

Item No.	Classification: Open	Date: 23 November 2016	Meeting Name: Strategic Director of Finance & Governance
Report title:		Gateway 3 – Extension Approval for the Agency Worker contract	
Ward(s) or groups affected:		None	
From:		Head of Human Resources	

RECOMMENDATION

1. That the strategic director of finance and governance approves the extension of the agency worker contract with Comensura Ltd for a period of one year commencing 1 April 2017 at an estimated cost of £167,990.

BACKGROUND INFORMATION

2. The Gateway 2 report was approved on 18 November 2013 for the award to Comensura Ltd to act as a Managed Service Provider of agency workers for a period of three years from 1 April 2014, with the option to extend for a period of one year to March 2018. The contract is due to expire on 31 March 2017.
3. The contract was awarded via the Eastern Shires Purchasing Group (ESPO), a national framework agreement for the appointment of a temporary worker supplier.
4. The contract provides a vendor neutral managed supply solution for agency workers. Comensura do not supply workers directly but seek agency workers from a variety of vendors (agencies) with assignment opportunities posted simultaneously to a tiered supply chain.

COST

5. The contract is priced on a fixed pence rate per hour of agency hours charged.
6. Comensura's fee is £0.19 per hour of agency usage.
7. Comensura are also authorised to collect, on the council's behalf, the payment to the ESPO (responsible for the management of the Agency Worker Framework Agreement), obligatory as part of participation in the M-star2 framework. This is an on-cost of £0.02 per hour of agency usage.

KEY ISSUES FOR CONSIDERATION

Key Aspects of Proposed Variation

8. The nature of the proposed variation is to exercise the option in the contract and extend for a period of 12 months.
9. The value of the initial 3 year contract, based on estimated demand, was £311,850 inclusive of the fixed charge to Comensura and ESPO; plus the option to extend at an estimated cost of £103,950 making a total estimated value of £415,800 (based on an annual target usage of 495,000 agency hours).

10. The extrapolated actual costs to March 2017 are £468,525. The following table sets out the budget vs actual position for each year of the contract to date:

	2014-15 £	2015-16 £	2016-17 £ (extrapolated)	2017-18 £ (projected)
Budget	255,634	164,000	165,640	165,640
Contract costs	148,349	152,186	167,990	167,990
Variance	-107,285	-11,814	2,350	2,350

11. The projected demand and therefore cost of the 2017-18 extension is estimated to be £167,990, equating to 35.8% of the extrapolated costs from the start of the contract to March 2017. Estimated costs (on this basis) to March 2018 would therefore total £636,515. Costs are unlikely to exceed quoted projections for 2017-18 due to stabilising agency usage.
12. The council has a continuing aspiration to reduce agency staff usage to below 4% of the establishment. As at the end of Q2 2016-17 it stood at 7.6% and there is a focus on this across the council. Expenditure is likely to decrease or remain stable.
13. Contract performance has met required standards and there have been no critical performance issues.

Reasons for Variation

14. The current contract is due to expire on 31 March 2017 and in line with procurement guidelines the council needs to decide whether or not to utilise any allowed for extension options; this is to allow sufficient time for a new procurement exercise to be undertaken.
15. Although this contract has been in place for three years, the relationship with Comensura dates back to 2006. Over the ten years, Comensura have developed an in-depth understanding of the council's resourcing requirements and have worked with colleagues across the borough to develop approaches to e.g. safeguarding to ensure more efficient placements of temporary staff.
16. Quarterly review meetings currently take place with Comensura. Data for the 2015-16 financial year showed a 99.8% fill rate on engagements. Comensura assignments rely on use of C.Net, the web-based system. The Q4 report showed that aside from any planned maintenance the system uptime was 99.7%. The council is due to upgrade to C.Net 5 in early 2017. This will bring about further functionality and an improved user experience.
17. The council has been developing its modernisation programme throughout 2016 which has resulted in three new strategies – workforce, workplace and IT. These were agreed by Cabinet on 1 November 2016. A commitment to continue to reduce agency usage to below 4% is set out in the workforce strategy. The approval of the allowed for one year extension will provide sufficient time to fully assess the council's medium term requirements in the light of the revised workforce strategy, identifying the most appropriate business model and undertake the procurement process.

Alternative Options considered

18. An alternative option would have been to re-procure the contract. However the workforce strategy was subject to development during the same period required to undertake the procurement exercise. The workforce strategy was finalised in November 2016 and is the key policy informing the council's approach to resourcing, without which we can't clearly identify the council's requirements and therefore inform the procurement strategy.
19. The option exists to move away from a managed service; this would mean managers liaising directly with agencies. The costs saved in terms of fees to the provider, and framework if applicable, would be off-set by those incurred in control costs and uncapped fees. Significant management resource would be required in local negotiations and the governance and management of multiple agency arrangements. It would also be difficult to produce meaningful management information to support the council's ambition to reduce agency use further. It is not therefore considered a viable option.

Future Proposals for this Service

20. Options to consider for a future model would include:-

- To continue with a managed service, applying a vendor neutral model by which the council contracts with a single organisation which contracts with a range of agencies to meet the demand for temporary staff in all required disciplines.
- To move to a managed service with a single supplier (master vendor); The provider endeavours to supply all staff directly and in the event of not having a suitable candidate available will work within own supplier network to satisfy the demand. The council can with the master vendor's agreement nominate one or more specialist agencies to work with the master vendor.

Proposed timeline for new procurement

- Date of service review - December 2016 – February 2017
- Date of submission of gateway 1 report – March 2017
- Date for expressions of interest to be received – June 2017
- Date that short listing of prospective tenderers is to be completed – Mid July 2017
- Date of sending out tenders – End July 2017
- Date of completion of the evaluation of tenders – October 2017
- Date of submission of gateway 2 report – November 2017
- Date of contract award – January 2018
- Date new contract commences – April 2018

Policy implications

21. The continued use of agency workers as part of the council's wider resourcing strategy is likely to remain albeit in reduced numbers. Factors influencing are unlikely to be resolved in the medium term in areas of skills shortage or high demand. There is however scope for review in more generic areas and the model by which workers are supplied.

Contract management and monitoring

22. There are well established robust approach to monitoring which includes volume data, consideration of key performance indicators, managed through regular provision of management data, quarterly meetings and an annual review. Feedback is also sought from the experience of operational HR staff and managers.
23. The performance by Comensura is deemed to have met the required standards and there are no critical performance issues that would prohibit approval of this extension request.

Community Impact Statement

24. As a supplies contract for internal use by the council, this decision has a small impact on local people and communities. However, the vendor neutral model enables the managed service contractor to encourage participation by local businesses in the vendor (agency) list.

Sustainability considerations

25. The Public Services (Social Value) Act 2012 requires the council to consider a number of issues including how what is proposed to be procured may improve the economic, social and environmental well-being of the local area. These issues are considered in the following paragraphs which set out economic, social and environmental considerations.

Economic considerations

26. To exercise an existing provision to extend a contract is an efficient use of resources for the council. Recouping further the investment made in awarding the contract for the initial three year term.
27. Comensura has had a contractual relationship with the council since 2006-07. It operates as a subsidiary of Impellam Group PLC. It is based in Luton and it employs 67 staff.

Social considerations

28. The numbers of firms that supply a managed service are relatively few.
29. The use of a managed service has been significant in ensuring that agency worker at parity rate, receive London Living wage as a minimum. This would be complex and time consuming to manage and monitor were the council to contract directly with individual agencies.
30. Comensura employ 67 staff based at the headquarters in Luton. All staff are paid at or above the National Living Wage.

Environmental considerations

31. Whilst there are no specific environmental implications the service is web based and essentially paperless.

Financial Implications

32. This report proposes a 1 year extension to the existing 3 year contract based on existing terms & conditions.
33. Under present arrangements payments are made to Comensura on a weekly basis upon receipt of an invoice, which comprises an element for agency worker costs and a contractual fee element (an aggregation of the sums payable to Comensura and the charge collected by Comensura on behalf of ESPO).
34. Expenditure relating to the fee element is retained within Human Resources, whilst agency worker costs are recharged to departments, with the addition of a 10% internal charge (also retained within HR).
35. With regard to the fee element - projected costs can be contained within the existing budget provision, as the budget at the contracts inception (2014/15) was set in excess of the original estimate (£103,950 per annum), to allow for potential variation.
36. Payments to Comensura (extrapolated to the end of the current year) are detailed in the table below:

Year	Agency Usage Costs £	Internal Recharge £	Fees (Comensura & ESPO) £
2014/15	19,140,167 *	1,910,189	148,349
2015/16	19,058,549 *	1,938,789	152,186
2016/17 (extrapolated)	22,306,467	2,230,647	167,990
Total	60,505,183	6,079,625	468,525

37. * Taken from (Comensura) Annual Contract Performance Report to CCRB 22/09/16.

Legal Implications

38. Please see the supplementary advice from the director of law and democracy.

Consultation

39. This is not a matter which requires public consultation or referral to the council's trade unions.

Other implications or issues

40. Comensura have been advised of the intention to seek authority to extend and are supportive.

41. ESPO has been advised of the council's intention and has not raised any issues.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance (H&M16/041)

42. The strategic director of finance and governance notes the recommendations in this report for the extension of the agency worker contract until 31/03/2018. The costs of the contract will fall in the financial year 2017-18 for which the HRA budget will be agreed in January 2017 and the General Fund budget in February 2017. The council is required to provide savings to balance the budget for 2017-18.
43. The council has a continuing aspiration to reduce agency staff usage to below 4% of the establishment. The report notes that the contract will provide meaningful management information to support the council's ambition to reduce agency use.
44. The financial implications demonstrate the costs of the managed service, at 21p per hour, represent less than 1% of the agency costs (the payments made to Comensura for agency workers).

Head of Procurement

45. This report seeks the approval of the strategic director of finance and governance for the agency worker contract with Comensura Ltd for a period of one year. The extension utilises the last year of the contract to commence on 1 April 2017.
46. The rates and details of how the current contract charges are set out in paragraphs 5-7 of the report. The contract is compliant with the EU regulations as tendered in accordance with the ESPO framework agreement. The estimated cost of the cost of the rates of the contract (not including rates paid through it) is £167,990 based on projected usage rates.
47. The report details in paragraphs 22 and 23 the plans for on-going reporting and management of this contract during this period.


Director of Law and Democracy

48. This report seeks the approval of the strategic director of finance and governance for a 1 year extension to the agency worker contract which is being performed by Comensura Ltd. This report sets out the extent of the extension and the reasons why the extension is necessary.
49. This report confirms at paragraphs 14-17 why a 1 year extension is sought and paragraph 20 confirms what future proposals of the service will be considered.
50. The nature of this variation is such that it is subject to the tendering requirements of the Public Contracts Regulations 2015 (PCR 2015). Regulation 72(1)(a) of PCR 2015 allows the council to vary the current contract as this option was provided for in the initial procurement documents and does not alter the overall nature of the contract.

51. As the decision to approve this variation falls within the circumstances noted in contract standing order (CSO) 4.6.2(a), the decision is reserved to the strategic director of finance and governance, after consideration by the corporate contracts review board.
52. CSO 2.3 requires that a variation decision may only be made if the expenditure involved has been approved. Paragraphs 32-36 confirm the financial implications of this variation.

FOR DELEGATED APPROVAL

Under the powers delegated to me in accordance with the council's Contract Standing Orders, I authorise action in accordance with the recommendation contained in the above report.

Signature  Date 24-11-16

Designation STRATEGIC DIRECTOR OF FINANCE AND GOVERNANCE

BACKGROUND PAPERS

Background Papers	Held At	Contact
GW 1 & 2 Performance report 2015 / 16	Tooley Street	Sarah Hedley

APPENDICES

No	Title
Appendix	None

AUDIT TRAIL

Lead Officer	Julie Foy, Head of Human Resources
Report Author	Sarah Hedley
Version	V4
Dated	23 November 2016
Key Decision?	No

CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER

Officer Title	Comments Sought	Comments included
Strategic Director of Finance and Governance	Yes/No	Yes/No
Head of Procurement	Yes/No	Yes/No

Director of Law and Governance	Yes/No	Yes/No
Director of Exchequer (for housing contracts only)	Not applicable	
Cabinet Member	Yes/No	NA
Contract Review Boards		
Departmental Contract Review Board	14 November 2016	Yes/No
Corporate Contract Review Board	17 November 2016	Yes/No
Cabinet Member	Yes/No	Yes/No
Date final report sent to Constitutional/Community Councils/Scrutiny Team		NA