

	ITEM NO.
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REPORT OF
Acting Assistant Director, Liveability Services

TO
Lead Member for the Environment
On
Monday 20th July 2009

TITLE: Employment Agency Contract for Liveability Services: Waste, Street
Cleansing, Grounds Maintenance Services

RECOMMENDATION:

1. That a framework contract be awarded to Meridian Business Support Services.
 2. That the framework contract commences on the 1st September 2009, for three years, with an option to extend for two years, with the first review after 4 months, on the 1st January 2010 and 6 monthly thereafter.
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EXECUTIVE SUMMARY:

The report provides details of a tendering exercise undertaken for the Employment Agency Contract, for Liveability Services, within the Environment Directorate. Detail is provided on each of the tenderers, considers options available and makes a firm recommendation.

BACKGROUND DOCUMENTS:
(Available for public inspection)

KEY DECISION: YES

DETAILS: Contained within the report.

EQUALITY IMPACT ASSESSMENT AND IMPLICATIONS:- Accessibility is
available to all groups.

ASSESSMENT OF RISK: High Risk as may lead to service failure and damage to City Council reputation.

SOURCE OF FUNDING: Service Revenue account

LEGAL IMPLICATIONS: Contractual

FINANCIAL IMPLICATIONS: Contained within the report

OTHER DIRECTORATES CONSULTED: Central Procurement involvement – view expressed within the report

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WARD(S) TO WHICH REPORT RELATE(S): All

1.0 INTRODUCTION

- 1.1 The Refuse Collection, Street Cleansing and Grounds Maintenance services have used an employment agency to provide relief cover since April 2002.
- 1.2 The current contract commenced on 1st August 2005, with Meridian Business Support Services, for a 3 year contract, extended by one year. Until 31st March 2008, there were fact two providers, Meridian and NWES. As part of the City Council's efficiency review, in partnership with KPMG, the Directorate's agency contract was identified as a service that it would be advisable to test the market on and carry out a tender exercise, to ensure value for money was being received.

2.0 BACKGROUND

- 2.1 Before the introduction of an employment agency, a dedicated "relief pool" of Salford City Council (SCC) employees were used. The advantage of this approach, at the time, was that there were always trained staff available, who were to cover the absence of full time Salford employees, i.e. holidays/sickness etc. The disadvantage however, was that this approach did not guarantee provision of 100% service cover. This resulted in services not being delivered, either in part or in entirety. Street Cleansing (SC) services was usually the area that was badly affected by lack of staff, as Refuse Services required 100% staffing levels at all times, at the detriment of SC. The impact of SC staff working ad hoc on Refuse, also meant that staff were less efficient due to not knowing the collection rounds etc.
- 2.2 As part of the incremental introduction of the Recycling Service, flexibility in staffing numbers was essential as services expanded to meet the challenge of providing waste recycling. It was agreed with the respective Trade Union representatives, that the agency approach would be adopted, as an interim measure, until services became established. The City Council would then look to recruit Salford City Council employee's to staff the service. A commitment to which we have delivered on, with 25 additional posts now created within the service, to date.
- 2.3 The agency approach has been used since 2002, and following this initial implementation date, the contract has evolved to ensure we are able to provide agency staff to meet service demands.

Elements of the contract such as:-

- Booking staff under an emergency scenario (example; when a Salford employee reports sick at short notice) which ensures a replacement is available within 1 hour anywhere in the city
 - On site supervision (ensures adequate training, PPE issued etc, are all managed before staff report for work)
- 2.4 Financial penalties ensures the contract does not deteriorate and where contractual requirements are not met in full, then financial penalties apply. This action is deemed to be essential, in order that the agency approach is effective and can be appropriately managed by SCC managers.
 - 2.5 Meridian Business Support Services, the current provider of agency services, have been a very reliable company, who have on the whole delivered the required services to specification.
 - 2.6 In 2008 / 2009 financial year, up to 99.45 FTE agency workers were being utilised each week with an average of 70.73 FTE on waste services per week, a significant number being utilised on Recycling services on the previous "Bag & Box" recycling service. This relied upon high numbers of operatives to operate this labour intensive, kerbside sorting service. A service that was initially provided by the Authority in order that we met the challenging recycling targets, placed on Authorities by Central Government. However, as part of a fundamental service review and on the completion of the roll out of the co mingle service, the numbers have

significantly reduced to the budgeted figure of 42.90 FTE per week in 2009 / 2010 (currently averaging at less than 40 FTE). Split as follows:

For 2009 / 2010 the budgeted figures for waste services is 42.90 FTE and Grounds Maintenance is 23.35 FTE per week.

Refuse Collection	13.11 FTE
Recycling	13.36 FTE (includes Garden Waste)
Street Cleansing	16.43 FTE
Grounds Maintenance	23.35 FTE

3.0 KEY CONSIDERATIONS PRIOR TO TENDER

- 3.1 As shown in section two, projected costs have been significantly reduced since 2008/09. In part, service change (co mingle) and stricter management practices have accounted for the reduction and it is the intention to continue to drive down these costs, whilst still acknowledging that there is still a current need and usage of agency staff for the delivery of operational services.
- 3.2 In preparing a specification for companies to tender against, it was important to ensure that a contract was established that enabled effective service delivery and the ability to continue to drive down costs, without any financial commitment to the successful contractor, from the City Council.
- 3.3 Whilst taking into consideration section 3.2, it has also been necessary to take account of proposed European legislation, for agency staff, which is proposing that "agency staff be entitled to the same rights as all full time, Council employed employees". It is uncertain when this bill will be enacted but should it be so, then consideration would need to be given to the best way forward for the City Council. Therefore flexibility is required in the contractual arrangements entered into.
- 3.4 To ensure that the City Council has the flexibility to manoeuvre, without any financial recourse, it has therefore been necessary to establish a 'Framework' Contract', i.e. a contract where we only pay for services provided, with no commitment to spend.

4.0 THE TENDER EXERCISE

- 4.1 In October 2008, a procurement exercise commenced, led by KPMG, with the support and involvement of the central procurement unit. This involved an OJEU notice being placed and companies asked to tender, via an e-auction.

As detailed previously, the contract agreed was that of a 'Framework Contract', for the period 1st April 2009 to 31st March 2012 with an option to extend for 2 years.

- 4.2 15 expressions of interest were received and 11 went forward to the e-auction process.
- 4.3 The e-auction process took place on 18th December 2008 and 8 submissions were made from the following companies:
 - ▶ Major Recruitment
 - ▶ Adecco
 - ▶ Meridian Business Services
 - ▶ Randstad
 - ▶ The Works
 - ▶ PrimeTime
 - ▶ Jark

► Best Connection

- 4.4 Pre award evaluation – Post the e-auction, 5 of the companies, listed in section 4.3, were interviewed, to discuss in detail their price evaluation and conditions of submission. Two were dismissed as they did not meet evaluation conditions. These interviews were conducted by the Head of Liveability Service and two Operational Services Managers, together with a representative of KPMG.

During the pre-award interviews, each tenderer was evaluated on the following criteria:

- Schedule of Rates through E-auction
- PPE and corporate uniform
- Opportunity of employment for Salford Residents
- Training plan
- Adherence to contract specification for booking emergency staff
- On site supervisor provided by employment agency
- What added value they could provide to the contract

Specific detail was also provided to each tenderer about what a framework contract meant and the City Council's aims, objectives and future intentions for agency usage.

- 4.5 Overall Evaluation - Following full evaluation, the three agencies below were deemed to be the most favourable to form part of a framework agreement, that would supply agency employees, namely:

1. Major Recruitment
2. Adecco
3. Meridian Business Support

All were able to demonstrate that they could meet all of the contract requirements. It is important to note, that whilst Meridian and Adecco are a national well established business, Major are only operating on a regional basis and both Adecco and Major are relatively newly established companies.

5.0 FINANCIAL CONSIDERATIONS FROM THE TENDERING EXERCISE

All of the figures outlined, are based on budgeted usage of 42.90 FTE RC/SC/Recycle and 23.35 FTE Grounds, over the course of the full financial year:-

100% Major - £911,787 (this includes discount factor of 5.95%, which may not apply if a decision is taken to award to two or more providers).

100% Adecco - £1,019,956

100% Meridian - £1,055,322 (tendered rate)

Meridian, as they are out of contract, are currently charging more than their tendered price, but have indicated that if the contract is awarded to them, then they will retrospectively charge the tendered rates from 01/04/09, which would result in a full year rebate of circa £40,000. The budget for 2009/10 has been built on Meridian's current costs.

In summary, Major, are the lowest value option, with an annual saving of £144K over Meridian.

6.0 FINANCIAL / REFERENCE CHECKS

In order to complete the evaluation, reference and financial checks were undertaken.

- 6.1 Service Provider / Quality references were sought and visits undertaken by the Head of Liveability Service and operational managers, to other companies where Adecco and Major provided services to, and it is considered that both companies, together with Meridian, who clearly we know well, came through these checks in a positive light.
- 6.2 The financial checks for both Major and Adecco were due to be carried out by KPMG and although they verbally confirmed they were complete, with no issues, no paperwork had been provided to confirm or support this. As such, and as KPMG have now left Salford, such checks had to be undertaken. This was undertaken through central procurement and financial checks of both Major and Adecco were undertaken.
- 6.3 Both companies' credit ratings were identified as very low and we are advised that this is due to 'the age of both companies', in that they haven't had time to build up a high score. In the circumstances however, given the criticality of being able to deliver effective services, it is considered that both companies are deemed to have insufficient financial standing for this contract, as both could potentially leave the service vulnerable should they be unable to provide sufficient labour services.
- 6.4 The view from the Head of Central Procurement, from a financial perspective, however, is different. He gave the following comment:

"There is virtually no financial risk to the City Council, because we would only pay for services provided / labour used. As we're not paying any management fee or any form of front end payment, we're virtually risk free on this aspect of the service."
- 6.5 In essence therefore, the advice from procurement is that if either company were unable to provide services, then we would not be charged for non delivery. Clearly however this does not take into consideration the implications of not having an agency supplier and subsequent failure in front line service provision and the damage this will create to the City Councils reputation.
- 6.6 It is critical to ensure that operational considerations are paramount in determining an appropriate way forward, as reputational risk, through service failure, due to non delivery of labour, could far outweigh the financial benefits.

7.0 OPTIONS

- 7.1 Based on the detail provided, a number of options have been considered. It is important to stress that each of the three companies being considered, have confirmed the following guarantees, essential to the service:
 - ▶ Provision of dedicated on site supervision cost included in pricing schedules (this is based on sole provider).
 - ▶ Dedicated supervisors on site at all times with line manager cover to ensure specification requirements are met (this is based on sole provider)
 - ▶ Full compliance with "emergency" booking of staff whether absence for in house staff or agency
 - ▶ 20% extra staff available to enable compliance with emergency scenario at no cost
 - ▶ On site management of full PPE and corporate uniform use (this is based on sole provider)

7.2 Option 1

Award the contract to the lowest price tenderer (Major) i.e. the one that offers the greatest saving opportunity to the City Council. Budgeted cost for 2009/10 - £911,787.

Benefit:

- Significant cost saving over current provider.

Disadvantage / Risk:

- New company, so guaranteed teething problems, which could disrupt the service.
- Financial rating (outlined earlier in section 6.3).

7.3 Option 2

Stay with current service provider Meridian budgeted cost for 2009/10 - £1,055,322

Meridian are a proven company with a good track record, who have provided high quality services to the City of Salford.

Benefit

- Company who knows the business and who we know and have built a solid relationship
- Would achieve a circa £40K annual saving, over current costs, as Meridian, who are out of contract, are currently charging more than their tendered price, but have indicated that if the contract is awarded to them, then they will retrospectively charge the tendered rates from 01/04/09, which would result in a full year rebate of circa £40,000. The budget for 2009/10 has been built on Meridians current costs.

Disadvantage / Risk

- No considered risk but clear disadvantage is cost

7.4 Option 3

Award a framework contract based on a split service to two or more of the companies.

Benefit

- Choice of provider to enable flexibility if one company fails to deliver

Disadvantage / Risk

- Saving generated but not at the level of sole provider. Although a framework contract has been developed, where we only pay for services provided, with no commitment to spend, there is a concern that tenderers have 'bid' against the baseline level of business, outlined earlier, and as such their rates could increase, if business levels reduce. **Majors discounted rate would not apply.**
- Two companies to work with and manage (difficulties previously experienced with this scenario).
- Taking this option will stop on site supervision, which is considered essential to effective service delivery.

8.0 FINANCIAL CONCLUSIONS BASED ON OPTIONS IN SECTION 7

- 8.1 Option One of awarding the contract to Major will see a £144K saving, based on budgeted usage, against current provider.
- 8.2 Option Two and staying with Meridian is the most expensive option. However as outlined in section 7.3 Benefits, would achieve a saving over current costs.
- 8.3 Option Three of a joint providers budgeted costs
- 50/50 Major-Adecco - £965,871
50/50 Major-Meridian - £983,555 (tendered rates)

It should be noted however that these costs may in fact increase, if awarded as a joint provider, as tenderers have based their tender on being sole provider, within the framework contract.

- 8.4 On commencing the tendering approach of the agency contract, it was agreed with the City Treasurer that any 'savings' identified by the Directorate in letting this contract, would be offered as an efficiency saving, in line with Think Efficiency. Following detailed discussions, throughout, with the City treasurer, he has agreed that £40K will be the amount offered, for 2009/10.

9.0 CONCLUSIONS

- 9.1 The tendering exercise has clearly demonstrated that there are financial savings to be gained from a change of agency provider, as the report demonstrates.
- 9.2 Change of provider however comes with a significant risk, both from the 'newness' of the company who are the most competitive tenderer, together with the severe risk to the operations and the reputational risk to the City Council, if the selected company do not deliver against the contract.
- 9.3 Given the significant concerns about the high risk to service delivery, the current operational climate and difficulties that are being experienced and the newness of the company who have provided the most competitive tender, it is recommended that Meridian are awarded the framework contract. This will ensure service continuity with an organisation who know Salford, and understand the demands and challenges facing the service and who bring substantial experience and knowledge. It will also enable the strong working relationships between the City Council and Meridian to continue to be developed.
- 9.4 The service will continue to look to drive down agency costs and will keep aware of the pending european legislation which could result in an impact on the future usage of agency services.

10.0 RECOMMENDATIONS

- 10.1 That a framework contract be awarded to Meridian Business Support Services.
- 10.2 It is recommended that the framework contract should commence on 1st September 2009, for three years, with an option to extend for two years, with a first review of performance after 4 months, on the 1st January 2010 and 6 monthly thereafter.