

**SURREY COUNTY COUNCIL****CABINET****DATE: 22 SEPTEMBER 2015****REPORT OF: MS DENISE LE GAL, CABINET MEMBER FOR BUSINESS SERVICES AND RESIDENT EXPERIENCE****LEAD OFFICER: JULIE FISHER STRATEGIC DIRECTOR FOR BUSINESS SERVICES****SUBJECT: AWARD OF CONTRACT FOR THE MANAGED SERVICE FOR TEMPORARY LABOUR RESOURCES****SUMMARY OF ISSUE:**

This report seeks approval to award a contract to Adecco UK & Ireland for a Managed Service for the provision of temporary labour resources to commence on 1 February 2016 as the current arrangements expire on 31 January 2016.

This report provides details of the procurement process, including the results of the evaluation process and, in conjunction with the Part 2 report, demonstrates why the recommended contract award delivers best value for money.

Due to the commercial sensitivity involved in the contract award process the financial details of the successful supplier have been circulated as a Part 2 report.

**RECOMMENDATIONS:**

It is recommended that:

1. The contract be awarded to Adecco UK & Ireland
2. The contract be awarded for an initial period of four years, with an option to extend for up to two further years.

**REASON FOR RECOMMENDATIONS:**

During a review of the spend and contracts with the Corporate and Human Resources categories in both Surrey and East Sussex Councils, procurement identified an opportunity to align the expiry of the current contracts and retender as a joint contract to appoint a single provider for both Councils.

Following an assessment of a number of options it was decided that a mini competition process using the "Eastern Shires Purchasing (ESPO) Managed Services for Temporary Agency Resource Framework (ref 653F)" was deemed the most appropriate route to market.

The tender was in compliance with the requirements of Public Contracts Regulations 2006 and the Council's Procurement Standing Order. The recommendation provides best value for money for this contract in following a thorough evaluation process.

This procurement exercise has been carried out in collaboration with East Sussex County Council to secure a single provider to deliver the service for both Councils via an individual contract for each Council.

In accordance with their constitution and procurement standing orders, East Sussex County Council have already awarded their contract to Adecco UK & Ireland.

## **DETAILS:**

### **Background**

1. Temporary labour resources are an appropriate part of the overall workforce planning for the Council and are typically used to:
  - Cover planned and unplanned absence (e.g. leave, sickness)
  - Obtain additional resources for specific projects
  - Obtain specialised skills than are not available in-house for specific projects
  - Additional resource to assist in seasonal / cyclical fluctuations
  - Interim resource whilst full time posts are being recruited
2. The Council spends £12m per annum on the supply of temporary resources to help both frontline and back-office functions to deliver their service effectively.
3. The existing contract for Surrey County Council for the supply of Temporary Agency Resources is due to expire on 31 January 2016.
4. The contract award will support the Council's ability to continue to provide temporary labour resources.
5. A joint project team was set up to include representatives from Human Resources (HR) and Procurement from both Surrey and East Sussex County Councils.
6. The project team carried out extensive consultation with key services teams and senior management within both Councils to advise the specification and priorities for the tender.
7. Recommendations from the audit and scrutiny committee report were taken into account in the design of the specification to ensure the new contract addressed the key issues identified with the current contract, which included:
  - Off-contract spend in Children's Services due to lack of quality candidates and a protracted recruitment process with the incumbent provider
  - CV screening was poor, leading to inappropriate CVs being provided to hiring managers
  - Fulfilment rates for adult social care staff was a concern
  - High turnover of staff and a high level of vacancies in Children's Services
  - Temporary workers claiming more than the full time hours per week
  - High level of auto-approval of timesheets

8. Market analysis and consultation with key providers was carried out and ensured the project team was well informed of the market structure and able to identify new emerging trends. This information fed into the design of the specification
9. Following consultation both internally and externally, a new operating model for the contract was designed that would utilise the best of the traditional Master vendor and Neutral vendor operating models that the Council has used in the past.
10. The new model will capitalise on the expertise of a managed provider to deliver operational and back-office roles, where quality candidates are commonly available (Master); but utilise select local providers to deliver niche roles (Neutral) for example social care, specialist IT and specialist highways and environment roles. These niche roles have typically been areas that under the current arrangement the Council have experienced difficulties in fulfilling.
11. The design of the new specification was for the sourcing strategy for type of roles to be tailored according to a number of factors such the type of role, market conditions and availability of candidates, as opposed to a one size fits all approach used previously.
12. The tender exercise was conducted in collaboration with East Sussex County Council to appoint a single provider to deliver both Councils' needs. The collaboration on this contract forms part of the development of the wider Orbis partnership working approach. It is anticipated the delivery of a single provider, working strategically with both Councils in partnership will help deliver benefits which will include:
  - Consistency for front-line hiring managers recruiting across both Councils
  - Sharing of best practice, performance reporting and experiences to feed into continuous improvement for both contracts
  - Potential to share talent pools of known quality staff to drive quality fulfilment in historically hard to fill roles and reduce administration
  - Sharing of panel vendor agencies and support local economies by providing an opportunity for currently local-to-county agencies to expand and develop.
13. As part of the collaboration with East Sussex County Council, joint strategic aims for the new contracts were developed, as follows:
  - **Workforce development** - Joint workforce planning, maximising the use of innovation, collaboration and thought leadership to ensure timely access to talent on a local and regional basis and aligns with permanent recruitment needs.
  - **Access to talent** - Having a strong relationship between managers and suppliers, which includes managers engaging with agencies directly, to develop bespoke recruitment processes that suit service demands and deliver high quality candidates, especially for specialist roles.
  - **Quality and reliability** – Strategic, partnership approach to performance management and robust issues management to improve effectiveness and share best practice and learning from experiences in both Councils.

- **Customer service** - Supply and governance arrangements that set clear standards of customer care and monitor this throughout the contract to produce excellent customer service from the agency to Surrey, partners and candidates.
- **Flexibility and simplicity** - Having processes and supporting software that deliver excellent results to ensure managers have less administration and to minimise time spent recruiting so they can respond to service needs.
- **Cost saving** - Continuing downwards pressure on support costs and mark up rates to achieve the most cost effective solution without compromising quality of service.

### Procurement Strategy and Options

14. A mini-competition tender process, compliant with the Public Contracts Regulations 2006 and the Council's Procurement Standing Orders, has been carried out using the Council e-Procurement system following the receipt of authority from Procurement Review Group (PRG) on 2 June 2015.
15. Several procurement options were discussed and considered when completing the Strategic Procurement Plan (SPP) prior to commencing the procurement activity. These included the following options:
  - Creating a commercial offering via a Local Authority Trading Company (LATC)
  - Bringing the management of the service back in-house
  - Going out to tender for a new outsourced provision using the existing ESPO framework.
  - Going out to tender for a new outsourced provision via a full Official Journal of the European Union (OJEU) tender
16. After a full and detailed options analysis, the tender process described in 10(c) was chosen. This option was deemed most appropriate and selected because:
  - The option as described in 15(a) presented a high risk approach as it is a highly competitive market and it would be extremely difficult to establish a presence among numerous competitors. The only way this model would be feasible is if it generated a good level of income; this cannot be guaranteed in a competing market of established experts in their field. In addition based on initial consultancy information provided the investment in staff and IT systems required to set up an LATC is estimated to be substantial.
  - Option 15(b) is also a high risk approach for the similar reason as listed in 15(a). This is not a service the Council specialises in or has any prior experience of and would require significant investment in specialist IT systems and the recruitment of a new team with expert market knowledge to manage the day to day contract management operations and management of the supply chain.

- Option 15(d) was considered unnecessary as there is a compliant framework that meets the needs of both Councils and therefore a full OJEU tender would incur undue cost and time with no guarantee of better value to the Council.
17. The Council could have utilised the framework either via a direct award or mini competition; a mini competition was deemed necessary to fully establish best value for money for both Council's requirements.
  18. All suppliers within the framework were invited to attend a supplier engagement day to meet the project team and discuss the requirements ahead of the tender being published.
  19. Representatives from key service areas were involved throughout the evaluation process to ensure that the preferred solution was fit for purpose for all areas of the organisation.

### **Key Implications**

20. By awarding a contract to the supplier as recommended, for the Managed Service for temporary agency resource, to commence on 1 February 2016, the Council will be meeting its obligations to provide temporary labour and ensuring best value for money for this service.
21. There will be a 16 week mobilisation period from October 2015 to February 2016 to ensure the system is configured, staff are trained; and processes, infrastructure and support agencies are fully in place for the launch of the new contract from go live.
22. Performance will be monitored through ongoing review of the supplier in accordance with defined Service Level Agreements and Key Performance Indicators. There will be monthly operational level reporting and quarterly strategic meetings to review performance and discuss improvements. There will also be joint strategic meetings with East Sussex County Council as part of the partnership working approach to this contract.
23. The contract will utilise local and Small and Medium Sized Enterprises (SME) in the supply of temporary resource, operating as tiered suppliers under the managed provider.
24. The contract will provide hiring managers in frontline services better access to the specialised agencies for their services to ensure the Council's requirements are fully captured and the most appropriate candidates are sourced.
25. The management responsibility for the contract lies with the dedicated contract manager within HR. The contract will be managed in line with the HR policies and the processes agreed with the winning supplier.
26. The rates that can be influenced by the supplier are fixed for the term of the contract and no changes can be made to those rates without prior agreement from the contract manager within the Council.
27. The new contract will seek to address the issues highlighted in paragraph 7 by:
  - Embedding a dedicated HR contract manager from the outset of the contract within the Council that was not in place for the start or main duration of the current contract, but has been in place since February 2015

- Providing tailored sourcing strategies for each service area that will be regularly assessed during the life of the contract. This will eliminate the need for off-contract activity as the strategy will be customised to the operational needs of the service
- Providing specialist and dedicated social care recruiters to work onsite and directly with frontline managers to support in their recruitment activities and maximise fulfilment of roles with quality candidates
- Removing automatic approval of timesheets, which will ensure more focus on timesheet management and better control of costs
- Providing regular highlight / exception reporting for timesheets submitted above normal full time hours

### **Competitive Tendering Process**

28. The contract has been tendered following a competitive tendering exercise. It was decided that the mini competition using the ESPO framework was appropriate as there are a limited number of suppliers in this specialist market that can fulfil the managed service requirements of a larger organisation such as Surrey County Council.
29. All eight suppliers within the framework were invited to tender for the contract and were given twenty eight (28) days to complete and submit their tender response. A total of six tender responses were received from the following bidders:
  - Adecco
  - Hays
  - Manpower
  - Pertemps
  - Reed
  - Swanstaff Recruitment
30. Two bidders confirmed in advance of the tender close date that they did not wish to participate in this opportunity.
31. The tender was evaluated on the following split of price and non price based criteria:
  - Non Price = Total of 75%
    - Quality based questions – 40%
    - Presentation – 20%
    - System Demonstration – 15%
  - Price = Total of 25%
    - Price based questions – 5%
    - Pricing Schedule – 20%
32. The tender award process was split into two phases, an initial tender response that was submitted by all participating bidders, followed by a shortlisting to a presentation stage.
33. Bidders were notified in advance of the tender being issued and within the tender documentation the full procurement process. The process laid out that following the initial tender response, the top three scoring bidders would be shortlisted and taken through to a presentation stage, whereas all bidders outside the top three would not continue any further in the process.

34. The initial tender response was evaluated against the criteria and weightings as shown below:

- Quality Questions – 40%
  - Pricing Schedule – 20%
  - Cost-based questions – 5%
- Maximum Total for phase 1 - 65%**

35. The six bids received for the initial tender response were broadly similar in overall score. Whilst bidders provided varying rates for each category of worker, overall the total bid price submitted was very similar. In addition the evaluation panel felt that all bidders provided a good written response to the quality questions, which was to be expected given the providers concerned were long established, large providers within the market.

36. Following the initial tender response the top three scoring bidders were shortlisted to the presentation stage. The shortlisted bidders were as follows:

- Adecco
- Manpower
- Pertemps

37. The shortlisted bidders were then evaluated in accordance with predefined questions and scenarios which were provided to the bidders in advance, as follows:

**Presentation – 20% of tender score**

- Cultural fit
- Managing difficult transactions
- Proposed approach for the initial 6 month contract period
- Sharing best practice and legislative guidance

**System Demo – 15% of tender score**

- End to end order and timesheet management
- Reporting
- Administrator functionality
- Issue Management and reporting

38. Based on the combined total scores received for both phases of the tender the winning bidder recommended for the award of the contract is Adecco UK & Ireland.

39. Please refer to Part 2 report for further information related to the breakdown of scores at each stage of the tender.

40. The procurement department has received positive feedback from unsuccessful bidders complimenting on how the process was run and the quality of the feedback provided on their bids following the tender process.



<b>CONSULTATION:</b>
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41. Key stakeholders within both Surrey and East Sussex County Councils have been consulted at all stages of the commissioning and procurement process including:
- Procurement
  - Legal Services
  - HR Leadership Teams
  - Service based Senior Management Teams
  - Front line Hiring Managers
  - Finance
  - Audit
  - IMT

<b>RISK MANAGEMENT AND IMPLICATIONS:</b>
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42. Risks were appropriately identified in Table 1 and have mitigation actions in place.
43. The terms and conditions include termination provisions to allow the Council to terminate the contract should priorities change.
44. The framework terms and conditions include Non Exclusivity provisions to allow the Council to use other suppliers to fulfil roles if required.
45. The specification and terms and conditions clearly set out that during the life of the contract the sourcing strategies will be reviewed on a regular basis to ensure they are appropriate for the life of the contract and can be subject to change following agreement from the Council and the supplier.
46. All suppliers successfully completed satisfactory financial checks as part of the framework competition. The framework was awarded in April 2015 so it was not deemed necessary to carry out further financial suitability analysis at this stage however this will be monitored during the life of the contract.

Table 1 – Risks and mitigating actions

Category	Risk Description	Mitigation Activity
Financial	Price increases due to market conditions and scarce supply of niche workers	The framework controls and fixes the prices the agencies and managed providers can charge. Worker rates are controlled by the Council. Any exceptions to rates must be signed off by the contract manager before being applied.
Supply	Supply disruption during changeover of suppliers	We have allowed a sixteen (16) week implementation to ensure the new provider is full ready and has built up the agency base to support them for the launch of the new contract.
Reputational	Change of supplier could lead to unrest within the services	We have allowed a sixteen (16) week implementation to ensure the new provider is full ready and has built up the agency base to support them for the launch of the new contract.
Financial / Reputational	Services will go off contract if the new contract does not utilise certain preferred	The contract manager, alongside the new supplier will work with all service areas to ensure there is consistent provision from Day 1, and if necessary



	agencies	will utilise existing agencies for, and review after, a set period as to whether to continue to use agencies going forward.
Supply	Incumbent supplier will cease to provide any workers	The current contract expires on 31 January 2016, and the supplier is obliged to provide workers to this point. The contract manager will work closely with the incumbent to ensure that service standards do not falls below acceptable and the KPIs are still being met.
Supply	Workers in existing posts that will need to be retained after 31 January 2016 will not automatically transfer to the new contract and the incumbent will cease to supply as a panel vendor following contract end.	Direct engagement with the workers to ensure they are aware of the change and at the earliest opportunity the new supplier will contact them to arrange signing up to the new contract when it becomes live.

#### **Financial and Value for Money Implications**

47. Full details of the contract's values, scoring and financial implications are set out in the Part 2 report.
48. The rates provided by the supplier are ceiling rates, fixed for the life of the contract and any higher rates proposed must be agreed by exception by the contract manager in advance.
49. Despite the lower rates achieved it should be noted that any rise in the following may increase annual spend for the Council. In addition some elements are within the Council's control whereas others not. Elements within control of the Council are as follows:
- Volumes
  - Pay rate of the workers
  - Expenses pay policies
  - Overtime, out of hours and unsociable hours pay policies
50. Elements outside of control of the Council are:
- Statutory deductions e.g. pension and National Insurance (NI)
  - Agency Worker Regulation legislation
  - Minimum wage increases

#### **Section 151 Officer Commentary**

51. The Section 151 Officer confirms that the cost of the proposed contract for the managed service for temporary labour is included within the Council's Medium Term Financial Plan (MTFP). The estimated net savings included within this report are based upon current usage and as such this is a reasonable approach.

### **Legal Implications – Monitoring Officer**

52. This report sets out the need for the Council to have provision of temporary labour resources and it is recommended that a contract be awarded for this provision on the basis set out in the first paragraph under **SUMMARY OF ISSUE** and **REASON FOR RECOMMENDATIONS**.

### **Equalities and Diversity**

53. The need for an Equality Impact Assessment (EIA) was considered, however, a conclusion was reached that as there were no implications for any public sector equalities duties due to the nature of the services being procured, an EIA was not required. Despite this, the preferred supplier will be required to comply with the Equalities Act 2010 and any relevant codes issued by the Equality and Human Rights Commission.

### **Other Implications:**

The potential implications for the following Council priorities and policy areas have been considered. Where the impact is potentially significant a summary of the issues is set out in detail below.

Area assessed:	Direct Implications:
Safeguarding responsibilities for vulnerable children and adults	As part of the delivery of this contract all workers that will be assigned to work with or have exposure to vulnerable adults or children will be subject to an enhanced DBS check. The managed provider will have in place robust DBS procedures that are in keeping with the Council's policies and will be carried through to supporting agencies. The managed provider will monitor the expiry dates of workers requiring DBS clearance and no worker will be allowed to work without a valid and in date DBS clearance.

### **WHAT HAPPENS NEXT:**

The timetable for implementation is as follows:

Action	Date
Cabinet decision to award	22 September 2015
Cabinet call in period	22 - 30 September 2015
Contract Signature	October 2015
Contract implementation	October 2015 – February 2016
Contract Commencement Date	February 2016

#### **Contact Officer:**

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#### **Annexes:**

Part 2 report with financial details attached (item 14)