

Report to: **Audit Committee**
Date: **24 September 2015**
Title: **THE USE OF AGENCY STAFF**
Portfolio Area: **Support Services – Cllr S Wright**
Wards Affected: **All**
Relevant Scrutiny Committee: **Overview and Scrutiny Panel**

Urgent Decision: **N** Approval and clearance obtained: **Y**

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Recommendations:

- 1. To note the contents of the report; and**
- 2. That the Senior Leadership Team (SLT) continue to monitor the use and cost of using agency workers.**

1. Executive summary

- 1.1 In 2014/15, the total cost of agency staffing was £1.249 million (shared between two Councils) as shown in Section 2.15. This equates to 9.9% of the total cost of both salary costs and agency costs. The use of agency workers to fill vacancies in the short term can reduce the need to make permanent members of staff redundant in the longer term, avoiding both the financial cost of severance payments and helping to secure the longer term employment prospects for existing employees.
- 1.2 There has been a higher than normal use of agency staff during the transition period of the Council's Transformation Programme which has gone live in stages over 2014/15 and 2015/16.

2.1 Background

2.1 The report has been brought to the Audit Committee at the request of the Chairman. The information requested by the Chairman is set out below:-

- The total cost of all Agency staff over the last two years, 2014/15 and 2013/14
- The total cost of Agency staff to date in 2015/16
- The total current number of Agency staff engaged by the Council
- The total amount paid to all Agencies over the past two years
- The total current amount being paid to all Agencies by South Hams District Council

2.2 The managed use of Agency workers remains an important component of the Council's staffing resources and helps to provide the flexibility needed to meet periodic fluctuations in demand for services, to cover for short-term vacancies or absences and where the demand for services is uncertain and subject to change.

2.3 Agency workers can be engaged rapidly in response to changing operational needs without the time and expense associated with recruitment. The use of agency workers also transfers the risk and liability for the worker to the agency. The worker does not accrue employment rights directly enforceable against the Council. However it should be noted that under the Agency Worker Regulations 2010, after a twelve week qualifying period agency workers can claim equal treatment to staff engaged directly by the Council, although they cannot claim unfair dismissal, redundancy pay or request maternity or paternity leave. Agencies generally take responsibility on behalf of the Council for ensuring equal treatment after the twelve week period, obtaining relevant information about basic terms and conditions from the Council.

2.4 The Senior Leadership Team (SLT) consider requests to engage a temporary agency resource through HR Panel meetings which consist of three members of SLT. In some cases, an agency worker is engaged whilst consideration is given to alternative ways of delivering the service without the need for a permanent replacement.

2.5 The use of agency workers to fill vacancies in the short-term can reduce the need to make permanent members of staff redundant in the longer term, avoiding both the financial cost of severance payments and helping to secure the longer term employment prospects for existing employees. Therefore there has been a higher than normal use of agency staff during the transition period of the Council's Transformation Programme (T18).

- 2.6 In December 2014 the Council agreed to a revised business plan for the T18 Programme. The new operating model in partnership with West Devon Borough Council will ensure that both Councils can continue to deliver quality services for customers and communities. An investment budget of £4.61 million has been approved for T18, to deliver annual recurring revenue savings of £3.37 million. The payback period for the Programme is 2.5 years.
- 2.7 The budgeted salary savings to be delivered by the project were £290,000 in 2014/15, rising to £1,375,000 in 2015/16 and £2,464,000 by 2016/17. The Council is on track to make these savings.
- 2.8 The Benefits service use agency staff for several reasons. There is a national shortage of qualified Benefits Assessors as staff retrain in preparation for the role out of Universal Credit, which will remove the administration of Housing Benefit from Local Authorities. This comes at a time when there is a peak in demand due to the raft of welfare reform changes taking place.
- 2.9 In Development Management, agency workers have played a significant part in helping to maintain performance and provide cover during times of recruitment, leave and sickness. Agency staff continue to have a part to play during times of high workload and the transition period for the Transformation Programme.
- 2.10 In Support Services, agency workers have provided additional administrative and ICT support during the transitional period between Phase 1a of the Transformation Programme and the implementation of the new technology that will allow services to be delivered with a reduced workforce.
- 2.11 The use of agency staff within Environment Services has also been higher than usual over the past reported period. This has been due to a combination of:-
- vacancies being covered by agency staff pending the completion of the waste review operational changes and
 - due to agency staff being required to cover long term sickness and service vacancies held over during the period of the transformation programme go live period.

The number of agency staff in this business area has recently been reduced through permanent recruitment and final business reviews are now coming to completion and will be finalised by April 2016.

- 2.12 On 1 November 2013, after a competitive procurement exercise, a Master Vendor contract was entered into between the Council and Acorn Staffing for the provision of agency workers for a maximum period of four years. This same contract was also entered in to by a number of other Devon local authorities.
- 2.13 By entering into a Master Vendor contractual arrangement with Acorn (formerly known as Concept Staffing) the Council is able to secure a competitive and fixed price for the supply of agency workers and to negotiate the waiver of fees normally charged if an agency worker takes up a permanent post with the Council.
- 2.14 In circumstances where the Master Vendor is unable to supply a suitable candidate, the Council engages with other agencies. This is more prevalent in the supply of Specialists.
- 2.15 The table below shows the total cost of agency workers in the past three financial years. For the financial year 2014-15, the total cost of agency workers amounted to 9.9% of the total costs. *The costs shown are the amounts before an element of the costs are recharged to West Devon Borough Council for shared work. Therefore the actual cost paid by South Hams District Council is lower than the figures shown below. Details of the amount recharged to West Devon Borough Council are shown in the tables 2.16 and 2.17.*

Employee and Agency Staffing

Description	14-15	13-14	12-13
Total salary costs (including basic pay, overtime, employer's NI and pension contributions)	11,274,528	11,599,168	11,591,070
Agency Staffing	1,249,704	1,033,613	738,275
Total costs	12,524,232	12,632,781	12,329,345
Agency Staffing %	9.9%	8.2%	6.0%

2.16 The table below shows the distribution of the expenditure during 2014/15 and 2013/14.

EMPLOYEE COSTS (AGENCY STAFFING)

Full year 2014/15

Service	
Non-Manual Workers	£'s
Planning, Economy and Community	279,670
Council Tax, Benefits and Housing Advice	137,211
ICT Services	126,035
Building Maintenance	91,881
Customer Services	69,034
Environment Services	50,309
Legal Services	59,729
Finance	20,903
Personnel & Payroll	16,654
Aggregate of other departments (less than £10K)	31,012
Manual Workers	
Environment Services	309,712
Grounds Maintenance	43,788
Trade Waste	8,152
Street Scene	5,614
TOTAL for 2014/15 (See Note below)	1,249,704
<p>Note – Of this cost of £1.249 million, approximately £150,000 was recharged to West Devon Borough Council. None of the manual workers costs, planning or building maintenance costs are recharged, as the agency staff are carrying out only South Hams work.</p>	

2.17 **EMPLOYEE COSTS (AGENCY STAFFING)**

Full year 2013/14

Service	
Non-Manual Workers	£'s
Planning, Economy and Community Council Tax, Benefits and Housing Advice	245,317 317,074
Building Maintenance	34,549
Customer Services Environment Services	22,258 19,312
Legal Services Land Charges	80,429 11,631
Finance	13,923
Aggregate of other departments (less than £10K)	24,490
Manual Workers	
Environment Services Grounds Maintenance	172,899 31,921
Trade Waste Street Scene (incl beach cleaning)	19,287 40,523
TOTAL for 2013/14 (See Note below)	1,033,613
<p>Note – of this cost of £1.033 million, approximately £90,000 was recharged to West Devon Borough Council. None of the manual workers costs, planning or building maintenance costs are recharged, as the agency staff are carrying out only South Hams work.</p>	

2.18 Costs to date for the financial year 2015/16:

Costs from April 2015 to August 2015:

Service	
Non-Manual Workers	£'s
Planning, Economy and Community Council Tax, Benefits and Housing Advice	188,546
ICT Services	40,125
Building	77,354
Maintenance	17,881
Customer Services	64,424
Environment Services	37,274
Legal Services	48,666
Service Processing	30,046
Natural Environment and Recreation	1,215
Personnel & Payroll	5,726
Aggregate of other departments (less than £10K)	26,975
Manual Workers	
Environment Services	191,308
Grounds Maintenance	40,716
Trade Waste	1,950
Street Scene (incl beach cleaning)	5,716
TOTAL spend to date for 2015/16*	777,922
* Note – Some of this cost will be recharged to West Devon Borough Council.	

2.19 As at July 2015, the Council has 130 agency staff, of which 76 are manual staff and 54 are clerical/professional staff.

3 Value for Money External Audit Opinion

3.1 The Council's external auditors, Grant Thornton, have assessed the Council's arrangements for securing value for money, as part of their annual audit of the Accounts. Their findings are detailed in the 'Audit Findings' report, which is also an item on this Audit Committee agenda. An extract of their findings is shown below:

3.2 Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

The Council's plans prioritise its resources reflecting the financial constraints. The T18 programme has been built upon the re-structuring of all the Council's activities which aims to ensure that all parts of the organisation are focussed on delivering services efficiently.

3.3 Overall VfM conclusion from Grant Thornton:

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

4. Agency expenditure for 2015/16, 2014/15 and 2013/14

4.1 The table below shows agency expenditure broken down by individual agency name.

Agency Name	Expenditure 2015-16 (to date)	Expenditure 2014-15	Expenditure 2013-14
	£	£	£
Acorn (formerly Concept Staffing)	408,246	665,918	533,683
Randstad CPE Ltd	-	-	118,595
The Oyster Partnership Ltd	90,014	105,254	51,382
Matchtech Group (UK) Ltd	69,239	149,482	56,285
Venn Group Ltd	45,328	60,925	57,554
WA Consultants Ltd	35,857	80,389	-
Liberata UK Ltd	-	-	51,218
Morgan Hunt UK Limited	22,747	27,963	42,944
Senitor Associates Limited	19,713	16,405	-
HBHC Synergy Limited	16,688	47,865	72,908
Prism Solutions	15,625	21,625	-
IESE Transformation Ltd	13,118	-	-
Driver Hire	12,145	18,928	-
Trial Balance Consulting Limited	11,908	14,878	-
Cathedral Appointments Ltd	11,040	-	-
Building Recruitment Company Ltd	6,057	22,144	-
Ambridge Harris Associates Ltd		5,601	-
Northgate Information Solutions UK Ltd	-	-	13,260
Other	197	12,327	35,784
TOTAL	777,922	1,249,704	1,033,613

5. Proposed Way Forward

The appropriate use of agency workers will continue to be managed and monitored by the Senior Leadership Team, in discussion with HR and Finance.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The report has been requested by the Chairman of the Audit Committee. The Audit Committee has a responsibility to monitor the value for money arrangements of the Council.</p> <p>In October 2011, the Agency Worker Regulations were introduced and provide that an agency worker must broadly receive the same pay and conditions as a comparable directly employed person once they have worked for the Council for 12 weeks.</p>
Financial	Y	In some cases there can be a higher cost associated with using an agency worker rather than a fixed-term employee. However, when managed correctly, the advantages drawn from the flexible and short term nature of using agency workers offset any increase in cost. Agency staff can be used for relatively short periods without accruing employment rights.
Risk	Y	
Comprehensive Impact Assessment Implications		
Equality and Diversity	N/A	None directly arising from this report.
Safeguarding	N/A	None directly arising from this report.
Community Safety, Crime and Disorder	N/A	None directly arising from this report.
Health, Safety and Wellbeing	N/A	None directly arising from this report.
Other implications	None	None directly arising from this report.

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed	Yes
SLT Rep briefed	Yes
Relevant Exec Director sign off (draft)	Yes
Data protection issues considered	Yes
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	N/A