

For General Release

REPORT TO:	CABINET 25th April 2016
AGENDA ITEM:	9.5
SUBJECT:	Variation to extend the contract for a managed service provider for temporary agency resources
LEAD OFFICER:	Sarah Ireland, Director of Strategy Communities and Commissioning
CABINET MEMBER:	Cllr Hall, Cabinet Member for Finance & Treasury
WARDS:	All
<p>CORPORATE PRIORITY/POLICY CONTEXT:</p> <p>Temporary agency workers are an important part of the Council’s workforce and help to ensure resilient and flexible service delivery. This enables the Council to ensure resources are in place where required to cover short term or specialist requirements and continue to deliver high quality services thereby meeting the needs of service users.</p>	
<p>AMBITIOUS FOR CROYDON & WHY ARE WE DOING THIS:</p> <p>Extending the contract will ensure that Croydon Council continues to deliver high quality and value for money public services. The Council will continue to benefit from efficiencies derived through more robust demand and contract management arrangements throughout the extension term. Therefore this recommendation supports the ambition of taking a prudent approach to managing the Council’s finances and improving value for money for local public services.</p>	
<p>FINANCIAL IMPACT</p> <p>The spend on temporary agency resources during the extension period (5 months) is estimated to be in the region of £9m.</p>	
<p>KEY DECISION REFERENCE NO: 11/16/CAB</p>	
<p>The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below</p> <p>1. RECOMMENDATIONS</p> <p>1.1 The Cabinet is recommended to approve the variation of the council’s current managed service provider for agency staff contract with Comensura by way of extension of the contract for an initial period of 3 months with the option to extend up to a further 2 months from 9th July 2016</p> <p>1.2 The value of the variation will be approximately £9 million</p>	

2. EXECUTIVE SUMMARY

- 2.1 The use of temporary resource enables the Council to deliver organisational objectives without interruption to resourcing levels, ensuring resilience and service continuity.
- 2.2 The contract that the council has with Comensura Limited is the result of a further competition, (call-off), exercise under the framework agreement for Managed Services for Temporary Agency Resources (MSTAR1). The MSTAR1 framework was let by Pro5 on behalf of the Local Government Professional Services Group (LGPSG) and the contract is managed by Eastern Shires Purchasing Organisation (ESPO).
- 2.3 The contract commenced on 9th July 2012 and the initial contract term expired on 8th July 2015. The Director of Strategy, Communities and Commissioning approved the one year extension which was provided for in the original contract on recommendation from the Contracts and Commissioning Board on 14 October 2015 (CCB1025/15-16). The extension period expires on 9th July 2016.
- 2.4 This report seeks approval for the variation to the term of the original contract for 3 months with the option to extend for a further 2 months (3 + 2 months).
- 2.5 The extension to the current contract, as recommended in this report, will enable the council time to scope its agency staffing requirements and make an informed decision on the best procurement route to take to ensure it achieves the 'best value for money' agency staffing contract, with a sustainable supply chain, in the future.
- 2.6 The content of this report has been endorsed by the Contracts and Commissioning Board.

CCB Approval Date	CCB ref. number
03/03/2016	CCB1109/15-16

3. DETAIL

- 3.1 There is a corporate requirement to engage temporary workers for a number of reasons
- to cover for vacancies pending longer term recruitment
 - to cover for absence when a return date is unknown (e.g sickness)
 - to cover for absence when a return date can only be estimated (e.g maternity)
 - to cover for filling a post pending a restructure/reorganisation
- 3.2 The use of temporary resources therefore enables the Council to deliver its organisational objectives without interruption to resourcing levels.

- 3.3 The Comensura corporate contract is used throughout the Council by managers engaging temporary workers. The compliance rate exceeds 99% (the remaining <1% being delivered by another accessible framework specialising in executive engagement).
- 3.4 The Council's current annual spend on agency workers is approximately £20million. Information on spend is set out below:
- Year to date spend (to 27/03/16) - £20,150,041.98
 - 58.41% (£11,770,490.55) of spend is from People, the key spend areas within this service are:
 - 17.42% (£3,510,302.19) from Adult Care and 0 - 65 Disability
 - 30.86% (£6,217,493.90) from Children's Social Care
 - Customer and Transformation also accounts for 21.85% (£4,402,050.04) of spend
- 3.5 The council has begun the recommissioning process and has been exploring a number options for the future service including:
- Shared service options
 - In-house service
 - Third party options including master vendor and neutral vendor models
- 3.6 The Council has dedicated time exploring the possibility of entering into a shared service with another London borough to build upon the One Oracle collaboration. Due to significant changes happening in the potential partner borough it has not been possible to move forward with this approach at this time. Therefore it has been decided to explore participation in the London Councils collaborative competition exercise under ESPO's MSTAR2 framework for managed services for temporary agency resources.
- 3.7 This framework offers an OJEU compliant route to market that has the potential to deliver a cost effective solution due to the economies of scale provided through the collaborative approach. However, there has been a delay in awarding this framework due to a technical error in the procurement (which has now been addressed and due diligence is now being carried out). The outcome of this procurement and the ability to access this framework is one of the options being considered as part of the longerterm agency reprocurement.
- 3.8 Extending the existing contract will allow time for the options appraisal to be completed and for the outcome of the London Council's collaboration to be known.

4. CONSULTATION

- 4.1 The option to extend has been discussed with responsible officers and the lead member. The recommissioning of the longer-term service provision will include organisational wide engagement to ensure the service meets the diverse needs of the Council.

5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 There is no specific budget for agency staff. Costs for temporary agency workers are provided for by vacant posts or using project-related funds. The table below sets out anticipated spend levels for the next year:

Year	Expenditure
2016/2017	£20,000,000 – estimate
2015/2016	£20,150,000 – actual (rounded)

5.2 The spend for the maximum proposed extension period is forecast to be £9million.

2 The effect of the decision

The effect of the decision will be to enter into a maximum 5 months' extension with Comensura Limited at an estimated cost of £9 million.

3 Risks

There is a financial risk that the cost of agency staff will exceed available budgets but robust contract and demand management should enable any financial risks to be mitigated and it is anticipated that spend on agency staff will decrease throughout the contract period.

4 Options

No other options are being considered at this time

5 Future savings/efficiencies

The Council has negotiated a number of benefits as part of the strategic contract management of this contract. These benefits will continue to be realised during the extension period. As no dedicated budgets exist for spend on temporary agency workers the following efficiencies represent cost avoidance.

- the opportunity to further drive efficiencies through the continuation of an executive and specialist category utilising the volume of business as an attraction for agencies to supply at lower fees, than alternative executive search options. Anticipated savings (based on previous spend) are in the region of 9.38%
- enable the Council to gain further savings from the 'payroll only' function which removes the introduction fee charged by an agency when, for example, candidates are already known to the council. Anticipated savings are in the region of 2.31%

Entering into a further extension period will also enable the council to continue decreasing expenditure on agency staffing costs through robust contract and demand management

Approved By Lisa Taylor, Head of Finance and Deputy Section 151 Officer

6. COMMENTS OF THE BOROUGH SOLICITOR AND MONITORING OFFICER

- 6.1 The Solicitor to the Council comments that the proposed extension of the call-off contract beyond its maximum four year term by three (3) months with the option to extend up to two (2) months, is unlikely to be considered a material change to the contract and any procurement risk is deemed to be low. This is based on the shortness of the extension period and the fact that the services are in the process of being re-procured.
- 6.2 This extension can be implemented by means of a Deed of Variation to extend the term of the call-off contract.
- 6.3 In other respects the proposed contract variation, as detailed in this report, is in accordance with the Council's Tenders and Contracts Regulations and seeks to support the Council's duty to achieve Best Value pursuant to the Local Government Act 1999.

Approved by Gabriel Macgregor, Acting Council Solicitor and Monitoring Officer

7. HUMAN RESOURCES IMPACT

- 7.1 HR needs to continue to be consulted to ensure that people resourcing is a priority and the use of temporary staff is appropriate. There are no other immediate Human Resources considerations arising from the extension proposals for Council staff or workers.

Approved by: Michael Pichamuthu, HRBP on behalf of Heather Daley,
Director of Human Resources

8. EQUALITIES IMPACT

- 8.1 The extension of the contract is not likely to have an impact on protected groups compared to non-protected groups and as such a full analysis is not required.

9. ENVIRONMENTAL IMPACT

- 9.1 There are no environmental impacts arising from this report.

10. CRIME AND DISORDER REDUCTION IMPACT

- 10.1 There are no crime and disorder considerations arising from this report.

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

- 11.1 Extending the contract will enable the council to develop a Resourcing Strategy for its future requirements and decide on the best sourcing option available.

12. OPTIONS CONSIDERED AND REJECTED

12.1 No other options are being considered at this time

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