



Contingent Workforce: Accelerate Vendor Management System Project

Evaluation Report

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1. Executive Summary

The scope and purpose of this report is to document the results of an evaluation of the 'Accelerate Vendor Management System' initiative, referred to as 'Accelerate Contractor Central', in order to determine whether desired whole-of-government outcomes have been achieved.

Procurement Benefits Program

The NSW Government Procurement Benefits Program (PBP) savings roadmap was initiated by the Department of Finance, Services and Innovation (DFSI) and developed by KPMG Australia (KPMG) to drive procurement value and savings over a four-year period, from July 2015 to June 2019. An opportunity to accelerate the planned implementation of the NSW Procurement (NSWP) contingent workforce solution, Contractor Central, was identified as part of the savings roadmap. The objectives of the Accelerate Contractor Central project were to obtain visibility of total contingent worker numbers and spend, and to incentivise clusters to use the solution to deliver projected savings in accordance with an aggressive rollout timeline, completed by April 2017.

Contractor Central

The Contractor Central strategy for the effective management of the NSW Government (NSWG) contingent workforce comprises a centralised management model utilising a whole-of-government prequalification scheme for suppliers of contingent workers (Scheme 0007) and Vendor Management System (VMS) technology, supported and managed by an outsourced Managed Service Provider (MSP).

Evaluation scope and focus

The evaluation is focussed on both the processes and outcomes of the acceleration project. This includes the implementation processes, governance and support, stakeholder satisfaction, financial outcomes for clusters, and the impact on projected benefits of the overall program not meeting the original timeline. The evaluation, conducted by NSWP, includes both qualitative and quantitative analysis over four stages:

- i) Document review
- ii) Stakeholder interviews
- iii) Satisfaction surveys
- iv) Analysis of spend and savings data.

Evaluation findings

The evaluation found that:

- The Contractor Central solution is **industry best practice** although the marketplace is changing. The solution:
 - compares well with other industry enterprise contingent labour solutions, ranked five out of 31 by Category and Sourcing Managers Executive (CASME) in 2018;

- has the support of the NSW Auditor-General, as evidenced in the *2017 NSW Auditor-General's report*¹ into the use of contingent labour by NSWG.
- **Not all clusters have adopted Contractor Central.** To date 12 implementations of Contractor Central have been completed (eight clusters, three agencies plus the ACT Government as an eligible customer). Transport is currently implementing and Treasury has not yet adopted Contractor Central.
- **Implementation by clusters has been slow.** All Contractor Central implementations were delivered later than the original KPMG savings roadmap target dates, notwithstanding the financial incentives made available to clusters to encourage uptake.
- **Implementation challenges were significant** and impacted the ability of many clusters to implement in the target project timeframe of 90 days. Key challenges included the lack of reliable worker and organisation/business unit data, availability of suitably skilled resources and subject matter experts within the clusters, and the change management effort required for stakeholder engagement, communications, training and support. As access to incentive payments was predicated on meeting implementation milestones, most clusters were unable to access PBP incentive funding with only \$1.9 million of the allocated \$5 million being claimed. This funding was available until 30 June 2019.
- **An attempt to introduce a non-standard solution failed.** The non-standard solution saw the VMS implemented without the support of an MSP. This solution was not recommended, did not meet best practice standards, and had limited NSWSP oversight and support. In response, NSWSP defined a strengthened governance and support model that better positioned NSWSP for greater involvement and influence over project outcomes.
- **NSWP invested time and resources in the development of a comprehensive implementation toolkit** to guide and support the MSPs and clusters through implementation, comprising a standardised process, methodology, governance and reporting arrangements, resource requirements, templates and tools. The toolkit has been refined after every implementation and is a culmination of best practice, lessons learned and proven methods for successful implementation.
- **NSW Transport, the largest user of contingent labour, plans to implement Contractor Central.** In 2017, Transport were expected to begin implementation. In 2018 Transport Executives rejected the initial business case for Contractor Central. In June 2019 the revised business case was approved with implementation expected to begin in July 2019. Transport implementation was initially delayed due a concurrent and complex upgrade of their ERP. These delays eroded potential savings for the cluster.

¹ <http://www.audit.nsw.gov.au/publications/latest-reports/contingent-workforce>

- **Satisfaction survey results** from clusters, Managed Service Providers (MSPs) and Suppliers are **mostly positive**, with cluster stakeholders the most satisfied of all groups surveyed providing a score of 4.76 out of 5.
- **There was a significant impact on cluster contingent recruitment practices** as a result of Contractor Central. Disruption to the traditional recruitment culture within clusters was necessary in order to achieve the substantial and positive impacts of the solution. These included enhanced visibility through improved reporting and workforce planning capabilities based on the availability of reliable data, including tenure management, enhanced value for money and savings, risk mitigation, process efficiencies and access to specialist knowledge and market intelligence.
- **Program savings targets over the four-year period will be exceeded.** Targeted savings under the PBP was 3.00% of spend (72.8 million). The total reported savings to June 2019 for the eight clusters who have implemented Contractor Central was \$76.7 million. Further savings could have been realised if cluster implementations had met the 90-day project implementation timeframe. Additionally, if the remaining two clusters (Transport and Treasury) had implemented, a further \$26.4 million in savings could have been achieved.
- Savings achieved indicate that the **KPMG projections were conservative** and were based on a **NSWG spend profile that has grown considerably** over the last five years. Due to the increase in spend under management, savings in clusters who have implemented Contractor Central will **continue to exceed expectations**.

Recommendations

Recommendations from this evaluation should be adopted for future whole-of-government initiatives, particularly in a decentralised environment:

1. **Develop realistic project implementation timelines aligned to the complex NSWG environment.** In determining timelines, consult with clusters to better understand the implementation environment and complexity, supporting the development of timelines and securing greater cluster engagement from the program outset.
2. **Establish a central Steering Group and Project Management Office (PMO), with the requisite authority to elicit action by clusters, for projects approved by the Procurement Board.** Strong central leadership and governance over large whole-of-sector initiatives is required, even if managed in a decentralised environment, with appropriate representation and input from clusters early in the development of initiatives.
3. Program evaluations should be **conducted by independent**, external parties.

2. Program description and background

2.1 Procurement Benefits Program

In 2014, the NSW Government undertook a significant procurement reform and savings agenda. NSWG engaged KPMG to develop a 'Procurement Savings Roadmap' which established a program to deliver key savings initiatives.

The report highlighted 25 savings initiatives across NSW Government that aimed to drive value through coordinated strategic procurement over a four-year period, between July 2015 to June 2019. These initiatives are referred to as the PBP.

The Expenditure Review Committee of Cabinet approved the business case for the PBP reforms in December 2014. One of the 25 initiatives related to the management of contingent labour across the sector, mandating that all clusters adopt the NSWG contingent workforce solution. KPMG identified an opportunity to accelerate the implementation of the solution, with a completion date of April 2017, in order to drive earlier realisation of savings. The KPMG projected savings were \$72.8m to be achieved between 1 July 2015 and 30 June 2019.

Note that at the time the KPMG report was approved, the Contractor Central brand had not yet been established. From this point onwards in this report, the Accelerate Vendor Management System Project will be referred to as the 'Accelerate Contractor Central' project, or simply 'Contractor Central'.

2.2 Contractor Central

In 2014, the NSW Government introduced a strategy for the effective management of the sector's contingent workforce. The strategy focused on the implementation of a centralised management model, i.e. Contractor Central. Customers engage with suppliers prequalified under a relevant NSW Government scheme (e.g. contingent workforce Scheme 0007) through a VMS technology, supported by an outsourced MSP.

The four pillars that comprise the Contractor Central strategy are highlighted below:



Figure 1: Contractor Central strategy

Contractor Central is comprised of the following supplier arrangements:

Suppliers	VMS	MSP
<p>Prequalification Scheme Contingent Workforce SCM0007 (whole-of-government scheme)</p>	<p>Contract 0010 (whole-of-government contract)</p>	<p>Contract 0008 (panel of suppliers)</p>
<ul style="list-style-type: none"> Contingent workforce temporary recruitment suppliers (currently 375 suppliers) 	<ul style="list-style-type: none"> SAP Fieldglass - <i>(contract expired 2018)</i> Beeline <i>(awarded contract 2018)</i> 	<ul style="list-style-type: none"> Comensura KellyOCG Manpower Alexander Mann Allegis (added in 2018)

Table 1: Contractor Central supplier arrangements as at December 2018

2.2.1 Contingent Workforce Prequalification Scheme 0007

The objective of Scheme 0007 is to provide NSW Government with a panel of accredited suppliers who have been vetted and have agreed to transact under standard scheme terms and conditions. Unlike the former whole-of-government standing offer panel contract, the prequalification scheme allows NSW Government to target existing and emerging Small and Medium Enterprises (SME), regional and niche providers. It also reduces contractual complexity supporting a reduction in off-contract spend.

Potential new suppliers can submit applications to the Scheme at any time. Existing suppliers may also request approval to supply workers in additional categories. The assessment and management of Scheme suppliers is a rigorous and ongoing process. The Scheme enables NSW Government agencies to benefit from broader supplier market engagement and increased competition within the market. The Scheme has provided flexibility in Human Resource (HR) and Procurement strategies for their contingent workforce that best meet specific business requirements.

Under the terms and conditions of the Scheme, standard on-costs such as superannuation, payroll tax and workers compensation insurance are fixed. Also included is a fixed supplier margin of 7.05% (for the first 12 months then reducing) which has been benchmarked as the most competitive in the Australian marketplace.

The Scheme includes maximum and minimum supplier fee thresholds. This provides supplier protection for costs incurred when supplying lower paid workers. The minimum supplier fee is \$3 per hour and encourages suppliers to provide the best priced contingent labour without compromising their ability to cover internal costs. Similarly, the Scheme includes a maximum supplier fee of \$15.00 per hour to control the fees payable by an agency on the higher paid contingent workers.

2.2.2 Vendor Management System (VMS)

The VMS is a web-based software as a service platform. This technology assists in the sourcing, management and payment of contingent worker engagements. As an integral component of the Contractor Central solution, the VMS is used only in conjunction with the other components of Contractor Central, i.e. MSP and Scheme 0007.

The VMS is a standardised whole-of-government system, configured in a multi-instance environment. This provides for cluster specific workflows and integrations with other cluster source systems, e.g. ERP, HRIS. Standardisation is achieved across instances via blueprints that are owned and managed by NSW and scheme owners.

All data is aggregated at a sector level and is consolidated and analysed by NSW to guide future decision making and meet public disclosure obligations.

2.2.3 Managed Service Providers (MSP)

Contract 0008 was established in November 2014 with a panel of four MSP suppliers for a term of five years with no extensions. The MSP is a supplier who manages the Contractor Central function for a customer, under a vendor neutral arrangement, utilising the whole-of-government VMS. The MSP assists clusters in managing their contingent workforce by providing industry expertise and guidance.

The MSP function incorporates the following service components:

- Management of source to pay processes through the VMS
- Ensures contingent labour is sourced efficiently, effectively and in accordance with key performance indicators to drive efficiencies and savings
- Supplier and worker on/off boarding activities
- Account management (including pay agent function, where required)
- Reporting and analytics (spend, utilisation, savings etc.)
- Manages implementation, transition and migration (i.e. project) activities
- Provides a customer service/help desk function, including advice, enquiries, troubleshooting.

2.3 Contractor Central benefits

The Contractor Central solution delivers:

- Best practice services and systems for deployment of the contingent workforce
- Enhanced visibility of data to assist with overall workforce planning, including tenure management
- Procurement process – source to pay, efficiencies and increased compliance to agreed terms and rates
- Increased opportunities for the participation of SMEs by reducing red tape

- Decreased cost of the contingent workforce.

2.4 Acceleration of the Contractor Central rollout to clusters

The Contractor Central program rollout commenced with a pilot implementation in the Family and Community Services (FACS) cluster in 2014.

During the pilot implementation period, KPMG compiled the Procurement Savings Roadmap. The report confirmed the potential savings clusters could achieve against an aggressive implementation timeline for the remainder of the sector, designed to fast-track the realisation of savings and drive greater savings over time. The target date specified for completion of the sector rollout was April 2017.

To drive this acceleration and incentivise clusters, as per KPMG recommendations, NSWSP sought \$5 million funding from Treasury. Funding was secured to cover MSP implementation costs as well as the first three months of MSP fees. However, this was only made available on the condition that implementation milestones were met. KPMG also recommended that NSWSP hire five full-time employee project managers at \$180K per year to manage the implementation in each of the large clusters. This recommendation was not adopted as NSWSP had negotiated under the MSP contract 0008 for MSPs to have direct responsibility for project managing the implementations within their contracted cluster/s, partnering with the VMS vendor and cluster personnel. Aligned with this arrangement, NSWSP engaged one industry expert and one senior project manager to oversee and support all future Contractor Central implementations under the PBP.

In order to maximise the full benefit of Contractor Central and realise PBP savings targets, clusters were required to implement the full Contractor Central solution (i.e. Scheme 0007, VMS and MSP). The validity of this requirement was underlined by the failure of the pilot program in FACS, where the business had attempted to implement only a partial-solution of Contractor Central, without the engagement of an MSP for the cluster.

The FACS implementation was successfully relaunched with the full (best practice) Contractor Central solution in accordance with KPMG recommendations.

3. Program logic model

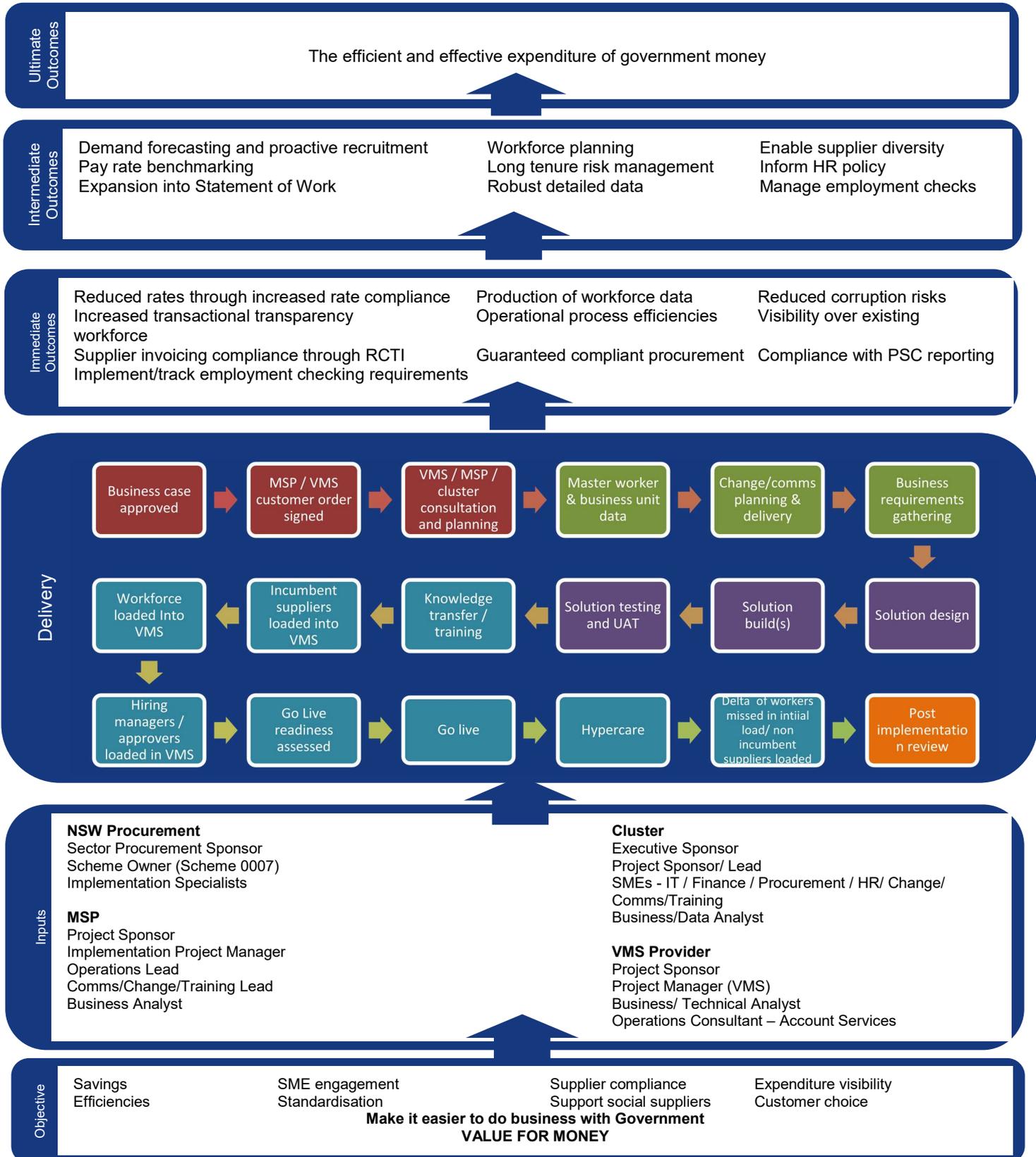


Figure 2: Program logic model

4. Purpose of the evaluation

The Accelerate Contractor Central initiative has been nominated for this evaluation as it has a whole-of-government scope, spend is significant and the program has overrun on implementation timelines. The purpose of this evaluation report is to document the results of the Contractor Central acceleration initiative in order to determine if desired whole-of-government outcomes have been achieved.

To meet this objective, the evaluation has:

- Identified and highlighted the successes NSW Government has achieved in implementing the Contractor Central solution across NSW Government
- Investigated why some clusters have not yet implemented Contractor Central
- Explored what actions could have been taken to improve outcomes.

The evaluation findings have provided insight on the challenges experienced during the program rollout and highlight the benefits of implementing Contractor Central. The report provides clarity as to why the project overran on implementation timelines, summarises what happened and identifies opportunities for improvement.

The target audience for the evaluation report are NSW Government cluster executives.

5. Evaluation scope and focus

5.1 Type of evaluation and scope

The evaluation is focussed on both the processes and outcomes of the acceleration project.

The timeframe in focus for this report is from late 2014 when Contractor Central was first implemented, through to December 2018 when this evaluation commenced. At the time of writing this report, Contractor Central had been successfully implemented in all NSW Government clusters apart from Transport and Treasury. As an eligible customer, the ACT Government has also implemented Contractor Central.

The scope of the Accelerate Contractor Central evaluation covers the implementation of Contractor Central by NSW. The acceleration initiative scope, as defined by KPMG in the Procurement Savings Roadmap report, includes:

“FACS, Health, DEC, OFS & Treasury, DPC, Justice, DTIRIS (Total spend \$412m, rolled in 3/6 month intervals ‘til April 2016). Transport (\$163m and currently on plan for July 2017) would take total to c.\$622m spend under management.

Contingent Labour – white collar. It excludes blue collar trade workers and front-line staff (teachers / doctors estimated \$36m).

There is potential scope for roll-out to support professional and legal services.”²

The evaluation reviewed the current implementation processes, governance and support in implementing the sector-wide rollout. Stakeholder satisfaction will be used to determine the effectiveness of the Contractor Central program implementation.

Finally, the financial impact to clusters who have implemented Contractor Central has been analysed and compared to clusters who have not yet implemented, as well as the impact of the program overrun on benefits.

² KPMG Opportunity Summary, VMS Acceleration Project November 2014

6. Key evaluation questions

The key aspects of the program that were examined as part of the evaluation are described below, along with the accompanying evaluation questions, as identified in the Evaluation Plan (Tab C).

1. Consideration will be made to determine if NSW Government has developed a world class, best practice procurement system capable of delivering savings, business efficiencies and red tape reductions.
 - How does Contractor Central compare to other industry enterprise contingent labour solutions?
2. A review of the implementation process, challenges and outcomes will assist in drawing direct comparisons between a cluster who has implemented and a cluster who has not.
 - Who has implemented Contractor Central / Who is implementing Contractor Central?
 - How is Contractor Central implemented and why is it designed this way?
 - Was the program implemented successfully and what were the lessons learned?
 - Who were the program clients and how satisfied are they with the program?
 - What impact has Contractor Central had on cluster contingent recruitment?
 - Did the program produce the intended outcomes in the short, medium and long term? For which clusters and how?
 - What features of the program made a difference?
 - What was the influence of other factors?
 - Were there unintended impacts, both positive and negative?
3. Furthermore, this evaluation will include any quantifiable benefits achieved by a cluster who has implemented Contractor Central and the impact this has had on PBP savings.
 - Did clusters who use Contractor Central meet their PBP savings targets?
 - What other benefits were achieved by using Contractor Central?
4. Additional review will be undertaken as to why Transport, who hold the largest spend of contingent workers across NSW Government, has not yet commenced implementation and what impact this has had on the PBP projections.
 - How does Transport currently manage its contingent workforce?
 - What are Transport's current plans with regards to Contractor Central?
 - What barriers has NSWG encountered with Transport?

7. Party conducting the evaluation

7.1 Roles, responsibilities and governance

Executive Sponsor	Gabi Bywater, Director Category Manager - Human Services, NSW Procurement
Project Manager	Lyndee Whittaker, Project Officer - Office of the Executive Director, NSW Procurement
Project Team	Lisa Freeman, Category Officer - Human Services, NSW Procurement
Project Team	Josh Harris Category Officer - Human Services, NSW Procurement

Executive Sponsor – Gabi Bywater

- Authority and responsibility for a project delivery
- Approves changes to scope
- Provides additional resources, as necessary, for scope changes
- Approves deliverables.

Project Manager – Lyndee Whittaker

- Reports to and receives direction from Executive Sponsor
- Provides status and progress reviews to Executive Sponsor
- Manages specific project plan activities and contributes to development of project plan
- Assesses and manages project risks
- Participates in and approves project plan and deliverables
- Manages, reviews, and prioritises project tasks in order to meet delivery timeframes
- Manages the project team
- Holds regular project team meetings to review issues and monitor progress.

Project team members – Josh Harris & Lisa Freeman

- Contributes to overall project objectives and team deliverables
- Coordinates documentation, interview questions and surveys related to project plan
- Contributes to development of project plan, in collaboration with project manager
- Conducts research and document review
- Evaluates interview and survey results

- Undertakes analysis of spend and savings data
- Develops conclusions and recommendations; prepares final report.

8. Evaluation design and methods

The evaluation was conducted in four stages, each containing both qualitative and quantitative analysis. The four stages were:

i) Document review

The evaluation team reviewed documents relating to the PBP and the design and ongoing operation of the Contractor Central program.

A series of records produced by NSW's Human Services Category team were cross referenced against each of the relevant key evaluation questions, including any available internal and external third party (industry) reports and publications.

The team also reviewed the PBP business case produced by KPMG, the NSW Contractor Central Implementation Toolkit and project deliverables arising from cluster implementations. The team also reviewed the *2017 NSW Auditor-General's report*³ into the procurement and management of the contingent workforce.

ii) Stakeholder interviews

The evaluation involved thorough stakeholder consultation to elicit feedback from clusters and stakeholders about the solution design, implementation process and project outcomes achieved.

One-hour interviews were conducted with both internal and external stakeholders, including three cluster representatives, the NSW Program Manager and the Director of Category Management – Human Services NSW. Interviewees confirmed the minutes were a true representation of the discussions. The interviews provided the evaluation team with insight of the current satisfaction levels of government clients as a result of the implementation of Contractor Central, and the challenges and impacts of implementation.

iii) Satisfaction surveys

Survey questionnaires were sent to 10 MSP teams, 30 contingent workforce Category Management Working Group (CMWG) members and more than 375 Scheme 0007 suppliers. A rating scale of 1 (lowest) to 5 (highest) was utilised where appropriate to gauge satisfaction levels. Survey results were collated, and the feedback provided identified common themes in support of the qualitative analysis.

iv) Analysis of spend and savings data

An analysis of the savings reported by clusters was conducted to determine whether the KPMG estimated projections were met. The evaluation team was reliant on the savings figures provided to NSW by senior cluster representatives and VMS transactional data.

³ <http://www.audit.nsw.gov.au/publications/latest-reports/contingent-workforce>

General ledger (GL) data was not used as the detail and quality of data available from the VMS was superior.

8.1 Information sources

The following sources of information were used in this evaluation:

Sources	
1.	Contractor Central strategy
2.	Supplier satisfaction survey results
3.	Cluster satisfaction survey results
4.	MSP satisfaction survey results
5.	Procurement Benefits Program - Accelerate VMS business case – produced by KPMG 2015
6.	Cluster spend reports
7.	Contingent workforce CMWG minutes – cluster savings
8.	Interviews with key NSWP staff and stakeholders
9.	CASME report October 2018 – (TAB A)
10.	2017 NSW Audit Office report http://www.audit.nsw.gov.au/publications/latest-reports/contingent-workforce
11.	Interviews with NSW Department of Industry, NSW TAFE and NSW Department of Transport

Table 2: Information sources for the evaluation

9. Evaluation findings

9.1 Contractor Central is industry best practice

1. Contractor Central compares well with other industry enterprise contingent workforce solutions, ranking fifth amongst the 31 global CASME survey respondents.
2. The NSW Auditor-General found that Contractor Central is key to agency oversight and compliance of the contingent workforce, enabling agencies to improve value for money through:
 - Workforce planning as part of an agency's broader workforce planning
 - Improved accuracy, reliability and timeliness of contingent workforce data
 - Assessing contingent workforce rates and identifying persistent skills gaps in their workforce
 - Oversight of an agency's use of contingent workforce
 - Monitoring of long tenure contingent workforce engagements
 - Better planning of contingent workforce engagements, including provisions for knowledge transfer.

Category and Sourcing Managers Executive (CASME)

To determine how the Contractor Central model compares to other solutions, the evaluation team reviewed an independent report prepared by CASME.

CASME is an independent organisation that unites procurement professionals worldwide to share best practice insights and to act as a resource for procurement guides, benchmarking and data. CASME released a report⁴ in October 2018 which shows the results of a survey among its global subscribers to investigate and compare the different approaches being taken by organisations to source and purchase HR services.

NSW Government achieved an overall maturity level of 'progressive' across all categories and was marked as 'leading' in six of 14 criteria.

The comparison of Contractor Central against similar programs included grading of respondents based on their overall maturity level, resulting in a ranking of base, stable, progressive or leading for each of the following categories:

⁴ CASME *Best-in-Class Procurement Examiner HR Services October 2018*

- Category Management and Sourcing
- Procure-to-pay Policy and Process
- Supplier Relationship Management
- Contracting
- Engagement

The 2018 CASME report ranked Contractor Central *fifth place* amongst the 31 survey respondents from around the globe.

NSW Auditor-General

The NSW Auditor-General produced a report in April 2017 titled “Contingent workforce: procurement and management”⁵. This report was conducted to review the use and management of contingent labour by NSW Government. Three agencies were included in the audit, one who had implemented Contractor Central, the second agency was in the process of implementation, and the third had not yet commenced implementation of the solution.

According to the NSW Auditor-General April 2017:

*“None of the three agencies we reviewed were able to demonstrate that contingent labour is the best resourcing strategy to meet their agencies’ business needs or delivers value for money. There are three reasons for this. First, agencies’ use of contingent labour was not informed by workforce planning at an agency level, with limited work undertaken in this area. Second, **two of the three agencies have limited oversight of their contingent workforce.** Information is not reliable or accurate, reports are onerous to produce, and there is limited reporting to the agency’s executive. Finally, **none of the agencies routinely monitor and centrally document the performance of contingent workers to ensure services are delivered as planned.** Together, these factors make it difficult for agencies to ensure contingent labour is engaged only when needed, at reasonable rates, and delivers quality services.*

*Some of these issues will be addressed by **Contractor Central**, which had only been introduced at Education at the time of our review. **The new software program enables staff to easily obtain real-time reports on its contingent workforce. The recruitment broker (MSP) also has the potential to improve value through better negotiation and benchmarking of pay rates.***

*Contractor Central has the potential to improve value for money. This is because **the recruitment broker (MSP) has specialised market knowledge and is able to promote competition, and benchmark and negotiate pay rates.** In addition, the new software can **streamline invoice processing and ensure correct supplier rates are charged.** Education reports that it achieved a net saving of \$944,600 from August 2015 to May 2016 due to the introduction of Contractor Central. Industry also expects to achieve similar results with Contractor Central, which it advised was implemented in November 2016.”*

⁵ <http://www.audit.nsw.gov.au/publications/latest-reports/contingent-workforce>

The report recommended further implementation of Contractor Central across NSW Government agencies and emphasised its importance in maintaining compliance, capturing reliable data and utilising this data for workforce planning, tenure management and performance monitoring.

9.2 Not all NSW Government clusters have adopted Contractor Central

- Eight out of ten NSWG clusters have implemented Contractor Central
- Transport and Treasury are yet to implement

The target date under the PBP for completion of the rollout of Contractor Central across NSW Government was April 2017. As at December 2018, not all NSW Government clusters/agencies had adopted Contractor Central; Treasury and Transport are yet to implement. Of note, the Transport cluster accounts for approximately 27% of sector contingent workforce spend. Refer to item 9.5 of this report for the evaluation findings regarding the delay to implement in Transport.

Highlighted below is a summary of the clusters and agencies than have implemented Contractor Central, actual implementation dates and the number of working days per implementation.

Cluster	Start	Finish	Total Working Days	Outcome
FACS (without MSP)	September 2014	01 June 2015	273	Failed - No MSP
Education	16 March 2015	3 August 2015	101	Successful
Health	13 April 2015	9 November 2015	151	Successful
DFSI	22 April 2015	24 October 2016	394	Successful
DP&E	11 May 2015	5 December 2016	411	Successful
FACS (with MSP)	1 June 2015	8 February 2016	181	Successful
Industry	10 May 2016	28 November 2016	145	Successful
Justice	30 June 2016	31 October 2016	88	Successful
Industry – Sydney Water	6 April 2017	31 July 2017	83	Successful
Industry – TAFE	28 April 2017	20 November 2017	147	Successful

Cluster	Start	Finish	Total Working Days	Outcome
Treasury – icare	3 August 2017	7 May 2018	198	Successful
DPC	5 February 2018	19 November 2018	206	Successful
Treasury	Not yet started			
Transport	Not yet started			

Table 3: Implementation status as at December 2018. The average days to implement was 162.

9.3 Slow uptake of Contractor Central

- All Contractor Central implementations were delivered later than the original KPMG target dates
- Financial incentives were made available to clusters to assist drive the program implementation timeline

The uptake of Contractor Central within clusters was found to have lagged behind the original KPMG/PBP target dates for implementation, impacting the overall PBP savings achieved within the forecast period of 1 July 2015 to 30 June 2019.

The table below shows clusters' target KPMG/PBP implementation dates compared to the actual dates achieved, and the resulting impact on the implementation timeline:

Cluster	KPMG/PBP Implementation date	Actual Implementation date	Impact on original timeline
FACS	May 2015	Pilot June 2015 (failed) February 2016	+11 months
Education	June 2015	August 2015	+2 months
DFSI	July 2015	October 2016	+16 months
Health	August 2015	November 2015	+3 months
DP&E	August 2015	December 2016	+14 months
DPC	December 2015	November 2018	+35 months
Treasury	January 2016	Not yet started	TBD

Cluster	KPMG/PBP Implementation date	Actual Implementation date	Impact on original timeline
Justice	May 2016	October 2016	+5 months
Industry	July 2016	November 2016	+4 months
Transport	July 2017	July 2019	+24 months

Table 4: Comparison and impact of actual implementation dates against the target KPMG/PBP implementation dates

9.3.1 Cluster incentives

In order to incentivise clusters and drive the timely implementation of Contractor Central, PBP funding was secured by NSWP. This funding was made available to clusters for payment of agreed MSP implementation fees plus the first three months of MSP fees. Funding was payable if the program was delivered in a timely manner with agreed extensions of time catering for unforeseen circumstances. It is noted that SAP Fieldglass does not charge an implementation fee. As at 30 June 2018, only \$1.9 million of the available funding had been claimed by clusters.

The chart below details funding accessed by clusters.

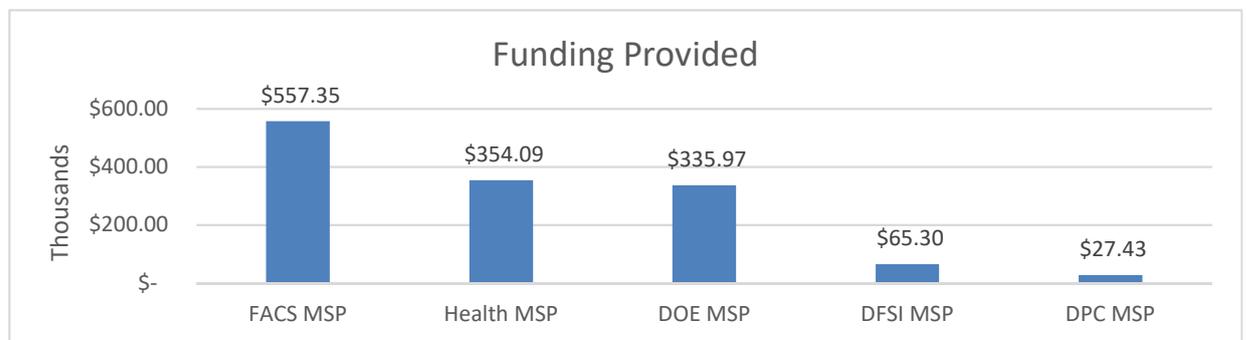


Figure 3: PBP funding paid to clusters by NSWP

9.4 Key implementation barriers and challenges

1. Non-standard solution – an initial attempt to implement a solution that did not meet best practice standards and was not recommended, with limited NSWSP oversight and support.
2. Aggressive 90-day cluster implementation timeframe – difficult to achieve and highly reliant on the following key dependencies and conditions:
 - Internal cluster readiness
 - Access to complete, reliable master data
 - Clearly defined roles and responsibilities of all parties (Cluster, MSP, VMS, NSWSP)
 - Defined, agreed scope and deliverables
 - Suitable cluster Subject Matter Expert resources and expertise available to the project
 - Project manager capability and expertise
 - Strong mandate and internal sponsorship
 - Effective change management
3. Challenges and delays to the target 90-day cluster implementations impacted the overall program timeline

9.4.1 Non-standard solution and limited NSWSP oversight and support for pilot

The pilot implementation of Contractor Central commenced in May 2015 at FACS. Contrary to NSWSP advice, FACS commenced implementation of the VMS (only), without securing the services of an MSP. Due to a lack of internal project management capability, subject matter expertise and available resources within FACS for this type of solution implementation, FACS experienced lengthy delays and errors, and ultimately the pilot implementation failed.

The lack of implementation expertise within FACS, as a result of not engaging an MSP, was compounded by the limited visibility NSWSP had to the FACS implementation activities and issues. As NSWSP was not invited or involved in key meetings, there was little opportunity to provide input or guidance for the resolution of project issues. Without a standardised implementation process, the poorly defined methodology and project governance also contributed to the poor outcome.

Lessons learned from the failed FACS pilot were used by NSW to define a strengthened governance and support model for the implementation program. This better positioned NSW for greater involvement and influence over project outcomes. PBP funding was used by NSW to secure an industry expert and senior project manager to provide guidance and program oversight for future implementations.

Contractor Central Implementation Toolkit

Additional support was provided via the development of a Contractor Central implementation toolkit, a key feature of contemporary implementations according to the NSW Auditor-General.

The toolkit provided a comprehensive suite of materials and tools to guide and support the MSPs who had primary responsibility, under their contract terms, for implementation. The toolkit defined the project activity, stages, timeframes, governance and reporting arrangements, resource and team requirements. The toolkit also included templates and worked examples for all key activities.

Following engagement of an MSP and re-aligning the FACS solution with the standard Contractor Central model, the implementation was restarted. The MSP re-designed the project to align with the NSW project standard and the enhanced governance and support model. At that time Education and NSW Health had concurrently begun their cluster implementations. Supported by the NSW program manager from the outset in a guidance / oversight capacity, and the implementation toolkit developed by NSW, both Education and Health were able to achieve 'go-live' earlier than FACS.

9.4.2 Ability to meet target project implementation timeframe (i.e. 90 day)

The program implementation timeline, as designed by KPMG, provided for a standard 90-day project implementation per cluster.

The 90-day implementation timeframe proved to be an ambitious and challenging target to achieve. As illustrated in Item 9.2 Table 6, most cluster implementations were unable to be delivered within this timeframe.

To achieve a 90-day target, several key dependencies and conditions that must be met were identified. These included:

- Internal cluster readiness, to commence the project and at go-live
- The availability and access to complete, reliable master data – both for organisation/ business unit and worker data
- Clearly defined roles and responsibilities of all parties, including the cluster, MSP, VMS and NSW
- Defined, agreed scope and deliverables
- Suitable subject matter expert resources and expertise, available to the project
- Project manager capability and expertise

- Strong mandate and internal sponsorship
- Effective change management.

The implementation toolkit was designed to target these criteria. An overview of the project and toolkit is provided in Appendix B.

An objective of NSWP was for lessons and improvements from one cluster implementation to be shared and adopted by the next cluster in a cycle of continuous improvement. Modifications and enhancements were made by NSWP to the toolkit and project approach on an ongoing basis and made available to all subsequent cluster implementations. A formal feedback loop of lessons learned, captured at the end of each project as part of the formal Project Closure activity, was established. At a governance level, NSWP chairs the contingent workforce CMWG comprising of cluster and agency representatives from across the sector. This CMWG provides a key conduit for sharing implementation lessons across key stakeholders.

A key control was introduced as a prerequisite to a cluster's implementation to assist drive and ensure cluster readiness, a critical dependency for the 90-day implementation. The mandatory completion of a Readiness Assessment, with input from the cluster, was required to be submitted to NSWP prior to formal commencement of the implementation. The completion of the Readiness Assessment resulted in a marked improvement in project establishment, clarifying expectations and building readiness within clusters.

Notwithstanding the improvements delivered through the additional measures, clusters were impacted by varying levels of resource capability and expertise available to the project (project managers and subject matter experts), and the quality of master data (organisation - business unit and worker data). Another key challenge affecting project timeframes included management of the people impacts associated with the changes, which required varying levels of stakeholder engagement, targeted communications, training and support.

9.5 Clusters that have not yet implemented

- Both Transport and Treasury have yet to implement Contractor Central
- Although the initial implementation business case was rejected within Transport, they have expressed support of the Contractor Central strategy
- Transport have spent four years implementing a complex ERP system that impacted all staff. This is considered to have reduced the cluster's appetite to implement Contractor Central during that period.
- As at June 2019 the Transport business case was signed and implementation will begin July 2019.
- To Decemer 2018, there was limited appetite from Treasury to implement Contractor Central

The evaluation team interviewed Transport in December 2018.

Transport expressed support for the Contractor Central strategy as it *“solves difficult issues in sourcing, margin management and managing a contingent workforce”*. Transport also supported expanding Contractor Central across other streams of work such as ICT Services and Professional Services. Transport use Scheme 0007 for white collar workers, which has had a direct impact on reducing the rates charged by recruitment suppliers for their services.

When asked why Transport had not yet implemented Contractor Central, the evaluation team was advised that *“the initial business case was rejected by the Transport Executive and a revised business case was being prepared”*. The reason the business case was rejected was not discussed.

However, the Transport representative did indicate that the appetite to implement was reduced by the system implementation of a new ERP during the planned Contractor Central program rollout timeline. The four-year ERP program was reported as technologically complex and challenging for Transport and impacted all staff. It was suggested that better consultation could have been undertaken with Transport ICT representatives to account for the ERP rollout when determining the Contractor Central program rollout schedule. Furthermore, when asked what NSWPS could have done better to manage the implementation, the implementation timeframes were stated as appearing ambitious, seeming to ignore the size and complexity of large agencies and clusters.

The main concern of Transport's ICT stakeholders was reported to be the solution architecture for Contractor Central. The preference to integrate the VMS with the new Transport ERP would introduce added technical complexity and time to the implementation.

The evaluation team were informed that Transport currently have access to master worker data which is managed by a shared services unit using the same system for purchase order creation. Transport's revised business case strongly suggests that Contractor Central will introduce further process efficiencies and savings within the cluster.

In summary, Transport informed the evaluation team that NSWSP *"Could not have done anything better, Gabi and her team have done everything possible to assist Transport in rolling out Contractor Central"*.

The Treasury cluster, who also have not yet implemented Contractor Central, did not respond to requests for comment and were not interviewed as part of the program evaluation.

9.6 Stakeholder satisfaction

- Whilst overall satisfaction scores are relatively positive, suppliers reported a need for improvement in MSP service levels and response times
- MSPs must assist in managing the expectations of suppliers with regards to service level agreements. Additional emphasis on the rapid resolution of payment issues is an absolute priority
- According to suppliers and clusters, the implementation process was adversely affected by a lack of reliable data and the need for a greater emphasis on change management

The evaluation team sought feedback from MSP, cluster and supplier stakeholders who have been involved with Contractor Central. Stakeholders were invited to respond to a survey questionnaire and interviews were held with key cluster stakeholders.

Respondents to the survey questionnaire were asked to answer a series of questions relating to the components of Contractor Central, e.g. VMS, MSP, Scheme 0007 suppliers, and implementation, as applicable. A scale of 1 (lowest) to 5 (highest) was used to measure satisfaction levels, where relevant.

Inquiry into overall stakeholder satisfaction levels with Contractor Central, established by their likelihood to recommend the solution to others, revealed the following:



Figure 4: Contractor Central overall satisfaction levels by stakeholder group

Note: Supplementary feedback from interviews conducted has been included with the analysis of the survey results and is highlighted below in italics.

9.6.1 Supplier feedback

All suppliers prequalified under Scheme 0007 (375 in total) were invited to participate in the survey with 98 responses received, i.e. a response rate of 26%.

The key findings included:

- The majority (63%) of suppliers responding to the survey indicated a satisfaction score of 3 or more with the Contractor Central VMS provider, Fieldglass.
- SME suppliers responded positively indicating increased competition and access to opportunities. SMEs felt this represented a “level playing field” for all suppliers large or small.
- MSP service levels were reported as quite low, although this varied across MSPs

Most suppliers reported either a positive or neutral experience using Contractor Central. Consistent feedback was received that suppliers’ levels of satisfaction with the service provided by MSPs varied according to the MSP. Response times were identified as needing to improve. According to a few respondents’ issues, if they arose, were not always resolved in a timely manner, especially when this related to the payment of invoices.

Lack of feedback from hiring managers when a candidate was unsuccessful, including the timeliness of any feedback provided, was found to be a recurring issue:

“Feedback should be for every candidate sent to an open requirement not just the successful ones that make it to interview. No feedback can damage a recruiters’ reputation “

The following supplier comments illustrate the variation in MSP services as experienced by suppliers:

“The MSPs that understand the businesses they are representing and who have better relationships with the hiring managers are better to work with; it makes the whole process a lot easier to place the right candidates and to sell the roles to candidates when we have as much info on the role or department or project from the start. Briefings are also super helpful as it gives a fair opportunity for all agencies working on the role to speak with the hiring manager and ask further clarifying questions.”

“There are fairly large differences in consistency between the MSP's across the clusters.”

Feedback received from suppliers on the VMS was generally positive, however mixed feedback was also provided on the solution and processes:

“Fieldglass is generally easy to use, timesheet process is easy for candidates, very transparent system.”

“As a small business new to the Scheme it would have been helpful to have more information so that our back-end processes could have been set up better to avoid issues.”

“Generally speaking, the Contractor Central model slows down the time to fill roles within NSW Government. By not having direct access to specific hiring managers within the government departments it is not easy to get answers and responses. There are many occasions where we lose candidates that have been put forward to clients due to the time taken to respond and set up interviews.”

9.6.2 MSP Feedback

Feedback received from MSPs revealed a general level of satisfaction with Scheme 0007 suppliers, with an average rating of 3.75/ 5 and a lowest score of 3 provided. When asked to rate their current level of satisfaction with the VMS, 75% of respondents provided a score of 3/ 5 or more, indicating the majority were satisfied with the current VMS.

Reported challenges in the implementation of Contractor Central included:

- A lack of the right stakeholders involved in implementation
- Supplier unwillingness to validate worker data
- Quality of cluster/agency worker data
- Fear of change among stakeholders

When asked how these challenges could be overcome, a clear improvement was reported with the implementation process throughout the PBP program timeline:

“This challenge has definitely improved over time and with experience of lessons learned and involvement of key stakeholders from all audiences - cluster, MSP and supplier. Our most recent implementation was much more successful in terms of data collection and cleaning, with the support of pre-identified and dedicated implementation participants.”

In response to addressing the challenge of stakeholder fear of change, it was stated that:

“This is handled well by Procurement but does take time during the implementation process”

9.6.3 Cluster feedback

Stakeholders from clusters who have implemented Contractor Central were found to be the most satisfied of the three groups surveyed. All respondents were likely or extremely likely to recommend Contractor Central, with a score of 4.76/ 5 provided.

The top three major challenges reported by clusters during implementation were:

1. Lack of emphasis on internal change management
2. Poor quality data, e.g. establishment and worker data
3. Achieving cultural change around existing recruitment practices

Disrupting the traditional recruitment culture was a challenge reported by clusters. This is evidenced by negative feedback reported from suppliers who no longer have direct access to hiring managers under the (best practice) Contractor Central process. Cluster stakeholders reported:

“Changing the mindset of the client can be an issue. Bring everybody on board on the journey. An example of this is where Hiring Managers directly liaise with recruitment suppliers. It takes time for the MSP to instil confidence in the hiring community.” – NSW Department of Industry

“One of our biggest challenges was the quality of our master worker data which required reconciliation by Hiring Managers. This eventually led to the discovery of several hundred contingent workers which were not previously visible to us centrally. Changing the hiring manager culture through training and awareness was also a challenge but has since been addressed”. – NSW TAFE

The most common response to how the internal challenges could have been overcome was a greater emphasis on business change management.

9.7 Impact of Contractor Central on cluster contingent recruitment practices

- Enhanced reporting and workforce planning capabilities based on the availability of reliable data
- Delivers value for money and hard savings through compliance to Scheme 0007 terms and conditions, including capped supplier fees
- Enhanced payroll fraud risk mitigation through system driven compliance and use of MSP third-party arrangement
- Process efficiencies – source to pay
- Access to specialist knowledge and market intelligence via MSPs and recruitment suppliers
- Better management of worker tenure because of improved visibility
- Cluster stakeholders were the most satisfied of all groups surveyed, providing a score of 4.76/ 5

A review of the contingent workforce CMWG minutes and MSP quarterly business review documentation has highlighted the following improvements post implementation.

9.7.1 Access to reliable data

For those agencies that have implemented, the availability of quality, accurate data in the VMS has provided enhanced reporting capabilities. In the VMS, suppliers can clearly understand the available role types for the categories they have been prequalified for under the 0007 Scheme. In fact, only those role types are made available to suppliers for supplying contingent workers, enhancing the quality of worker rate benchmarking data.

NSWP publicly discloses a monthly Contingent Workforce Government Expenditure Report detailing spend per cluster and category, SME and supplier spend, YTD hours worked and spend per cluster/ per supplier. There is a heavy reliance on accurate and reliable data for this reporting, which provides visibility over sector spend and assists clusters/ agencies with essential workforce planning activities.

9.7.2 Compliance and risk mitigation

Scheme 0007 caps supplier fees at 7.05% for tenures under 12 months and 5.14% for tenures over 12 months. In addition, standard percentages are paid to suppliers for payroll tax, workers compensation and superannuation. As these fees and margins are configured

in the VMS, this ensures visibility and compliance with Scheme provisions, preventing overcharging by suppliers.

Historically supplier fees for the contingent workforce have not been well managed, with fees paid under the previous C100 procurement arrangement ranging from a minimum average of 7.87% to a maximum average of 24.09%.

9.7.3 Quicker processing and fulfilment

The VMS has provided process efficiencies through a standardised best practice process for sourcing, managing and paying contingent workers. The system connects workers, suppliers and customers via a single cloud-based technology platform. It is adaptable and able to be implemented into any cluster regardless of their business processes, requirements or existing technologies.

As the VMS automates workflows and embeds business rules and communication flows between all parties, hiring managers need only go to one platform for all hiring actions. For example, to request a contingent worker, view job distribution to suppliers, offboarding and time sheeting. Timesheets are quicker for workers to complete, and after online approval, an invoice is automatically generated on behalf of the supplier and payment made by the cluster/ agency.

9.7.4 Enhanced workforce planning and tenure management

Facilitates more sophisticated workforce planning initiatives, for example rotation of contractors, overtime management and replacement of longer-term contractors by permanent positions as part of a cluster's tenure management protocols.

Contractor Central assists workforce planning by providing visibility over an agency's changing requirements, for example skill sets, demand peaks/troughs, benchmarking and tenure trends.

9.7.5 Access to specialist knowledge and quality services

The MSP engaged by a cluster/ agency provides access to specialist recruitment knowledge and market intelligence. The MSP not only provides guidance to customers but also removes the administrative burden on maintaining the VMS and the workers who transact within it. They are a one stop shop for all contingent workforce matters.

Suppliers under Scheme 0007 are subject to a rigorous pre-qualification process. This has ensured the availability of a robust, high-quality supplier base for the provision of contingent labour.

9.8 Unintended impacts (positive and/or negative)

During the program evaluation period a report was issued by Independent Commission Against Corruption (ICAC), “Corruption and Integrity in the NSW Public Sector: December 2018”⁶.

ICAC report highlighted four key aspects related to the contingent workforce that required control. These are:

- i. Assess the quality of the labour hire company
- ii. Consider the screening and inducting of contingent workers as employees
- iii. Ensure contingent workers’ responsibilities are within scope
- iv. Assess tenure

Contractor Central enables NSW Government customers to adhere to all four aspects raised in the ICAC report:

- i. Assess the quality of the labour hire company

When a supplier first applies to Scheme 0007 they are subjected to a set of strict assessment criteria. NSW Procurement evaluates the supplier to ensure they meet mandatory risk management criteria (such as insurance), are financially solvent, have been in business for not less than three years, are not subject to any adverse investigations such as ICAC or ASIC, and that they are in fact a contingent recruitment supplier. It is not uncommon in the recruitment industry for a supplier to deliberately liquidate to avoid paying its debts and create a new business. This is known as “phoenixing”. The Scheme rules mitigate this risk by requiring new suppliers to demonstrate financial stability for a period of three years.

Prequalified suppliers are rigorously managed on an ongoing basis and poor performance, breaches of the Scheme rules or objectionable behavior can lead to suspension or expulsion from the Scheme.

- ii. Consider the screening and inducting of contingent workers as employees

The VMS provides an on/off boarding checklist of activities to be completed by hiring managers and MSPs. For example, certain roles may require the worker to undergo a criminal record check. The MSP ensures this check is conducted and any disclosable court outcome is referred to the customer for further assessment. The VMS will provide system alerts for any outstanding activities, and completion of activities by hiring managers is monitored by the MSP. Interviews with shortlisted candidates are arranged via the VMS. This provides a record that allows clusters to monitor and report on the actions of their hiring managers.

⁶ <https://www.icac.nsw.gov.au/docman/preventing-corruption/cp-publications-guidelines/5358-corruption-and-integrity-in-the-nsw-public-sector-an-assessment-of-current-trends-and-events/file>

iii. Ensure contingent workers' responsibilities are within scope

The cluster's hiring manager is required to brief the MSP to ensure the correct job posting template and ANZSCO⁷ code is selected prior to the MSP distributing the role to suppliers. Resumes are submitted by suppliers in the VMS for shortlisting by MSPs, as required. The MSP's involvement in the recruitment process reduces customer bias in existing supplier relationships, ensuring sourcing targets worker capability and skills matching over supplier choice. The governance and auditability of worker timesheets and approvals in the VMS enables an added level of scrutiny and control over worker engagements.

iv. Assess Tenure

The reports available in Contractor Central provide an unprecedented level of detail for assessment of worker tenure. Historically, contingent worker tenure was difficult to identify, however it is now reported by MSPs on a quarterly basis in clusters who have implemented Contractor Central.

⁷ Australian and New Zealand Standard Classification of Occupations (ANZSCO) is a system used to classify occupations and jobs available in the Australian and New Zealand labour markets.

9.9 Program savings

- Total PBP program savings projected by KPMG were \$72.8 million over a 4-year period, from 1 July 2015 to 30 June 2019. The total reported savings as approved by cluster CPOs and HR Executives in this period totals \$76.7 million.
- The program will exceed the KPMG savings target by \$0.5 million. This has been achieved with only eight of the ten clusters implemented
- Further savings could have been realised if cluster implementations had met the target 90-day project implementation timeframe
- The implementation of the remaining two clusters, Transport and Treasury, could have achieved a further **\$26.4 million** in savings
- The evaluation findings highlight that:
 - KPMG projections were conservative, and were based on a NSW Government spend profile that has grown considerably over the last five years
 - Savings in clusters who have implemented Contractor Central will continue to exceed expectations due to the increase in spend under management

9.9.1 Contractor Central savings initiatives

Savings generated within clusters are achieved via a series of focused initiatives and MSP actions, specific to the cluster.

The table below documents a range of savings initiatives available to a cluster/ agency. The estimated savings percentages are based on an average of the potential savings submitted by MSPs in response to the RFT issued by NSW, for the establishment of the MSP panel Contract 0008.

Savings initiatives for spend under management	Estimated Savings* %
Eliminating costs associated with long term contingent labour	5.21%
Managing employment risk associated with long term contingent labour	2.08%
Tracking and managing assignment terms for all contingent labour	5.50%

Savings initiatives for spend under management	Estimated Savings* %
Improving transparency, accuracy and control of all cost elements including, pay rates, on-costs and margins	5.00%
Harmonising contingent workforce pay rates to market pay rates	5.50%
Working with hiring managers to proactively reduce demand	9.50%
Managing recruitment suppliers' compliance to contractual terms especially bill rate compliance	9.00%
Managing, by exception, non-approved suppliers (improving spend compliance)	7.50%
Compliance to regulatory requirements	2.50%
Streamlining the 'recruit to pay' process with technology	4.60%
Reduce administrative workload on customer hiring manager and recruitment personnel	8.50%
Delivering high quality service and exceeding customer expectations	9.50%
Managing a contingent pool to reduce cost of recruitment	6.01%
Managing CMO (Contractor Management Organisation) to deliver consistent, high quality service and reducing the cost of recruitment	2.57%

*Savings figures are averages derived from all responses to the MSP RFT for Contract 0008 (2014) and include both cost savings and cost avoidance. These figures are not cumulative.

Table 5: Contractor Central savings initiatives and estimated savings percentages

9.9.2 NSW Government spend

The NSW Government much greater visibility to the contingent workforce.

An illustration of reported annual spend and the impact of the Contractor Central implementations is provided below:

Financial Year (F/Y)	Reported spend (\$M)	Year on year growth rates	Clusters/ Agencies implemented in F/Y
2013-14	\$622	18%	FACS Pilot
2014-15	\$868	40%	Education, Health, DFSI, DPE, FACS
2015-16	\$1,112	28%	Industry, Justice
2016-17	\$1,331	20%	Industry (Sydney Water), Industry (TAFE)
2017-18	\$1,533	15%	Treasury (icare), DPC

Table 6: Reported contingent workforce spend and the impact of Contractor Central on spend growth rates. Note that reported spend contains both VMS and supplier reported data.

A breakdown of contingent workforce spend by cluster for FY17/18 is shown below. Note that Transport continues to be the largest buyer of contingent labour, a trend that has remained unchanged throughout the five (5) year reporting period.

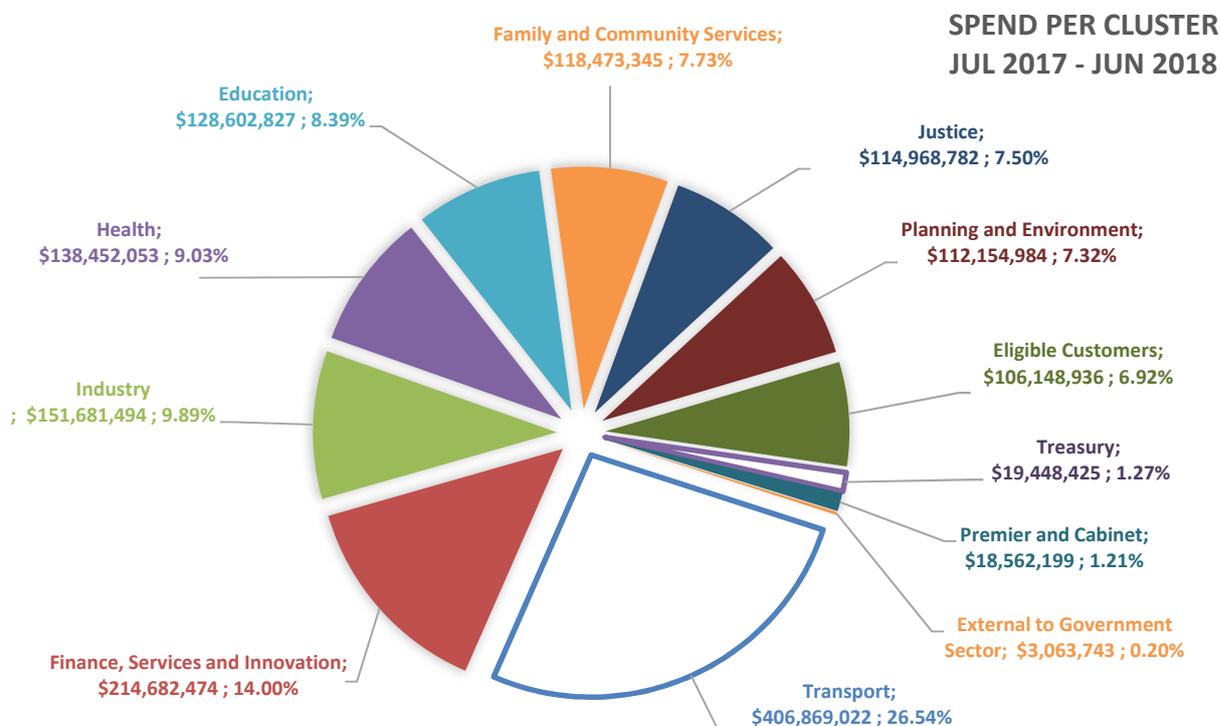


Figure 5: Contractor Central spend by Cluster in FY17/18

9.9.3 Actual savings and the impact of the implementation timeline on projected PBP savings

The original savings program developed by KPMG was for a four-year period. The realisation of the PBP savings was aligned with an implementation timeline developed for all NSW Government clusters.

The KPMG projected savings per financial year, assuming adherence to implementation timelines, are shown in the following table:

Source	Projected Savings			
	FY15/16	FY16/17	FY17/18	FY18/19
KPMG Gross benefit	\$9.9 million	\$15.7 Million	\$23.1 million	\$24.1 million

Table 7: KPMG projected savings per financial year

The table below compares the KPMG projected savings per financial year with the actual savings (3.00% of spend in the VMS) achieved. Projected savings nominated by KPMG are on track to be exceeded by \$0.5M:

*Source	Consideration	FY15/16	FY16/17	FY17/18	FY18/19	Total
KPMG gross benefit (projected)	All clusters implemented on time	\$9.9 million	\$15.7 million	\$23.1 million	\$24.1 million	\$72.83 million
Actual savings reported	8 of 10 clusters implemented late	\$4.25 million	\$13.9 million	\$24.4 million	\$33.58 million	\$76.71 million
Result		-\$5.70 million	-\$1.80 million	\$1.30 million	\$6.70 million	\$0.50 million

Table 8: KPMG projected savings against actual savings achieved

9.9.4 Impact on projected PBP savings as a result of Transport and Treasury not implementing

It is now possible to calculate the potential savings that might have been achieved if Transport and Treasury were implemented in accordance with the KPMG implementation timeline, as shown below:

Financial Year	Transport Spend	Treasury Spend Annual Spend	Potential Savings @ 3%
FY 2016-17	N/A	\$3.9 million (From January 17)	\$0.11 million
FY 2017-18	\$406 million	\$19.4 million*	\$12.76 million
FY 2018-19	\$392 million	\$46.3 million	\$13.15 million
TOTAL	\$814 million	\$66.3 million	\$26.4 million

* Includes iCare

Table 9: Transport and Treasury potential savings

If Transport and Treasury had implemented Contractor Central as projected by KPMG, it is estimated that the program would have saved an additional \$26.02 million over three financial years, from 2016-17 through to 2018-19.

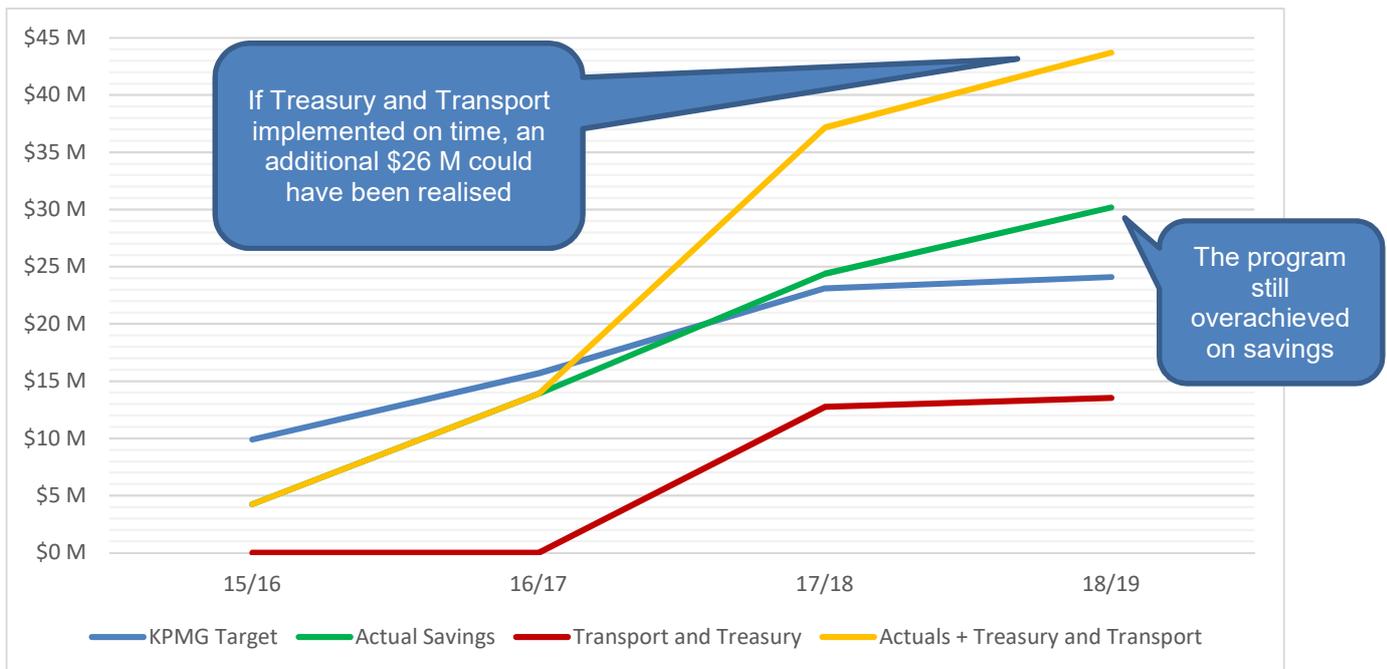


Figure 6: Transport and Treasury potential savings not realised and overall program savings achievement

9.10 Recommendations

- Develop realistic project implementation timelines within a complex NSW Government environment
- Establish a central Steering Group and Project Management Office (PMO), with the requisite authority to elicit action by clusters, for projects approved by the Procurement Board

9.10.1 Realistic project implementation timeframes

The complexity and time to implement was underestimated by KPMG as it was predicated on NSW Government agencies having access to reliable data, being driven to implement from within, and the availability of cluster resources.

NSW Government agencies demonstrated varying degrees of poor-quality establishment data coupled with incomplete or missing worker data. In fact, this was one of the main drivers in each cluster's implementation business case. The implementation process required MSPs to discover, verify and resolve data discrepancies prior to go-live. This took considerable time which was not accounted for in implementation timelines.

Consultation with clusters in the development of the KPMG timeframes could have resulted in more realistic implementation timeframes within clusters, and the overall program timeline, and secured greater buy-in from clusters to the PBP from program outset.

In order to mitigate timeline risk, early engagement with MSPs would have provided the opportunity to resolve data issues prior to commencement of a cluster's implementation. Furthermore, the lack of contingent worker data had a direct impact on implementation timelines, as it was not uncommon for an MSP to identify a significant number of workers who were not previously identified in scope for implementation. Most of these workers had been engaged outside of Scheme 0007, under direct non-compliant supplier contracts. The additional workers equated to expanded implementation time, and in some cases complexity, especially if the supplier was not already prequalified or was unable to achieve prequalification under the Scheme.

It is important to note that Transport, not yet implemented, have attempted to resolve some of these data issues by capturing basic contingent worker data using their ERP system 'Equip'. The clusters who have implemented Contractor Central no longer experience these data issues, which will support all future change activity, including migration between VMS technologies.

9.10.2 Central Steering Group and Project Management Office (PMO) for projects approved by the Procurement Board

The NSW Procurement Board has responsibility for overseeing the Government's procurement system, setting policy and ensuring compliance. It has the statutory power to

issue directions to clusters and make decisions and monitor the progress of agency compliance. Membership comprises Secretaries from each NSW Government cluster, and it is not uncommon for Secretaries to delegate attendance to Deputy Secretaries, Chief Procurement Officers (CPOs) and Procurement Managers.

The NSW Procurement Board approved both the Contractor Central strategy and the acceleration program. Despite this central mandate, the fragmented model of the NSW Government, operating in a decentralised environment, contributed to initial resistance to the implementation within some clusters and agencies. The challenge of this fragmentation is compounded at not only cluster, but also at agency and sometimes business unit level, with little to no central oversight and control from the cluster's procurement, policy and HR units. Examples of this segregation are the Local Health Districts (Health cluster), Schools (Education cluster), and all emergency services agencies (except for NSW Ambulance).

The PBP target savings calculated by KPMG were based on the total cluster spend, which included both centralised and disbursed agencies and business units. NSWSP, in consultation with cluster contingent workforce CMWG representatives, worked to overcome cluster resistance by building a solution in each cluster that allowed clusters to promote the benefits of using Contractor Central to its agencies and gradually incorporate those agencies into the VMS. This approach has achieved some success, although some agencies and business units have still not yet engaged Contractor Central, which has impacted the total savings achieved within those clusters.

Strong central leadership and governance over large whole-of-sector initiatives is required, even if managed in a decentralised environment, to ensure compliance with Procurement Board directions. The establishment of a central Steering Group and PMO, with the requisite authority to elicit action from clusters and drive the implementation in line with agreed timeframes, would support the Procurement Board's direction and the achievement of project benefits and outcomes. Appropriate representation and input from clusters early in the development of whole of government initiatives is also an essential key to success to gain buy-in to the program's objectives and timelines and reduce costly delays in uptake within clusters.

10. Appendices

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Evaluation Plan	TAB C
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