

Item No.	Classification: Open	Date: 8 December 2017	Decision Maker: Cabinet Member for Finance, Modernisation and Performance
Report title:		Gateway 2 - Contract award approval managed service provider for temporary staff	
Ward(s) or groups affected:		None	
From:		Strategic Director of Housing and Modernisation	

RECOMMENDATIONS

That the cabinet member for finance, modernisation and performance:

1. Approves the award of a temporary agency resources contract commencing on 1 April 2018 for a contract period of three years (at an estimated value of £60.3m, based on existing usage data) with the option to extend by a further year making an estimated total contract value of £75m, taking into consideration the council's Workforce Strategy target to reduce its reliance on agency staff from 7% to 4% by 2020.
2. Notes that of the £75m spend, the majority of this spend is paid from the contracted organisation to the agencies they have contracted to when providing the agency workers to the council.

BACKGROUND INFORMATION

3. Currently there is a contract in place with Comensura Ltd (Comensura) procured via the East Shires Purchasing Group (ESPO) framework for managed services for temporary agency resources.
4. This contract started on 1 April 2014 for a period of three years with the option to extend by 1 further year. Since then the option to extend and vary the contract has been exercised and the contract is due to end on 31 March 2018. This decision was made in the light of continued successful performance of the contract.
5. The contract provides for the managed supply of agency workers on a vendor neutral basis. Comensura currently does not supply workers direct but seeks agency workers from a variety of vendors (agencies); assignment opportunities are posted simultaneously to a tiered supply chain. Vendors in their supply chain have a wide range of supply capabilities, and decisions on worker engagement are made by council ordering managers via a fair and transparent process based on a worker's potential match to the council's requirements.
6. A Gateway 0 report detailing the business case and various options for this service was considered by Cabinet on 10 April 2017. Following this, the planned procurement strategy was the subject of a Gateway 1 report approved by Cabinet on 9 May 2017.

7. It should be noted that the leader of the council delegated authority to the cabinet member for finance, modernisation and performance to agree this Gateway 2 contract award in the Gateway 1 report approved on 9 May 2017.

Procurement project plan (Key decision)

Activity	Completed by/Complete by:
Forward Plan for Gateway 2 decision	27/11/2017
Briefed relevant cabinet member fro gateway 2 (over £100k)	11/12/2017
Approval of Gateway 1: Procurement Strategy Report	09/05/2017
Invitation to tender	13/09/2017
Closing date for return of tenders	23/10/2017
Completion of evaluation of tenders	14/11/2017
DCRB Review Gateway 2:	27/11/2017
CCRB Review Gateway 2:	30/11/2017
Notification of forthcoming decision – Five clear working days	08/12/2017
Approval of Gateway 2: Contract Award Report	19/12/2017
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	20/12/2017
Debrief Notice and Standstill Period (if applicable)	02/01/2018
Contract award	16/01/2018
Add to Contract Register	31/01/2018
TUPE Consultation period (if applicable)	N/A
Contract start	01/04/2018
Publication of award notice in Official Journal of European (OJEU)	30/04/2018
Publication of award notice on Contracts Finder	02/05/2018
Contract completion date	31/03/2021
Contract completion date – if extension(s) exercised	31/03/2022

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

8. The new contractor will provide a temporary agency service.
9. The new service will operate seven days per week, delivering to supply and manage the provision of contingent staff for the Council that enables hiring managers, to quickly and cost-effectively secure high quality temporary staff. This means systems that are intuitive and easy to use which facilitate the process rather than serving as a barrier to getting the job done. This applies from

raising a requisition through to selecting candidates, arranging interviews and on to time sheet management. To achieve this, the new contractor will be implementing and providing:

- A new system to improve the hiring manager experience
- Provide account management to the contract to the contract
- Workforce planning advice and support to help reduce the Council's reliance on agency workers in accordance with the Workforce strategy to 4% by 2020
- An early payment discount, thus supporting the Council to achieve the best possible price for the contract.

Key/non-key decisions

10. This report deals with a key decision.

Policy implications

11. The use of temporary staff is consistent with the current Workforce Strategy 2017 – 2020.

Tender process

12. The tender documents were uploaded to the council's e-portal system and made available to all bidders listed on the YPO framework on 13 September 2017 with a closing date for tender submissions by 11am on 16 October 2017. Due to clarification queries being raised relatively late in the process an extension of time was given to enable the council to provide responses and to assist bidders to formulate their bids ensuring that a sufficient number of bids were received for the council to consider. The revised closing date for responses was by 11am on 23 October 2017.
13. Under the YPO framework there were 8 companies who could have tendered for this contract. Of these five tenders were returned, via the council's e-portal system, on or by 11am on 23 October 2017 and were opened the same day and were checked for compliance.
14. The evaluation process commenced from 24 October 2017. During the evaluation process all 5 companies attended a clarifications interview/presentation between 1 and 3 November 2017. A final score was agreed and the evaluation process was completed on 3 November 2017.

Tender evaluation

15. Tenders were evaluated on the basis of the most economically advantageous tender 40% price and 60% quality.
16. The commercial envelopes of each bid were evaluated by council finance officers and the quality submissions were evaluated by senior officers from across council departments with experience of the council service requirements.

Price evaluation (40%)

17. Tenders were evaluated using a commercial envelope containing four criteria contained in table below. Tenders were evaluated out of 100% against the following criteria. This score was then weighted to become 40% of the final score.

<u>Criteria</u>	<u>Requirement or sub-criteria in respect of Price Evaluation Model</u>	<u>Sub-Criteria Weighting</u>	<u>Criteria Weighting</u>
1) Contract Value (Over 3 years)	<ul style="list-style-type: none"> Agency and Management fee 	100%	80%
2) Referrals	<ul style="list-style-type: none"> Unified rate for referrals for all staff (excluding interims) 	50%	6%
	<ul style="list-style-type: none"> Unified rate for referrals for interims 	50%	
3) Early Payment Discounts	<ul style="list-style-type: none"> Paid within 0-10 days 	100%	6%
4) Management Fee / Agency Fee Discount (assignments over 52 weeks)	<ul style="list-style-type: none"> Agency Fee Discount 	75%	8%
	<ul style="list-style-type: none"> Management Fee Discount 	25%	
Total Price Evaluation Score			100%

18. All returned tenders were checked for arithmetic accuracy and consistency with the commercial envelope and pricing evaluation model.
19. In relation to criterion one, the contract value (over three years) consisted of the following elements:
- Agency worker costs
 - Agency management fees
 - Tenderers management fee
 - YPO framework fees.
20. A price evaluation model (“the model”) was designed to help the council carry out a robust evaluation of price. The model was prepared using historical data in relation to the agency pay rates, usage and hours by job category.
21. The other three criteria were one fixed cost or percentage for various different elements.
22. In relation to criteria one and two, the lowest price for each criteria was awarded the maximum score in accordance with the weightings. Each other Tender was then compared against the lowest price Tender (for its respective criteria) in accordance with the following formula to arrive at a score to two decimal points.

$$(A / B) \times C = X$$

Where:

A = the lowest submitted price of all Tenders

B = the total price by tenderer

C = the maximum percentage score (i.e. the sub-criteria weighting)

X = the score for Price

23. In relation to criteria three and four, the highest discount was awarded the sub-criteria weighting. Each other Tender was compared against the highest discount Tender (for its respective criteria) in accordance with the following formula to arrive at a score to two decimal points.

$$(C \times B) / A = X$$

Where:

A = the highest discount of all Tenders

B = the maximum percentage score (i.e. the sub-criteria weighting)

C = the % submitted by the tenderer

X = the score for Price

24. All scores within each sub-criteria were then added together and the section weighting was applied to arrive at the weighted section score, before adding all section scores together for the final price score.

Summary of Price Evaluation

25. The following table explains the companies weighted % against the scoring methodology listed above in the price evaluation section of this report.

Position	Company	Weighted %
1	Bidder 1	37.27
2	Bidder 2	36.11
3	Bidder 3	35.97
4	Bidder 4	35.27
5	Bidder 5	32.78

26. Whilst it is noted that the pricing evaluation is close between first and second placed bidders, there was very little difference between all contract values submitted and the early payment discount ranks bidder 1 highest for price.

Quality Evaluation

27. The quality assessment was based on the information received from tenderers in response to 9 method statements detailed in table below.
28. Tenderers were evaluated out of a score of 5 against the criteria below. Each question was weighted to provide an overall score out of 100 points. This score was then weighted to become 60% of the final score.

Criterion	Requirement or sub-criteria in respect of Method Statements	Sub-Criteria Weighting	Criteria Weighting
Ease Transition/Implementation Method Statement 1	1. Overview of Implementation	1%	4%
	2. Identification of stakeholders	3%	
Appropriateness of the Solution Method Statement 2	1. Summary of overall solution including outlining the model in relation to the specification	20%	35%
	2. Quality of supply	10%	
	3. Ongoing support through the life of the contract	5%	
Supply Chain Management Method Statement 3	1. Proposed supply chain Structure	5%	10%
	2. Key agencies	5%	
Solution Innovation Method Statement 4	1. Reduction in reliance on agency staffing	3%	10%
	2. Methodology for dealing with long term temp staff	3%	
	3. Innovation and creativity	4%	
Candidate and Customer Management & Care Method Statement 5	1. Legal Compliance of temporary staff	5%	10%
	2. Candidate and hiring manager satisfaction	5%	
Research, Documentation, MI & Governance Method Statement 6	1. Governance arrangements	2%	6%
	2. Risk Register	2%	
	3. Management Information	2%	
Process Method Statement 7	1. Outline of process	5%	10%
	2. Delivery throughout the lifetime of the contract	5%	
Systems and IT Method Statement 8	1. Provision of e – request/timesheet/invoicing	5%	10%
	2. Development of IT interfaces	5%	
Social Value Considerations Method Statement 9	1. Administer and Monitor London Living Wage	1%	5%
	2. Identification of Productivity Gains for London Living Wage	1%	
	3. Fairer Future Procurement Strategy	1%	
	4. Additional social value	1%	
	5. Apprenticeships	1%	
Total Quality Score			100%

29. Each question was evaluated out of 5 using the following scoring guidelines:

Score	Descriptions
0	Cannot be scored - No information provided or incapable of being taken forward either because the Provider does not demonstrate an understanding of the Council's requirements or because the solution is incapable of meeting our requirements.
1	Unsatisfactory - Although the Provider does demonstrate an understanding of the Council's requirements there are some major risks or omissions in relation to the proposed solution to deliver the Contract Services and the Council would not be confident of its requirements being met.
2	Satisfactory A response which is capable of meeting the Council's requirements but is unlikely to go beyond this.
3	Good A response, which shows that the Provider demonstrates an understanding of the Council's requirements, has a credible methodology to deliver the Contract Services and could evolve into additional benefits.
4	Very Good A response, which shows that the Provider demonstrates an understanding of the Council's requirements, has a credible methodology to deliver the Contract Services alongside a clear process and plan to deliver additional benefits and deliver value.
5	Excellent A response which shows how the Contract Services can comprehensively be taken to the next level in terms of exceeding the Council's requirements and/or offering significant added value to the Council's overall strategic requirements and objectives.

30. Once the quality evaluation was complete, a spreadsheet was compiled by the HR development team to record the evaluation process and scores. Each bid was evaluated by each member of the panel and then following moderation consensus scores for each bidder were agreed.
31. Prior to a final consensus being reached the evaluation panel received presentations from all five bidders. At the presentations/clarifications meeting, the bidders were asked to present on:
- a. An overview of a tenderer's IT system – ease of use for hiring managers and suppliers(Method statements 6 & 8);
 - b. A walk through the tenderer's proposed model (Method Statement 2); and
 - c. An understanding of the tenderer's supply chain (Method Statement 3).
32. The presentation/clarification meetings identified that the bidders' systems were very similar and the presentations supported the bids submitted by each bidder.
33. The scores out of 5 were weighted in accordance with the criteria set out in paragraph 30, to the nearest two decimal points. A summary of the scores is detailed below:

Bidder Name	Weighted Score (/100)	Score Rank
Bidder 2	53.6	5
Bidder 1	62.8	2
Bidder 5	54	4
Bidder 4	64.8	1
Bidder 3	57.4	3

Summary of the Price and Quality Evaluation

34. The table below combines the price and quality scores and shows the top scoring organisation:

Bidder Name	Quality Score	Weighted Quality Score	Financial Score (/100)	Weighted Financial Score	Final Total Score (/100)	Rank
Bidder 2	53.6	32.16	90.28	36.11	68.27	4
Bidder 1	62.8	37.68	93.17	37.27	74.95	1
Bidder 5	54	32.4	81.96	32.78	65.18	5
Bidder 4	64.8	38.88	88.18	35.27	74.15	2
Bidder 3	57.4	34.44	89.92	35.97	70.41	3

35. It should be noted that a credit check is undertaken by YPO annually under the framework. YPO have reported no concerns with the credit check for the highest ranking tenderer following this evaluation process.
36. In any event, A Mint UK (financial credit) check has been undertaken by the Council, which indicates the company is financially secure.

Plans for the transition from the old to the new contract

37. A transition plan was provided by all tenderers as part of their submission. This will be developed and agreed with the Council with the successful company. This detailed plan will be communicated across the organisation following the final award of the contract being made and formally announced in January 2018.

Plans for monitoring and management of the contract

38. The evaluation panel have fed back to the HR Project Manager that being directly involved in the designing of the specification and the evaluation process has given them a greater understanding of the contract and what they can expect from the new contract.
39. On the basis of this feedback, to successfully monitor and manage this new contract and maximise benefits for the Council, HR will establish a customer experience group. The customer experience group will have hiring managers from across the Council who will gather user feedback on the use of the contract and performance of the contractor. The customer experience group will meet with HR and contractor quarterly throughout the year to monitor and performance manage the contract.

40. In accordance with the contract standing orders (CSO), a six monthly report will be taken to housing DCRB and an annual monitoring report to the CCRB.

Identified risks for the new contract

41. The table below identifies the specific risks associated with this contract, the likelihood of occurrence and the controls in place to mitigate the risks:

R/N	Risk Identification	Likelihood	Risk Control
R1	The contractor cease trading, goes into administration/ liquidation	Low	The YPO framework has already tested the financial viability of contractors. However, further checks have been undertaken as provided in paragraph 41 above which shows that successful contractor is financially secure.
R2	Implementation fails	Low	A clear project plan already exists in draft form. To ensure the implementation is successful a project team will be established and plans will commence following the formal contract award taking place.
R3	The contract fails to deliver the Council's requirements and supports the Council's reliance on agency workers within its workforce to 4%	Low	A robust performance management process of the contract will be established during implementation to ensure any concerns regarding the contract are addressed quarterly.
R4	The contract fails to deliver due to the lack of engagement of hiring managers in utilising this solution and including it within departmental workforce plans.	Low	A robust performance management process of the contract will be established involving hiring managers as described in paragraph 40.

Community impact statement

42. This contract will not have a direct link to local residents, unless they are in the potential temporary workforce. It would be expected that the winning contractor complies with the council's policies and specific requirements of agency staff delivering services for the council. The use of temporary staff is consistent with the current Workforce Strategy 2017 – 2020.

Social value considerations

43. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the well being of the local area can be secured. The social value considerations included in the tender (as outlined in the Gateway 1 report) are set out in the following paragraphs in relation to the tender responses, evaluation and commitments to be delivered under the proposed contract.

Economic considerations

44. As part of the further competition there was a focus on the social value that potentially can be achieved via the new contract. The winning contractor has committed to implement a solution to measure the Council's contribution to the economic prosperity of its local communities and help us to target the attraction of workers from specific wards or local small and medium enterprises.

Social considerations

45. The new contract will ensure minimum pay rates per job title in line with the prevailing London Living Wage (LLW) or above where applicable.
46. Pay rates are therefore monitored within and reportable as required, via the Contract Manager.
47. Spot checks will be conducted on agency sub-contractors to ensure the correct pay is applied and ensure adherence to the Agency Workers Regulations.

Environmental/Sustainability considerations

48. As is currently the case, the service will be managed via a technology platform eliminating the use of paper to a significant level. Management reporting will be available on the hiring manager's dashboard further reducing the need for paper based reports. Regular on site presence of the Account Manager will also reduce the requirement for managers to travel different locations to discuss requirements and resourcing plans.

Market considerations

49. The ITT specified that the new model moves away from the once hard line approach to having either a neutral or master vendor contract (as noted in the Gateway 1 report approved on 9 May 2017), as providers respond to the complexities and challenges of the market. In particular, in meeting demand for hard to fill roles within social care or in those in direct competition with the private sector. The delivery models have developed to provide more than a transactional service alone but one that can contribute to a range of organisational objectives including social values.

Staffing implications

50. The HR service will continue to manage this contract on behalf of the Council with expert advice and support from legal, finance and procurement, as

appropriate and required. Activity will be undertaken within existing service provision and budgets.

Financial implications

51. This report seeks the approval of Cabinet member for finance, modernisation and performance for the proposed award of contract outlined in the body of this report.
52. The total contract value equates to an estimated £60.3m (based on existing usage data) over a contract length of 3 years commencing 1 April 2018. It should be noted that implementation of the workforce strategy is likely to result in falling volumes and therefore a lower actual cost than the estimated contract sum indicated above, making the estimated total contract value over the four year period £75 million.
53. This sum consists of the following elements:
 - Agency Worker Costs
 - Agency Management Fees
 - Contractors Management Fee
 - Yorkshire Purchasing Organisation (YPO) Framework Fees
54. The agency worker invoicing process map (Appendix 1) identifies the process in place to achieve the Early Payment Discount. Since 1 January 2017 all invoices have been paid within 4-6 days. To achieve the early payment discount the council would need to pay the invoices within 10 days. At present the council is clearly exceeding this target indicating it can be achieved for the future. Therefore, the council is confident this will be achieved maximising the discount available to the council.
55. There are no capital implications contained in this report.

Legal implications

56. Please see concurrent from the director of law and democracy.

Consultation

57. This is not a matter which requires public consultation or referral to the council's trade unions; although the trade unions have been notified that the council is to procure a new contract, there has been consultation and engagement with hiring managers including having representatives on the quality evaluation panel.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance

58. The strategic director of finance and governance notes the contents of the report and proposed award of contract to Bidder 1 at an estimated cost of £60.3m over 3 years and £75m over 4 years as outlined in para 2. These sums (and any resultant savings) are predicated upon declining use of agency staff informed by the workforce strategy. The expectation is that all costs relating to agency worker expenditure will be contained within exiting business unit resources.

Head of Procurement

59. This report seeks approval for the award of a temporary agency resources contract to Bidder 1 for a contract period of three years with a 1 year extension option creating a total estimated total contract value of £75m.
60. The nature and value of these services are such that they are subject to the application of the Public Contract Regulations 2015. The report confirms that this procurement was conducted in accordance with the strategy proposed in the relevant Gateway 1 and the council's CSOs as a further competition under Lot 1 – managed services for contingent labour of the Yorkshire Purchasing Organisation framework, which was tendered in compliance with the requirements of the EU Procurement Regulations.
61. This procurement achieves value for money Bidder 1 submitted the most economically advantageous tender.
62. This report confirms that expenditure relating to agency worker costs and agency management fees will be contained within each business units' available resources and the expenditure relating to Bidder 1 and the YPO fee can be retained within Human Resources' budget provision.
63. The report confirms the monitoring and management arrangements that will be in place during the life of the contract.

Director of Law and Democracy

64. This report seeks the approval of the cabinet member for finance, modernisation and performance to the award of the temporary agency resources contract to Bidder 1 as further detailed in paragraph 1.
65. The nature and value of these services are such that they are subject to the application of the Public Contract Regulations 2015 (EU regs). However, the Yorkshire Purchasing Organisation (YPO) framework for Lot 1 – managed services for contingent labour, through which a further competition has been undertaken, was established following an EU compliant tendering process and the council is a party able to use this arrangement without undertaking its own OJEU process. That further competition identified Bidder 1 as having the most economically advantageous tender in response to this opportunity and they are therefore proposed as provider for these services.
66. The decision to approve the award of this contract falls within contract standing orders (CSO) 6.6.3(a) and is reserved to the cabinet, after consideration of the report by the corporate contract review board (CCRB). However, the leader of the council delegated authority to award this contract to the cabinet member for finance, modernisation and performance on 9 May 2017 via the Gateway 1 report .
67. CSO 2.3 requires that no steps should be taken to award a contract unless the expenditure has been approved. Paragraphs 55-61 confirm the financial implications of this award.
68. The cabinet member will be aware of the Public Sector Equality duty (PSED) under the Equality Act 2010, and when making decisions to have regard to the

need to eliminate discrimination, harassment, victimisation or other prohibited conduct, and to advance equality of opportunity and foster good relations between persons who share a relevant protected characteristic and those who do not share it. The relevant characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. The duty also applies to marriage and civil partnership but only in relation to the elimination of discrimination. The cabinet member is referred to paragraph 43 of the report (community impact statement) which sets out consideration given to equality issues in this procurement and which also should be considered when making this decision.

BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
Contracts Register Entry Form	HR, Housing & Modernisation 160 Tooley Street, SE1 2QH	Sarah Hedley 0207 5252 7216
GW0 report	HR, Housing & Modernisation 160 Tooley Street, SE1 2QH	Sarah Hedley 0207 5252 7216
Web link: http://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?ID=6141		
GW1 report	HR, Housing & Modernisation 160 Tooley Street, SE1 2QH	Sarah Hedley 0207 5252 7216
Web link: http://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?ID=6141		

APPENDICES

No	Title
Appendix 1	Agency invoicing process

AUDIT TRAIL

Lead Officer	Gerri Scott, Strategic Director of Housing and Modernisation	
Report Author	Kate Enver, Executive HR Business Partner	
Version	Final	
Dated	7 December 2017	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Finance and Governance	Yes	Yes
Head of Procurement	Yes	Yes
Director of Law and Democracy	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		7 December 2017