



**14.5** **PROCUREMENT AUSTRALIA CONTRACT**

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**1. PURPOSE**

1.1 To recommend to Council that the City of Port Phillip enters into new contractual arrangements through Procurement Australia for the provision of recruitment, training and associated services.

**2. EXECUTIVE SUMMARY**

- 2.1 Council, like many organisations, makes use of agency and specialist skill providers to supplement its workforce responding to changed demands, skill gaps, project and short-term initiatives and the like. Council accesses such recruitment, training and associated services under contractual arrangements provided by Procurement Australia. Procurement Australia is an amalgamator of services, who undertake procurement on behalf of many government and non-profit organisations across the country. Council's previous arrangements with Procurement Australia expired on 31 December 2020.
- 2.2 Council entered into short-term bridging arrangements that ensured continued access to these services for the period from the expiry of the previous arrangements until such time that Council was able to formally consider this report.
- 2.3 This report summarises the tender process recently undertaken by Procurement Australia to establish a new panel of providers for provision of recruitment, training and associated services and recommends that Council enters new arrangements with Procurement Australia.
- 2.4 Officers will undertake a broader review of the Contract and the approach used for recruitment, training and associated services in 2021. This will include a review of the contract management, governance and oversight arrangements, as well as mechanisms to ensure greater visibility of organisational use and trends to inform broader workforce and recruitment strategies. The review will also look at the efficiency and effectiveness of these arrangements to provide assurance over value for money of this expenditure category.

**3. RECOMMENDATION**

That Council:

- 3.1 Endorse the renewal of Port Phillip City Council's contract with Procurement Australia (2312-0618) for the period 4 February 2021 to 31 December 2025, with an estimated expenditure of up to \$24M over the four-year contract period.



- 3.2 Notes that the estimated contract expenditure of up to \$6M annually, is based on historical average spend of \$7.4M annually over the last four years, combined with the introduction of improved controls, and reduced actual spend in 2020.
- 3.3 Authorises the Chief Executive Officer to undertake all necessary actions to give effect to Council's decision with respect to the suppliers and Procurement Australia's Contract No 2312-0618 including executing and affixing Council's common seal to all documents as required.
- 3.4 Notes officers are planning to undertake a broader review of the Contract and the approach used for recruitment, training and associated services in 2021. This will include a review of the contract management, governance and oversight arrangements, as well as mechanisms to ensure greater visibility of organisational use and trends, to inform broader workforce and recruitment strategies. The review will also look at the efficiency and effectiveness of these arrangements to provide assurance over value for money of this expenditure category.

#### **4. KEY POINTS/ISSUES**

##### **4.1 BACKGROUND**

Procurement Australia are tendering agents for a wide range of public authorities across Australia, including local government authorities, not for profit organisations, tertiary education institutions and water authorities.

- 4.1.1 Procurement Australia amalgamates the demand for services across many organisations and then undertakes large scale competitive procurement processes to establish panels of contractors/service providers with which members can be engaged directly.
- 4.1.2 The Minister of Local Government has issued sector wide approval that enables local government authorities in the State of Victoria to access providers through Procurement Australia.
- 4.1.3 Council has been a party to contractual arrangements with a number of agencies through Procurement Australia for the provision of recruitment, training and associated services for many years. This arrangement has served Council well, providing access to a wide range of preferred providers of recruitment and related services at highly competitive rates.
- 4.1.4 The previous contractual arrangements expired on 31 December 2020. Council entered a short-term bridging arrangement to ensure continued access to these services for the period from the expiry of the previous arrangements until such time that Council was able to formally consider this report.
- 4.1.5 Procurement Australia recently completed a new tender process for the provision of a range of services including recruitment, training and associated services. This national public tender process was extensive, resulting in 80 companies submitting tenders for consideration, with 73 being successful. The economies of scale and benefits to the public sector for such a large tender are considerable.
- 4.1.6 Council officers have undertaken an independent assessment of the options available through the Procurement Australia contract. This assessment considered the contract terms on offer, the specialisation of the service



providers, contracts rates, and previous history of service provision with Council.

- 4.1.7 Entering into arrangements through the Procurement Australia panel does not commit Council to an exclusive arrangement with Procurement Australia or the successful tendering companies, nor does it prevent Council from reviewing this arrangement at a future date and pursuing its own tendering arrangements.

## 4.2 TENDER

- 4.2.1 Procurement Australia invited tenders from suitably qualified organisations to form a panel of providers to supply and deliver a range of recruitment, training and associated services to its members nationwide. This new panel contract replaces the previous 1912-0618 Recruitment, Training & Associated Services and 1912-0627 Managed Services Program (MSP) & Vendor Management System for Contingent Labour Requirements contracts which expired on 31 December 2020.

- 4.2.2 Procurement Australia advertised the tender for the provision of recruitment, training and associated services in the Sydney Morning Herald on Tuesday 30 June 2020 and in the Herald Sun on Wednesday 1 July 2020. Prior to this, Procurement Australia advertised and carried out an industry briefing session on 10 June 2020. The tender closed on Wednesday 29 July 2020 and a total of 80 tenders were received. The proposed contract term was two years with the potential for two up to 12 month options to extend.

- 4.2.3 The tender covered 13 separate categories of services as follows:
- Category 1: Permanent Recruitment – Executive
  - Category 2: Permanent Recruitment – Entry/Middle/Senior Level Staff
  - Category 3: Temporary Recruitment
  - Category 4: Managed Services Program (MSP) Providers for Contingent Labour
  - Category 5: Training, Learning and Professional Development Services
  - Category 6: e-Learning and Training Solutions
  - Category 7: Mentoring and Coaching
  - Category 8: Career Transitions Programs and Human Resources Consultancy Services
  - Category 9: Psychometric Testing and Skills Assessments
  - Category 10: Unbundled Recruitment Services
  - Category 11: Employee Satisfaction and Organisational Survey Services
  - Category 12: Performance Appraisal Management Services
  - Category 13: Police and Background Check/Fit to Work Solutions.

- 4.2.4 Procurement Australia conducted a thorough tender assessment process according to the following key criteria:



Technical Criteria (60% weighting)

- Compliance (unweighted)
  - Compliance with insurance
  - Compliance with terms and conditions of the tender
  - Compliance with terms and conditions of the contract
- Professional Competence
  - Performance capability
  - Relevant experience
  - Quality practices
  - Customer Focus
- Corporate Governance and Social Responsibility
  - Corporate governance
  - Social Impact
  - Environment impact
  - Workplace practices

Pricing Criteria – (40% weighting)

- Financial Aspect
  - Price
  - Price basis of tender

4.2.5 The tender process was concluded in October 2020 ahead of the expiry of existing arrangements at the end of December.

4.2.6 Council officers subsequently undertook an assessment of options available under the Procurement Australia contract to determine the most appropriate panel members to provide services.

**4.3 PROCUREMENT RECOMMENDATIONS**

4.3.1 It is recommended that Council enter into contractual arrangements with 11 of the 73 service providers, those being:

- Charterhouse Recruitment P/L
- Converge International P/L
- Davidson Group (Aust) P/L
- Hays Specialist Recruitment (Australia) P/L
- Hoban Recruitment P/L
- Horner Recruitment Systems P/L
- McArthur (VIC) P/L



- Michael Page International (Australia) P/L
- Programmed Skilled Workforce P/L
- Public Sector People as part of Design & Build Recruitment Unit Trust P/L
- Randstad P/L
- Talent International Holdings P/L

#### **4.4 PROCESSES & SYSTEMS**

- 4.4.1 Council continues to improve the manner in which temporary employment and agency sourced resourcing is used effectively, efficiently and diligently across the diverse functions of the organisation.
- 4.4.2 Throughout 2020, significant changes were implemented to the internal processes used to authorise access to agency staffing arrangements. These changes have seen a lift of approvals to the executive level and have established a greater degree of oversight for this category of spend at the same time as providing the organisation the agility to resource appropriately to deliver services.
- 4.4.3 Over the coming twelve-months officers from Council's human resources and procurement teams will work together to further refine these processes with a focus on ensuring value for money, oversight, alignment with Council's strategic workforce objectives and alignment with Council's Enterprise Agreement (2019). This work will also be informed by the Workforce Plan which is a requirement of the Local Government Act 2020.

#### **5. CONSULTATION AND STAKEHOLDERS**

- 5.1 By their very nature, recruitment, training and associated human resource services are utilised across the organisation. In considering options to enter into a new arrangement through Procurement Australia, consultation was undertaken across the organisation to assess other options and to consider learnings from the previous arrangements.
- 5.2 It is considered the previous arrangements have provided the organisation cost effective flexibility to resource appropriately to deliver programs, initiatives and respond to fluctuations in demand.
- 5.3 Council's Enterprise Agreement (2019) sets forth specific circumstances in which the use of agency or temporary staff is supported. Council is committed to meeting its obligations under the agreement and continues to work closely with employee representatives to ensure that agency arrangements accord with the agreement.

#### **6. LEGAL AND RISK IMPLICATIONS**

- 6.1 The judicious use of agency and temporary staffing arrangements is vital to assist Council in meeting operational needs and delivering one off initiatives.
- 6.2 Becoming party to the panel of providers offered by Procurement Australia enables Council to have access to resources at competitive rates whilst ensuring compliance with the procurement provisions of the Local Government Act 1989 ("the Act").
- 6.3 The procurement process has been managed under an agency arrangement with Procurement Australia. Council's engagement with Procurement Australia is approved by the sector wide approval granted by the Minister of Local Government.



## 7. FINANCIAL IMPACT

7.1 The key costs of the use of the Procurement Australia panel has been in relation to temporary recruitment. In line with Council’s Enterprise Agreement the use of agency staff is generally for backfill. This includes when people are on secondment like supporting the Customer Experience Project or on extended leave. There are also times when the use of agency staff is required for short term specialist skills that are not able to be recruited through a temporary employee contract. Over the past six months significant work has been done to reduce the use of agency staff. While this will fluctuate over time currently there appears to be a trending down of the number of agency staff being used. For example, in July 2020 there was 46 agency staff and this has now reduced to 29. The workforce profile will continue to be monitored and reported through the Consultative Committee.

7.2 The following table provides a summary of spend on the previous Procurement Australia contract:

Contract Year	Calendar Year	Spend (Annual)	
Year 1	2017	\$	6,151,285
Year 2	2018	\$	9,245,933
Year 3	2019	\$	9,097,498
Year 4	2020	\$	5,296,541
<b>Total Spend</b>		<b>\$</b>	<b>29,791,257</b>

7.3 Whilst the average spend across the four years of the previous Procurement Australia contract was \$7,447,814 per annum, a significant reduction in expenditure was achieved during the 2020 calendar year as a result of a change in engagement process.

7.4 Entering into the contract does not commit the organisation to expenditure and does not imply a guarantee of any minimum expenditure with any provider. There is also no obligation to use the panel. However, it provides a contract for the appropriate engagement of providers, as needed and as approved by the relevant delegate.

## 8. ENVIRONMENTAL IMPACT

8.1 A key component of the evaluation criteria with a weighting in the technical criteria was consideration of the providers’ corporate governance and social responsibility which included environmental sustainability.

8.2 The recommended providers each approached the criteria differently. Examples included:

- Carbon neutrality or offset targets;
- Local employment targets; and
- Partnerships with environmental stakeholders and community groups to provide candidates for sustainability programs and initiatives.



## 9. LANGUAGE PROFICIENCY SUPPORT COMMUNITY IMPACT

- 9.1 A key component of the evaluation criteria was consideration of the providers' corporate governance and social responsibility.
- 9.2 The recommended providers each approached the criteria differently. Examples included:
- Mentoring and support programs for candidates from culturally and linguistically diverse communities;
  - Language proficiency support services;
  - Inherent bias training for employment consultants;
  - Indigenous cultural awareness training and practices being embedded into the day to day business of the organisations;
  - Partnerships with community organisations such as indigenous employment networks, disability support providers and National Disability Insurance Scheme providers; and
  - Records of achievement and targets related to reducing gender pay disparity and increasing gender diversity in sectors.
- 9.3 Organisations provided copies of their approaches to reconciliation, including action plans, targets, reporting frameworks, etc. Organisations also provided examples of where they have achieved diversity targets and objectives for other clients.

## 10. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY

- 10.1 The recommended contractual arrangements with Procurement Australia are aligned with the existing Council Plan:
- Direction 6 – Our Commitment to You
- Specifically delivering in:
- Leadership, People and Culture – ensuring that Council has the resources required to achieve the outcomes determined by Council's policy, strategic and legislative context.
  - Finance and Assets ensuring expenditure will provide value for money, focusing on functions that are critical for long-term success of Council and effective project delivery.
- 10.2 The review of the Procurement Australia tender process and review of the contract is consistent with the provisions of Council's Procurement Policy.

## 11. IMPLEMENTATION STRATEGY

### 11.1 TIMELINE

- 11.1.1 Subject to Council decision, the proposed panel of suppliers would commence service immediately from 4 February 2021. Enacting Council's options under the Procurement Australia contract will cease the bridging arrangements that have been in place since 1 January 2021.
- 11.1.2 Officers will undertake a broader review of the Contract and the approach used for recruitment, training and associated services in 2021. This will



include a review of the contract management, governance and oversight arrangements, as well as mechanisms to ensure visibility of organisational use and trends to inform broader workforce and recruitment strategies. The review will also look at the efficiency and effectiveness of these arrangements to provide assurance over value for money of this expenditure category.

#### 11.2 COMMUNICATION

11.2.1 Council officers will notify Procurement Australia of Council's decision with respects to Contract No 2312-0618 and its list of preferred suppliers.

#### 12. OFFICER DIRECT OR INDIRECT INTEREST

12.1 No officers involved in the preparation of this report have any direct or indirect interest in the matter.

**TRIM FILE NO:** 16/01/902

**ATTACHMENTS** Nil