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Cabinet Member for Strategic Finance and Resources

13 July 2015

**Name of Cabinet Member:**

Cabinet Member for Strategic Finance and Resources – Councillor Gannon

**Director Approving Submission of the report:**

Executive Director of Resources

**Ward(s) affected:**

All

**Title:**

Agency Workers and Interim Managers – Performance Management Report Q4 (1 January to 31 March 2015) with a final summary of 2014-15 compared with 2013-14.

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**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.

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**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 2015; to compare Q3 2014/15 with Q4 2014/15 expenditure. To also compare the final figures on agency workers for 2014/15 with the previous year 2013/14. Finally to consider Interim Manager spends for the same periods.

**Recommendations:**

The Cabinet Member is asked to:

1. Approve monitoring processes to continue for both Agency workers and Interim Managers
2. Endorse compliance with the corporate policy on the recruitment of Temporary Agency Workers through the Master Vendor, Pertemps.
3. Instruct officers to 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 2014/15 for spends with the Master Vendor supplier, Pertemps.

The information attached in Appendix II show the justification of new orders placed by Directorates for agency workers during Q4 2014/15 for spends with Pertemps.

**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 January to 31 March) and Interim Managers spends.

**1. Context (or background)**

The Master Vendor contract requires all agency workers to be ordered through the Master Vendor, Pertemps and came into force on the 2 December 2013. The Master Vendor will supply all suitable agency workers through their own agency or through a 2<sup>nd</sup> 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 the Master Vendor. The information supplied by the Master Vendor on the agency spends gives detailed information on agency worker usage and spends.

**Options considered and recommended proposal**

The table in 2.1 below shows a comparison for Q3 for 2014/15 with Q4 2014/15 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 agency workers in schools.

**2.1 Table for comparison with Q3 2014/15 and Q4 2014/15 Agency Spend.**

<b>Directorate</b>	<b>Spend Q3 2014/15</b>	<b>Spend Q4 2014/15*</b>	<b>Increase/decrease</b>
People Directorate	£1,750,516	£1,924,873	Increased
Places Directorate	£99,033	£84,576	Decreased
Resources Directorate	£262,053	£276,945	Increased
Chief Executives	£0	£0	
<b>TOTAL</b>	<b>£2,111,602</b>	<b>£2,286,394</b>	<b>Increased</b>

**Directorate Commentary on increased Agency worker Spend for Q4 2014/15****People Directorate**

Expenditure on Agency Workers increased by £174,357 in quarter 4 compared to Q3. This increase reflects the ongoing requirement for experienced children's social workers to deal with higher workload, particularly within the Referral and Assessment Service and in Children's Social Care, due to the unprecedented rates of contacts at the moment. There is an on-going recruitment campaign including attendance at 2 recruitment fairs to try and recruit to vacancies within Children's Social Work with a view to reducing the need for agency workers in the longer term. A Children's Social Care Workforce Strategy will also include plans for the recruitment retention and development of Social Workers going forward.

Agency spend in Internally Provided services within Adults has reduced. This is due in the main to managers successfully developing a relief pool of casual workers. Care workers, who have expressed an interest in Early Retirement or have volunteered for redundancy in the abcs review are also being asked if they would be interested in working on a casual/relief basis at some point in the future.

Work is continuing regionally between 14 local authorities in the West Midlands to cap the agency worker hourly rates for Children's Social Workers (this varies depending on the level being appointed to). Concerns had been raised by Chief Executives and the Director of Children's Services in the region about escalating hourly rates for Children's Social Workers so a meeting was held in 2014 to agree on capped rates for several levels of social workers and an agreed protocol was signed by all 14 contributing local authorities. These capped rates were introduced at the beginning of January 2015. Social workers currently engaged with an Authority will remain on their agreed rates until such time as they move authorities and then the new rates will be applied. Work is also in progress to create a centralised bank of references held on behalf of participating authorities. This will enable more effective monitoring of agency worker performance between Authorities. This project should result in hourly rates for agency social workers remaining static and ultimately reducing. Other authorities from surrounding areas have shown an interest in the project and will be interested to see how we progress. Managers are required, as is our Master Vendor Pertemps, to ensure that no hourly rate is awarded above the agreed capped rate and exceptions will be reported to the Director. To date, we have had no negative feedback on this new scheme, or seen any mass exodus of agency social workers from the local authority. We will continue to monitor the effectiveness of the protocol over the coming months.

## **Resources Directorate**

Expenditure on agency workers has increased on Q3 in Q4 by £14,892. This increase in spend is due to the on-going use of contractors in the ICT area although a more cost effective way of resourcing this work is being looked at with a view to reducing spend in the longer term. In addition spend has gone up slightly for legal services and the forthcoming review should address agency expenditure in this area.

### **2.1.1 Table of Comparison of spends for agency workers between 2013/2014 and 2014/2015**

<b>Directorate</b>	<b>Spends 2013/14</b>	<b>Spends 2014/15</b>	<b>Increase/Decrease</b>
<b>People</b>	<b>£2,990,852</b>	<b>£6,701,183</b>	<b>Increased</b>
<b>Places</b>	<b>£753,108</b>	<b>£412,203</b>	<b>Decreased</b>
<b>Resources</b>	<b>£1,348,845</b>	<b>£1,021,833</b>	<b>Decreased</b>
<b>Chief Executives</b>	<b>£7,067</b>	<b>£0</b>	
<b>TOTAL</b>	<b>£5,099,872</b>	<b>£8,135,219</b>	<b>Increased</b>

Decreases are shown on agency spend through the Master Vendor arrangement in Places and Resources Directorates and an increase in the People Directorate. However if you take into account the off contract spend incurred by Places, overall, this would show an increase in spend on agency workers when comparing years 2013/14 and 2014/15.

## 2.2 Comparison of authorised off contract spend on agency workers between Q3 and Q4

Directorate	Spend Q3	Spend Q4	Increase / Decrease
People	£667,317	£557,320	Decrease
Places	£1,718,824	£1,371,644	Decrease
Resources	£0	£0	
Chief Executives	£0	£0	
<b>TOTAL</b>	<b>£2,386,141</b>	<b>£1,928,964</b>	<b>Decrease</b>

## 2.3 Unauthorised Off-Contract spends Q4

There has been no unauthorised off contract spends for Quarter 4 identified.

## 2.4 Interim Management Spend for Q3 2014/15 and Q4 2014/15

Table 2.4 shows a summary of spend for Interim Management in Q3 2014/15 and Q4 2014/15. This relates to cover for post attracting a day rate for remuneration and generally are for posts graded over £50,000 pa.

Directorate	Number of Managers in Q3	Total Spend Q3	Number of Managers in Q4	Total Spends in Q4
People Directorate	2	£76,737	3	£131,750
Resources Directorate	1	£14,080	0	£0
Place Directorate	0	0	0	£0
<b>TOTAL</b>	<b>3</b>	<b>£90,817</b>	<b>3</b>	<b>£131,750</b>

### People Directorate

There were three interims employed in the People Directorate during Quarter 4. One of the Interims was appointed as Project Manager for the Better Care Fund. His Interim appointment ended at the end of March.

The two other Interim managers are covering vacancy posts as Interim Assistant Director Children's Social Care and Service Manager Fostering and Adoption

**Table 2.4.1 shows a comparison on spend on Interim Managers for 2013/14 compared with 2014/15**

Directorate	Total Spends on Interim Managers 2013/14	Total Spends on Interim Managers 2014/15	Increase/Decrease
People Directorate	£48,804	£325,537	Increased
Resources Directorate	£49,392	£67,480	Increased
Place Directorate	£18,700	£0	
<b>TOTAL</b>	<b>£116,896</b>	<b>£393,017</b>	<b>Increased</b>

### **3. Rebate**

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, Pertemp's procurement of agency workers is based on reducing agency mark ups in order to generate cashable savings.

The Management rebate income forecast for 2014/15 was initially forecasted to be £1,300,000. This forecast was based on an expected increase compared to last year's rebate to take into account the expected increase in spend on agency workers. For Q4 we received a rebate of £409,642 from Pertemps. The final total in rebate we received for the year 2014/15 was £1,446,724 which exceeded the initial forecast.

### **4. Strategic Management Board Comment**

The Master Vendor contract is 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 and to cope with sudden surges of demand. This will require the need for scarce skills and workers during these reviews; organisational restructures and sudden peaks in demand.

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 spend. 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 funded in part 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 Master Vendor contract. This occurs generally where the Master Vendor has been unable to supply an agency worker so we are forced to go to a supplier not on the Master Vendor contract. However we keep this to a minimum and try to ensure that this is only for short term cover whilst the Master Vendor tries to source other agency workers.

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. The Recruitment Team has successfully worked with Managers from Cleaning to undertake a recruitment exercise to build up a bank of cleaners and some catering staff available for temporary/ casual or permanent work. The team is working with Job Centre Plus; Remploy and the Council's Job Shop, as well as managers in the authority, to initially create opportunities for unemployed candidates to apply by holding 'open days' at the Job Shop and Remploy and giving them access to opportunities. This is with a view to trying to source our own workers for short term work therefore reducing the need for agency workers and giving opportunity to the unemployed to find employment with the City Council. Temporary and casual work may lead to permanent work in the future for candidates and this will be a way of recruiting workers to a bank rather than advertising individual vacancies, as we currently do, or using agency workers to fill short term cover during periods of review etc.

The new contract with Pertemps came into effect on the 2 December 2013. The contract, is a joint contract with Warwickshire and Solihull following an extensive tendering process, and has

now been fully implemented. The new contract is a hybrid Master Vendor arrangement which will provide the Council with additional advantages to the existing Master Vendor contract.

## **5. Results of consultation undertaken**

- 5.1 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.
- 5.2 The report is able to identify more accurately spend on agency workers and the reasons for spend.
- 5.3 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.
- 5.4 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.

## **6. Timetable for implementing this decision**

Not applicable

## **7. Comments from Executive Director, Resources**

### **7.1 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 Pertemps system is £2,286,394 which equates to 5.67% of the overall wage bill for this quarter (excluding schools).

Reed and Pertemps operate 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. The 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 Q4.

Reed's and Pertemps 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. We actively work with the master vendor to keep outstanding timesheets to a minimum.

### **8.2 Legal implications**

There are no specific legal implications associated with this report.

## **9. Other implications**

### **9.1 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.

## **9.2 How is risk being managed?**

No risks identified

## **9.3 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.

## **9.4 Equalities / EIA**

We have removed the equalities data for the next 2 quarters due to the incomplete equalities data the master vendor is able to provide at this time. We will be working with our master vendor to survey all our agency workers to make it mandatory for them to complete an equalities monitoring form which will incorporate a category of "prefer not to say" to try and increase the accuracy and the value of the data. No equality impact assessment has been carried out as the recommendations do not constitute a change in service or policy.

## **9.5 Implications for (or impact on) the environment**

None

## **9.6 Implications for partner organisations?**

None



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Resources Directorate

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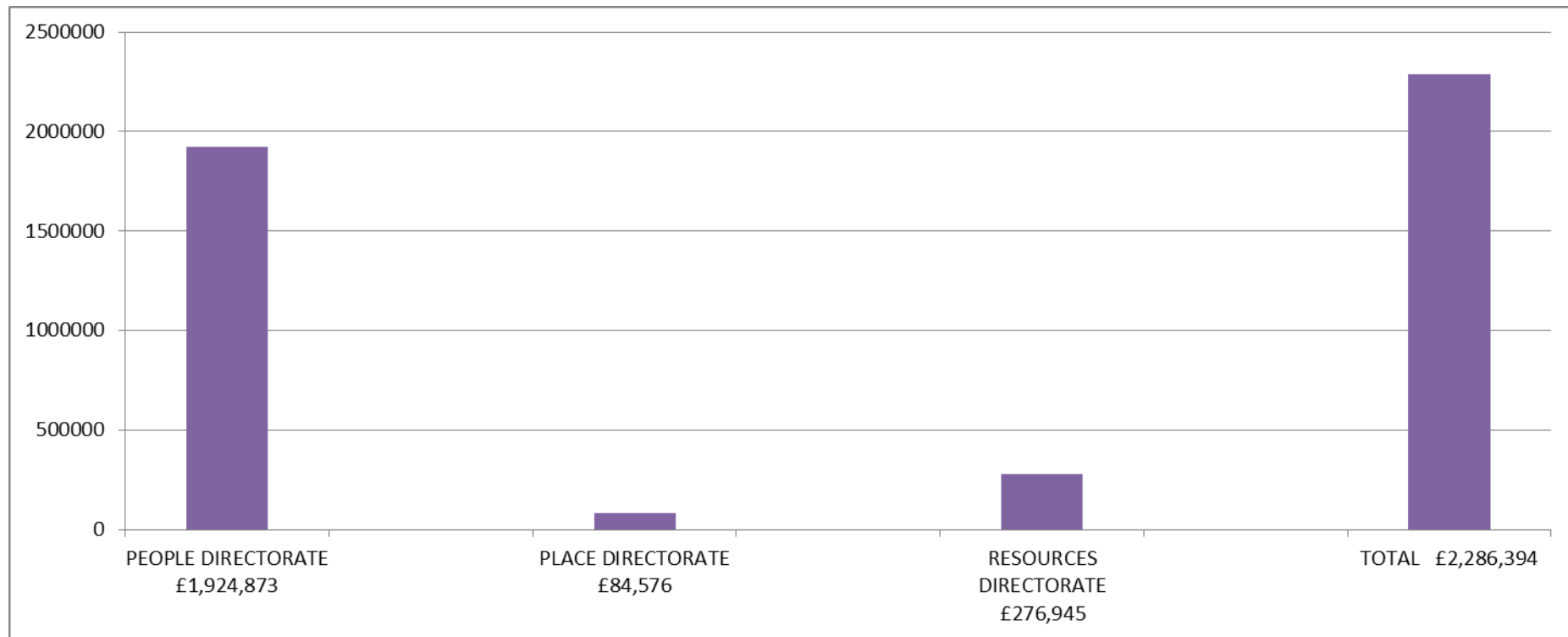
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Finance: Kathryn Sutherland	Lead Accountant	Resources	20 May 2015	26 May 2015
Legal: Julie Newman	Legal Services Manager, People	Resources	20 May 2015	1 <sup>st</sup> June 2015
Director: Chris West	Executive Director	Resources	6 May 2015	1 <sup>st</sup> June 2015
Member: Councillor Gannon	Cabinet Member		22 June 2015	22 June 2015

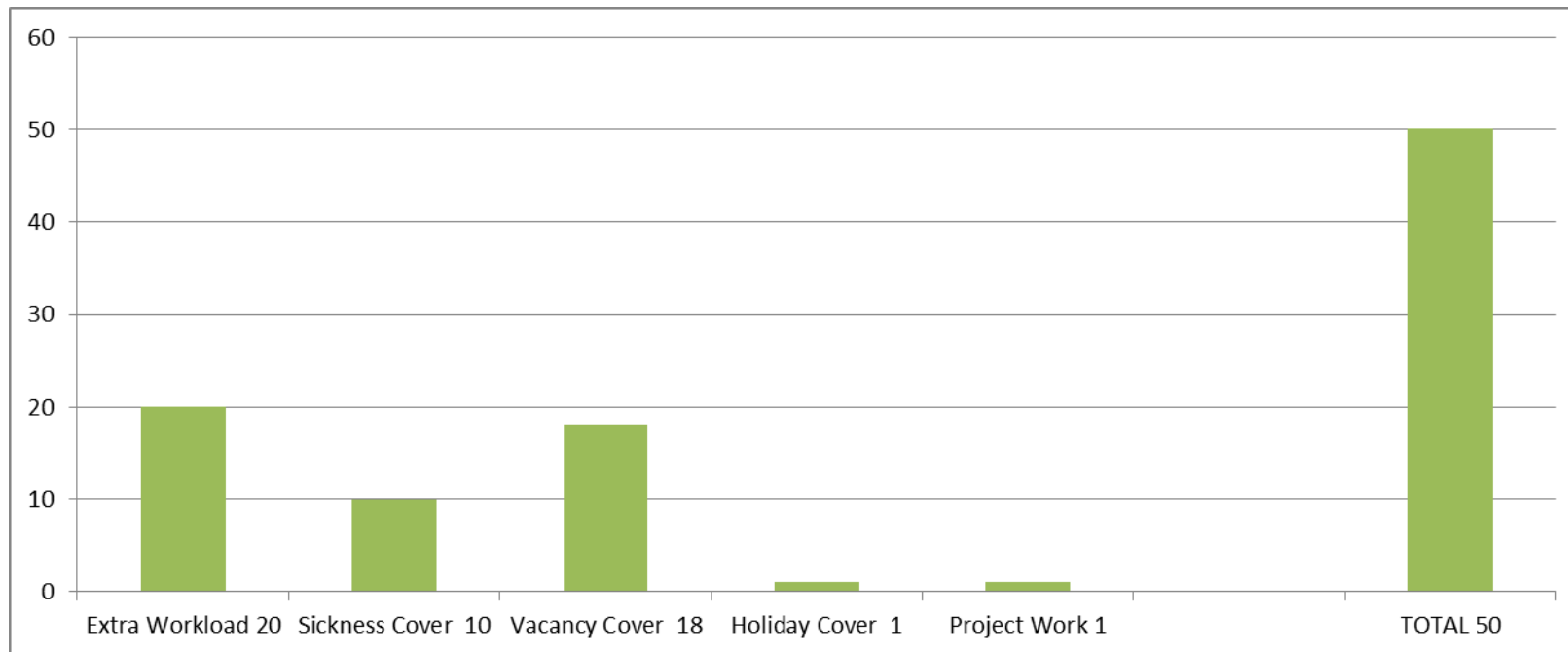
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## **APPENDIX I - AGENCY SPEND BY DIRECTORATE - JANUARY TO MARCH 2015**



## **APPENDIX II - ORDER JUSTIFICATION QUARTER 4 : JANUARY TO MARCH 2015**



**APPENDIX III - SUMMARY OF USE OF AGENCY WORKERS BY DIRECTORATE AND STRATEGIES IN PLACE FOR REDUCING DEPENDENCY ON AGENCY WORKERS**  
**Q4 JANUARY TO MARCH 2015**

<b>Directorate</b>	<b>Q3 October to December 2014 Expenditure by Service Area</b>	<b>Q4 January to March 2015 Expenditure by Service Area</b>	<b>State Usage of Agency Workers in Q4</b>	<b>What Strategies are in place for Reducing Dependency on Agency Workers</b>
People Directorate	<b>Total Expenditure Q3</b>  <b><u>£1,750,516</u></b>	<b>Total Expenditure Q4</b>  <b><u>£1,924,873</u></b>	<b>Increase in expenditure on Q3 of £174,357</b> There are two main factors ; Ongoing shortage of experienced social workers. Higher workload, particularly within the Referral and Assessment Service and in Children's Social Care, due to the unprecedented rates of contacts.	<b>Recruitment campaign for Children's Social workers is on going</b> <b>Recruitment and retention measures are in place to attract applicants and retain existing staff</b> <b>Children's Social Care workforce strategy will address plans for recruitment, retention and development of Social Workers</b>
Place Directorate	<b>Total Expenditure Q3</b>  <b><u>£99,033</u></b>	<b>Total Expenditure Q4</b>  <b><u>£84,576</u></b>	<b>Reduction in Agency spend since Quarter 3</b>	<b>Reduction in Agency spend since Quarter 3</b>
Resources Directorate	<b>Total Expenditure Q3</b>  <b><u>£262,053</u></b>	<b>Total Expenditure Q4</b>  <b><u>£276,945</u></b>	<b>Legal Services - have experienced an increase in workloads across all areas. Locums have been appointed to cover vacant posts until the pending Legal Services review is implemented.</b>  <b>ICT – external contractors have been engaged to assist with peaks in volumes of technical project work. There are significant levels of ICT change taking place across the council over a short period of time, for example, the new telephony system.</b>	<b>Once the review is completed agency spend will be reduced accordingly.</b>  <b>The ICT division is looking to fully utilise in-house resources and will look for alternatives to contractor spend where this represents value for money. In addition, where contract or specialist resource is used, then a focus is given to knowledge/skills</b>

			.	transfer as a training/coaching opportunity for in-house staff.
OVERALL TOTALS	Q3 £2,111,602	Q4 £2,286,394		