

5.1 2021087 RECRUITMENT, TRAINING & ASSOCIATED SERVICES (VIA PROCUREMENT AUSTRALIA) – VARIATIONS EXCEEDING OFFICERS DELEGATION CIRCUMSTANCES

Responsible Officer: Tracy Shoshan, Executive Manager People & Safety
Danny Wain, Chief Financial Officer

RECOMMENDATION*

That Council:

- 1. Notes that within Council's Contract Management rules, the Chief Executive Officer is authorised to approve a schedule of rates contract volume change up to her financial delegation of \$450,000;*
- 2. Notes that the 2021087 Recruitment, Training & Associated Services contract is a Schedule of Rates contract and that the Chief Executive Officer has approved a volume change of \$450,000.*
- 3. Approves a further volume change to the 2021087 Recruitment, Training & Associated Services contract in the amount of \$2,200,000; and*
- 4. Notes that the revised contract value for the initial term of 2 years and 9 months increases from \$8,250,000 to \$10,900,000 (inclusive of the \$450,000 approved by the Chief Executive Officer and the additional \$2,200,000 requested to be approved by Council).*

BACKGROUND

On 31 March 2021, Council approved the tender for Contract Number 2021087 Recruitment, Training & Associated Services (via Procurement Australia) for an estimated Schedule of Rates expenditure of \$8,250,000 (incl GST) for the initial term of 2 years and 9 months ending 31 December 2023 based on an estimated average spend of **\$250,000 per month**.

The contract was for an initial period of 2 years and 9 months (ending 31 December 2023) with two optional extensions of one year each exercisable at the discretion of the Chief Executive Officer, subject to extension by Procurement Australia.

The Procurement Australia contract includes 13 service categories, however the service categories approved for use by Council (in March 2021) to ensure the continued delivery of key business and community services includes:

- a. Category 1 – Permanent Recruitment – Executive;
- b. Category 2 – Permanent Recruitment – Entry/ Middle/ Senior;
- c. Category 3 – Temporary Recruitment Panel;
- d. Category 4 – Managed Service Provider (MSP) for Contingent Labour (under review for future use to potentially replace Category 3); and
- e. Category 9 – Psychometric Testing & Skills Assessment.

Category 4 Managed Service Provider (MSP) for Contingent Labour represents engagement of a new service model for Council. Further investigation of this service model has progressed, and People & Safety will likely transition Temporary Recruitment spend and engagement (currently engaged under Category 3) to Category 4 during the life of this contract. Once complete, this will allow Council to run its own tender for an MSP service model in the future to avoid using third party contracts.

ADDITIONAL FUNDS REQUIRED

Approval is now sought for a further volume increase of \$2,200,000 based on current market conditions and future anticipated needs, to allow for the continued use of recruitment services to ensure additional resources can be deployed for projects and service continuity as required until the end of the initial contract term being 31 December 2023.

In March 2021, the contract value was based on an estimated **\$250,000 per month**. However, for several reasons explained below, the average monthly contract spend has recently increased to above \$250,000 per month.

There are several related reasons why recent monthly spend has exceeded the \$250,000 monthly contract spend estimate set in May 2021, including:

- a. high spend during the height of the pandemic to ensure continuity of service for community facing roles;
- b. extremely tight labour market as a flow on impact of Covid, resulting in longer than expected recruitment processes to fill permanent vacancies;
- c. higher hourly rates set for temp staff, again due to the tight labour market;
- d. higher than anticipated use of recruitment agencies to fill permanent vacancies in an effort to attract appropriate talent in the tight labour market; and
- e. resources required for business continuity during periods of high sick leave (including Covid leave).

With the impact of Covid, Council has experienced an unprecedented number of resignation/retirements (in-line with industry experience see Table 1 below) from:

- a. an average of 11.7% (between 2017 and 2021 – Metro average 12.4%, State average 13.5%) to
- b. 17.1% in 2021/22 (Metro 18.7%, State average 19.7%)

**Table 1 - % Staff Turnover KnowYourCouncil (KYC) C7
Data**

Year	Monash	Metro & Interface	All Councils
2017/2018	14.8%	12.5%	13,2%
2018/2019	11.0%	13.6%	14.0%
2019/2020	9.2%	10.6%	12.5%
2020/2021	11.9%	13.0%	14.0%
2021/2022	17.1%	18.7%	19.7%

Note: C7 -Is the "Know Your Council" code - No. of staff resignations and terminations divided by the average number of staff employed for the year

Due to the unprecedented staff turnover, the number of additional agency recruitment fees (including an Executive Manager recruitment process, additional resources required in Capital Works, Sustainable Monash, Facilities & Infrastructure and Customer Experience) have also occurred, further adding to the spend under this contract.

During the past few months however, the above drivers for spend exceeding the original monthly \$250,000 estimate have softened somewhat, with some approved Council vacancies being filled with permanent staff together with a further Management review of temp staff requirements through to the end of the initial contract term of 31 December 2023. As such, it is recommended that the **estimated ongoing monthly spend is \$275,000**, which is slightly higher than the original estimated monthly spend of \$250,000.

FINANCIAL

In line with Council's Financial Delegation Limits, Council is required to approve additional funds to Council Approved Schedule of Rates Contracts if the cumulative volume change exceeds the Chief Executive Officer's financial delegation of \$450,000.

Given that (i) the contract monthly spend has now reduced to approximately \$275,000 and (ii) the contract funds for the initial term ending 31 December are almost exhausted, Council Officers are requesting additional funds of \$2,200,000 to ensure that the service and operational needs of Council can be maintained.

The \$2,200,000 estimate is based on a revised average monthly spend of \$275,000 for the remaining 8 months of the initial contract term (being May to December 2023) to ensure that there are enough funds during a continued period of high staff attrition and tight labour market.

A thorough review of current commitments under this contract has also been undertaken with a view to further reducing the reliance on temp staff by focusing on replacing existing vacancies with permanent or short-term contract appointments.

Whilst labour market uncertainty remains, it is anticipated that the labour market will become slightly more accommodating into the new calendar year, allowing future monthly spends (under any approved contract extension options past 31 December 2023) to return to the originally estimated \$250,000 per month.

As also mentioned in the original May 2021, People and Safety are also planning to transition Council's temporary recruitment spend and engagement (currently engaged under Category 3) to Category 4 as this option represents enhanced value for money to Council by further improving the reporting and management capabilities over temp staff engagements.

Please also note that on 28 February 2023, the Chief Executive Officer approved an additional \$450,000 for this schedule of rates contract because the Council approved contract funds for the remaining term (ending 31 December 2023) were almost fully committed. These additional funds will likely be spent by the end of April 2023.

In summary:

Description	Value including GST	Cumulative Change
Originally approved 2021087 Contract Value for the initial term of 2 years and 9 months ending 31 December 2023. (estimated at \$250,000 per month)	\$8,250,000	
Variation approved by the Chief Executive Officer under delegation	\$450,000	5.5%
Requested further contract variation. (the subject of this report)	\$2,200,000	32%
Revised Estimated 2021087 Contract Sum for the initial term ending 31 December 2023.	\$10,900,000	

CONCLUSION

That Council approves the recommendations contained within this report.