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Cabinet Member for Strategic Finance and Resources

23 March 2017

**Name of Cabinet Member:**

Cabinet Member for Strategic Finance and Resources – Councillor J Mutton

**Director Approving Submission of the report:**

Deputy Chief Executive (People)

**Ward(s) affected:**

None

**Title:**

Agency Workers and Interim Managers – Performance Management Report Q3 (1 September to 31 December 2016).

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**Is this a key decision?**

No.

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**Executive Summary:**

The purpose of this report is to provide the Cabinet Member with performance information on the use of agency workers procured for the Q3 period 1 September to 31 December 2016; to compare Q3 2016/17 with Q2 2016/17 expenditure. To also consider Interim Manager and other agency worker spends for the same period.

**Recommendations:**

The Cabinet Member for Strategic Finance and Resources is requested to:

1. Note the agency / interim spend for quarter three.
2. Note the work done on providing in-house solutions to providing agency and interim workers.

**List of Appendices included:**

The information attached in Appendix 1 shows the total expenditure over time on agency workers by Directorates up to and including Q3 2016/17 for spends with the Master Vendor supplier,

Pertemps, including for interims. The dotted line shows the trend line for the data shown; it does not predict spend in future quarters.

The information attached in Appendix 2 show the justification of new orders placed by Directorates for agency workers during Q3 2016/17 which resulted in spend with Pertemps.

Appendix 3 shows equalities data for workers supplied through the Pertemps contract.

**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 Management Report Q3 (1 September to 31 December 2016).

### 1 Context (or background)

1.1 Coventry City Council has a Master Vendor Contract with Pertemps for the supply of agency workers. This came into effect in December 2013 and has recently been extended until December 2017. Through the contract, Pertemps 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 Pertemps gives detailed information on agency worker usage and spends. However, it is recognised that Pertemps will not always be able to supply the needed agency workers and therefore it is possible, with appropriate safeguards, for service areas to use other supplies where Pertemps are not able to supply.

### 2 Directorate Commentary on Agency worker Spend for Q3 2016/17

2.1 The table in 2.2 below shows a comparison for Q3 for 2016/17 with Q2 2016/17 and indicates where there has been an increase or a decrease in spend. The Master Vendor Contract covers all agency workers required by the core council. Where Pertemps are not able to meet an order, following a discussion with the HR Contract permission to go off contract will not be unreasonably withheld. The Pertemps contract does not cover agency workers in schools.

#### 2.2 Table of Spend with Pertemps: comparing Q1 2016/17 and Q2 2016/17

Directorate	Spend Q2 2016/17	Spend Q3 2016/17	Increase/decrease
People Directorate	£1,568,793	£1,066,522	-£502,271
Place Directorate	£169,609	£248,271	£78,661
Resources Directorate	£67,900	£112,529	£44,629
Chief Executives	£0	£0	--
<b>TOTAL</b>	<b>£1,806,302</b>	<b>£1,427,322</b>	<b>-£378,981</b>

#### 2.3 People Directorate

As suggested in recent reports, there has been a continuing reduction in spend this quarter as the service continues to recruit permanent, experienced social workers. Agency and interim spend is the most significant in People and the 32% reduction in spend in this area from Q2 to Q3 means that overall the Council's spend has reduced this quarter by 20%.

The recruitment campaign continues with the Recruitment Team working closely with colleagues in People Directorate to ensure a co-ordinated process for recruitment and the reduction in Agency workers. The ongoing recruitment campaign is attracting social workers to Coventry with some Agency workers opting to take on permanent roles with the service as indicated in table 2.3 below.

Table 2.3: Recruitment of Social Workers as at 28<sup>th</sup> February 2017

	Have accepted offer	Of those accepted: have started
Experienced	31	29
Newly Qualified	30	28
Total	61	57

The cost of Children’s Social Workers is being restrained by the West Midlands regional agreement. This involves 14 local authorities and has the effect of capping the rates paid to all newly appointed agency social workers. In this quarter, spend on Children’s social workers is £806,508 compared with £1,337,627 in quarter 2, representing a reduction in the monthly average from £445,891 in Q2 to £268,836 in Q3.

For Q3 spend on Children’s social workers represents 75.6% (Q2 = 85.3%) of the agency spend by People directorate and 56.5% (Q2 = 74.1%) of the corporate spend on the Pertemps contract.

#### 2.4 Place Directorate

The Place Directorate registered 46% increase in spend during the quarter, partially explained by the distorting affected of the Christmas holiday. A wide variety of roles were covered including:

- Waste Services (collectors and drivers) to cover for the Christmas and New Year period
- Neighbourhood Operative – Vacancy Cover and Extra Workload
- Planning Officer – Vacancy Cover
- Semi-Skilled Operator – Vacancy Cover and Extra Workload
- Visitor Information Assistant – Vacancy Cover
- General Driver – Vacancy Cover
- Kitchen assistant (St Mary’s Guildhall)
- Drainage operative

#### 2.5 Resources Directorate

The Resources Directorate recorded a rise during the quarter contributed by a variety of roles covered including:

- Lawyer – Vacancy Cover
- HR advisor – Vacancy Cover and Extra Workload
- ICT roles – Sickness Cover and Project Work
- Records Manager – Vacancy Cover

**2.6 Table for Comparison of Interim Spend with Pertemps; Q2 2016/17 with Q3 2016/17**  
 [These figures are also included in Table 2.2, above]

Directorate	Total Spends in Q2	Total Spends in Q3	Increase / Decrease in Spend
People: Children's	£10,098	£0	<b>-£10,098</b>
People: Education	£0	£0	£0
People: Adults	£0	£0	£0
Place	£0	£0	£0
Resources	£20,155	£59,587	£39,432
<b>TOTAL</b>	<b>£30,253</b>	<b>£59,587</b>	<b>£29,334</b>

**2.7 Table for Comparison of Spend Q2 2016/17 with Q3 2016/17 outside of the Pertemps contract:**

Directorate	Total Spends in Q2	Total Spends in Q3	Increase / Decrease in Spend
People: Children's	£142,179	£228,452	£86,273
People: Education	£74,363	£80,720	£6,357
People: Adults	£0	£0	£0
Place	£220,303	£294,801	£74,498
Resources	£35,648	£60,905	£25,257
<b>TOTAL</b>	<b>£472,493</b>	<b>£664,878</b>	<b>£192,385</b>

This includes workers contracted through other agencies outside of the Pertemps contract or are contracted directly.

**2.8 Directly Contracted Workers**

The number of directly contracted workers has reduced significantly and at the end of the quarter there were ten active contractors, all bar one, working in the People Directorate and mainly within Children's Services. This may be in part to increased scrutiny of this type of arrangement by HR, Finance and Procurement and compliance has been aided by the preparatory work to implement impending changes to IR35 – the way in which contractors in the public sector are taxed, in April.

**2.9 Unapproved Agency Spend**

Whilst the agency spend may be authorised appropriately within the service area, there are several workers or consultants who have been contracted outside of the Pertemps contract and without the knowledge and approval of the CCC contract manager. For the purposes of this document this is being referred to as unapproved agency spend.

During the quarter such spend was discovered within People, Education in two areas:

- A team of five Quality Assurance Monitoring Officers
- A consultant working with staff to improve the quality of early years Pupil Education Plans (PEP's)

These costs are included in table 2.7 above.

### **3. Rebate**

3.1 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, Tempus procurement of agency workers is based on reducing agency mark ups in order to generate cashable savings. The rebate for quarter 3 is £254,499 which compares with a figure of £283,892 in quarter 2, 2016/17 which reflects the reduced quarter 3 spend shown in table 2.1.

### **4. Alternative solutions to agency staff**

4.1 Work has commenced on developing in-house solutions to some of the Council's staff shortages. Within the People Directorate, Children's Services is developing some ideas on an alternative contract that pitches hourly rates similar to those that can be earned working through an agency. Other benefits and inducements are also being considered as part of a package to be offered to Social Workers to take roles with the Council.

4.2 The Place Directorate has two strategies to reduce the reliance on agency workers within Waste. Firstly there is a pool of employees, who are contracted full time but who may be placed within any team that requires them. These employees typically fill in to cover leave and absence. Secondly there is a small bank of casual workers, usually drawn from workers who have previously worked for the Council via an agency, who are offered work when shifts cannot be covered through the substantive workforce or during times of peak activity. This bank of casual workers is being expanded in anticipation of increases in workload. The arrangements for the 'peripheral' workforce, outside of the 'core' substantive workforce, will be discussed separately and in greater detail with the Cabinet Member for Strategic Finances and Resources for strategic direction.

### **5. Overall Management 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 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 at least in part by the relevant staffing budget.

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 identify workers, who are available for casual, temporary or permanent work in order to reduce the use of agency workers. However, some roles continue to be hard to recruit. In the case of children's social workers we have had some success with the current campaign which has been evolved to make extensive use of social media. The result of the current campaign are shown in table 2.3 above. Nevertheless recruitment of experienced, high quality children's social workers continues to be difficult.

The contract with Pertemps came into effect on the 2 December 2013 and is joint with Warwickshire and Solihull following an extensive tendering process. The contract is a hybrid Master Vendor arrangement which will provide the Council with additional advantages to the existing Master Vendor contract.

## **6. Results of consultation undertaken**

- 6.1 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.
- 6.2 The report is able to identify more accurately spend on agency workers and the reasons for spend.
- 6.3 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.
- 6.4 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.

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

Not applicable

## **8. Comments from Director of Resources and Corporate Services**

### **8.1 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 £1,427,322 which equates to 3.69% of the overall wage bill for this quarter (excluding schools).

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 Q3.

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?**

There may be a risk to the Council where managers go outside of the Pertemps and contract directly with workers with the advent of changes to IR35 arrangements. There has been numerous communications across the Council to inform managers of changes and there will continue to be as we approach the changes that will take place in April 2017.

### **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**

The master vendor has made considerable efforts to ensure that the equalities monitoring form is completed. The graphs in appendix 3 show the main equalities data at corporate level for the agency workers who were on assignment with us in the month of September 2016.

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

**8.6 Implications for partner organisations?**

None

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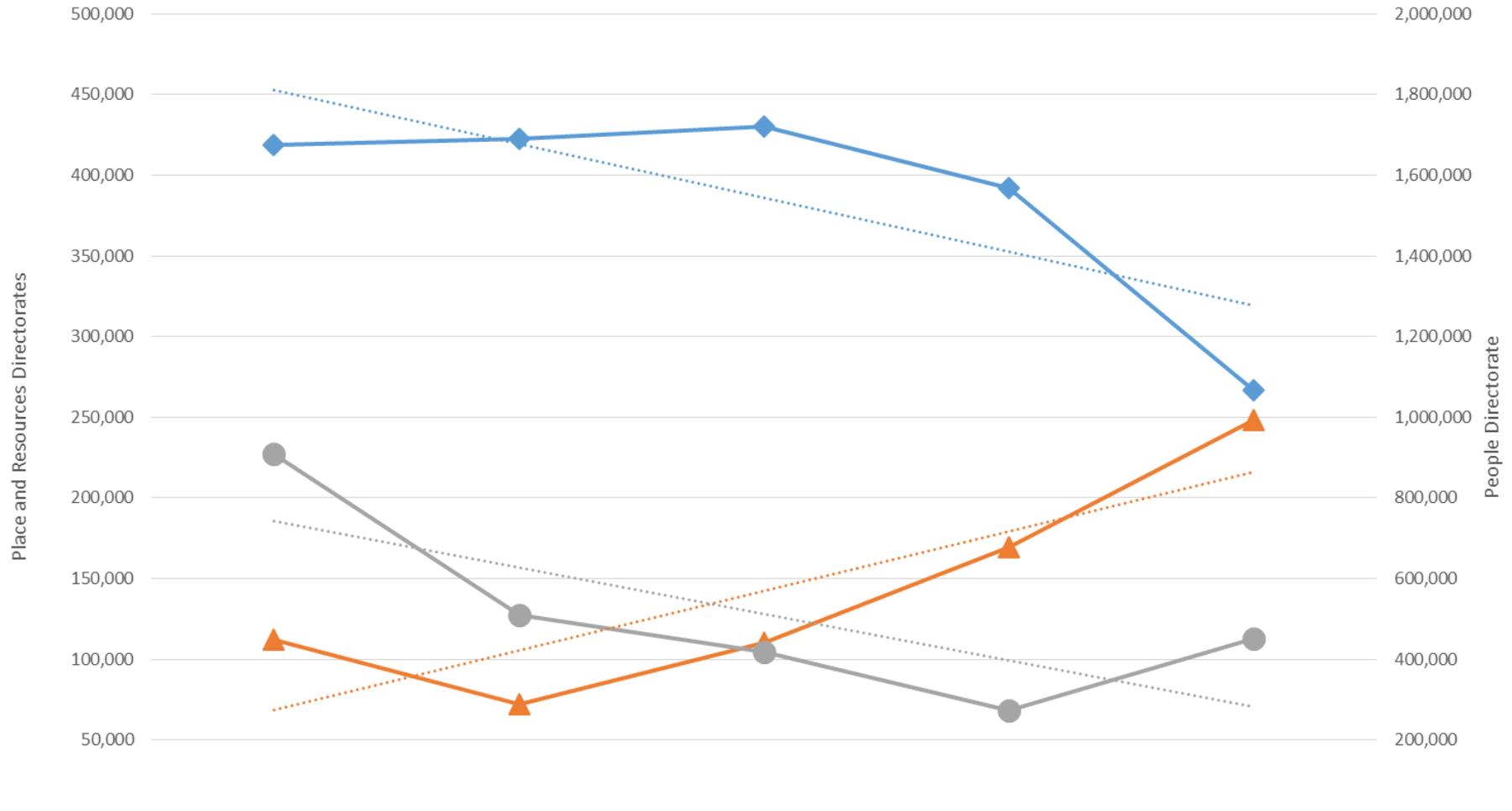
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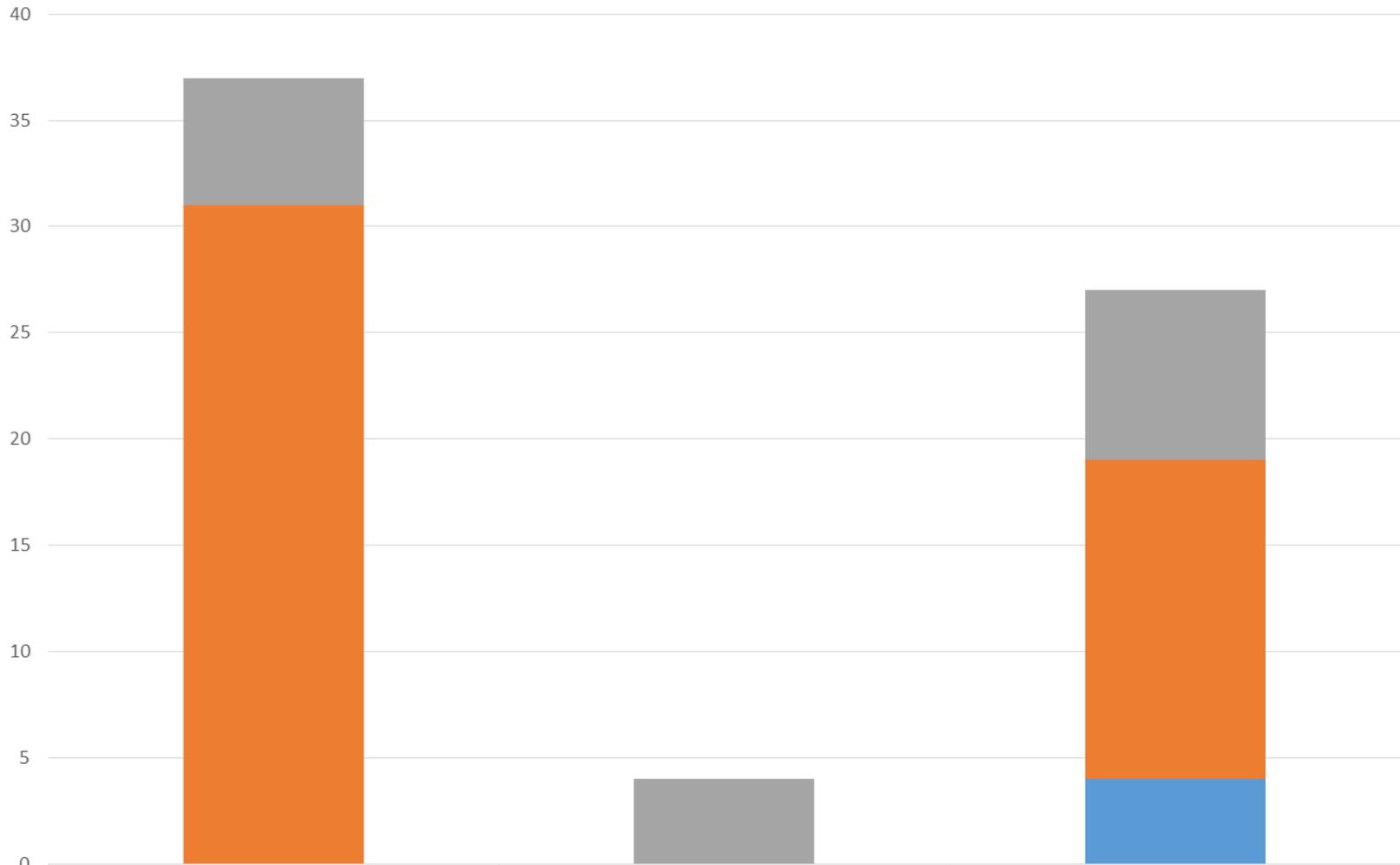
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Appendix 1 - Comparison of Directorate Spend with Pertemps Q3 2015/16 to Q3 2016/17



	2015/16 Q3	2015/16 Q4	2016/17 Q1	2016/17 Q2	2016/17 Q3
Place	111,977	71,949	109,934	169,610	248,271
Resources	227,082	127,570	104,453	67,900	112,529
People	1,674,509	1,689,315	1,719,826	1,568,793	1,066,522

Appendix 2: Breakdown of Reason for Order for new orders placed in Q3 2016/17



	Extra Workload	Sickness Cover	Vacancy Cover
■ People Directorate	6	4	8
■ Place Directorate	31		15
■ Resources Directorate			4

**Appendix 3 Equality Data for Agency Workers via the Pertemps Contract (Q3 2016/17)**

