

CT7110 PA RECRUITMENT, TRAINING & ASSOCIATED SERVICES 2312-0618

Report Author: Manager People & Culture and Procurement Coordinator
Responsible Officer: Director Corporate Services
Ward(s) affected: Not Applicable

The author(s) of this report and the Responsible Officer consider that the report complies with the overarching governance principles and supporting principles set out in the Local Government Act 2020.

CONFIDENTIALITY

This item is to be considered at a Council meeting that is open to the public.

In accordance with the definition included in Section 3(1)(g)(i), (g)(ii) of the Local Government Act 2020, the attachment to this report is considered confidential information as it contains private commercial information (trade secrets); and private commercial information that would unreasonably expose a business, commercial or financial undertaking to disadvantage.

SUMMARY

This paper has two objectives:

1. The primary objective is to seek Council endorsement to extend, via a Procurement Australia (PA) sourced contract, our existing relationship with Comensura (a labour hire agency brokerage firm, explained in detail below); and
2. This being the second time Council has considered the use of PA contract No. 2312-0618 for Recruitment, Training & Associated Services (“the PA contract”), to seek a blanket approval to use the PA contract where it provides a financial advantage to the organisation to do so (“the secondary objective”).

Regarding the primary objective, the 2022-2026 Financial Plan forecasts that Council will spend between \$77 million and \$79 million on labour costs, per year, over the 4-year period¹. Most of this expense comprises the salaries and on-costs of our workforce of 870 people.

Approximately 2% of this spend (further analysed below) is a contingent workforce engaged through an employment agency for a short-term duration. For this paper, the term ‘*contingent*’ staff, labour or workforce means where Council engages a labour-hire company to provide one or more individuals for a short-term placement with Council; Council does not employ or in any way *directly* engage the individuals performing the work².

¹ Source: [Budget: Year Ending 30 June 2023 and 4 years ending 30 June 2026](#), section 3.6.

² This is a notable distinction from “*temporary staff*”, recorded in the Budget, which means staff employed directed by Council, but on a fixed-term contract, rather than ongoing employment.

The majority³ of our contingent labour spend occurs on a platform called Comensura, which is explained in some detail in this paper. Council has used Comensura since 2015, via a contract procured by the Municipal Association of Victoria (MAV), which is due to expire in November 2022.

This paper recommends Council continue its use of Comensura, this time procured through the PA contract, to extend the arrangements to 31 December 2025, which is permitted under Section 108 of the *Local Government Act 2020* (Vic) and Council's Procurement Policy.

RECOMMENDATION

That

- 1. Council accepts the Procurement Australia tender recommendation for Recruitment, Training & Associated Services (Contract No. 2312-0618):**
 - (a) Initially until 31 December 2023; and**
 - (b) 2 one-year extension periods expiring 31 December 2025, subject to recommendations by Procurement Australia, and recommendation (2) (below).**
- 2. Council acceptance is subject to contract evaluation (including overall contract spend analysis) by the Director Corporate Services (which will occur prior to exercise of any extension options including 1 January 2024 and 1 January 2025) to determine if further Council endorsement is recommended for extensions of this contract.**
- 3. Subject to (2) above, the Director Corporate Services be delegated authority to extend the contract term on the terms set out in the Contract and any amended terms proposed by Procurement Australia.**
- 4. Subject to (2) and (3) above, the Manager People & Culture be delegated authority to sign any contract documents.**
- 5. Council approves the ongoing engagement of Comensura Pty Ltd under the Procurement Australia Contract No. 2312-0618, with an estimated annual spend of approximately \$1.5 million per year (incl. GST).**
- 6. The confidential attachments to this report remain confidential indefinitely as they relate to matters specified under section 3(1) (g)(i), (g) (ii) of the Local Government Act 2020.**

³ Some niche or specialised roles are dealt with by a separate process. Comensura is an efficient, standardised process, which works well for generic roles.

RELATED COUNCIL DECISIONS

The decision to enter a contract with Comensura, via the Municipal Association of Victoria (MAV), was made by Council in 2015. It was a 5-year contract with 2 one-year extensions. This contract is approaching expiration and progress by MAV for a new contract is insufficiently advanced for this to be a viable option.

This paper does not propose additional or new spending, rather it governs and makes more efficient, Council's spend on contingent labour within its existing Operating Budget. To that end, the adoption of each year's budget is a related Council decision.

At its meeting on 27 January 2021 (Council minute refer **Attachment 1**), Council endorsed the awarding of CT6212 PA – Temporary Recruitment of School Crossing Supervisors to Hoban Recruitment Pty Ltd under this same PA contract. The January 2021 decision was the first time Council utilised the PA contract. This paper proposes the second use of the PA contract, hence the secondary objective of this paper is to seek Council's blanket endorsement to use the PA contract where we can achieve a superior financial outcome for the organisation, rather than revert to Council piecemeal each time the PA contract is advantageous.

DISCUSSION

Background to entering a new contract with Comensura via the PA contract

Procurement Australia placed an advertisement calling for tenders in the Herald Sun newspaper on Wednesday, 27 May 2020 to form a panel to deliver a range of recruitment, training, and associated services across 13 categories. The supply of contingent labour via an agency, which is the subject of this paper, was category 4. The remaining 12 categories are not relevant to the primary objective of this paper, but are the basis of the secondary objective, discussed below.

Tenders closed on Wednesday, 29 July 2020, and a total of 80 submissions were received. Each submission tendered for one or more of the 13 categories.

Of the 80 submissions, 73 were deemed suitable to provide the services under the panel arrangement. Comensura was one such successful tenderer. For a detailed summary of the evaluation, please refer to Attachment 2 - Procurement Australia Evaluation Report - *Confidential*.

Comensura is a unique brokerage service and online platform, brought out from the United Kingdom as an innovative 'market disruptor', which acts as intermediary between the host employer (Council, in this case) and employment agencies supplying this contingent labour (agencies like Hays, Hoban, Ranstad, etc).

Some illustrative examples of Council's use of contingent labour, include where:

- The YRConnect project requires an additional payroll resource for 3 months to implement a new payroll system;
- A works crew team member is ill and can quickly be replaced via an agency like Ranstad; or

- A Maternal and Child Health Nurse resigns, and we engage a Nurse via an agency to fill the void while recruitment for a permanent replacement takes place.

The benefits of the Comensura platform include that it:

- Streamlines the job requests Council seeks agencies to fill into one portal, rather than having, say, 4 hiring managers talking to multiple agency representatives about 4 vacancies on any given day;
- Requires competing agencies to 'bid' for the placement, within a range that has been negotiated as part of the contract. The fee range has been negotiated via the Procurement Australia nationwide procurement process, providing economies of scale far beyond what Council could negotiate on its own. The economies of scale discount is significant – some placement fees would be half what could be achieved on the open market;
- Provides an efficient portal through which a Council hiring manager can view candidates, rather than relying on disparate emails from multiple agencies to multiple hiring managers; and
- Provides one invoice per month covering potentially dozens of individual placements (rather than Council having to approve and process those dozen invoices separately).

The arrangement may be visually depicted as follows:

Without Comensura's intermediation:



With Comensura's intermediation:



Options considered

Without a panel of suppliers, Council's People & Culture department, or an individual hiring manager, would be left to negotiate terms with a recruitment agency each time a need arose, or based on an estimated need. Both scenarios put Council in a weak negotiating position (given the need to fill each vacancy is often urgent, and unpredictable) and the limited ability to create competitive tension between agencies.

An alternative option is for Council to run its own tender process and establish its own panel of suppliers which would be time consuming, costly, and would likely result in a slightly smaller panel to the Comensura panel. Without the nationwide economies of scale, this course would also likely achieve an inferior financial outcome. Without Comensura's intellectual property, the efficiencies of a single portal and invoicing process are not available to Council.

Oftentimes, Council would be able to consider utilising a similarly procured, central contract via the Municipal Association of Victoria (MAV) (as we have for the last 7 years). The MAV contract is approaching expiration and procurement for a new contract is insufficiently advanced for this to be a viable option at this time.

Recommended option and justification

Our evaluation of the Comensura product warrants its continued use for the following reasons:

1. Our experience of using Comensura for the last 7 years has, subject to one limitation⁴, been favourable.
2. Pursuant to the description above of Comensura as a "market disruptor", they are something of a market monopoly, which makes it difficult to compare Comensura to another brokerage firm. Evidence of this point is contained in the attached (confidential) evaluation report from PA where three companies responded to the PA tender: Comensura, Company B and Company C⁵. Comensura is the only brokerage firm, or intermediary, that responded. Asking Company B or C to fill a vacancy would result in that one company putting forward candidates and charging the agreed rate. Putting the vacancy on Comensura would enable multiple companies, perhaps as many as six, and perhaps including Company B and Company C, putting forward candidates and charging the agreed rate.
3. Comensura operates on a 'no-fee-no-placement' basis. When we put a vacancy on the Comensura platform, but do not source a candidate, we are not charged. Thus, Comensura offers an efficient (for reasons of cost-effectiveness and economies of scale, as discussed in this paper) and effective solution.

It is recommended to continue our use of the Comensura platform, and to use the PA contract to do so. PA has established this panel to service their members

⁴ The limitation, as discussed elsewhere in this paper, is that the system works better for homogenous roles than for niche ones. This limitation is overcome by using a Request for Quotation process to partner with boutique, specialist agencies, outside of the Comensura platform, to fill specialist roles.

⁵ Redacted for commercial in confidence reasons. See page 40 of the attached PA evaluation report for more detail.

nationwide, including local government. It enables us to access the major labour-hire agencies frequently used by large employers like Council, but at a more favourable rate. PA is a trusted industry partner, the process followed is compliant, the panel is established and fit for purpose and therefore the most cost-effective option for Council.

Background for blanket approval to use the remaining categories in this PA panel contract

This secondary objective is aimed at the following scenarios:

- Council occasionally⁶ uses the services of recruitment firms to source suitable candidates for longer-term vacancies. We determine which firm to use based on a request for quotation basis, rather than by any blanket approval or 'blind loyalty' to any recruitment firm. This is deliberate, as it causes the hiring manager (with support from the People & Culture (P&C) department) to pause, and consider which agency is best placed to assist with each vacancy (each firm having various strengths in different fields).

Occasionally, the fees quoted by these firms will be less under the PA contract than any quote they provide directly to Council. This is so because the PA contract was negotiated over such a volume that a significant economies of scale discount is achieved.

- In 2024, a review of the processes used by the P&C department to screen prospective employees (police checks, working with children checks, etc.) will fall due. Pre-employment screening is one of the 13 categories of the PA contract. Not having completed that review as at the date of writing this report, it's not possible to say with confidence that the PA contract vendors represent the best value for money for Council⁷. Once that review is complete, if one of the PA contract vendors is the preferred supplier, the blanket approval sought will enable the P&C department to immediately make the change.

In either scenario, without the blanket approval sought, and in strict compliance with the Procurement Policy, the decision to utilise the PA contract would need Council's approval. This is so, even if the spend is as low as \$15,000, because the **total contract spend** is more than \$1 million per year (combining the projected School Crossing Supervisor and Comensura spend).

Such an approach would be an inefficient use of resources, invite Councillors into an immaterial and operational decision-making role, and would add significant delay to decisions that need be made quickly.

⁶ Where the planned recruitment is particularly senior, complex, or where our own internal recruitment efforts have failed. All expenditure is met within departmental operational budgets, and even cumulating the spend, it does not require Council consideration or endorsement.

⁷ While we can be confident that the PA contract will offer Council a competitive price for pre-employment screening services, other factors such as how well each vendor's software interacts with Council's recruitment system, or how much manual intervention is required, will be important. Hence the more fulsome review is required.

The sensible approach, expressed in the recommendations of this paper, is for Council to provide a blanket approval of the PA contract, for use where:

- The planned expenditure is necessary, met within approved operating budgets, and approved by the relevant delegation holder; and
- The PA contract represents best value for money, following a sound procurement process, commensurate with the projected spend.

The 13 categories of the PA contract cover a broad range of Human Resources related services. The blanket approval sought will enable Council officers to 'pick and choose' the services for which we opt-in to the PA contract and obtain the best possible commercial advantage for our organisation and ratepayers.

FINANCIAL ANALYSIS

In the past 7 years, the estimated value of the Comensura contract to Council has been \$10,873,610 (inclusive of GST), an average of \$1.5 million per year.

As a proportion of Council's total labour spend, this is approximately 2%, which is common amongst large, complex workforces like Council's.

Future spend for this contract will be funded from within agreed operational budgets as approved by Council each year. This paper governs how our contingent labour spend is administered; it does not request additional resources.

The Comensura system aids prudent financial management, as it enables visibility of the use of contingent labour across Council. Without a centralised system, this expenditure would be paid via hundreds of smaller invoices, signed off by local leaders, and would be more difficult to track.

APPLICABLE PLANS AND POLICIES

This report enables efficient and cost-effective access to contingent labour and is thus an enabler of the YR Ignite Strategy, contributing to the High Performing Organisation strategic objective in the Council Plan.

RELEVANT LAW

This decision complies with the Local Government Act 2020.

It also aids Council's compliance with the *Labour Hire Licensing Act 2018 (Vic)*, further discussed below under the heading "risk assessment".

SUSTAINABILITY IMPLICATIONS

Clause 2 of Council's Procurement Policy states: "*the purpose of this Procurement Policy is to...enhance Council's ability to obtain the best value outcome from purchasing activities referring to a range of considerations, including but not limited to environmental, financial, ethical sourcing, social sustainability, and support for the local economy*".

According to clause 10.5.1 Minimum criteria weighting in Council's Procurement Policy, the criterion of community benefit must have a minimum weighting of 5% for all procurements for goods, services or works of value equal to or greater than \$50,000 (exclusive of GST). Procurement Australia weighted the sub-criteria of social impact and environmental impact for their tender at 12.5% and 2.5% respectively.

When assessing quotations on an 'as required' basis, the panelists' ethical and social impact will be reviewed and the advantages of supporting panelists that are based locally and/or that support the local economy will also be considered.

COMMUNITY ENGAGEMENT

Not applicable.

COLLABORATION, INNOVATION AND CONTINUOUS IMPROVEMENT

Many Councils use the Comensura system, which is inherently an innovative disruption of the labour-hire market. It is therefore collaborative, innovative, and demonstrates best-value use of Council's resources.

RISK ASSESSMENT

By partnering with reputable labour-hire firms which have been scrutinised by PA during its procurement process, it helps manage the legal, social, and reputational risk of Council inadvertently partnering with an unscrupulous labour-hire company.

CONFLICTS OF INTEREST

No officers and/or delegates acting on behalf of the Council through the Instrument of Delegation and involved in the preparation and/or authorisation of this report have any general or material conflict of interest as defined within the *Local Government Act 2020*.

ATTACHMENTS TO THE REPORT

1. CT6212 PA - Council Minute from 27 January 2021
2. Procurement Australia Evaluation Report - *Confidential*