
Cabinet Member (Strategic Finance and Resources)

17 June 2013

Name of Cabinet Member:

Cabinet Member (Strategic Finance and Resources) – Councillor Gannon

Director Approving Submission of the report:

Director of Customer and Workforce Services

Ward(s) affected:

All

Title:

Agency Workers and Interim Managers – Performance Management Report Q4 (1 January to 31 March 2013) with a final summary for 2012/13 compared with 2011/12.

Is this a key decision?

No. Although the matter within the Report can affect all wards in the City, it is not anticipated that the impact will be significant and it is therefore not deemed to be a key decision.

Executive Summary:

To provide the Cabinet Member with performance information on the use of agency workers procured through the Master Vendor Contract for the Q4 period 1 January to 31 March 2013; to compare Q3 2012/13 with Q4 2012/13 expenditure and compare the full year spends for 2011/12 with 2012/13. Finally to consider Interim Manager spends for the same periods.

Recommendations:

The Cabinet Member is asked to:

1. Require monitoring processes to continue for both Agency workers and Interim Managers
2. Ensure compliance with the corporate policy on the recruitment of Temporary Agency Workers through the Master Vendor, Reed Recruitment and Interim managers through the Preferred Suppliers List
3. Continue to work towards reducing expenditure on the use of agency workers.
4. Approve that future orders are not accepted if no reason is given for the need for the agency worker

List of Appendices included:

The information attached in Appendix I shows the total expenditure on agency workers by Directorates for Q4 2012/13 for spends with Reed.

The information attached in Appendix II shows the justification of new orders placed by Directorates for agency workers during Q4 2012/13 for spends with Reed.

The information attached in Appendix III shows in more detail, for Q4, what type of workers are being employed through agencies, the reasons and Directorates' actions in trying to reduce the spend.

Appendix IV shows a diversity breakdown of agency workers under the contract with Reed Recruitment for Q4.

Other useful background papers:

None

Has it or will it be considered by Scrutiny?

No

Has it, or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

No

Report title:

Agency Workers and Interim Managers – Performance Mgt Report Q4 (1 October to 31 December) and Interim Managers spends for Q4.

1. Context (or background)

The Master Vendor contract requires all agency workers to be ordered through Reed Recruitment and came into force on the 2 May 2011. Reed will supply all suitable agency workers through their own agency or through a 2nd tier arrangement with other agencies on behalf of the Council using rates of pay based on an agreed pay policy and a negotiated mark up rate with Reed. The information supplied by Reed on the agency spends gives detailed information on agency worker usage and spends.

2. Options considered and recommended proposal

The table in 2.1 below shows a comparison for Q3 2012/13 with Q4 for 2012/13 and indicates if there has been an increase or a decrease in spend. The Master Vendor Contract covers all agency workers with the exception of interim managers for HAY Graded posts and schools.

2.1 Table for comparison with Q3 2012/13 and Q4 2012/13 Agency Spend.

Directorate	Spend Q3 2012/13	Spend Q4 2012/13	Increase/decrease
Children Learning & Young People	£204,036	£233,081*	Increase
City Services & Development	£142,072	£197,617*	Increase
Community Services	£255,234	£248,943	Decrease
Customer & Workforce Services	£284,163	£267,966	Decrease
Chief Executives	£0	£0	
Finance & Legal Services	£209,616	£222,270	Increase
TOTAL	£1,094,533	£1,169,877	Increase

***please note the spend shown in the appendices will differ slightly to that shown above due to the inclusion of off contract spends in the above table**

Directorate Commentary on increased Agency worker Spend for Q4 2012/13**Children Learning & Young People**

The increase in spend is a result of an increase in workload and cover for vacancies. Agency staff are required to cover the vacant posts to ensure that cases move through the social care system to reduce the number of Looked After Children. Recruitment to vacant posts will reduce the spend on agency staff.

City Services and Development

The total spend on agency workers within City Services & Development directorate during the fourth quarter of 2012/13 was £197,617. This is an increase of £97,003 over the expenditure in the third quarter of 2012/13.

The primary reasons for the use of agency of workers within the directorate for quarter four in the relevant divisions is as follows:

Planning Transport & Highways- the division is waiting for the new professional services contract to start on 1 June. Agency staff have been used on Public Realm phase 2 and Friargate Bridge where they have required technical services, once the contract is in place this will alleviate the need to use agency staff.

Streetpride – covering a number of vacancies which are now being recruited to.

Domestic Waste – agency staff to cover extra collections to catch up following Christmas break and adverse weather conditions. Sickness has also increased which has resulted in all the casual staff being used first but agency staff also required.

Property Asset Management, Cleaning - Nearly all of the agency spend is due to sickness cover and vacancy cover in cleaning service to schools. If they didn't use agency they would lose income and they do budget for some sickness cover in the charging regime.

The directorate has a number of used strategies in place to ensure the use and expenditure on Agency Workers is monitored and steps are taken to reduce their use. For example:

- Before going down either route we would look at the opportunity for internal secondment of an existing employee.
- Managers are required to consider if the use of agency staff or a short term contract is justified in terms of providing value for money against the alternative of recruitment. Recruitment remains the normal way in which the vast majority of posts are filled.
- Assistant Directors monitor the use and expenditure on Agency Workers
- The directorate has completed work on creating casual worker pools

Finance and Legal Services

The total spend on agency workers within Finance & Legal Services directorate during the fourth quarter of 2012/13 was £220,186. This is an increase of £10,570 over the expenditure in the third quarter of 2012/13.

The expenditure on agency workers has been solely within Revenues & Benefits and Legal Services. The directorate closely monitors the use of agency workers and actively takes steps where possible to reduce the use of agency workers.

The primary reasons for the expenditure is as follows:

Revenues & Benefits

Agency workers are employed to carry out the assessment of Housing and Council Tax Benefit; new claims, changes of circumstances and customer service – face to face and telephone. Maintaining and improving existing levels of service is vital with so many substantial issues on welfare reform to deal with - this is a key service affecting many of the most vulnerable people in the City.

Planning for Welfare Reform has meant a number of staff are now operating in temporary roles. Maintaining the agency staff has provided additional resilience whilst the Service manages the

significant welfare reform changes ahead, in addition to providing service cover due to vacancies and the training of new staff.

Delays in assessing this work means that resulting overpayments could be classed as 'local authority error' (because the Council has the information to reduce the benefit, but is delaying stopping payments). This will impact on the service's ability to control subsidy penalties – which could cost over £740,000 if the overpayments are not minimised.

Legal Services

During quarter four, one additional locum was recruited due to the increase in workload (Social Care). This post is funded by CLYP and recharges are carried out accordingly. In total the service currently has 12 locums, 7 of which are recharged to CLYP/Community Services. In addition, there has been increase in workloads in Corporate Governance.

Agency staff continue to be employed in Revenues and Benefits to cover vacancies in a key service affecting many of the most vulnerable people in the City. In addition, planning for Welfare Reform has meant putting in place a range of temporary deployment arrangements of experienced Benefits Officers and agency workers are backfilling.

Maintaining and improving existing levels of service is vital with so many issues on welfare reform to deal with – including significant cuts in housing benefit payments. Maintaining the level of agency staff provides additional resilience through these difficult months, whilst the service manages the significant welfare reform changes ahead, seeks to minimise benefit overpayments and maximise government subsidy. Delays in assessing changes in circumstances means that resulting overpayments could be classed as 'local authority error'. If the Council exceeds the Local Authority error threshold, it will lose between £740,000 and £840,000.

2.2 Table for comparison of spend for 2011/12 and 2012/13

Directorate	Spend 2011/12	Spend 2012/13	Increase/decrease
Children Learning & Young People	£1,177,999	£773,883	Decrease
City Services & Development	£807,630	£723,217	Decrease
Community Services	£1,070,572	£1,158,544	Increase
Customer & Workforce Services	£654,698	£990,979	Increase
Chief Executives	£0	£89	Increase
Finance & Legal Services	£271,606	£700,152	Increase
TOTAL	£3,982,505	£4,346,874	Increase

Summary

The spend on agency workers has risen this year primarily due to the need to procure agency workers in IT and Benefits where we have had to pay over the market rates to procure the skills required. Although the agency spends on IT workers is shown on Customer & Workforces figures much of this spend is being funded by other Directorates to carry out specific IT projects in their areas.

Additional spends in Community Services has been in the area of Community Care pending a review and the need to maintain a statutory service to the vulnerable. Extensive work has been

taking place to try and reduce the need for agency workers, in the coming months, with the building up of our own bank of staff to cover shifts. There will always be a need for some agency workers in this area but it is envisaged that the need will reduce as we build up the bank of care workers willing to undertake work on an adhoc basis.

Interim Management Spend for Q3 2012/13 and Q4 2012/13

Table 2.3 shows a summary of spend for Interim Management in Q3 2012/13 and Q4 2012/13. This relates to cover for Senior Hay graded jobs over £50,000 pa. The Interim Manager Contract started in January 2009.

Directorate	Number of Managers Q3	Total spend Q3	Number of Managers Q4	Total Spend Q4
Community Services	1	£24,916	1	£4,824
Finance & Legal Services	1	£6,672	0	£0
Children Learning & Young People	1	£32,332	1	£27,400
TOTAL	3	£63,920	2	£32,224

N.B. The Interim Manager in Community Services finished in January 2013.

2.4 Summary Interim Manager spends comparing 2011/12 with 2012/13

Directorate	Total Spends for 2011/12	Total Spends for 2012/13	Increase/decrease
Community Services	£109,287	£130,646	Increase
Finance & Legal Services	£0	£6,672	Increase
Children Learning & Young People	£24,300	£78,364	Increase
TOTAL	£133,587	£215,682	Increase

Savings

The cost of agency workers is made up of the pay rate for the work plus working time directive payments, national insurance payments and a margin or mark up to the agency. As part of the Master Vendor contract, fixed pay rates have been set corporately for each job category. Given that national insurance payments and the working time directive are fixed legislative requirements, Reed's procurement of agency workers is based on reducing agency mark ups in order to generate cashable savings.

The Management rebate for 2012/13 was set at £400K based on last years rebate. For Q4 we received a rebate of £171,694. This gives a total rebate to date for the financial year 2012/13 of £595,044, therefore exceeding the target by some £195,044.

Management Board Comment

The Master Vendor contract was a planned strategy to work towards reducing the level of agency spends and to better understand where and how we use agency workers.

There will always be the need to use agency workers. However, it is acknowledged that current usage is still too high because of the need to cover sickness absence, short-term cover, cover whilst Fundamental Service Reviews are taking place with the need for scarce skills and workers required during these reviews and organisational restructures.

In terms of the cost of using agency workers, it is important to note that not all of the cost is in addition to normal staffing budgets. Although agency cover associated with sickness absence in front line services is often an additional cost, in the case of agency cover for vacant posts the cost will be covered by the relevant staffing budget. Please also note that the figures shown in the main body of the report will differ to those shown in the appendices. This reflects that there is some additional off contract spends added into the total spends from the Reed contract. This occurs generally where Reed is unable to supply an agency worker so we are forced to go to a supplier not on the Reed contract. However we keep this to a minimum and try to ensure that this is only for short term cover whilst Reed source an agency worker.

Where opportunities exist for bulk recruitment campaigns to front line essential services, the Human Resources Recruitment Team will continue to work with service managers to establish registers of workers, who are available for casual, temporary or permanent work in order to reduce the use of agency workers. This became more important with the onset of the Agency Workers Directive on the 1 October 2011 when we expected to see spends on agency workers to rise to take account of increased rates brought on by the introduction of the Directive. The Agency Workers Directive may entitle some agency workers, who complete a 12 week qualifying period, to be eligible to receive a higher hourly rate, ensuring they have equal rights in terms and conditions of employment to those of our own employees. As an authority we managed to keep this increase to a minimum, due, in part, to the work that had been undertaken by Human Resources, prior to the previous Neutral Vendor Contract, on ensuring our rates of pay for agency workers were based on our existing workers' pay rates, for the most part. We are expecting, however, there may be a further increase in Q4 due to the Pension auto enrolment regulation which will come into effect with Reed for any work undertaken from the 1 January 2013. It will only impact initially on agency workers who are Pay as you Earn (PAYE) workers with Reed and will increase costs by 0.75% across the pay and Working Time Regulations elements.

There has been an overall increase in spends on agency workers for the year 2012/13 when compared with 2011/12. This in part can be attributed to some increase in pension costs following auto enrolment although the majority of increase will have been due to the costs incurred with agency workers involved in specialist work in the areas of legal; benefits and IT.

3. Results of consultation undertaken

- 3.1 The report sets out the steps the Council is taking to reduce expenditure on agency workers, particularly in those areas where they are used most intensively.
- 3.2 The report is able to identify more accurately spend on agency workers and the reasons for spend.
- 3.3 Officers will continue to bring the monitoring information to the Cabinet Member and steps will continue to be taken to endeavour to reduce the level of expenditure.

- 3.4 Management Information has given the opportunity for the Recruitment Team to target large areas with high usage of agency workers to try and reduce the need for agency workers. This work is ongoing.

4. Timetable for implementing this decision

Not applicable

5. Comments from Director of Finance and Legal Services

5.1 Financial implications

Quarterly monitoring of expenditure on agency workers will continue throughout the contract. The cost of agency workers for the current reporting period from the Reed system is £1,368,883 which equates to 3.33% of the overall wage bill for this quarter (excluding schools).

Reed operates a live management accounts system which places the cost of agency workers in the period the work took place rather than the period of time in which the Council was billed for or paid the related invoices. Reed's system shows the volume of agency activity/usage in a particular quarter irrespective of when invoices are paid. Therefore this information will be different from that which has gone through the Council's financial systems during Q3.

Reed's system only incorporates timesheets authorised by managers and therefore the costs for a particular quarter will increase throughout the year as more timesheets are authorised. At present Reed are unable to provide us with a figure for the unauthorised timesheets outstanding. We are actively working with Reed to keep the number of outstanding timesheets to a minimum by introducing a system whereby they will be dealt with promptly. We are still working to resolve some of the backlog queries but hope to have resolved these by the next quarter.

5.2 Legal implications

There are no specific legal implications associated with this report.

6. Other implications

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / LAA (or Coventry SCS)?

The Agency Worker Contract arrangement provides good value for money in relation to the procurement of agency workers. It also provides firmer controls on the use of agency workers and has in place sound management reporting to see where spend is taking place to target recruitment, maximise resources, and reduce spend on agency workers.

6.2 How is risk being managed?

No risks identified

6.3 What is the impact on the organisation?

Through the rigorous monitoring of the use of agency workers and alternative strategies for resourcing short-term work requirements, the dependency on agency workers should be

reduced. The Council's Policy on the use of agency workers states that Agency Workers should only be used when:

- Proper recruitment processes have failed to secure an appointment and staff cover has become crucial to the delivery of services;
- Short-term temporary cover is required until proper recruitment processes have been completed and an appointment is made;
- Unplanned absences require immediate cover to ensure continuity of services;
- Unplanned, short-term or peak workloads occur.

Human Resources are proactively supporting managers to reduce agency spend.

6.4 Equalities / EIA

We are now able to show the Ethnic Monitoring data that has been provided by Reed and is shown in Appendix III. This information will inform workforce planning, Entry to Employment initiatives and recruitment drives. No equality impact assessment has been carried out as the recommendations do not constitute a change in service or policy

6.5 Implications for (or impact on) the environment

None

6.6 Implications for partner organisations?

None

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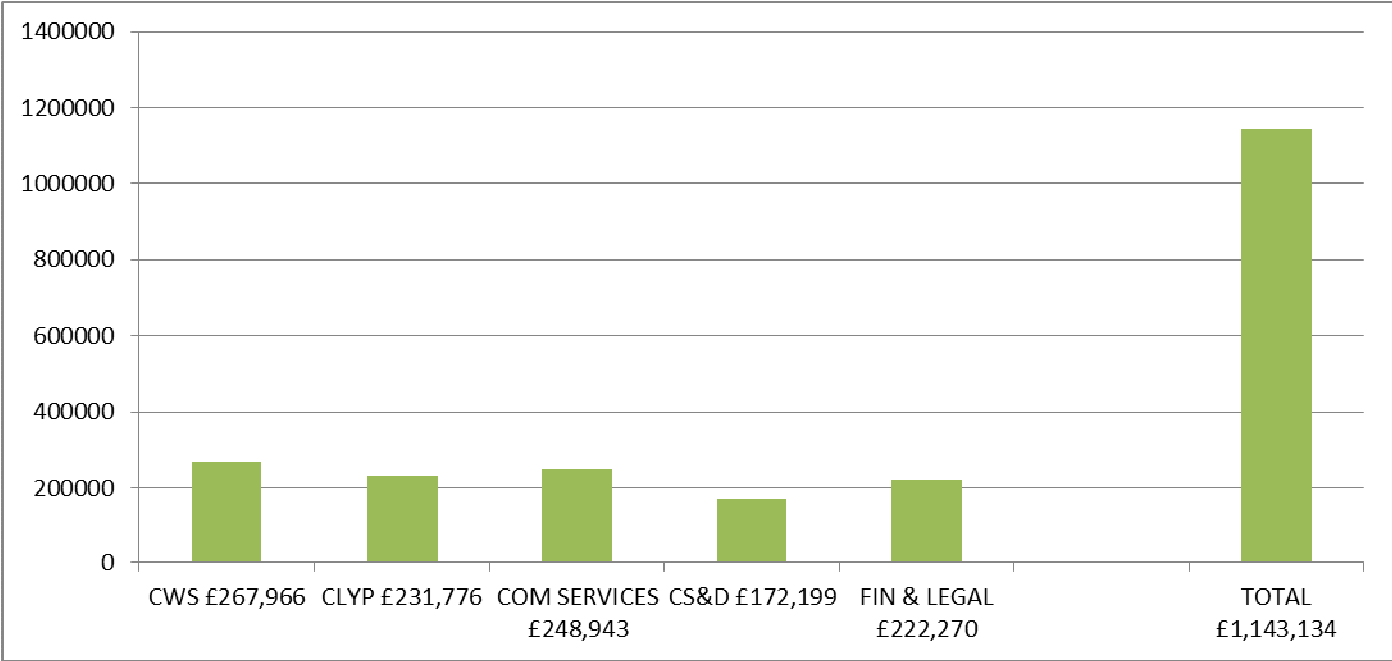
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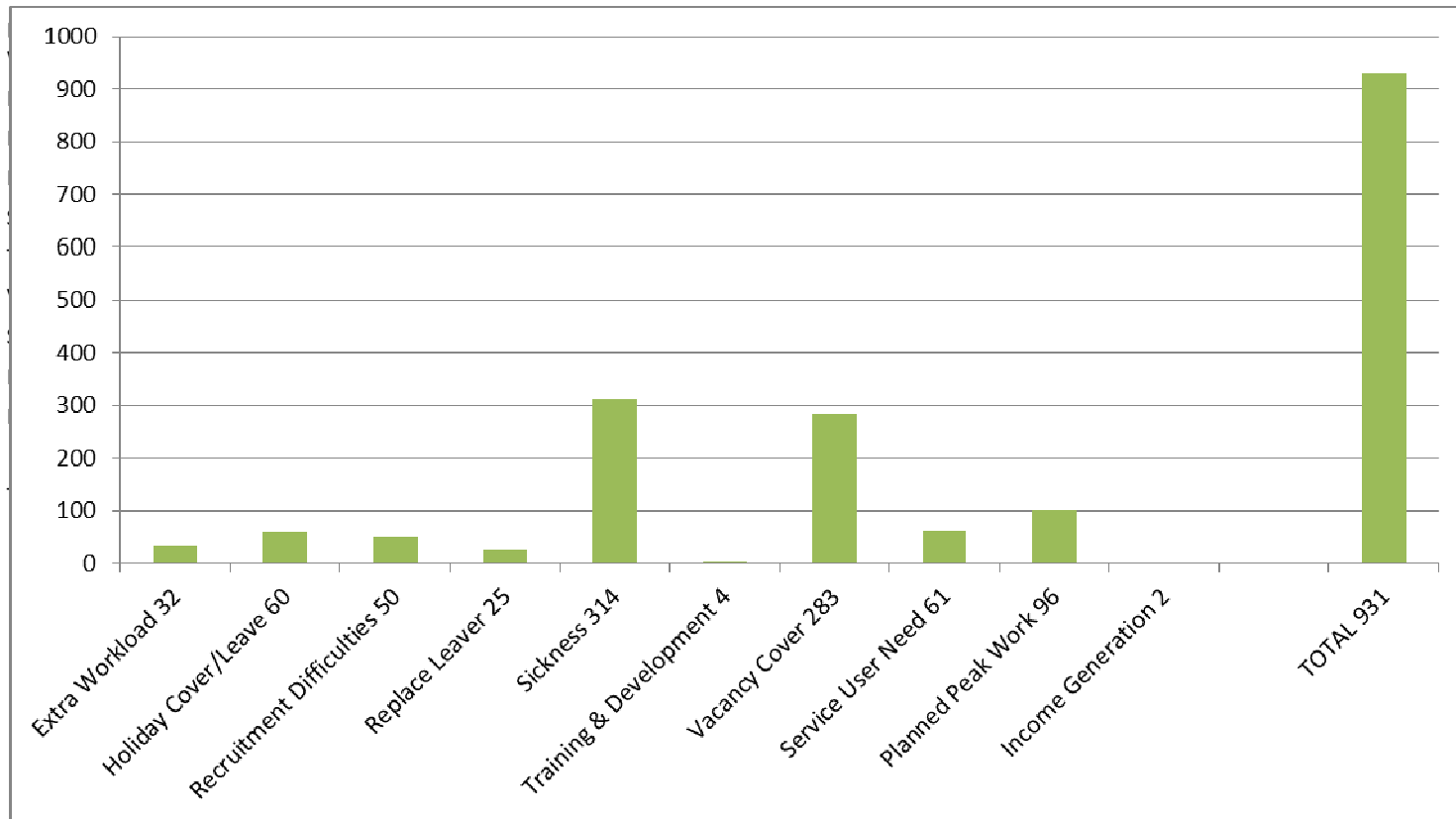
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APPENDIX I - TOTAL SPEND BY DIRECTORATE QUARTER 4: JANUARY - MARCH 2013



APPENDIX II - ORDER JUSTIFICATION: JANUARY TO MARCH 2013



APPENDIX III - DIVERSITY BREAKDOWN OF AGENCY WORKERS QUARTER 4: JANUARY TO MARCH 2013

Ethnic Origin	Headcount
African	41
Any Other Black Background	2
Any Other White Background	6
British	53
Caribbean	6
Indian	10
None Stated	397
White & Asian	1
Pakistani	3
White and Black Caribbean	1
White (European)	6
Any Other Ethnic Group	1
TOTAL	527

Age	Headcount
16-19	10
20-30	96
31-40	149
41-50	181
51+	91
None Stated	0
TOTAL	527

Gender	Headcount
Female	266
Male	261
TOTAL	527

APPENDIX IV SUMMARY OF USE OF AGENCY WORKERS BY DIRECTORATE AND STRATEGIES IN PLACE FOR REDUCING DEPENDENCY ON AGENCY WORKERS
Q4 January - March 2013

Directorate	Q3 Oct – Dec 2012 Expenditure by Service Area	Q4 Jan - Mar 2013 Expenditure by Service Area	Justification of new Orders placed in Q4	State Usage of Agency Workers in Q4	What Strategies are in place for Reducing Dependency on Agency Workers
Chief Executive	£0	<u>£0</u>			
Children, Learning and Young People	Total Expenditure Q 3 £194,927	Total Expenditure Q 4 <u>£231,776</u>	Extra Workload: 6 Service User Need: 5 Vacancy Cover: 20 Planned peak work: 12 Replace Leaver: 2 Total: 45	The increase in spend is as a result of an increase in workload and cover for vacancies. Agency staff are required to cover the vacant posts to ensure that cases move through the social care system to reduce the number of Looked after Children	Recruitment to vacant posts will reduce the spend on agency staff.
City Services & Development	Total Expenditure Q 3 £100,731	Total Expenditure Q 4 <u>£172,199</u>	Recruit Difficulties: 14 Extra Workload: 6 Sickness Cover: 86 Leave/Hol Cover: 2 Vacancy Cover: 31 Planned Peak Work: 32 Service User need: 5 Total: 176	The primary reason for use of agency workers in Q4 is as follows: Planning Transport & Highways: The division is waiting for the new professional services contract to start on 1st June. Streetpride: Covering a number of vacancies now being recruited to. Domestic Waste: To cover extra collections to catch up from Christmas and adverse weather conditions. Sickness has also increased. Property Asset Mgt, Cleaning: Most spend is due to sickness and vacancy cover in cleaning	Strategies to monitor use and reduce agency use and expenditure: -Before appointing agency workers secondment of internal employees is considered -Consider if use of agency staff or short term contract is justified in providing value for money against the alternative of recruitment. Recruitment remains the normal way in which the vast majority of posts are filled. -Assistant Directors monitor the use and expenditure on Agency

				services to schools. If agency workers are not used, they could lose income and they do budget for some sickness cover in the charging regime.	workers -The directorate has completed work on creating casual worker pools
Community Services	Total Expenditure Q 3 £255,235	Total Expenditure Q 4 <u>£248,943</u>	Replace Leaver: 20 Extra Workload: 8 Sickness Cover: 221 Hol Cover: 55 Service User need: 35 Training & Dev: 4 Vacancy Cover: 178 Planned Peak Work: 9 Income Gen: 2 Recruit Difficulties: 33 Total: 565	There has been a reduction in Agency spend since Q3	There has been a reduction in Agency spend since Q3
Customer & Workforce Services	Total Expenditure Q 3 £284,163	Total Expenditure Q 4 <u>£267,966</u>	Recruit Difficulties: 3 Extra Workload: 8 Vacancy cover: 39 Sickness: 4 Service User Need: 5 Planned Peak Work: 24 Total: 83	There has been an REDUCTION in Agency spend since Q3	There has been a REDUCTION in Agency spend since Q3.
Finance & Legal Services	Total Expenditure Q 3: £209,616	Total Expenditure Q 4: <u>£222,270</u>	Replace Leaver: 3 Extra Workload: 4 Sick: 3 Leave: 2 Planned peak work: 23 Service User Need: 11 Vacancy Cover: 16 Total: 62	Expenditure on agency workers has been within Rev&Bens and Legal Services. Primary reasons for spend: -Revenue & Benefits: Maintaining and improving existing levels of service is vital with many issues on welfare reform to deal with. Planning for welfare reform has meant a number of staff are now operating in temporary roles. Maintaining	Revenue & Benefits: There is expected to be on-going dependency on agency workers until the implications of Welfare Reform on the Council's staffing structures are clearer. Legal Services: Nearing completion of a revised organisation structure that would determine the future staffing levels. The requirements of CLYP and

				<p>agency staff has provided additional resilience, in addition to providing service cover due to vacancies and training of new staff. Delays in assessing this work means that resulting over-payments could be classed as “local authority error”. This will impact on the service’s ability to control subsidy penalties, which could cost over £740,000 if overpayments are not minimised.</p> <p>Legal Services: During Q4 1 additional locum was recruited due to increase in workload (Social Care).The post is funded by CLYP and recharged. In total the service currently has 12 locums, 7 of which are recharged to CLYP/ Community Services. In addition there has been increased workloads in Corporate Governance.</p>	<p>Community Services would be met from within the new structure and the population of the new structure would remove the on-going dependency on agency workers.</p>
OVERALL TOTALS	Q3 £1,044,672	Q4 1,143,134	Q4 Total orders placed: 931		