

**Report of Head of Human Resources**

**Report to Chief Human Resources Officer**

**Date: 4th September 2014**

**Subject: Award of contract to the Managed Service Provider for the Supply of Temporary Staff**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: 10.4.3 'Information relating to the financial or business affairs of any particular person (including the authority holding that information)'	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Appendix number: One		

**Summary of main issues**

1. The current contract for managed service provision for the supply of temporary staff is due to expire on 12<sup>th</sup> December 2014.
2. The council has conducted a secondary call for competition under the national framework contract for the Managed Services for Temporary Agency Resources (known as 'MSTAR') procured by Eastern Shires Purchasing Organisation ('ESPO').
3. Following a thorough bidding and evaluation procedure conducted in accordance with the contract procedure rules and the Public Procurement Regulations 2006 the evaluation panel has concluded that the contract should be awarded to Comensura.

**Recommendations**

4. To approve the award of the contract to Comensura commencing on 13<sup>th</sup> December 2014 and ending on 12<sup>th</sup> December 2016 with provision to extend for a period of twelve months, subject to satisfactory performance and value for money considerations.

## **1 Purpose of this report**

- 1.1 The purpose of this report is to explain the process that has been followed to conclude the tendering procedure and to recommend the award a contract to the successful tenderer.

## **2 Background information**

- 2.1 The initial one year call-off contract from the MSTAR framework was due to expire on 12th December 2013. However, approval was granted to waive Contract Procedure Rule 9 and extend the existing contract on improved terms and conditions with Comensura from 13th December 2013 to 12th December 2014. This achieved savings of £63k based on the then current level of use and contributed to wider cost savings measures to reduce overall Agency spend by 20%.
- 2.2 The extension allowed sufficient time to implement the recommendations of an external review including full implementation of contract management arrangements, revised control procedures to tighten up ordering and time-sheet approval and to allow for a full and effective transition period between the old and new contracts.
- 2.3 A market testing exercise in August 2013 concluded there was genuine interest from the bidders to engage in a competitive tendering exercise under Lot 1(a) of the MSTAR framework.
- 2.4 A mini-competition exercise has now taken place during the period of the extension to identify in order to maximise value for money and to test the competitiveness of the current offering.
- 2.5 In June 2014 Tenders were issued to the six suppliers under Lot 1(a) and by the closing date of 30<sup>th</sup> July 2014 two bids were received from the incumbent, Comensura and Matrix SCM. The remaining four suppliers declined to tender.
- 2.6 The evaluation panel was comprised of two HR Managers and three Business Managers with responsibility for the engagement of temporary staff in their respective service areas.
- 2.7 The evaluation criteria were split with 60% of the marks allocated to price and 40% to quality (Service Delivery). Of the 60% attributed to price, 45% related to a qualitative assessment of the bidders' proposals to review fees, monitoring pay-rates, manage AWD risks and their proposals to achieve savings, maximise savings, measure and calculate savings and for passing back the benefit to the Council. The remaining 15% related to a quantitative assessment of their charge rates, guaranteed percentage savings and gain-share (i.e. the ratio in which savings would be shared between the contractor and the council).
- 2.8 The evaluation panel's desktop assessment of the Service Delivery criteria and the price/qualitative criteria showed that the two bids were very close in terms of quality.

- 2.9 Following this exercise, two of the quality criteria were selected as interview questions and these were re-assessed according to the bidders' performance at interview.
- 2.10 Price was assessed separately including the gain-share proposals.
- 2.11 By combining the scores for both quality and price, Comensura achieved the higher score and should therefore be awarded the contract.

### **3 Main issues**

- 3.1 The contract management, measures and controls that have been implemented during the previous twelve months of the contract with Comensura have resulted in a sound working relationship between the parties which continues to develop. Savings have already been achieved through these measures and the council has consequently reduced the number of temporary staff from 616 in July 2012 to 311 in July 2014. The award of the contract to Comensura will enable the Council to continue to maximise these opportunities.
- 3.2 Comensura's tendered charge rates were slightly more competitive than Matrix's but whilst the guaranteed savings of 2% were the same in both bids, Matrix stated that they would retain the 2% to cover the cost of implementing purchasing cards. Any saving over and above the 2% would be shared in a ratio of 70:30 (in favour of the Council). Comensura will share *all* savings in a ratio of 90:10 (and are already purchasing card enabled).
- 3.3 Although the tendered fees were broadly comparable, Matrix's included a £30,000 figure for implementation. Whilst this figure had been embedded in the fees it effectively represents the cost of changing supplier.
- 3.4 Sufficient time has been allowed should a bidder other than Comensura have won the competition, however remaining with the incumbent will save the council the time, resources, change in systems/processes and re-training involved in moving to another supplier.

### **4 Corporate Considerations**

#### **4.1 Consultation and Engagement**

- 4.1.1 Regular consultation has taken place with the HRBP group which meets monthly. HRBP members have been updated on a regular basis and were offered the opportunity to attend a stakeholder event in March at which the draft tender documentation was shared and discussed.
- 4.1.2 As recommended as good procurement practice, a supplier event in April 2014 afforded the opportunity for the six suppliers to offer any comments in the process and/or draft tender documentation. Their views were recorded and accounted for within the tender process.

#### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 An Equality Impact Assessment has been carried out.

### **4.3 Council policies and City Priorities**

- 4.3.1 By subjecting the current contract to a competitive exercise, the Council is able to demonstrate its commitment to making savings and spending money wisely.
- 4.3.2 Stipulating, and evaluating against, key criteria for understanding and reducing the Council's reliance on temporary staff through a partnership approach with the managed service reflects the council's commitment to effective workforce planning and contributes to the objectives set out in the Best Council Plan.
- 4.3.3 It was a requirement for bidders to respond to a question on regeneration and sustainability as well as to complete the Employment and Skills matrix. Comensura's bid has far exceeded the stipulated benchmark as they intend to deliver apprenticeships and work experience opportunities through their supply chain. Leeds' local labour force will therefore benefit from the appointment of Comensura to the contract. Their achievement of the employment and skills targets will be measured through the life of the contract.

### **4.4 Resources and value for money**

- 4.4.1 The contract is to be awarded to the bidder that has demonstrated the best value for money bid against stringent criteria. These include reviewing and reducing agency fees, monitoring and benchmarking pay-rates, proposals for making year on year savings, achieving maximum savings, measurement and calculation of savings and passing back benefits to the council.
- 4.4.2 Comensura's charge rates are lower than Matrix's and their gain-share ratio more beneficial to the Council. They propose to take a lower percentage in profit.
- 4.4.3 Although Matrix's cost of implementation was embedded in their tendered fees, it could be argued that the £30k cost has effectively been avoided.
- 4.4.4 The time and resources that would have had to be found to support the implementation of a new system, and the associated training, have also been avoided.

### **4.5 Legal Implications, Access to Information and Call In**

- 4.5.1 The procurement has been conducted in accordance with the Council's contract procedure rules and the Public Procurement Regulations 2006.
- 4.5.2 Approval to procure was granted on the 22<sup>nd</sup> April 2014, in accordance with Contract Procedure Rule 3.1.8 which states "The Delegated Decision to undertake a procurement, whether it is a Key, Strategic Operational or Administrative Decision, will be taken at the point the procurement route is chosen and, subject to any project specific issues, this will normally be the main decision that all subsequent decisions flow from".
- 4.5.3 The approval to award the contract to Comensura will therefore constitute a Strategic Operational Decision and will not be subject to call-in.

### **4.6 Risk Management**

- 4.6.1 A risk register has been maintained during the life of the project to identify, assess and manage the risks associated with the procurement.
- 4.6.2 The evaluation methodology was shared with the bidders in advance of the tender documentation being issued. The evaluation criteria and methodology were approved on 29<sup>th</sup> May 2014 by the Chief Human Resources Officer. The evaluation process was conducted in the specified manner and has been robust. It is therefore perceived that the risk of a challenge being made by the unsuccessful bidder has been mitigated as far as possible.
- 4.6.3 The timescales for this procurement have been planned to account for a 10-12 week implementation period however as the contract is to be awarded to the incumbent there is no risk of the service being unavailable on the commencement date.

## **5 Conclusions**

- 5.1 The evaluation panel has concluded that the highest scoring tender in terms of quality and price is that of Comensura and that the contract should therefore be awarded to Comensura.

## **6 Recommendations**

- 6.1 To approve the award of the contract to Comensura for the period 13th December 2014 to 12th December 2016 with provision to extend for a further twelve month period subject to satisfactory performance and value for money considerations.

## **7 Background documents<sup>1</sup>**

- 7.1 Appendix One: The evaluation matrix. Exempt from disclosure under the Access to Information Procedure Rule number 10.4.3 'Information relating to the financial or business affairs of any particular person (including the authority holding that information)'

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.