

**Report to:** Performance Scrutiny Committee

**Date of Meeting:** 1 February 2018

**Lead Member/Officer:** Lead Member for Finance, Performance and Strategic Assets/Head of Legal, HR and Democratic Services. Monitoring Officer,

**Report Authors:** Legal and Procurement Operations Manager & Category Manager (Professional Services) Collaborative Procurement Service

**Title:** Managed Service for the Provision of Agency Workers

## 1. What is the report about?

On 12 December 2017, Cabinet received a report to seek approval to commence a procurement and enter into a contract to appoint an agency to supply temporary staff for use by Denbighshire County Council. This will be a collaborative procurement with Flintshire County Council. Cabinet raised a number of queries about the procurement, how the contract is managed and used, as well as requiring details about the amount spent on agency staff. This report seeks to address these queries.

## 2. What is the reason for making this report?

- 2.1 The Council has an existing agreement with Matrix SCM to supply agency staff to the Council. The agreement for Denbighshire County Council expires on 23<sup>rd</sup> February 2018. There is an on-going requirement for agency staff. The contract will be for 3 years with the option to extend the contract for 1 further period of 12 months. Cabinet gave approval for the procurement to commence subject to the matter being considered by Scrutiny. This report provides further information as requested at Cabinet on 12 December 2017. The Cabinet report gives the background details and is attached at **Appendix 1** for reference.

## 3. What are the Recommendations?

- That the Committee:
- 3.1 in accordance with Cabinet's request considers the information provided and comments on the procurement exercise and potential alternative options that may be available to the Council for the provision of a managed service for the supply of agency workers; and
- 3.2 based on best value recommends to Cabinet to appoint the most economically advantageous tenderer to supply agency staff for use across Council Services.

## 4. Report details

- 4.1 Currently, the Council has a contract with Matrix. Cabinet raised a number of queries regarding the upcoming procurement and these are addressed below.

- 4.2 Spend by Flintshire County Council on agency staff in the past 4 years: £10,548,577. The breakdown of spend per year per Service is shown in **Appendix 2**.
- 4.3 Spend by Denbighshire County Council on agency staff in the past 4 years: £3,862,405. The breakdown of spend per year per Service is shown in **Appendix 3**.
- 4.4 The previous amount of spend prior to the start of using the Matrix agency contract. It is difficult to give an accurate figure because up to date and complete figures are not available. Figures for 2006 have been identified. This is prior to the start of the Matrix contract and shows an agency spend of £1,654,478. The breakdown of spend according to records currently available is shown in **Appendix 4**.
- 4.5 The previous amount of DCC spend during the previous contract with Matrix per year up until 2014 (start of current contract): £5,067,450 The breakdown of spend according to records currently available is shown in **Appendix 5**.
- 4.6 How do the rates of pay paid to agency staff and conditions of service compare to permanent staff: According to our Agency Workers Policy and the Agency Worker Regulations once agency workers have completed 12 weeks in the same role at the Council, they are entitled to the same basic working and employment conditions as if they had been recruited directly by the Council. Any entitlements will be pro-rata to the length of the assignment and hours worked. This includes:
- Basic pay
  - Annual increments (where applicable)
  - Overtime payments (on same basis/qualifying conditions as Denbighshire County Council employees)
  - Shift allowances (where applicable)
  - Duration of working time
  - Rest breaks/restrictions on night work
  - Annual leave

Agency workers are not entitled to:

- Occupational sick pay
- Occupational and statutory redundancy and notice pay
- Occupational maternity/paternity/adoption pay
- Pensions
- Long service awards

Agency workers receive the same bank holiday rates as are received by Council employees.

Agency workers' rates of pay are based on the hourly rate of an equivalent Council full time post, plus the agency uplift and fee paid to the framework manager (Eastern Shires Purchasing Organisation known as ESPO).

4.7. What is the alternative to Framework and what would it cost?:

There are various alternatives:

4.7.1 **Use permanent staff only and stop using agency staff.** This is unlikely to be practical as there will always be a need to fill short term vacancies and cover sick leave.

Permanent staff also incur additional costs relating to Superannuation at 15.2%, Employers NI: 9% dependant on earnings and Apprentice Levy 0.5%. There would be a saving of approximately £51,000 p.a. for the agency fee and the fee paid to ESPO. There would be an additional cost to advertise, recruit and appoint permanent employees

**4.7.2 Use local agencies on an ad hoc basis rather than have a contract with one supplier.** This would mean there would be no central point for administration and management of agency staff, and the Council would not benefit from the reduced costs offered by the MSTAR framework agreement. However, the Council would need to implement a system of managing the need for short term supply staff which would incur costs, for example, appointing an officer to manage the agency process, plus there would be an agency fee payable.

**4.7.3 Use an alternative to employment agencies, such as job centres or adverts on the Council's website or adverts in the local press.** This method of recruitment would be more time consuming and it is unlikely that an immediate need for a temporary worker could be fulfilled. There is often the need for specialist agency workers, such as Social Workers, who must have specific qualifications and be registered with a professional body. It is unlikely that short term vacancies could be filled for these professional posts using the job centre or an advert on the Council's website. Agency workers are vetted by the agency with whom they are registered, whereas these checks would have to be carried out and processed by the Council instead, so an immediate and urgent need to fulfil a vacancy could not be met. It is unlikely that one single or local agency could supply temporary staff in the numbers and within the timescales required by the Council.

**4.8 How is the agency contract managed?** Since June 2014, the Collaborative Procurement Unit administers the Matrix contract. Previously, the contract was administered by the Human Resources (HR) Service of Flintshire County Council. The control of the appointment and cost of agency workers is within the budgetary control of each Service. There are quarterly review meetings attended by Matrix and representatives from the Collaborative Procurement Unit and Flintshire County Council H.R. and Finance Services.

**4.9 Breakdown of Reasons for Using Agency Staff:** This information is given in Appendix 6 and Appendix 7.

## **5. How does the decision contribute to the Corporate Priorities?**

5.1 The availability of agency workers through a managed agency contract allows Council Services to access a skilled workforce during times when the Council is subject to staff shortages due to vacancies, illness, maternity or short term need relating to a particular project. This allows the Council to meet its priorities in the Council Corporate Plan by having a well resources workforce with employees who have the necessary skills and experience to implement the Council's priorities and to deliver the standard of services expected by its residents.

## **6. What will it cost and how will it affect other services?**

6.1 The amount spent on agency workers under the current contract is detailed in **Appendix 3**. The anticipated spend for a new contract is difficult to accurately determine because it will depend on need. An estimate can only be made on the

current amount of spend. It is estimated the Council may spend the sum of £4,110,186.

- 6.2 The current agency revenue budget for 17/18 for the Council is £827,944 (excluding schools). However, this budget also includes spend for non-Matrix agencies. The budget available does not cover all current spend on agency staff as Services fund these costs from amongst other things savings in vacant posts.

**7. What are the main conclusions of the Well-being Impact Assessment?**

The Well-being Impact Assessment summarises the likely impact of the contract on the social, economic, environmental and cultural well-being of Denbighshire, Wales and the World. The outcome of the assessment is that use of the Agency framework offers flexibility for both the Council and the local workforce. The Council will employ agency workers in circumstances where full time employment is not feasible and the local workforce would not otherwise be employed, receive training & gain experience. It will create local jobs including jobs that require the use of the Welsh language.

The full report can be found in **Appendix 1** of the original report to Cabinet 12 December 2017 (Appendix 1a to this report).

**8. What consultations have been carried out with Scrutiny and others?**

There have been no public consultations or previous report to Scrutiny.

**9. Chief Finance Officer Statement**

The proposals in the Cabinet report support the business needs of the Council and appear to deliver value for money and are therefore supported. The budgets are held within Services and it is each Head of Service's responsibility to ensure that agency staff are used efficiently. This will become increasingly important over the coming years as the pressure to identify savings intensifies.

**10. What risks are there and is there anything we can do to reduce them?**

This is dealt with in paragraph 10 of the Cabinet report 12 December 2017.

**11. Power to make the Decision**

- 11.1 Section 7.2.2 of the Council's Constitution outlines Scrutiny's powers in relation to making reports or recommendation to Cabinet in connection with the discharge of functions, whilst Section 7.4.2(d) stipulates that Scrutiny can make recommendations to Cabinet arising from the outcome of the scrutiny process.

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## **List of Appendices**

**Appendix 1 & 1a:** Cabinet Report 12<sup>th</sup> December 2017

**Appendix 2:** Flintshire County Council Spend 2014 - 2018

**Appendix 3:** Denbighshire County Council Spend & Savings

**Appendix 4:** Pre Framework Spend 2006

**Appendix 5:** Spend Report Summary of Payments to Matrix from DCC Accounts Payable System 2008 – 2018

**Appendix 6:** Breakdown of Placements per Year

**Appendix 7:** Examples of Agency Placements