

Item 11.

Tender - Managed Supplier for Acquisition and Management of Contingent Labour

File No: 2018/391241

Tender No: 1804

Summary

This report provides details of the tenders received for the Managed Supplier for Acquisition and Management of Contingent Labour.

The City engages a range of temporary agency staff to backfill leave and other temporary vacancies, to staff specific projects and tasks, and to hire expertise for capital projects. Agency staff are used to bring into the City skills and experience that is otherwise not available or only required for a particular period of time.

Temporary agency staff are procured through the City of Sydney's agency panel, established in 2013 via tender.

Following a review of various methods of procuring temporary labour, a tender for a Managed Service Provider to manage temporary labour supply on behalf of the City was released to the market. Benefits of this method include supply of quality temporary labour, comprehensive reporting and process efficiencies for the City.

This report recommends that Council accept the offer of Tenderer B for Managed Supplier for Acquisition and Management of Contingent Labour.

Recommendation

It is resolved that:

- (A) Council accept Tenderer B for Managed Supplier for Acquisition and Management of Contingent Labour for a period of three years, with the option of an extension of two years if appropriate;
- (B) authority be delegated to the Chief Executive Officer to negotiate, execute and administer the contracts relating to the tender; and
- (C) Council grant an exemption from tender to extend the current agency supply panel for a further three months to allow time to implement Managed Service Provider if approved by Council, with a possible further three month extension if needed.

Attachments

Attachment A. Tender Evaluation Summary (Confidential)

Attachment B. Tender Lump Sum Annual Price and Schedule of Rates (Confidential)

Background

1. In 2012, the City tendered for the Provision of Short Term Staff through Agencies, which was endorsed by Council on 12 November 2012. The agency panel commenced on 1 April 2013 with 39 agencies supplying temporary labour across 10 different occupational groups.
2. The initial term was for three years with two 12-month extensions. The two options were exercised with the final option finishing on 31 March 2018. Exemption from tender approval was granted by Council in March 2018 for a six month period to 30 September 2018, and a further three months to December 2018 if needed. The approval was granted to allow sufficient time to finalise arrangements for a Managed Service Provider tender and for subsequent implementation of the new arrangements for temporary labour procurement, subject to Council tender approval. The extension until 31 December 2018 was exercised.
3. The City engages a wide range of temporary agency staff to meet short-term needs, deal with fluctuating work volumes and for hard-to-fill positions. In 2016/17 the expenditure on temporary labour was \$20M. In 2017/18 new options for procuring temporary labour were reviewed and considered. The opportunities to improve the way the City procures temporary labour were identified as:
 - (a) gaining access to a wider talent pool to service all parts of the organisation;
 - (b) flexibility to respond to changing labour markets and the City's operational requirements;
 - (c) improved reporting and transparency;
 - (d) ensuring high levels of compliance;
 - (e) simplifying the agency engagement process for hiring managers;
 - (f) improving the candidate experience; and
 - (g) enhanced contract management.
4. A Managed Service Provider model was judged to be best placed to deliver on these identified opportunities. Engaging a Managed Service Provider to procure and manage temporary staff on behalf of the City would provide:
 - (a) a wider pool of agencies and candidates with superior purchasing power and talent pooling capability;
 - (b) improved reporting;
 - (c) industry standard rate ranges and market competitive agency margins;
 - (d) managing the performance of contingent labour supply against agreed deliverables with only one provider, ensuring services are delivered as planned, including measures on quality, timeliness, compliance and cost;
 - (e) streamlined processes including weekly electronic timesheet and consolidated invoicing; and

- (f) value for money achieved through close scrutiny of rates and margins, strategic sourcing and provider buying power.

Invitation to Tender

5. The tender was advertised for a period of five weeks from 24 July to 28 August 2018 in The Sydney Morning Herald and The Daily Telegraph, and online through Tenderlink. Submissions closed on 28 August 2018 at 11am.
6. Fifty-three parties downloaded the Request for Tender Documents.

Tender Submissions

7. Four submissions were received from the following organisations:
 - Challenge Recruitment Ltd;
 - Comensura P/L;
 - Hayes Specialist Recruitment Australia P/L; and
 - Kelly Services Australia Ltd.
8. No late submissions were received.

Tender Evaluation

9. All members of the Tender Evaluation Panel have signed Pecuniary Interest Declarations. No pecuniary interests were noted.
10. The relative ranking of tenders as determined from the total weighted score is provided in the Confidential Tender Evaluation Summary – Attachment A.
11. All submissions were assessed in accordance with the approved evaluation criteria being:
 - (a) the schedule of prices and associated margins and on-costs for the City;
 - (b) demonstrated capability to source high level of talent matched to Council's diverse workforce needs;
 - (c) proposed methodology for sourcing and selecting temporary labour;
 - (d) demonstrated reporting capability which allows monitoring of all temporary labour hire costs and associated metrics;
 - (e) demonstrated capacity to manage the compliance and risk associated with contingent labour acquisition and deliver process efficiency;
 - (f) methodology to manage placement and support of temporary labour;

- (g) Work Health and Safety; and
- (h) financial and commercial trading integrity, including insurances.

Measures of Performance

12. Consolidating contingent labour recruitment via a Managed Service Provider has the following benefits:
 - (a) talent acquisition is improved with managed access to over 400 recruitment agencies in Australia compared to the current arrangement of 39 whilst improving buying power of using an industry leading company;
 - (b) tenderer B has provided for on-site support as well as 24/7 customer call centre for urgent requirements;
 - (c) greater control and visibility of contracted rates and comparison to current market rates;
 - (d) efficiency improvements with common online timesheets and consolidated invoicing;
 - (e) improved reporting and labour force analysis;
 - (f) improved candidate experience including on boarding, required legislative checks, support whilst at the City and retention of intellectual property; and
 - (g) contracted to perform to follow performance measures.
13. Specific performance measures include:
 - (a) Top Talent Availability
 - (i) A minimum of three acceptable and available candidate resumes are shortlisted for each engagement within the time limits (except for urgent requirements).
 - (ii) 95% of roles are successfully filled on the first attempt.
 - (iii) 100% of all urgent requirements are filled on first attempt and candidate commences work on agreed time.
 - (iv) All hiring managers are surveyed at completion of recruitment and selection process (intent on Managed Service Provider performance) and at the end of the assignment (intent – candidate quality). Results available on monthly basis.
 - (b) Transparency and Reporting
 - (i) 100% of standard reports are delivered within the agreed quality and timeframe.
 - (ii) Dashboard reporting available 100% of time during business hours.

- (c) Compliance and Risk
 - (i) All candidates meet the position compliance requirements set by the City and all pre-employment and credential checks are complete, accurate and validated.
 - (ii) Quarterly audits on compliance requirements of positions at the City are conducted and reported.
- (d) Candidate Experience
 - (i) All candidates are surveyed at completion of recruitment and selection process and at the end of the assignment and results compiled and submitted on a quarterly basis.
- (e) Process Efficiency
 - (i) Consolidated invoicing in agreed format and timeframe.
 - (ii) Timesheet submission and approval processes to be an electronic format on a weekly basis.
 - (iii) Candidates are on-boarded and off-boarded within the agreed timeframes.
- (f) Value for Money
 - (i) 80% of placements within one year are below 90% of the charge rate ceiling in any particular labour category.
 - (ii) A reduction of 10% of total temporary labour and acquisition costs per year (with first six months of contract as baseline).

Financial Implications

14. Tenderer B has provided the most competitive market rates and agency margins with a wider pool of agencies, candidates and talent pooling capability. Individual capital works project budgets allow for the engagement of agency hire staff when required. There are sufficient funds allocated for work completed within the current year's operating budgets and future years' forward estimates for agency hire staff engaged for operational projects and functions. Each engagement of contingent labour requires the approval of the delegated Unit or Project Manager to assess the availability of funding.

Relevant Legislation

15. The tender has been conducted in accordance with the Local Government Act 1993, the Local Government (General) Regulation 2005 and the City's Contracts Policy.
16. Tenderer B are required to comply with all obligations contained within the Fairwork Act 2009 for their own employees and require suppliers to comply with any increases required by the Fairwork Act 2009.

17. Attachments A and B contain confidential commercial information of the tenderers and details of Council's tender evaluation and contingencies which, if disclosed, would:
 - (a) confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business; and
 - (b) prejudice the commercial position of the person who supplied it.
18. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.

Critical Dates / Time Frames

19. The Managed Supplier for Acquisition and Management of Contingent Labour is due to start in 2019 subject to Council approval.
 - (a) Anticipated contract execution January 2019.
 - (b) Commence service delivery April 2019.

Options

20. The impact on the City of not proceeding with this option would be significant. The City spends \$20 million annually on agency labour to backfill leave and other temporary vacancies, to staff specific projects and tasks, and to hire expertise for capital projects. Agency hire is used to bring into the City skills and experience that is otherwise not available or only required for a particular period of time. Should the Managed Service Provider not be engaged, an alternative method of procuring temporary labour would need to be established to ensure continuation of labour supply.
21. During the research into the temporary labour market options before going to tender a number of alternatives were considered:
 - (a) Go to tender to replace current agency supply panel

This option would require a tender process to establish but not provide the reporting suite available through a Manager Service Provider. It would also require substantial contract management of multiple suppliers, currently 39 in number.
 - (b) Utilise Procurement Australia's labour supply panel

The Procurement Australia labour supply panel was reviewed but it was agreed there were insufficient suppliers to meet the City's diverse temporary labour needs and the majority of the suppliers were based in Victoria.

- (c) Utilise Local Government Procurement labour supply panel

This agency panel provided rates and a good range of suppliers but would require a high level of contract management dealing with individual suppliers.

- 22. None of these alternative options provide the level of reporting, process consolidation of invoices and timesheets and buying power of the Managed Service Provider.

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