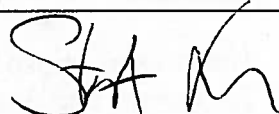


Haringey Council

Report for:	Cabinet on 9 July 2013	Item Number:	
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Title:	Award of Contract for a Neutral Vendor Solution for the supply of Temporary Agency Staff
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Report Authorised by:	Stuart Young, Assistant Chief Executive	
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Lead Officer:	Steve Davies, Head of Human Resources
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Ward(s) affected:	Report for Key/Non Key Decisions: KEY
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1. Describe the issue under consideration
 - 1.1 To seek approval from Cabinet to award a new contract for the supply of Permanent and Temporary Agency Workers to Hays Specialist Recruitment Limited for a period of 2 year years from 1 October 2013 with the option to extend for a further 2 years. The award is made under the Eastern Shires Purchasing Organisation (ESPO) EU procurement compliant framework called MSTAR - Managed Service for Temporary and Agency Resources.
2. Cabinet Member introduction
 - 2.1 The current contract arrangements for the supply of temporary agency workers end on 30 September 2013.
 - 2.2 The Council have undertaken a mini competition exercise during May/ June 2013 using the MSTAR framework. Three potential suppliers submitted bids and following an evaluation process it is recommended to award the contract to Hays Specialist Recruitment Ltd.

3. Recommendations

- 3.1 That the contract for the supply of permanent and temporary agency staff be awarded to Hays Specialist Recruitment Limited for a period of 2 years from 1 October 2013 with an option to extend for a further 2 years. The total value of the contract (including option to extend) for the management of the resource centre is £416,000.

4. Options considered

- 4.1 The Council is required to ensure that its temporary agency workforce continues to be engaged using an EU procurement compliant approach. The current contract expires on 30 September 2013. Ending the contract without alternative provision would undermine the ability of the Council to flexibly manage its workforce.
- 4.2 The Council chose to run a mini-competition using the Managed Service for Temporary and Agency Resources - MSTAR framework and involving all suppliers on the framework. This is a value for money process since it does not involve significant resources to run the tender and evaluation process and it involves all the main managed agency suppliers in the market.
- 4.3 The MSTAR framework was created nationally in 2011 to enable Councils to engage quickly and cost effectively with temporary agency Managed Service Providers. The MSTAR framework was established following an EU procurement process and is supported by the Government Procurement Service (GPS) and Local Government Association (LGA). It is recommended to continue with a Neutral Vendor model of delivery because this provides the optimum value for money and SME (small and medium sized enterprise) supplier engagement mix to deliver the resources the Council requires.

5. Background information

- 5.1 The contract for the neutral vendor supply of temporary and permanent staff was awarded to Hays Resource Management (HRM) in 2006. The contract was awarded for a period of 5 years with an option to extend for a further 2 years. The contract expires on 30 September 2013.
- 5.2 The neutral vendor model means that access to Council vacancies is not dominated by one large agency supplier. There are over 60 suppliers signed up under the expiring Hays contract – 67% of these are SMEs. On a quarterly basis, the performance of each agency in the supply chain is reviewed against an objective scorecard resulting in the agency being promoted / demoted between the tiers. Thus opportunities for agencies to potentially fill Council vacancies are based on performance and ability to supply quality staff and in a timely manner.
- 5.3 Significant cost savings and efficiency gains have been made through this relationship, including a reduction in average charge rates by £3.40 per hour since November 2010 providing a saving on the rates charged equivalent to over

£2.6m and the reduction in long term engagement of temporary workers by 39%.

- 5.4 The contract arrangements have significantly benefited SME suppliers with 67% of all the suppliers being SME's. And approx 50% of the agency workers engaged are from SME suppliers, and approx 20% are from local borough SME's.
- 5.5 In May 2013 the Council commenced the re-procurement of the service provision using the MSTAR framework. The closing date for competitive tenders was 5 June 2013. Three suppliers submitted tenders. The evaluation criteria for assessing the bid was based on Price – 50% and Quality (service delivery methods) – 50%.
- 5.6 The 3 suppliers tender submissions were evaluated by human resources and procurement officers and the final scores to be awarded to each supplier are summarised below.

	Supplier A	Hays	Supplier C
Price (50%)	38.11%	50.00%	41.55%
Quality (50%)	38.40%	38.80%	39.60%
Total	76.51%	88.80%	81.15%

The identity of Suppliers A and C is detailed in the accompanying exempt report.

- 5.7 The bidders were provided with a breakdown of the Council's temporary agency workforce in order that they could offer competitive agency fee rates that would be applied to agency worker rates of pay and also resource centre management fees.
- 5.8 The bidders have provided information in relation to the agency fee cost and their management fee for running the resource centre. This is commercially sensitive information and is therefore detailed in the exempt part of the report.
- 5.9 Although there is a level of commercial sensitivity based on the information supplied by the recommended bidder it is estimated that the savings that will be achieved on the management fee alone for running the resource centre will be over £300k over the potential full 4 year period.

6. Comments of the Chief Finance Officer and financial implications

- 6.1 The recommendation will provide continuity of service provision, no additional one-off costs and will also provide annual saving against the current management fee of £96k. The budget for this fee sits within the HR business unit and it is recommended that these contribute to the savings required for 2014/15.
- 6.2 Expenditure on temporary agency staff in any one year will vary depending on the mix and volume of staff required however, the proposed contractor provided

the most competitive rates of the three bidders. The annual costs of temporary staff will be met from individual business units and managed as part of the monthly budget monitoring process.

7. Head of Legal Services and legal implications

- 7.1 The report relates to the award of services which are Part B services under EU procurement rules, as reflected in the Public Contract Regulations 2006 ("PCR 2006"), and as such are not subject to the full EU tender regime.
- 7.2 Part B services are still subject to general EU treaty principles. These include the duty to treat potential suppliers equally and without discrimination and the duty to act in a transparent manner. These duties are also expressly made applicable to contracting authorities like the Council by the PCR 2006.
- 7.3 Contract Standing Orders (CSOs) also apply to this tender in as far as they allow the Council to award a contract to a contractor selected from a framework established by another public sector body under its own standing orders or the PCR 2006. The recommendation is to award a contract to a contractor selected from the M-STAR framework. This was set up by the ESPO group of public authorities following a tender which they voluntarily based on the PCR 2006.
- 7.4 As a result, the Council's proposed award will be compliant with the above general EU treaty principles and with CSO's to the extent that the Council's selection has properly adhered to the M-STAR framework terms. See the additional considerations in the exempt report.
- 7.5 As the value of the services tendered were in excess of £250,000, the award requires the approval of the Cabinet in accordance with CSO 9.07.1(d).
- 7.6 Given that the contracts are also valued over £500,000, the decision to award them is a key decision and is required to be included in the Council's Forward Plan (in accordance with CSO 9.07.1 (e)). This has been done.
- 7.7 Subject to the additional considerations set out in the exempt report, the Head of Legal Services confirms that there is no legal reason preventing Cabinet from approving the recommendations in paragraph 3 of this report.

8. Equalities and Community Cohesion Comments

- 8.1 Approximately 50% of agency workers are from these SME suppliers and approx 20% are local within the borough. 65% of agency workers are from Black, Asian and minority ethnic backgrounds and 73% are women. The SME suppliers are key to maintaining this demographic and a change of contract arrangement may jeopardise this because other neutral vendors do not have locally established SME supply chains to the same degree or level.
- 8.2 Given Hays, the recommended supplier, have worked in partnership with the Council to develop and maintain the SME suppliers this level of engagement is anticipated to continue.

9. Head of Procurement Comments (see also Exempt report)

9.1 Accessing the national MSTAR framework saved the use of a considerable amount of resources by avoiding carrying out a full OJEU tender. Over 30 local authorities were involved in developing the scope, specification and evaluation of the framework to meet a broad range of user requirements. As the framework will be managed by ESPO at a national level, this will help drive performance on an ongoing basis and build strategic relationships with suppliers to gain better value for money, cashable savings and improve performance. Furthermore, having access to a national framework will enable the Council to share commercial knowledge, including supplier and market intelligence and expert advice.

9.2 Corporate Procurement supported the mini tender competition process where all six applicants on the MSTAR lot 1 (a) Supply Management framework were invited to obtain and submit the procurement documentation on the Delta e-sourcing portal. Three suppliers responded and the recommended and incumbent supplier demonstrated overall best value by obtaining the highest total score.

Hays has persistently met and exceeded targets for the Council and their tender response offered to effectively continue a quality of service along with offering additional savings.

9.3 The Council has established with Hays a common approach to supplier management and in particular a strategy to support SME's, London Living Wage for all employees, minimising long-term temporary staff and achieving better value. By continuing with this strategic partnership these achievements can be further developed.

9.4 As they are the current supplier there will be minimal disruption to the current services. Therefore Hays will provide additional savings in resources as well as mitigate the risk and cost of changing a provider.

10. Policy Implication
N/A

11. Reasons for Decision
N/A

12. Use of Appendices
N/A

13. Local Government (Access to Information) Act 1985

13.1 No background documents that require to be listed were used in the preparation of this report.

13.2 This report contains exempt and non-exempt information. Exempt information is contained in the Exempt Part of this report and is NOT FOR PUBLICATION.

The information is exempt under the following category (identified in paragraph 3 of Part 1 of the amended Schedule 12A of the Local Government Act 1972):

Information relating to financial business affairs of any particular person including the authority holding that information).