

Item No: 3	Classification: OPEN	Date: 30 November 2004	Meeting Name: OVERVIEW & SCRUTINY COMMITTEE
Report Title:		Request for scrutiny of the Council's use of agency staff [Regeneration & Resources Scrutiny Sub-Committee, 9 September 2004]	
Ward(s) or Group affected:		All	
From:		Head of Overview & Scrutiny	

RECOMMENDATION

1. That Overview & Scrutiny Committee give direction in respect of the request from Regeneration & Resources Scrutiny Sub-Committee for scrutiny of the authority's use of agency staff.

BACKGROUND

2. At the meeting of Regeneration & Resources Scrutiny Sub-Committee on 9 September 2004 Members agreed to ask Overview and Scrutiny Committee to investigate the excessive use of agency staff, and the reasons for this. In addition to having been highlighted in the authority's most recent CPA report, Members had at this meeting discussed the efficiencies of employing temporary staff and believed that this might be a particular problem in the Regeneration department.
3. Under paragraph I) of the terms of reference for Overview & Scrutiny Committee, this body has scrutiny responsibility for *"matters in respect of Human Resources and the Council's role as an employer and corporate practice generally"*.
4. This matter therefore stands referred to OSC for scrutiny or delegation to one of its sub-committees for review.

MATTERS FOR CONSIDERATION – COMMENTS FROM THE HEAD OF HUMAN RESOURCES

Overview

5. It is generally accepted, and politically supported, that the Council is best served by people who are employed, trained and supervised on formal contracts with the Council, but it is also accepted that the staff resource needs to be flexible both in structural terms and in individual job content. Ideally the Council's position is to have a minimum number of agency staff, however this objective is not realistic in the current climate of London Local Authorities. To some significant extent this will relate

to the Recruitment and Retention difficulties faced but usage is also affected by general changes in the world of work, views about relative pay levels and choices by local management based on ease and risk.

6. Many of the concerns expressed by the Audit Commission have surrounded the management of agency and the lack of clear detailed information. Management processes have improved considerably over the last year and the current procurement-led project aims to improve the capacity for management and resolve the information gap.

Too many / cost too much

7. It is unproven that use of agency staff is expensive, and it varies greatly based on type of post etc. linked to scarcity etc. When non-salary costs are added (average sick and holiday, NI and pension overheads) often agency staff are cheaper. As with economics generally cost is driven by supply and demand. Arising from anecdotal networking it is clear that agency usage in Southwark is not out of step with other London Boroughs. There is, however, no explicit benchmark information with which to compare and authorities are reluctant to openly state costs.
8. Overall use is growing. Some organisational change issues have encouraged this; large scale reorganisation / transformation. There is also some suggestion that managers find agency staff easier to manage (sickness, disciplinary, performance) and concern that some vacancies are not advertised – easier / cheaper to get agency staff.

Contract arrangements

9. New arrangements are to be in place by October 2005. Project established under the auspices of corporate procurement. Key issues for consideration are better controls around authorisation, cost, quality, vetting process, improved information, ease of transactions.

Records

10. Currently records currently derive from bill paying. Details on individual staff are the responsibility of the agency; this does throw up some difficulties for the Council around usage/ monitoring information, and may create a problem realising our safeguarding responsibilities in relation to records of vetting.

For the future there is the potential use of SAP (linked to e-systems) and an opportunity for closer monitoring with a new clocking in system.

Management strategy

11. A draft protocol on managing the relationship with employment agencies and the use of workers has been developed for departments to adapt and apply. By the nature of departmental services the use of agency staff in, for example, Strategic

Services is going to be different from Social Services. These are now in place, with varying levels of emphasis and success. Overall the strategic aim is to reduce agency usage by 10%; albeit this will be affected by particular circumstances of each service area.

12. Some departments have cascaded proposals through the management hierarchy. Others are also a) developing a toolkit on clearing agencies and using workers, b) centralising the booking of agency staff to a common point – predominately as part of HR. The suitability of this approach is restricted to the larger departments with larger centralised HR teams. Good practice on measures that are adopted is shared by HR staff across departments.
13. Monitoring also varies, though costs are included in management information considered regularly at SMT. Some departments are looking in detail at the number, duration of placements, and reasons for usage. It is recommended that all departments consider at minimum the number of workers who have been in a continuous placement over a defined period (e.g. 3 months), justification for continuing the placement, and how the underlying problem is being dealt with – e.g. progressing recruitment if the need arises from a vacancy.
14. The reasons for agency usage expressed by departments include: -
 - Where there is a pending review / reorganisation – this is particularly pertinent for services facing outsourcing (eg CSC)
 - Pending reorganisations (eg Housing Management)
 - Pending recruitment
 - Hard to fill posts (especially social workers, planners)
 - Recruitment difficulties because of the short-term nature of specific projects
 - Sickness
 - Workload peaks
 - Maternity cover
 - Child ratios at eg early years centres to cover absence, to meet Ofsted registration and inspection requirements.

Support to Workers

15. It is recognised that agency workers provide a valuable resource to enable the Council to run services but their contribution will be enhanced if given proper induction and management. Guidance has been provided in the Business Managers' Handbook on induction arrangements for Agency workers and issues to address if the placement is longer term, e.g dependent on the role inclusion in training, workplanning etc.

Usage & Costs

16. The following information was compiled from financial records. It should be noted that there is some measure of unreliability due to coding variations and classification of workers. Part of the current procurement project is to verify usage and spend.

Agency 2003/4			
Department	Agency Total £M	Staffing Budget £M	%
Environment & Leisure	8.00	22.60	35%
Education & Cultural Services	1.50	17.10	9%
Housing	6.00	35.90	17%
Regeneration	3.00	9.30	32%
Social Services - <i>staff</i>	3.50	47.40	7%
Strategic Services	4.40	18.30	24%
Council Wide	26.40	150.60	18%
	plus		
<i>Community care packages (estimate)</i>	7.50		

Way forward

17. In summary: -

- Regular review impact of departmental protocols / strategies.
- Complete the procurement project (October 2005)
- Reduce underlying cause – improved recruitment, complete reorganisations / outsourcing

COMMENTS FROM THE HEAD OF PROCUREMENT

18. The Authority currently has a corporate contract for the supply of temporary workers to the Council. This is not a comprehensive service and is due to expire on 30th September 2005. In order to ensure that a new contract is in place by 1st October 2005, Southwark Procurement, together with key stakeholders, has already commenced Phase One of a Two Phase procurement exercise.

19. The Aim of Phase One is to:-

- (i) Develop a comprehensive strategic letting strategy that will ensure the Authority has an all encompassing contract for temporary workers engaged to deliver Council services, including administrative, clerical, professional, blue collar and social care. However, some specific posts may be excluded from this contract.
- (ii) Review operational management options for the contract, including:-
 - Client side arrangements
 - Electronic Delivery
 - Automated payments
- (iii) Provide estimates of savings projections for each option.

The ultimate aim of which is to ensure a successful tender exercise which:-

- Ensures continuity of service delivery
- Meets agreed end-user requirements
- Delivers best value
- Overcomes the emerging employment law issues concerning agency workers
- Becomes a model of best practice

20. Phase Two, which will be commenced in January 2005 upon Executive Approval of the strategic letting strategy, will consist of the actual tender process, and the production of an operations management and usage/guidance policy for the contract.

Background Papers	Held At	Contact
Regeneration & Resources Scrutiny Sub-Committee – Agenda & Minutes	Town Hall, Peckham Road, London. SE5 8UB	Carina Kane Scrutiny Team 020 7525 4393

Report Audit Trail

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CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER		
Officer Title	Comments Sought	Comments included
Borough Solicitor & Secretary	No	
Chief Finance Officer	No	
Head of Personnel	Yes	Yes
Head of Procurement	Yes	Yes
Executive Member	No	
Date final report sent to Scrutiny Team		