

Cabinet Meeting	Agenda Item: 9
Meeting Date	6 September 2017
Report Title	Procurement of Agency Staff Services
Portfolio Holder	Cllr D Dewar-Whalley, Cabinet Member for Finance and Performance
SMT Lead	Nick Vickers, Chief Financial Officer
Head of Service	Dena Smart, Head of HR Shared Service
Lead Officer	Dena Smart, Head of HR Shared Service
Recommendation	That the Cabinet approves the appointment of Matrix SCM Ltd as the recommended provider for vendor neutral agency service provision for an initial three year period with an option to extend for one year.

1 Purpose of Report and Executive Summary

- 1.1 The current framework expires on 30 September 2017. The Human Resources team carried out a tender process based on the most economically advantageous tender evaluated on 60% price and 40% quality. The neutral vendor service provision is to provide agency staff to the Council.
- 1.2 This report seeks approval from Cabinet to enter into a new contract for the supply of agency staff.

2 Background

- 2.1 Swale Borough Council has been part of a vendor-neutral managed contract with Comensura for the supply of temporary agency staff through the Eastern Shires Purchasing Organisation (ESPO) and their Managed Services for Temporary Agency Resources (MSTAR) framework. 'Vendor-neutral' means that the company act as a third party, they are not a direct employer and provider of agency staff but act as a matching service between a companies need for temporary staff and an agency's ability to provide workers. The 'vendor – neutral' organisation works on a savings sharing basis i.e. as they work on high volumes they negotiate cheaper agency rates and we both keep a proportion of the savings. The initial decision to be part of this contract with Maidstone Borough Council was taken in 2012. At the time of the contract Comensura were the only vendor-neutral provider on the framework. This contract was extended for both councils in September 2016 for one year on the basis that a tender process was undertaken.
- 2.2 Prior to the vendor – neutral arrangement services were able to call any agency and negotiate any price, which resulted in vastly different levels of pay and generated many invoices to administer. However with the vendor-neutral arrangements Comensura contributed to cost reduction by using bulk purchasing to achieve better prices, whilst departments retain responsibility for managing the hire, management and costs of agency staff.

- 2.3 Under the contract, using an online portal and helpdesk services Comensura provides temporary staff via managed services. In the event of a need for a temporary member of staff, the relevant manager would notify Comensura of their need and Comensura then contacts the agencies listed with them to match suitable candidates.
- 2.4 All transactions are carried out with Comensura, rather than individual agencies, and the necessary 'vetting' procedures (right to work etc.) required to ensure that the agencies are complying with our requirements are carried out by Comensura.
- 2.5 The benefits obtained from the contract since joining have been:
- both cashable and non-cashable savings (e.g. time saved for staff);
 - improvements in the quality of agency staff;
 - an effective engagement route for finding good quality temporary staff;
 - improved management and administration procedures by reducing the volume of invoices;
 - reduction in risk from the employment of agency staff; and
 - improved reporting procedures.
- 2.6 In particular, since October 2013, both Maidstone and Swale BC have benefited from increased savings each year due to annual benchmarking and reduced agency margins. This ensures the Council receives the best value for money from the contract.
- 2.7 A breakdown of spend and savings with Comensura over the last four years is set out in the table below: It should be noted that the total spend on temporary staff through Comensura includes the amount paid to the agency worker, fees paid to the employing agency, and the fee paid to Comensura for their service.

Swale Borough Council

Time Period	Total Spend	Total Saving
2013/14	£121,093	£8,285
2014/15	£214,691	£27,745
2015/16	£279,691	£51,310
2016/17	£219,691	£43,386

- 2.8 The table shows an initial increase in spend for agency staff in Swale followed by a recent reduction. This increase has primarily been caused by the difficulty in permanent recruitment within Legal Services and Planning and the use of agency staff to temporarily fill vacancies.
- 2.9 In accordance with the principles of good governance and procurement standards the contract has now been re-tendered. This was undertaken using

the help and assistance of the Swale procurement team on behalf of Maidstone and Swale councils. The decision was taken to continue with a vendor –neutral managed service provider rather than a preferred supplier agency (i.e. where that agency is the direct employer of all the agency staff supplied) as the range and access to specialist skills is greater. There are now several managed service providers on the MStar framework which meant that a tender process had to be carried out to decide between the available companies.

- 2.10 The opportunity was advertised in accordance with current contract standing orders, with interested parties asked to complete an Invitation to Tender. Two tenderers replied and scores were allocated according to the criteria explained in the tender document.
- 2.11 The second stage, for the tenderers was a clarification interview with the procurement panel. The panel consisted of the Head of HR, the Business Manager Legal Services as one of the highest users of agency staff and an HR Officer. Each panel member made notes at the interview and discussed openly before collectively adjusting the scoring of the tender submissions. Interviews are not part of the evaluation process; they are for clarification purposes only.
- 2.12 The proposals from the two organisations were very similar and there was not a significant difference on scoring however Matrix SCM scored marginally higher particularly on the quality checks they have in place for the staff supplied, ease of use of the system and were marginally cheaper. The final scoring is set out below:

Number	COMPANY NAME	Price Score	Non Price Score	Total Score
1	Matrix SCM - SBC Lot	60.00	91.67	151.67
2	Company A - SBC Lot	59.79	74.00	133.79

3 Proposal

- 3.1 Cabinet is requested to approve the proposal to enter into a contract with Matrix SCM for 3 years under the MSTAR Framework with the option to extend the contract for a further 12 months, totalling 4 years subject to satisfactory performance.
- 3.2 Matrix SCM currently work with over 90 local authorities in the UK including a large contract with Thurrock Council and Kent and Essex Police. They are keen to ensure that the use of local agency staff is encouraged and demonstrated a good customer understanding.

4 Alternative Options

- 4.1 The decision could be to return to the practice of directly contacting multiple agencies. However, this will cause additional cost implications by departments paying any agency rates that are quoted, administration of more

invoices as these will no longer be managed through one central point, and increased costs of appointing agency staff to permanent roles as finders' fees will be applied.

4 Consultation Undertaken or Proposed

- 4.1 Managers who regularly make use of agency staff, the Procurement Team, and the Strategic Management Team have been consulted in preparation of this report.

5 Implications

Issue	Implications
Corporate Plan	Appointing a contractor that meets a good quality standard and provides good value for money contributes towards all the corporate priorities as it ensures that the staff resources of the Council's assets are optimised.
Financial, Resource and Property	Anticipated annual spend on the contract is £200,000. The total contract value for the three years is therefore, estimated as £600,000. The Transfer of Undertakings (Protection of Employment) Regulations 2006 as amended do not apply to this contract and the implications of this have been addressed in the procurement process.
Legal and Statutory	The contract will be the standard Council contract and undertaken using the Council's current Terms and Conditions. There is a requirement under the Agency Workers Regulations 2011 to ensure that agency workers that have a minimum 12 weeks service are given the same basic employment conditions as permanent staff. Matrix has developed software to manage the regulations and track the length of assignments so that we are compliant with the regulations.
Crime and Disorder	None identified.
Sustainability	None identified.
Health and Wellbeing	None identified.
Risk Management and Health and Safety	Not using a neutral vendor for supply of temporary staff will have a significant impact on the control and governance of the process for resourcing agency staff. There will be a risk of not being able to accurately report on agency spend as this will no longer be reported centrally through one system, and the risk of inadequate checks being carried out before being appointed to jobs. In addition, there will be issues on providing responses to FOI requests
Equality and Diversity	There are no equality and diversity implications in moving the contract to Matrix.

Social Value	The tender document required the tenderer to set out the way in which they would encourage local businesses and residents of Swale into the vacant positions; this will help to enhance the economy of the Borough.
Commissioning & Procurement	Commissioning advice was supplied by the Swale Procurement Team to ensure that the Councils Contract Standing Orders, Commissioning framework, Procurement Strategy, relevant EU Procurement Directives and the Public Contract Regulations 2015 were applied in the process.

7 Appendices

7.1 The following documents are to be published with this report and form part of the report:

- None.

8 Background Papers

8.1 Cabinet decision on 4 July 2012 on Procurement of Temporary Staff report:
<http://services.swale.gov.uk/meetings/CeListDocuments.aspx?MID=303&RD=Minutes&DF=04%2f07%2f2012&A=1&R=0>

8.2 Cabinet decision to extend the contract
<http://services.swale.gov.uk/meetings/ieListDocuments.aspx?CId=129&MId=1716&Ver=4>