

## Term contract for the supply of temporary agency staff

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### Finance and Resources Committee

31 July 2012

#### 1 Purpose of report

- 1.1 This report seeks approval to award a term contract for the appointment of a managed service provider to supply temporary agency staff with effect from 1 October 2012.

#### 2 Main report

- 2.1 The current temporary agency staff contract with Blue Arrow expires on 30 September 2012. This contract was awarded in 2008 for a period of three years with an option for a one year extension, which was exercised in March 2011.
- 2.2 A cross-council project group met in February 2012 to consider the options available to replace the existing contract and identified the Managed Services Temporary Agency Resources (MSTAR) framework developed by Eastern Shires Purchasing Organisation (ESPO) as the preferred option. Essentially this is a similar business model to the existing Blue Arrow contract.
- 2.3 The MSTAR framework has been developed specifically for local authorities and was considered by the project group to meet the Council's requirements. Over 70 MSTAR contracts are already operating or are being implemented across the UK.
- 2.4 The main objectives of the new contract were to:
- 2.4.1 Consolidate or improve on competitiveness and value for money in relation to agency fees;
- 2.4.2 Consolidate or improve on the quality of services provided by the managed service provider;
- 2.4.3 Introduce tighter controls in respect of the booking of temporary agency staff. It is proposed this will include input from Organisational Development to ensure other options such as redeployment are considered in the first instance; and

- 2.4.4 Realise maximum soft or indirect benefits including those associated with online booking and timesheet logging and authorisation together with consolidated invoicing or e-billing.
- 2.5 The managed service providers within the framework were invited to tender in May 2012. The invitation to tender (ITT) was based on existing volumes (hours) which results in spend with Blue Arrow of £10.7 million in 2011/12. There is however no commitment or guarantee to any level of usage or spend under the new contract.
- 2.6 Four bids including one joint bid were received from:
- The Adecco Group;
  - Carlisle Staffing Plc (joint bid with Blue Arrow Ltd);
  - Manpower; and
  - Pertemps Recruitment Partnership Ltd.
- 2.7 The bids were evaluated using criteria agreed by the project group and assigned weighting on the basis of 60% quality and 40% price. Following evaluation the three best bidders were invited to present in person to the project group and answer questions on savings opportunities and service delivery. Appendix 1 provides a summary of the tendering and tender evaluation processes undertaken.
- 2.8 Following the process outlined above the Adecco Group emerged as the clear preferred bidder. Due diligence has been carried out with references taken up and a site visit to one of the local authority clients named as a referee. The project group are satisfied with the references and therefore recommend the Adecco Group be awarded the contract with effect from 1 October 2012.
- 2.9 Upon award of the contract it is anticipated that there will be an 8 to 12 week implementation phase where the Council and the Adecco Group will finalise arrangements for the transition of business from Blue Arrow Ltd.
- 2.10 The implementation will involve significant effort and a cross-council multi-disciplinary project team has been established to take this forward. The Organisational Development service within Corporate Governance will lead on the implementation and future management of the new contract.

### **3 Financial Implications**

- 3.1 This new contract is effective from 1 October 2012 and is estimated to achieve savings of 10%, or £360k based on current levels of usage, on the margins / fees charged by the existing managed service provider over the four year contract term.
- 3.2 There are also further opportunities for savings in the region of £1m to be achieved over the four year term through:

- the introduction of a lower pre-12 week rate for new agency workers, where the market will support this practice, is expected to deliver approximately £600k in savings over the contract term;
- the Adecco Group has offered a reduced margin for new agency staff recruited through their branded support suppliers, particularly in the high volume work categories (such as Admin/clerical, manual labour and trade operatives) which represent over 75% of the present demand. It is estimated that savings of £320k can be achieved during the contract term; and
- existing Blue Arrow agency workers are subject to TUPE regulations. On transfer of an agency worker the Adecco Group has offered to charge a reduced margin / fee for the remaining term of the assignment. This is expected to produce approximately £80k in savings over the contract term.

3.3 The estimated contract award value will be in the region of £40m to £44m over a four year contract term based on current volumes however this is dependant on the demand for temporary workers. It should be noted that the agency margin and fees represent less than 10% of the overall charge rate. The remainder of the charge rate is made up of the temporary worker's pay rate, NI and holiday contributions which, following the introduction of the Agency Workers Regulations (2010) in October 2011, are determined by the Council's pay structure.

3.4 The 2011/12 spend on agency workers through the existing Blue Arrow contract was £10.7m with a further £1.2m spent through other agencies where Blue Arrow were unable to supply suitable candidates. Under this new contract there is no guaranteed commitment to any volumes or spend.

#### **4 Equalities Impact**

4.1 There are no direct equalities impacts arising from this report.

#### **5 Environmental Impact**

5.1 There are no adverse environmental impacts arising from this report, but the introduction of with online booking and timesheet logging and authorisation together with consolidated invoicing or e-billing will result in the elimination of up to 30,000 paper timesheets and 30,000 invoices. This should be noted as part of the soft savings.

#### **6 Recommendations**

6.1 The Committee is requested to award a term contract for the appointment of a managed service provider to supply temporary agency staff to the Adecco Group for a period of three years with an option to extend for a further one year until 30 September 2016.

Appendix	<b>Appendix 1:</b> Summary of Tendering and Tender Evaluation Processes
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Wards affected	All wards
Background Papers	Available from Corporate Procurement Unit

## Appendix 1

### Summary of Tendering and Tender Evaluation Processes

Contract	Term contract for the supply of temporary agency staff
Contract period	1 October 2012 to 30 September 2015 (with an option to extend for 1 year)
Estimated contract value	£40 - 44M over 4 years (including full 12 month extension)
Governing UK Regulation	Public Contracts (S) Regulations 2006, Regulation 19
EC Procedure chosen	Mini-competition between all 6 Framework suppliers on Eastern Shires Purchasing Organisation
Invitations to tender issued	6
Tenders returned	4
Tenders fully compliant	4
No. of recommended suppliers	1
Primary criterion	Most economically advantageous tender to have met the qualitative and service specification of the client departments <ul style="list-style-type: none"><li>• Financial 40%</li><li>• Quality &amp; Service 60%</li></ul>
Evaluation Team	Val Milligan (SfC), David Hunter (SfC); Morag Marshall (C&F), Mary McIntosh (C&F); Jackie Reid (H&SC), Gwen Lawrence (H&SC) & Mark Francis (CGovn)