

LONDON BOROUGH OF BRENT

MEETING OF THE EXECUTIVE - 22ND SEPTEMBER 2003

REPORT FROM THE DIRECTOR OF FINANCE

FP NO: BFS/53

NAME OF WARD(S)
ALL

**REPORT TITLE: AUTHORITY TO INVITE TENDERS FOR THE PROVISION
OF AGENCY STAFF CONTRACTS**

Above Below

Confidential Line

Except for Appendix 3

1. SUMMARY

- 1.1 This report seeks approval to invite tenders for the provision of agency staff covering all major expenditure categories identified in appendix 1, and to establish a set of framework agreements which will regulate the procurement of agency staff within these categories across the Council.

2. RECOMMENDATIONS

It is recommended that:

- 2.1 Members approve the pre-tender considerations and the criteria to be used to evaluate tenders as set out in paragraph 6.12 (vi) of the report
- 2.2 Members give approval to officers to invite tenders and evaluate them in accordance with the details set out in 6.12 ((i) – (x)).

3. FINANCIAL IMPLICATIONS

- 3.1 The Council's Standing Orders state that contracts for supplies and services exceeding £500,000 should be referred to the Executive for approval to invite tenders.
- 3.2 The estimated value of this contract exceeds £500,000 (The actual estimated value is set out in Appendix 3 which is below the line).
- 3.3 Annual savings amounting to £1.15 million have been assumed from the 2004/5 budget in respect of agency staff. This process is one of the key measures from which this saving is expected to be achieved.
- 3.4 A budget of £30,000 has been established to meet the cost of this exercise. This will cover such things as staff time, legal costs, advertising and printing.
- 3.5 The cost of these agreements is to be met from existing budgets.

4. STAFFING IMPLICATIONS

- 4.1 There are no direct implications for Council staff arising from the proposed arrangements, except that efficiencies that may arise in the procurement, and management of agency staff may free up operational management to focus on priority activities.

5. LEGAL IMPLICATIONS

- 5.1 This is a Part B Service for the purposes of the EU Regulations and is therefore subject to only partial application of the EU Regulations.
- 5.2 As the value of the contract is in excess of £500,000 this is a high value contract for the purposes of standing orders.
- 5.3 Once the tendering process has been undertaken, officers will report back to the Executive in accordance with Contract Standing Orders, explaining the process undertaken in tendering the contracts and recommending award.

6. DETAIL

- 6.1 Excluding expenditure on teachers, the Council spends about £9,000,000 each year on the procurement of temporary staff from agencies.
- 6.2 The Council has not previously systematically reviewed this operational expenditure. Financial data and contract management information has therefore not been readily available and it has been a difficult and labour-intensive task to obtain the information necessary to complete a comprehensive analysis.
- 6.3 From informal discussions with suppliers and other local authorities operating in this market place there has been universal acceptance that improvements can, and should, be made to the way in which temporary staff are procured by public sector organisations, leading to the more efficient allocation of resources, improved effectiveness, and ultimately savings.
- 6.4 Informal consultation has been carried out with all service areas within the council currently utilizing agency staff from the categories defined in this report.
- 6.5 Initial benchmarking and related work undertaken by the Council's Procurement Unit has confirmed that there appears to be significant scope for savings and process improvements across the general expenditure category of agency staff. Preliminary work suggests that agency gross margins appear to vary between 15–50%, and that the mean is about 30%.
- 6.6 Analysis of the current situation suggests that the Council has 3 main opportunities to reduce the expenditure:

6.6.1 Better Procurement

This involves:

- 1) Improving the aggregation of expenditure across the Council.
- 2) Improving sourcing arrangements, involving fewer suppliers.
- 3) Improving negotiation and supplier management.
- 4) Improving identification/specification of requirements.
- 5) Increasing the use of framework agreements.

6.6.2 Reducing Usage

Despite some difficult recruitment (labour) markets, there appears to be significant opportunities to reduce the use, and therefore the overall expenditure on agency staff.

Here improved operational management, and especially better human resource management is crucial.

The main opportunities include:

- 1) reducing absenteeism
- 2) improving staff development/capability
- 3) improving staff retention especially in particularly difficult labour markets
- 4) increasing flexible working practices
- 5) improving productivity of permanent/temporary employees

These opportunities are currently being explored by the Central Procurement Team in partnership with Human Resources. Some measures have already been successfully implemented but are outside the scope of this report.

6.6.3 Overhead Reduction

Better procurement is not just about the price of agency staff at the point of supply, although it is frequently perceived as such. There are, for example, overheads, which should also be taken into account and which provide an opportunity for delivering savings through improved efficiency.

The main indirect cost saving opportunities include:

- 1) improving efficiency of processes, for example, associated with the requisitioning, appointment and monitoring of agency staff, and related activities; and
- 2) improving e-enabled procurement and management capacity.

6.7 The focus of the proposed tendering exercise will be to address the opportunities set out in section 6.6.1.1 – 6.6.1.3.

6.8 The consolidated value of the framework agreements over the intended life of the contracts is significant. The below the line Appendix 3 sets out the estimated contract value.

6.9 The packaging for the agency staff contracts will be on the basis of the sub-categories of staff identified in Appendix 1. These sub-categories may be refined further before invitations to tender are issued as the Procurement Unit continue to work on identifying the positions that are commonly recruited to by all Service Areas.

It is intended that there be one framework agreement for each of the categories identified in Appendix 1. However, tenderers will be invited to tender for one or more framework agreements. Accordingly, it may be that one supplier is awarded more than one framework agreement.

6.10 It is difficult at this stage to indicate the likely number of suppliers for each sub category framework agreement. This will be influenced by the nature of the market (these micro markets vary), the potential value of the sub category in terms of estimated annual spend, and the number, if any, of suitable qualifying suppliers. It is likely that for most sub categories there would be a choice of suppliers that would be used to provide agency staff on a, as and when required, call off basis. Sub categories with particularly hard to fill positions, such as social workers, will require more suppliers than easier to fill standard employment sub categories such as clerical or administrative roles. It is likely that each category will have a minimum of 2-3 suppliers.

6.11 Given the nature of the agency staff market, it is important that the Council retains the flexibility to use other suppliers if necessary. Accordingly, the contracts with the successful tenderers will be on a non-exclusive basis with no guarantee of work.

6.12 In accordance with Contract Standing Orders 89 and 90, pre-tender considerations have been set out below for the approval of the Executive.

Ref.	Requirement	Response
(i)	The nature of the service	The provision of agency staff across all identified and/or major expenditure categories as indicated in Appendix 1. To include all major service area requirements including Corporate Services, Social Services, Housing, Education, Arts and Libraries (excluding teachers), Environment, and Housing Services.
(ii)	The estimated value	In excess of £ 500,000 (see the below the line Appendix 3 for the actual estimated value)

(iii)	The contract term	3 years with an option to extend for up to a further 2 years.
(iv)	The tender procedure to be adopted	A two-stage process: Stage 1 – expressions of interest and pre-qualification, Stage 2 – invitations to tender.
(v)	The procurement timetable	Please refer to Appendix 2
(vi)	The evaluation criteria and process	Shortlists are to be compiled in accordance with the Council's Contract Management Guidelines using the pre qualification (select list) questionnaire to ensure that potential tenderers meet the Council's requirements concerning financial standing, health and safety, and technical expertise. The evaluation panel will evaluate the tenders against the following criteria: <ul style="list-style-type: none"> - Tendered prices - Quality/capacity assessment - Demonstrated ability to provide the services - Customer/client and service performance improvement orientation - Risk management
(vii)	Any business risks associated with entering the contracts	None specific. Financial services and Legal Services have been consulted concerning the contract.
(viii)	The Council's Best Value Duties	The two stage competitive tendering exercise will assist the Council in achieving best value for this category of expenditure.
(ix)	Any staffing implications including TUPE and pensions	None
(x)	The relevant financial, legal and other considerations	See sections 3 and 5, above.

7. BACKGROUND PAPERS

7.1 Agency services procurement file

7.2 Agency reports:

- Spending on agency staff in Brent: issues and opportunities. To: CMT Awayday 12 December 2002.
- Agency staff expenditure: towards a sustainable, strategic solution. To: Deputy Director of Finance, 20 March 2003.
- Improving the procurement and management of agency staff in Brent. To: Deputy Director of Finance, 5 June 2003.
- Revenue Budget 2003/2004 Report to Executive 21 July 2003.

Any one wishing to inspect the above papers should contact:

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AGENCY EXPENDITURE CATEGORIES

The major splits are between:

- (a) specialised staff working in either Housing, Education Arts and Libraries, Social Services, Environment or Corporate Services (the five service areas); and
- (b) generic staff.

It seems appropriate therefore to organise the contract packaging broadly along similar lines. Thus qualifying agencies supplying professional staff will have the opportunity to tender to supply staff in their chosen markets. This will result in the following indicative split:

SPECIALISED

Education - librarians

Housing – housing managers, application & allocation staff, homeless persons liaison officers, property professionals, facilities management staff, mental health officers, floating support officers, enforcement surveyors, self-employed surveyors.

Social Services – health & social workers, approved social workers, carers, day care workers, nurses, team leaders, occupational therapists.

Environment – engineers, planners, environmental health workers, health & safety workers, building control surveyors, trading standards officers, mortuary technicians (qualified to RIPPH Diploma standard).

Legal – legal secretaries, qualified lawyers, non-qualified legal assistants.

HR – personnel managers.

IT – project managers, operational staff, system analysts, business analysts, developmental staff.

Accountancy/finance – accountants, revenue and benefit practitioners, auditors, cashiers.

Corporate (Misc.) – valuers (for corporate property), committee clerks (for legal & democratic services), designers, press officers, translators (for communications) and research offices (PRU).

GENERIC:

- Clerical/Administrative assistants/Reception/Customer service staff.
- Drivers/Coach escorts.
- Manual workers/gardeners/gravediggers (COTS excavator levels 1 and 2).
- Catering.

RESTRICTED PROCEDURE: INDICATIVE DATES

1. Report to Executive	22 September 2003
2. Advertisements	26 September 2003
3. Expressions of Interest Returned	27 October 2003
4. Shortlist Drawn up in Accordance with Select List Criteria	17 November 2003
5. Issue Invitations to Tender	18 November 2003
6. Deadline for Tender Submissions	19 December 2003
7. Panel Evaluation – Shortlisting for Interview	22 December – 19 January 2004
8. Interviews and Contract Decision	20 January – 6 February 2004
9. Report Concerning Contract Award Circulated Internally for comment	9 February 2004
10. Executive Decision	8 March 2004
11. Contract Start	April 2004