

CENTRAL SERVICES CABINET MEMBER MEETING

Agenda Item 14
Brighton & Hove City Council

Subject: Agency Contract for Temporary Staffing
Date of Meeting: 29 June 2009
Report of: Director of Strategy & Governance
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Key Decision: Yes CS10635
Wards Affected: All

FOR GENERAL RELEASE

The reason for late inclusion of this item on Forward Plan is because it was previously on the Forward Plan and due to be considered at Cabinet. However, to reduce the burden of papers at Cabinet, it has subsequently been moved to the Cabinet Member Meeting with the agreement of the Leader.

1 SUMMARY AND POLICY CONTEXT:

The purpose of the report is to agree the process for the re-tender of the City Councils agency staffing contract at the end of the current contract period which expires on 19th March 2010.

2 RECOMMENDATIONS:

- 2.1 To seek approval to delegate approval powers to the Head of Human Resources following a tender exercise (in compliance with the European Union Public Procurement Directive) to re-let Brighton & Hove City Council for the provision of agency workers for all directorates across the council. The contract incorporates both requests for all temporary and interim workers.
- 2.2 The contract will be for 5 years with an option to extend a further two years, thus enabling the City Council to maximise the benefits to directorates and partner organisations in planning for their requirements both now and for the future. The recommended contract is for agency and interim staffing provided through a Hybrid Solution.
- 2.3 That the contract start date is 20 March 2010.

3 RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 The current contract provides all agency staff for the council. The contract with has been in operation for four years and is due to expire in March 2010.
- 3.2 The planned expenditure on agency personnel is currently £4.6 million. This is reflecting a year on year reduction in bookings and spends even when taking in

account minimum wage & Working Time Regulation increases. During the lifecycle of the current contract savings to date are reflecting a reduction in spend of £1,047,798 from year one to year three.

- 3.3 Carlisle Managed Solutions (CMS) are the contracted agency staff neutral vendor for Brighton and Hove City Council. This means they are the single point of contact for managers requesting agency staff. The booking process centres around an online system. Booking managers can place requirements online, by telephone or fax. Managers are encouraged to use the online system, 80% of requirements where placed online.
- 3.4 A four year contract has been in operation since 20 March 2006 following a full EU competitive tendering process. CMS manage and co-ordinate the whole recruitment process for all categories of temporary (agency) staff, except City Clean on behalf of the city council
- 3.5 CMS operate a neutral vendor model of agency supply. This replaced 14 individual agency contracts that only achieved 80% compliance (i.e. 20% of all bookings were made out of the agreement.) CMS do not provide agency staff directly but contract with 85 agencies in the local area to meet the needs of the temporary workforce on behalf of the city council. The pre-employment safety checks, including, referencing, CRB and eligibility to work in the UK are managed by Carlisle.
- 3.6 The neutral vendor model enables greater control of the supply market and enables reduction in the mark-up over pay rate which has resulted in £418,376 savings in the last financial year. Previous year's savings are included in the annual report attached.
- 3.7 CMS receives income when savings are made. The savings are split by the following ratio:

Year 1:	06/07 BHCC 70% / CMS 30%
Year 2 & subsequent years:	07/08 BHCC 75% / CMS 25%

4 AGENCY USAGE & SPEND:

- 4.1 In the last financial year 08/09, CMS received a total of 10,601 booking which equates to an average of 884 per month. This is a reduction of over 600 bookings on the previous year.
 - CMS achieved a fill rate of 99% against a fill-rate target of 100%. Carlisle was unable to fill 126 requirements during the year period (approximately 10 per month). The unfilled requirements are reviewed at regular contract meetings to look at reasons why the shift could not be filled and to put positive actions in place to address this shortage of supply in particular areas.
 - Bookings equates an average of 259 temps (161 FTE) used per week. This is a reduction of 50+ FTE candidates on previous year.
- 4.2 The current provider carries out customer satisfaction surveys on a monthly basis these show a high degree of satisfaction with over 98% of temporary workers provided would be rehired.

5 COST SAVINGS

5.1 The total cost savings for 2008/2009 was £418,376. These costs savings are realised through reduced mark-up over pay rates. Additional savings of £8,000 an hour are saved by the reduction in bookings on previous years.

Savings	Year 1	Year 2	Year 3
April	£ 27,238.00	£20,616.00	£25,081.00
May	£ 29,250.00	£26,086.00	£27,174.00
June	£ 35,779.00	£31,468.00	£35,869.00
July	£ 29,613.00	£23,859.00	£28,834.00
August	£ 30,684.00	£23,954.00	£29,880.00
September	£ 39,175.00	£31,370.00	£39,272.00
October	£ 31,006.00	£28,752.00	£37,346.00
November	£ 28,798.00	£28,515.00	£37,118.00
December	£ 32,153.00	£29,958.00	£43,300.00
January	£ 24,559.00	£24,097.00	£39,611.00
February	£ 25,978.00	£28,137.00	£35,875.00
March	£ 33,093.00	£35,545.00	£39,016.00
	£367,326.00	£332,357.00	£418,376.00

6 PROJECT WORK - REDUCING THE RELIANCE ON AGENCY STAFF

6.1 A real benefit which has been realised from the Carlisle contract is the quality of management information. A monthly strategic report is produced which analyses all factors of agency use; expenditure, numbers used, demographics, equalities monitoring information and progress against key contractual targets.

6.2 With this information a project worker has worked with the local manager to plan for cost effective alternatives were temps have been engaged for lengthy periods and where particular teams are using excessive amounts of agency staff which allows for informed challenge in reducing agency requirements.

7 THE TENDER PROCESS

7.1 The schedule of activity is itemised on the schedule below.

Timetable confirmed by Cabinet		9 July 2009
Issue tender notice for publication in OJEU		22 July 2009
Invite expressions of interest and issue pre-qualification questionnaires (PQQ)		29 July 2009
Closing date for receipt of PQQ	37 days	4 September 09
Evaluation of PQQs	14 days	7 September 09
Invitation to tender documents issued		25 September 09

Tender period	40 days	
Tender closes		6 November 09
Tender evaluation and presentations		9 – 27 November 09
Preferred Bidder		3 December 09
ALCATEL stand-still period	10 days	4 December 09
Contract start		20 March 2010

7.2 The specification for the contracted service will build upon the success of the current model using a hybrid managed solution model. This will continue to give booking managers the single point of contact for the booking of agency workers and the single invoicing process and a greater degree of control.

The Neutral Vendor Model: This gives a single point of contact for managers requesting agency staff to an organisation that does not provide staff themselves but contracts with other providers. The contractors over time are tiered against a quality matrix according to their performance.

Hybrid Managed Solution Model: This model gives a single point of contact for managers requesting agency staff. The organisation can provide staff directly themselves and can also block contract categories of staffing to a single provider to enable greater purchasing power in securing better rates.

7.3 The contract will be accessible to other organisations in the region as well as partner organisations of the City Council. This will enable others to take advantage of the reduced mark up over pay rates negotiated through this contract.

7.4 The cost of the service will continue to be met through a transactional charge similar to that currently made with cost savings passed on to hiring managers.

7.5 This contract will incorporate agency requirements at City Clean at the end of the current contract period as agreed by Cabinet in October 2008.

7.6 The addition of interim bookings being sought through the contract will enable the council to increase the level of savings overall and for the first time give the council clear management information on the level and cost of interim staffing.

7.7 Currently 90% of all workers provided through the contract have to be sourced within the Brighton & Hove boundary this contributes to the local economy by providing local employment to local people.

7.8 To ensure value for money the procurement exercise will be evaluated using criteria based on the contracts “Key Performance Indicators” and the final three companies will be asked to present to a council panel including representation from both the legal and financial departments.

8 FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 8.1 The estimated spend on agency staff over the first five years of the new contract (from 2010/11 to 2014/15) would be in the region of £35m. It is hoped that efficiency savings will be made year on year over the life of the contract especially in relation to 'interim' staff (those currently outside of the contract who are required to go through interview) where add-on costs from the agency should be significantly reduced when they become included within the contract. Additionally as the contract progresses, further savings opportunities may be developed.

It is also expected that the further development of in-house pools of staff will continue.

Finance Officer Consulted: Peter Francis

Date: 01/06/2009

Legal Implications:

- 8.2 A contract providing this type of service falls under 'Part B' of the EU Procurement Directive and accompanying UK Regulations. As a result, the contract will be subject to the partial application of both the Directive and Regulations and should be procured accordingly. The procurement timetable set out above indicates that the legal requirements will be met and exceeded. Contracts over £75,000 must be prepared in a form approved by the Head of Law. The Council must take the Human Rights Act into account in respect of its actions but it is not considered that any individual's Human Rights Act rights would be adversely affected by the recommendations in this report.

Lawyer Consulted: Sonia Likhari

Date: 20/06/2009

Equalities Implications:

- 8.3 The contract will be drawn up and awarded to support the council's race equality scheme and its broader equalities duties. The performance indicators set for the diversity of workers supplied through the contractual arrangements mirror those of the council.

Sustainability Implications:

- 8.4 The contract will be awarded to support the council's sustainability strategy.

Crime & Disorder Implications:

- 8.5 The contractor will be responsible for carrying out all necessary checks prior to placing an individual worker. Under the terms of the contract this includes, appropriate health checks, references and right to work in the UK.

Risk & Opportunity Management Implications:

- 8.6 The Key risks are:

- Failure to let the contract – Resulting in increased cost and operational disorder.
- Failure to provide the service – As above and increased risk to clients receiving care.
- Failure to manage the contract which would lead to complaints and cost implications.

Corporate / Citywide Implications:

8.7 The letting of this contract contributes actively to a number of the councils priorities:

- Under the terms of the contract 90% of all workers provided will be residents of Brighton & Hove enabling opportunities for local employment. The contractor will sign up to a commitment to the councils Local Employment Plan, as a condition of the contract ,giving opportunities to local people who are currently long term unemployed or living on benefits.
- The letting of this contract will contribute to the agenda of better use of public money. The decision to award the contract is based on a mechanism that considers both value for money and the quality of services provided.

9 EVALUATION OF ANY ALTERNATIVE OPTION(S):

9.1 Alternative options for the provision of workers to the council: Consideration of an in-house bid has been reviewed in view of the payment complexities and the variety of workers requested this is not operationally or financially viable.

9.2 The option of a master vendor model (single provider) has been considered. This would damage our relationship with niche providers who are locally based and source workers locally.

10 REASONS FOR REPORT RECOMMENDATIONS

10.1 Following a tender process in line with both EU and council regulations the contractor will need to demonstrate through his tender submission and subsequent presentation that they are the company which has provided most evidence to support they ability to deliver on this contract.

10.2 The contract will support a number of the council's priorities in both better use of public money and increased opportunities for employment of local people contributing to the growth of the local economy.

SUPPORTING DOCUMENTATION

Appendices:

1. None

Background Documents

1. None