

REVIEW AND RENEWAL OF AGENCY STAFF CONTRACT

June 2011



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1. Executive Summary

The recommendation from this paper based on the benefits and qualitative scoring, is that the Council considers implementing a master vendor arrangement procured through the MStar framework.

The proposed Master Vendor option is anticipated to deliver savings of approximately £50,000 - £100,000 per annum (excluding demand savings) compared to the current agency staff arrangement. The Master Vendor option has scored highest when evaluated on benefits and perceived quality by HR and the nominated contract client.

2. Current Position

At the present time the Council's has a contract with Matrix SCM to provide a "Neutral Vendor" agency staff service. Here the contractor acts as a portal between the Council and supplying staff agencies whereby they receive a request for an agency member of staff from the Council and forward this to their known and approved suppliers who submit CVs of the most suitable candidates, in terms of knowledge and experience.

Prior to this Contract the Council employed 160 agencies where they received different agency mark ups, were employing non-vetted agency staff and were paying unnecessary introduction fees.

3. Options for Future

The current contract arrangement with Matrix SCM expires on 30th September 2011 with the option and recommendation to extend the contract for 6 months until end of financial year. This will facilitate a thorough procurement exercise via the MSTAR framework and ensure the Public Contract Regulations are being adhered to.

3.1. Option one - Do Nothing

One option is to let the current contract lapse and to do nothing formally to replace it. The benefits of such an arrangement will be that end users will be able to utilise any agency they care to for the provision of temporary staff. The downsides of doing this would be that the Council would contravene EU Public Procurement Rules on the need for openness, transparency and competition, and would also end up in a situation with potentially high volumes of paperwork and administration for a large number of agencies, with difficulty in clienting effectively. These downsides are such that this option has been discounted.

3.2. Option two – Further Extend Matrix Contract

Option Two is to extend the current contract with Matrix for a further 18 months from April 2012 in which there is provision in the existing contract to do so if the Council wished.

The estimated annual management fee to the Council is £160k.

3.3. Option three - Neutral Vendor

A neutral vendor approach is where the Council contracts with a single managing agent who manage a host of 1st and 2nd agencies to provide the required candidates.

The benefits for the council would be:

- a single point of contact for all agency staff bookings;
- the opportunity to reduce the level of mark up over pay;
- the ability to receive management information on use, cost and quality across the council;
- to manage risk more effectively;

The estimated annual management fee to the Council is £44k.

3.4. Option four - Master Vendor

A Master Vendor approach is where the Council contracts with one single agency who will aim to provide all required disciplines. In exceptional circumstances with the Master Vendor's agreement the Council could nominate a specialist agency to work for the master vendor.

The benefits for the council are:

- Service consistency and standardisation
- Increased control for the client through one point of contact
- Consistent and visible management information
- Encourages local and central relationships
- Consolidation of billing and invoicing

The estimated annual management fee to the Council is £30k.

3.5. Option five - Internally Managed Agency

The Council could propose to operate its own internal agency service similar to a Neutral Vendor approach. The internal Agency Team would receive a request for an agency member of staff from a Service Manager. The agency team would then source from an agreed "framework" of agencies. The Internal Agency Team will need to manage all contact between the supplying agencies and the Council. This would include the agreement of pay rates and auditing agency processes regarding Right to Work, CRB, etc.

3.5.1. Cost of Providing Internal Agency Service

There would be a cost to establishing an internal team. Discussions with Council HR Officers have indicated an Internal Agency Service would cost approximately £90,000 for staff costs and ongoing IT costs and approximately £50,000 for other related set-up costs for example accommodation, IT and software.

The estimated annual management fee to the Council is £140k in year one and approximately £90k on a recurring basis.

4. Procurement Options

The table below highlights the relative timescale, positives and negatives of each Procurement option:

Option	Procurement Route	Enablement Date	Positives	Negatives
1 - Do Nothing	DISCOUNTED			
2 - Extend current Matrix Contract	Contract extension	Oct-11	> Quick	> None
3 - Neutral Vendor	New Procurement	Mar-12	> Gives the Council full control > Ability to address local supply issues	> Could leave the Council out of contract with Matrix > Risk of timescales slipping as full OJEU process required with a large supply base > High Cost
	Utilise MSTAR framework	Oct-11	> Low cost > Quick process as framework already in place > Potential to leverage London wide volumes	> Less flexible as pricing and specification are being set through collaboration

4 - Master Vendor	New Procurement	Mar-12	<ul style="list-style-type: none"> > Gives the Council full control > Ability to address local supply issues 	<ul style="list-style-type: none"> > Could leave the Council out of contract with Matrix > Risk of timescales slipping as full OJEU process required with a large supply base > High Cost
	Utilise MSTAR framework	Oct-11	<ul style="list-style-type: none"> > Low cost > Quick process as framework already in place > Potential to leverage London wide volumes 	<ul style="list-style-type: none"> > Less flexible as pricing and specification are being set through collaboration
5 - Internal Service	New Procurement (contract with suitable agencies)	Mar-12	<ul style="list-style-type: none"> > Ability to design service to council requirements > High control of demand and local supply 	<ul style="list-style-type: none"> > High cost > Limited internal expertise > High risk in managing myriad agencies > High risk of delay > Could leave the Council out of contract with Matrix

4.1. MSTAR framework

The Eastern Shires Procurement Organisation on behalf of the Local Government Professional Services Group (LGPSG), with input direct from local authorities, the Department for Education (previously DCSF), the Regional Improvement and Efficiency partnerships (RIEPs) and OGC have procured a number of national accessible managed service framework agreements, known as MSTAR.

These frameworks provide for a range of service provision including both neutral and master vendor. Should the Council decide to utilise either of these approaches to satisfy its agency staff needs, subject to further investigation, these frameworks are likely to prove to be the most expedient and cost effective options.

5. Costs – Implementation (set up costs)

Cost	Optimistic	Realistic	Pessimistic
Option 1/2/3/4 Procurement costs	£0	£0	£0
Option 3 /4 Legal costs	£2.5K	£5K	£10K
Option 5 ICT & setup costs*	£25K	£50K	£75K

*Based on an initial, one-off IT set up cost

5.1. Costs - Ongoing

Cost (per annum)	Optimistic	Realistic	Pessimistic
Option 5. Salary for Internal resource or supplier contract management team	£64K	£80K	£100K
Option 5. IT Support costs	£7.5K	£10K	£15K

6. Options, Risk & Appraisal

6.1. Summary

The table below highlights the various options available to the Council regarding the Temporary Labour Contract. The options have also been scored and weighted against the following criteria:

- Maximise Employment of Locals
- Ability to retain specialist staff
- Attracts better quality applicants
- Provides efficient CV turnaround
- Risk mitigation to Council (CRB's checking etc)
- Pre screening to vet competency
- IT Systems
- Detailed Management information

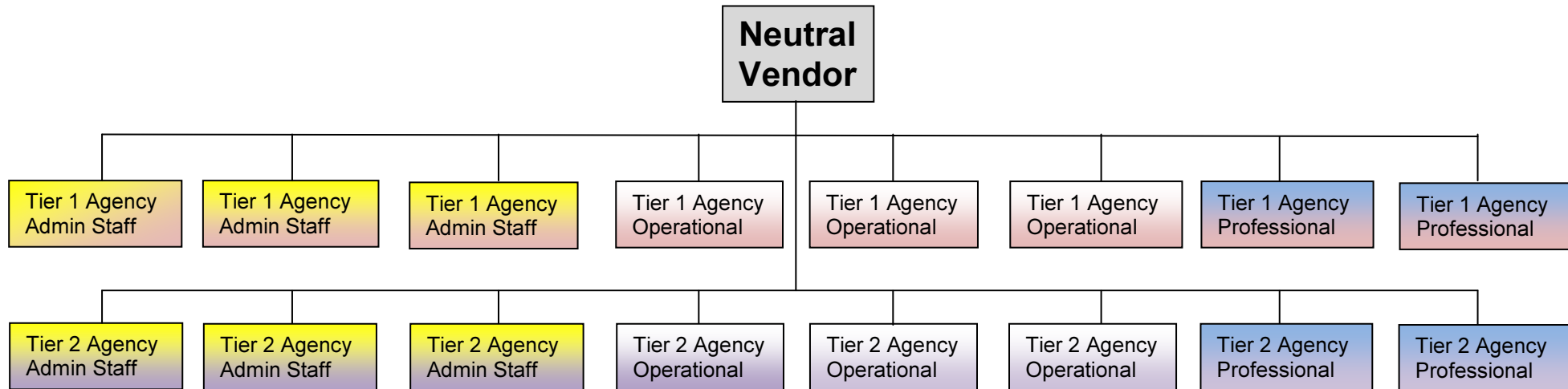
The scoring has been combined with the appropriate cash-benefit based on a 40% cash-benefit / 60% quality evaluation. These scores have been incorporated in the table below and clearly show the master vendor option as most favourable for the Council.

	Business Fit	Complexity (H/M/L)	Risk (H/M/L)	Ability to influence Salary / Price / Demand (H/M/L)	Enablement date	Est. costs of implementation	Overall benefit & solution score (max 52)
1	Let Matrix contract expire – Do nothing:	L	H	L	Expires end of Sept 2011	£0	0
2	Extend Matrix contract past April 2012	M	M	L	Oct 2011	£0	28
3	Neutral Vendor:	L	M	M	Oct 2011 or Mar 2012	£5K	36
4	Master Vendor: s	L	L	M	Oct 2011 or Mar 2012	£5K	45
5	Internal Agency Service	H	M	H	Mar 2012	£50K yr 1	33

7. Options- Benefits

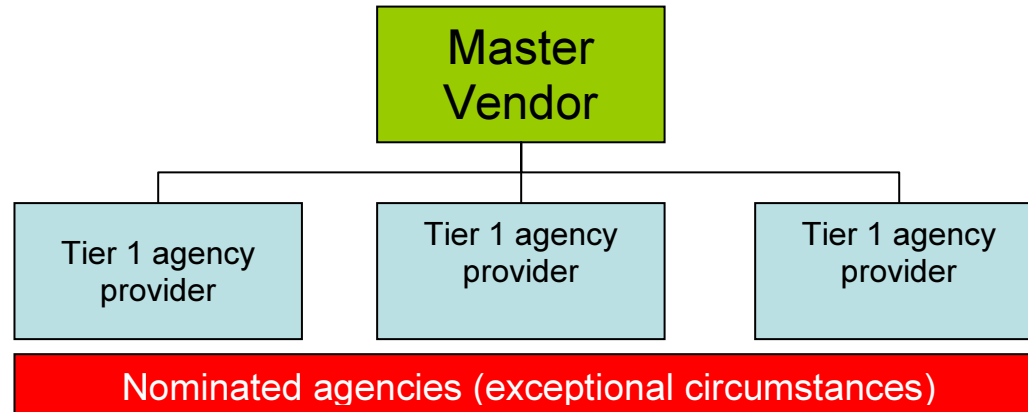
Option	Benefits
Option 1 – Let Matrix Contract Expire	<ul style="list-style-type: none"> • More choice • Potentially better quality candidates
Option 2 – Extend Matrix Contract	<ul style="list-style-type: none"> • Should be easier to manage • Time to develop Council-wide HR strategy, review processes, technology requirements, internal capability and capacity awareness
Option 3 – MSTAR Framework Neutral Vendor	<ul style="list-style-type: none"> • Refresh specifications/requirements • Effectively monitor, manage, and report on supplier performance • Manage the contract and build strong working relationship
Option 4 – MSTAR Framework Master Vendor	<ul style="list-style-type: none"> • Refresh specifications/requirements • Effectively monitor, manage, and report on supplier performance • Manage the contract and build strong working relationship
Option 5 – Internal Agency Services	<ul style="list-style-type: none"> • Internal resources - single point of contact for clients/end users i.e. reassurance • Knowledgeable about internal clients/end user requirements and needs • Greater determination and effort to provide an improved service

8. Models of Delivery

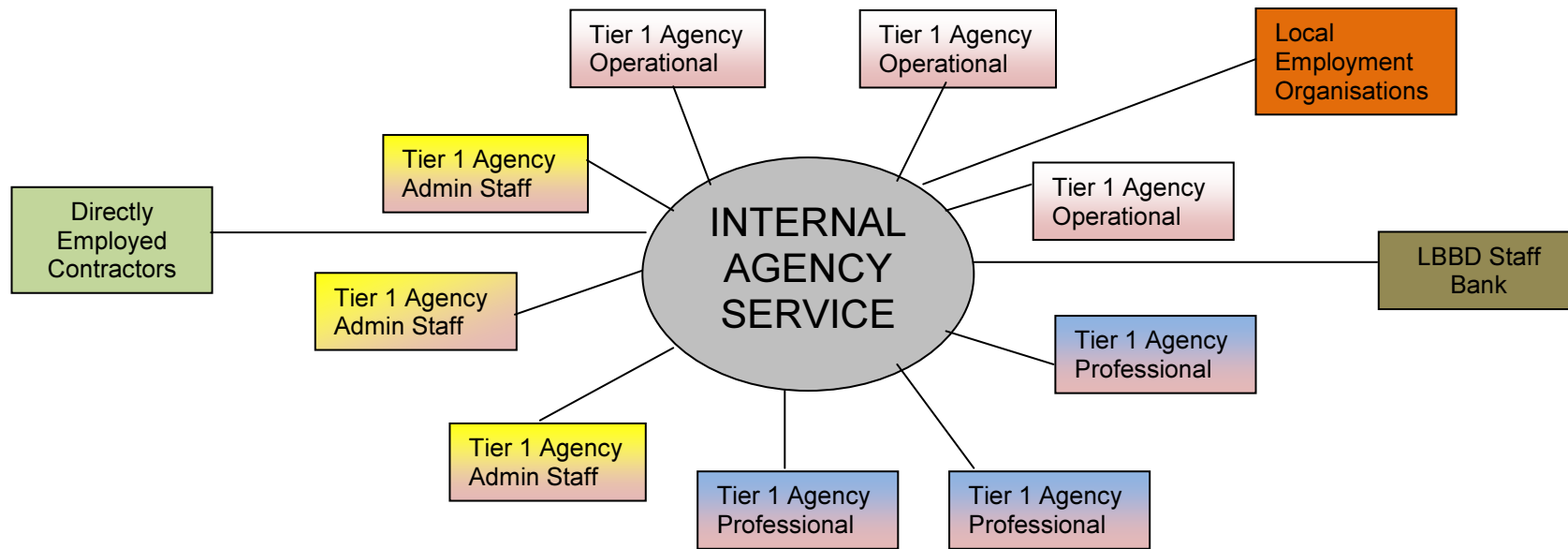


Neutral Vendor receives a request for an agency member of staff from LBBB and forwards this to specialist Tier 1 agencies in the first instance. Tier 1 agencies are those that offer the best suitable candidate in terms of knowledge, experience, etc coupled with competitive hourly rate.

In the event of no offer from Tier 1 agencies, the assignment is passed down to Tier 2 to satisfy demand. Tier 2 agencies should be able to provide quality staff but at a higher hourly rate



Master Vendor receives a request and will endeavour to supply directly. Only in the event of them not having a suitable candidate will they work within their own network to satisfy demand. The Master Vendor will remain responsible for all interaction between the Council and any third party agency and will manage timesheets, invoices, etc. In exceptional circumstances with the Master Vendors agreement the Council could nominate a specialist agency to work for the master vendor



Similar to Neutral Vendor model. Internal Agency team received a request for agency member of staff from Service Manager and sources requirement from agreed framework of supplying agencies.

9. Qualitative Options Scoring (Internal Indicative Scoring only)

Adriam Molloy											
Business Fit	Maximise Employment of Locals(1=Low/5=High)	Ability to retain specialist staff (1=Low/5=High)	Attracts better quality applicants(1=Low/5=High)	Provides efficient CV turnaround (1=Low/5=High)	Risk mitigation to Council (CRB's checking etc) (1=Low/5=High)	Pre screening to vet competency (1=Low/5=High)	IT Systems (1=Low/5=High)	Detailed Management information (1=Low/5=High)	Weighted benefits scoring = 40%	Weighted qualitative scoring = 60%	Total
Let Matrix contract expire – Do nothing	0		0	0	0	0	0	0	0	0	0
Extend Matrix contract 12 months	2	3	2	2	3	2	3	4	1.6	12.6	14.2
Neutral Vendor	2	2	3	2	4	3	5	4	2	15	17
Master Vendor	5	4	5	4	4	5	4	5	0.8	21.6	22.4
Internal Agency Service	4	5	3	4	2	4	2	2	0.4	15.6	16
Andy Carr											
Business Fit	Maximise Employment of Locals(1=Low/5=High)	Ability to retain specialist staff (1=Low/5=High)	Attracts better quality applicants(1=Low/5=High)	Provides efficient CV turnaround (1=Low/5=High)	Risk mitigation to Council (CRB's checking etc) (1=Low/5=High)	Pre screening to vet competency (1=Low/5=High)	IT Systems (1=Low/5=High)	Detailed Management information (1=Low/5=High)	Weighted benefits scoring = 40%	Weighted qualitative scoring = 60%	Total
Let Matrix contract expire – Do nothing	0		0	0	0	0	0	0	0	0	0
Extend Matrix contract 12 months	2	4	2	2	3	2	3	3	1.6	12.6	14.2
Neutral Vendor	3	3	3	3	4	3	5	4	2	16.8	18.8
Master Vendor	5	2	5	5	5	5	5	5	0.8	22.2	23
Internal Agency Service	4	5	4	4	2	4	2	2	0.4	16.2	16.6