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Meeting	Cabinet Resources Committee
Date	4 April 2012
<b>Subject</b>	<b>Extension of Agency Staff Contract</b>
Report of	Cabinet Member of Resources and Performance
Summary	To extend the existing Agency Staff Contract for a period of 6 months beyond 1 <sup>st</sup> April 2012

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Officer Contributors	Praful Ladwa, Procurement Manager (Commercial Services) Mark Rudd (Head of HR Service Delivery)
Status (public or exempt)	Public
Wards Affected	All
Key Decision	
Reason for urgency / exemption from call-in	N/A
Function of	Cabinet Resources Committee
Enclosures	None
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## **1. RECOMMENDATIONS**

- 1.1 That the Commercial Services Director be authorised to extend the current Contract for the supply of Temporary Agency Staff held by Hays Resource Management for a period of six months from the 2nd April 2012 to 30<sup>th</sup> September 2012.

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 Cabinet Resources Committee meeting dated 02 March 2011 (Agenda Item No. 16) approved the recommendation to extend the existing contract by a period of 1 year as outlined in the report titled Extension of Agency Staff Contract.
- 2.2 Cabinet Resources Committee Report titled: Award of contract for the provision of Neutral Vendor Services for the provision of a Managed Agency Temp Desk and the supply of Temporary Workers with an option to extend, dated 25th February 2008 (Agenda Item No. 5).

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 The Corporate Plan 2011-2013 includes the priority of 'Better services with less money' with one of its key strategic objectives to ensure that our support services effectively service the organisation through high quality, high value services.

## **4. RISK MANAGEMENT ISSUES**

- 4.1 During 2010 it became apparent that public finances nationally were to be significantly constrained. For the Council, as a people organisation, this meant that the most significant impact would be upon people costs. Recruitment was identified as a significant issue - there was a concern not to create additional redundancy costs plus there was also an urgent need to be able to redeploy permanent workers who were displaced because of proposed budget reductions. To address these objectives, the organisation made a decision in June 2010 that it should move towards a more flexible approach to managing its workforce. This meant that vacancies were predominately filled on a temporary basis, and only in the areas of 'hard to fill' roles were permanent appointments made.

The contract for the supply of Temporary Agency Staff is critical to the delivery of this objective.

- 4.2 The current contract with the supplier of Temporary Agency staff expires on 31st March 2012. Ending the contract without alternative provision would undermine the Councils approach to flexibly managing its workforce.
- 4.1 The Council will continue to ensure that the supplier of Temporary Agency Staff is compliant with all service requirements whilst conducting a re-procurement exercise which is envisaged to be completed and a new contract awarded by early Spring 2012.

## 5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 The current Contractors have demonstrated that they can support the Council's Equal Opportunities policies when they submitted their tenders. There have not been any negative equalities issues arising during the course of the current contract.

## 6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 Percentage mark-ups that the incumbent provider applies have been kept at the same levels as negotiated for the previous contract extension. The table below details mark-ups that will apply by job category.

	General	Blue Collar	Tech & Prof	Qualified Social Care	Unqualified Social Care
<b>Agency Pricing</b>	% Mark-up	% Mark-up	% Mark-up	% Mark-up	% Mark-up
Existing	12%	14%	14%	18%	14%
New starter	12%	14%	14%	18%	14%

- 6.2 The Supplier has offered a reduction in the management fee as they have relocated dedicated resources that were based at Council locations to a shared resource centre. The management fee is reduced from £275,000 to £216,021 per annum, a saving of £58,949 per annum. The six month cost of the contract in 2012/13 will be £108,010 and this will be met by services using the contract as an on-cost on the charge for agency staff employed.

- 6.3 The overall value of the contract is difficult to estimate as it is dependent upon actual usage. Total contract spend since the contract commenced in 2008 is detailed below:

Financial Year	Spend (including Management Fee)
2008-2009	£12.5m
2009-2010	£11.95m
2010-2011	£9.2m
2011-2012	£10.3m

- 6.4 Based on existing usage the estimated of the value of the contract for the period of the extension would be circa £5m.

- 6.5 The table below details the actual and cumulative contract spend:

Term	Spend	Cumulative Spend
Initial 3 year period	£23.65m	
First 1 year	£10.3m	£33.95m

extension		
Final 6 month extension	£5m	£38.95m

6.6 It should be noted that in the CRC report dated 25<sup>th</sup> February 2008 the estimated annual expenditure was £10.5m or £31.5M over the 3 year initial term of the contract.

6.7 The Supplier has achieved an overall saving during the initial 3 year period of the contract of £6.85m by benchmarking temporary pay rates and negotiating reduced margins with providers from its own supply chain.

## 7. LEGAL ISSUES

7.1 None except any referred to within the main body of this report.

## 8. CONSTITUTIONAL POWERS (Relevant section from the Constitution, Key/Non-Key Decision)

8.1 Table 5-1 of the Contract Procedure Rules (Acceptance thresholds for contract extensions and variations) states that for contract extensions greater than £156,442 and approval to extend a contract more than once authority must be sought from Cabinet Committee.

## 9. BACKGROUND INFORMATION

9.1 In 2006 the London Contracts & Supply Group (LCSG) Framework contract was awarded to Hays Resource Management for the neutral supply of temporary and permanent staff. The contract was awarded for a period of 5 years with than an option to extend for 2 further periods of 1 year. The original contract five year period was completed on March 2011 and subsequent first contract extension will be completed on 31 March 2012.

9.2 The Council's expenditure to date is as follows:

Financial Year	Spend (including Management Fee)
2008-2009	£12.5m
2009-2010	£11.95m
2010-2011	£9.2m
2011-2012	£10.3m

9.3 Based on existing usage the estimated of the value of the contract for the period of the extension would be circa £5m.

9.4 The period of the extension has been agreed with the Supplier in order that a smooth transition from the incumbent supplier to the new supplier can be achieved with minimal loss of service and impact to the Council.

- 9.5 In January 2012, the Council has commenced the re-procurement of the service provision. Service Providers from the Lot 2a of the Managed Staffing Agency Resources (MSTAR) Framework have been invited to submit proposals. The re-procurement had been delayed as the Council had envisaged collaborating with other London Boroughs; however, the Councils requirement did not match that of other Boroughs who only wish to find a provider for general administration & clerical roles. The new contract will offer a 'One-Stop Shop' solution and increases contract compliance within Council by providing for all of the Council's temporary staffing needs including particularly 'hard to fill' job roles in Education. In addition Interim Managers and Consultants can be procured via this route.
- 9.6 The MSTAR framework is managed by Eastern Shires Purchasing Organisation (ESPO) and is fully compliant with EU and national procurement legislation.

## **10. LIST OF BACKGROUND PAPERS**

10.1 None

<b>Cleared by Finance (Officer's initials)</b>	<b>MC</b>
<b>Cleared by Legal (Officer's initials)</b>	<b>SS</b>