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BACKGROUND PAPERS - LOCAL GOVERNMENT ACT 1972

Initial Equality Impact Assessment