

Financial Performance and Contracts Committee

9 October 2018

Title	Performance of back office functions - temporary staffing
Report of	Assistant Chief Executive
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A: Table A - Temporary Worker Headcount
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Summary

This report details the council's usage of and expenditure on the council's temporary workforce. It highlights that while the council will always have a need for some temporary workers it is currently an area of high expenditure and warrants tight control and scrutiny. Actions taken during the last financial year demonstrated some reduction in expenditure and further actions currently underway are expected to see a further and faster reduction in expenditure going forward.

Officers Recommendations

1. That the Committee notes the actions being taken by officers to reduce and control expenditure of the council's temporary workforce.

1. WHY THIS REPORT IS NEEDED

CONTEXT AND BACKGROUND INFORMATION

- 1.1 The purpose of this report is to set out how and why the council uses a temporary workforce, to provide an overview of control measures, to scrutinise this area of spend and establish whether the council is getting good value for money.
- 1.2 The temporary workforce is made up of different types of workers whose employment is temporary in nature and is made up three different types of worker as follows:
 - i) Temporary: working through an agency and paid an hourly rate through the agency, rather than being employed directly by the council. Typically used to cover short terms gaps in the establishment e.g. whilst permanent recruitment is underway, or where there are significant skills shortages impacting on the ability to recruit to the permanent establishment or where there are short term demand pressures that require additional capacity.
 - ii) Contracting: brought in for a special project or to cover an extended absence. Employed on a fixed-term or rolling contract, dependant on the project or absence they are covering. Typically used to cover known periods of extended absence such as maternity leave, career breaks, or for time limited specific projects
 - iii) Interim: senior-level experts that are needed to make an immediate impact. Typically used to provide specialist or executive level expertise and can cover extended absences, requirements for short term expertise, or to provide additional capacity pending organisational change.
- 1.3 This report covers temporary and interim workers, referred to as temporary workers throughout this report, for the five internal services (Adults & Communities, Assurance, Commissioning Group, Family Services and Street Scene).
- 1.4 The council engages the temporary workforce in different ways. For temporary workers supplied through an agency there is a Managed Service Provider (MSP), whose function is to manage the relationships with temporary staffing agencies in its supply chain as well as providing quality assurance over their compliance with core requirements around the vetting and screening of temporary staff. The council sources the majority of temporary staff by advertising on a web based portal provided by the MSP. The majority of temporary workers supplied through an agency are used to cover substantive roles in the staffing establishment, however, cost pressures arise as follows:
 - 1.4.1 Where there is a skills shortage resulting in difficulties making permanent appointments and temporary worker hourly rates are high (e.g. social workers) reflecting supply and demand challenges in the labour market.

- 1.4.2 Where the temporary worker is covering a period of sickness absence and the absent staff member is on full or half pay, resulting in services having to pay for both the substantive staff member and the temporary worker (e.g. waste and recycling collection operatives).
- 1.4.3 Where capacity over and above the budgeted staffing establishment is needed due to short term demand pressures on services.
- 1.5 Those individuals brought in to cover extended periods of absence e.g. maternity leave or specific projects, are typically engaged on fixed term employment contracts and are typically recruited to substantive roles in the staffing establishment. These workers typically fill roles that are funded through existing budget provisions and attract no additional cost than a substantive staff member would.
- 1.6 The engagement of interims is usually through specialist interim agencies available via framework contracts that the council has access to. It should be noted that following recent changes to tax laws the cost of engaging interim workers has increased substantially, in particular where the interim is covering what would be deemed as a substantive role or 'office holder' by Her Majesty's Revenue and Customs (HMRC). These changes are often referred to as IR35.
- 1.7 The council will always have a need for some temporary workers, however it is imperative that use of and expenditure on this workforce is tightly controlled and not used as an alternative to good management practice in recruitment and sound workforce and succession planning of the substantive workforce.

CURRENT PERFORMANCE

- 1.8 In light of the council's current financial challenge greater focus is being placed on temporary worker usage and expenditure. The scrutiny has also involved a recent audit of temporary worker arrangements in the council and the audit report will be presented to Audit Committee at its meeting on 22 November 2018.

EXPENDITURE

- 1.9 The data below (see Table 1) provides the total expenditure for the five internal services for the last three financial years (2015/16 to 2017/18). The data shows a peak in expenditure in 2016/17 of £18.9m and a small decrease in 2017/18 to £16.7m. Year to date expenditure (April to August 2018) for these five internal services is £6.4m (see Chart 4) which, if it continued on the current trajectory, would give a forecast full year spend in the region of £15m. The temporary worker expenditure for the last three financial years is shown in Chart 1.

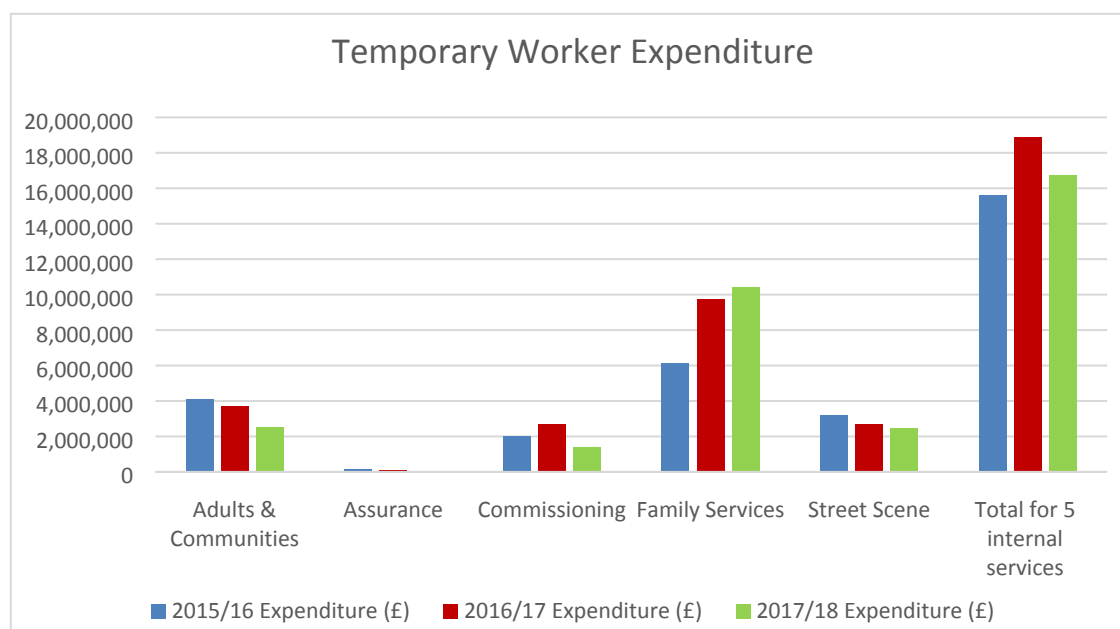
Table 1 Temporary Worker Expenditure 2015/16 – 2017/18

Service	2015/16 Expenditure (£)	2016/17 Expenditure (£)	2017/18 Expenditure (£)	% Change 2015/16 to 2016/17	% Change 2016/17 to 2017/18
Adults & Communities	4,117,000	3,715,000	2,510,000	-9.76	-32.44
Assurance	153,000	73,000	16,000	-52.29	-78.08
Commissioning	2,005,000	2,654,000	1,355,000	32.37	-48.94
Family Services	6,135,000	9,723,000	10,396,000	58.48	6.92
Street Scene	3,215,000	2,686,000	2,429,000	-16.45	-9.57
Total for 5 internal services	15,625,000	18,851,000	16,706,000	20.65	-11.38
Total for all services*	18,160,000	20,929,000	19,193,000	15.25	-8.29

*The table presents information for the five internal services only that are the focus of this report. Therefore, the service expenditure figures will not add up to the 'Total for all services' expenditure in the table.

* Figures have been rounded to the nearest thousand and the % Change calculated on this basis.

Chart 1 Temporary Worker Expenditure 2015/16 – 2017/18



*The chart presents information for the five internal services only that are the focus of this report.

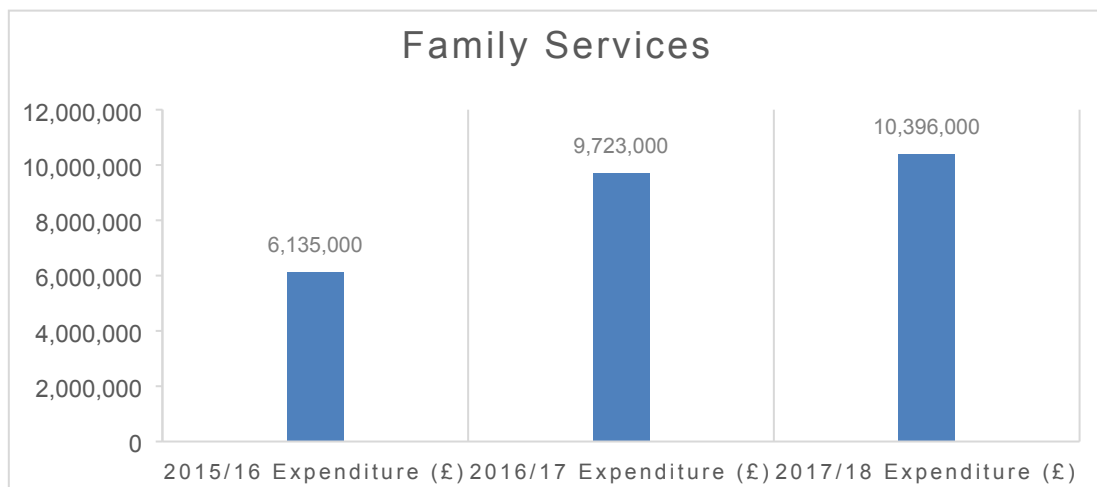
* Figures have been rounded to the nearest thousand.

- 1.10 It should be noted however that 52% of the 2016/17 expenditure and 62% of the 2017/18 expenditure (for the five internal services) is within Family Services and is driven by operational requirements associated with the Improvement Plan (initiated in 2016/17) and the Inadequate Ofsted rating (in 2017/18). These two events combined meant that additional roles were created to increase capacity to drive improvement as previously reported to and agreed by members.
- 1.11 In addition, following the outcome of the Ofsted inspection and the inadequate rating there was a period of considerable staff turnover which resulted in an increase in temporary workers filling staffing establishment roles. The council also recently brought back in house the Children and Adolescent Mental Health Service (CAMHS)

and although the service transferred it did so with a large number of vacancies which required short term temporary staffing until permanent staff could be recruited.

- 1.12 The council's over-riding priority is to deliver a safe service to all Barnet children and in order to do so it has been necessary to fill roles with temporary workers. The labour market continues to be challenging for experienced children's social workers resulting in a greater reliance on temporary workers than would otherwise be desirable, though steps are being taken to reduce reliance on temporary workers in Family Services in particular and across the council as a whole. The expenditure by Family Services on temporary workers for the last three years is detailed below in Chart 2.

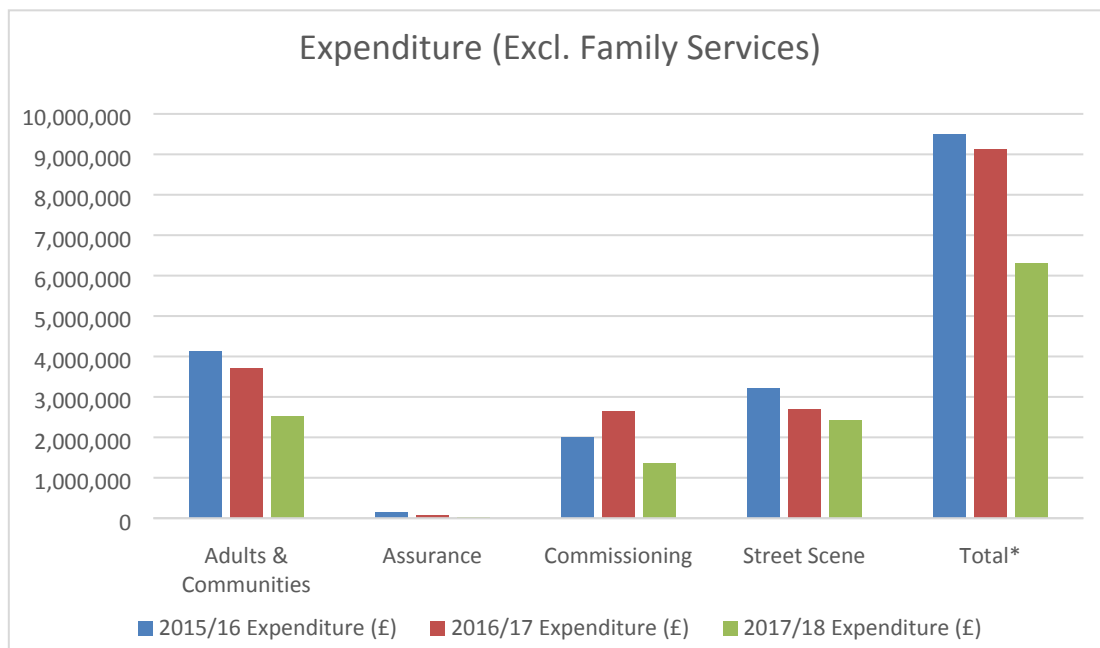
Chart 2 Temporary Worker Expenditure in Family Services 2015/16 – 2017/18



* Figures have been rounded to the nearest thousand.

- 1.13 When considering temporary worker expenditure within the five internal services the total expenditure is significantly lower without Family Services, with a total spend in 2017/18 of £6.3m, which is also a considerable reduction since a peak in 2015/16 of £9.5m. The biggest reductions in this period (between 2015/16 and 2017/18) were in Adults and Communities (£1.6m), Street Scene (£786k) and Commissioning Group (£650k) as shown in Table 1 and Chart 3.

Chart 3 Temporary Worker Expenditure Excluding Family Services 2015/16 – 2017/18

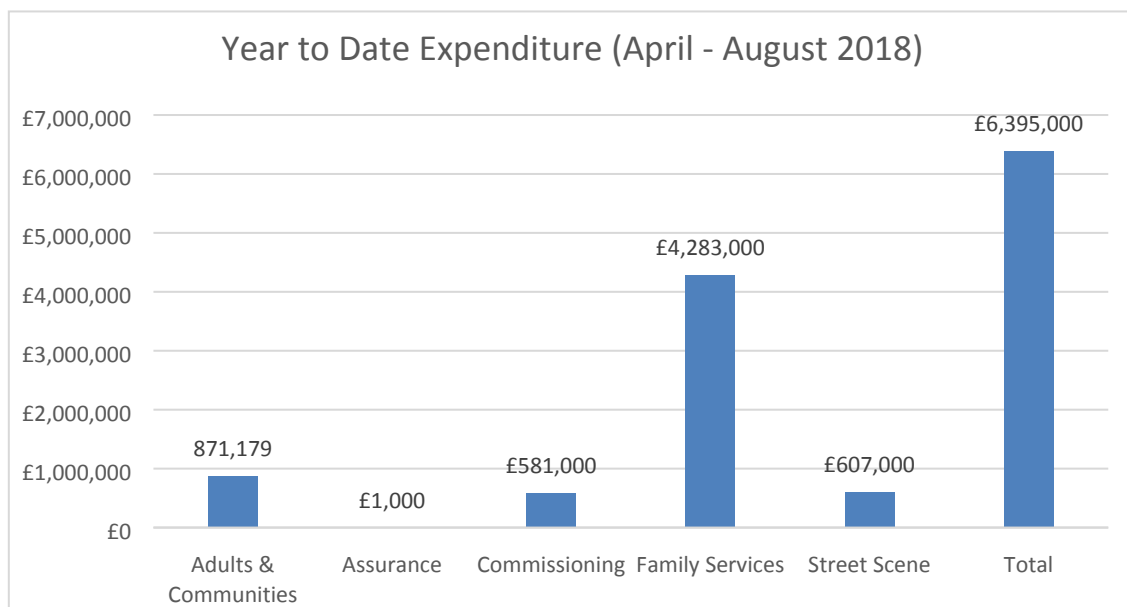


*The chart presents information for the five internal services only (excluding Family Services) that are the focus of this report.

* Figures have been rounded to the nearest thousand.

- 1.14 Year to date expenditure shows that the ratio of temporary worker expenditure is consistent with previous years with 67% of spend to date in Family Services, reflecting ongoing requirements to improve services to children. See Chart 4.

Chart 4 Temporary Worker Expenditure Year to Date (April – August 2018)



*The chart presents information for the five internal services only that are the focus of this report.

* Figures have been rounded to the nearest thousand.

CONTRACT MANAGEMENT

- 1.15 As outlined in 1.4 above the council engage temporary workers through a Managed Service Provider (MSP). The purpose of the MSP is to manage the supply chain of agencies from whom the council sources temporary staff. The contract with the provider is currently managed by CSG HR and CSG Procurement on behalf of the council. The recent audit has identified deficiencies in the controls applied to manage the supply of temporary workers to the council and these are being addressed with oversight from council officers. Of particular note are:
- Issues with the use and quality of performance data as part of contract monitoring and that the contract monitoring process has failed to pick up and address any anomalies. In addition, there has been a lack of analysis of key data to challenge use of temporary workers or develop HR interventions to reduce spend on temporary workers.
 - Related to the point above, the audit has identified a lack of clarity on roles and responsibilities between CSG HR, CSG Procurement and the council.
 - A need to tighten the controls within the supply chain on pre-employment verification checks for temporary workers for the purposes of safeguarding and right to work in the UK.
 - A need to continuously review supplier performance that includes review of value for money on rates being charged for different types of worker and/or assignment.
- 1.16 The audit report provides further detail on the findings and learning from the audit is being built into future policy and procedure for the engagement of temporary workers and management of the supplier contract.
- 1.17 It should also be noted that the current temporary supplier contract expires on 30 September 2018. In anticipation of this the council has undertaken a re-procurement exercise. The re-procurement was run as a project with the project team comprising of representatives from all delivery units, CSG procurement, CSG HR, the council's commercial team and was led by the council's strategic HR lead.
- 1.18 A new provider has been appointed and mobilisation of the contract is currently underway. The council has taken the opportunity to introduce additional measures to support reduction in expenditure and apply the learning and actions from the recent audit. Measures include more competitive hourly/daily rates, streamlined process to convert temporary workers to permanent workers, building in review dates after 12 weeks (i.e. extensions subject to recruitment panel approval).

The following additional benefits are also expected to be realised:

- i) Price reductions from saving generated from reduced Managed Service Provider fees and agency fees
- ii) Greater clarification on fees charged for hiring managers to enable better budget management
- iii) Support demand management by the council to reduce the use of temporary workers and increase the number of permanent and fixed-term contracts in line with the staffing establishment.
- iv) Improve levels of contract compliance by Services to ensure the Council receives the benefit of agreed contracted rates from a reduction in off-contract spend (i.e. agencies not in the approved supply chain).

ADDITIONAL INTERNAL CONTROLS

- 1.19 Additional interventions to monitor and control expenditure and usage of the temporary workforce have been introduced in the current financial year and these are as follows:
- 1.20 A recruitment panel has been established to monitor and approve all permanent and temporary appointments as an additional control. The panel meets weekly and reviews business cases submitted by recruiting managers. The panel has been in place since May 2018 and is expected to be a significant contributing factor in reducing temporary worker usage and expenditure. Table 2 below shows that since the inception of the panel the number of temporary workers is starting to reduce and this will also be reflected in the expenditure on temporary workers.

Table 2 Temporary Worker Headcount Year to Date (April - August 2018)

Service	Apr-18	May-18	Jun-18	Jul-18	Aug-18
Adults & Communities	48	51	60	52	39
Assurance	0	0	0	0	0
Commissioning Group	24	22	24	24	28
Family Services	179	186	174	163	157
Street Scene	99	91	69	61	60
Total	350	350	327	300	284

- 1.21 The panel's decisions are being monitored and data on temporary worker usage and expenditure will be reviewed on a quarterly basis to ensure the downward trend continues. However, there are exceptions to the recruitment panel process which are:
- i) Front line Children's social workers including frontline early help staff
 - ii) Grant Funded posts
 - iii) Income generating posts

- iv) Posts that have already been advertised and/or staff being on-boarded with signed contracts already in place though these are likely to diminish over time

1.22 During 2017/18 an agency conversion project was also introduced which has seen a reduction in agency spend in Adults and Communities in particular and with some positive impact within Family Services. Interviewing suitable temporary staff and offering them permanent roles. Due to the high expenditure within the field of social work, the project has, to date, focused on conversion in those roles with some success. Further work is underway to review temporary workers in other non-social care professions with a view to converting as many as possible to fixed term contracts.

1.23 With the introduction of a new MSP, officers have taken the opportunity to build into the contract the ability to review temporary worker placements after 12 weeks and the ability to offer them fixed term contracts. This is a considerable change from the previous arrangement and substantially minimises costs as placing a temporary worker into a substantive role usually attracts a placement fee, typically a percentage of the annual salary.

2. REASONS FOR RECOMMENDATIONS

2.1 The purpose of this report is to ensure that the committee has sufficient information to have a clear understanding of the council's use of temporary workers and how usage and expenditure is monitored and controlled, while scrutinising spend and ensuring value for money is being achieved.

3 ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 None.

4 POST DECISION IMPLEMENTATION

4.1 The council will continue with the recruitment panel to review service requirements and control temporary worker spend. Continuous reviews of agency expenditure and usage through the quarterly performance reporting cycle will help track financial savings. When the new supplier contract goes live (1 October 2018) both financial and non-financial benefits will be managed through the contract management arrangements.

5 IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 The council's corporate plan (2018-19 addendum) sets out that the one of the council's core purposes is to work together to ensure quality services. The corporate

plan also includes a focus on ensuring services are delivered efficiently to get value for money for the taxpayer. The Financial Performance and Contract Committee's role in scrutinising the performance of back office functions and its use of a temporary workforce will support the objectives of achieving value for money and quality services.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 In setting out financial expenditure on temporary staff, the council is verifying that it is achieving value for money. Expenditure on temporary staff over the period 2015/16 to 2017/18 is set out in paragraph 1.9 of this report. Through the procurement process for the new temporary worker contract, as set out in paragraph 1.17 of this report, the council is testing the market for value for money and ensuring a suitable temporary workforce to deliver services to the highest standard.

5.3 Social Value

- 5.3.1 The Public Services (Social Value) Act 2012 requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits. All contracts awarded to Managed Service Providers are required to adhere to the Act.

5.4 Legal and Constitutional References

- 5.4.1 The council's Constitution, Article 7 Committees, Forums, Working Groups and Partnerships, sets out the functions of the Financial Performance and Contracts Committee as being Responsible for the oversight and scrutiny of:
- The overall financial performance of the council
 - The performance of services other than those which are the responsibility of the: Adults & Safeguarding Committee; Assets, Regeneration & Growth Committee; Children, Education & Safeguarding Committee; Community Leadership & Libraries Committee; Environment Committee; or Housing Committee
 - The council's major strategic contracts including (but not limited to):
 - Analysis of performance
 - Contract variations
 - Undertaking deep dives to review specific issues
 - Monitoring the trading position and financial stability of external providers
 - Making recommendations to the Policy & Resources Committee and/or theme committees on issues arising from the scrutiny of external providers
 - At the request of the Policy & Resources Committee and/or theme committees consider matters relating to contract or supplier performance and other issues and making recommendations to the referring committee
 - To consider any decisions of the West London Economic Prosperity Board which have been called in, in accordance with this Article.

The content of this report is in line with these Constitutional responsibilities.

5.5 Risk Management

- 5.5.1 The council's Risk Management Framework is used to identify and respond to risks across all the council's services. The review of the use of temporary staff will enable the Committee to have more in depth oversight of performance in this area, which will support the council to mitigate any risks related to these services.

5.6 Equalities and Diversity

- 5.6.1 Pursuant to the Equality Act 2010, the council and all other organisations exercising public functions on its behalf must have due regard to the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advance equality of opportunity between those with a protected characteristic and those without; promote good relations between those with a protected characteristic and those without. The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. It also covers marriage and civil partnership with regard to eliminating discrimination.

5.7 Corporate Parenting

- 5.7.1 In line with Children and Social Work Act 2017, the council has a duty to consider Corporate Parenting Principles in decision making across the council. The recruitment panel exemptions for children's social workers supports the council with this duty, making sure there are few social work posts vacant for looked after children, meaning looked after children receive a higher quality and more consistent service.

5.8 Consultation and Engagement

- 5.8.1 Obtaining user feedback is a part of the contract management process to inform service delivery, service development and service improvement. Feedback is regularly sought from services to inform contract management of the temporary worker supplier and deliver continuous improvement. The recent procurement of a temporary worker managed service provider entailed detailed engagement with services, and service representative are included as core members of the project team from developing the tender specification through to moderation of supplier bids. The project team remains in place and is currently mobilising the new supplier contract.

5.9 Insight

- 5.9.1 The new provider has a user friendly portal based on a technological platform, which will allow a range of customisable reports to enable greater detailed analytics of Barnet's temporary staff. As part of mobilisation a Service Level Agreement is being

developed which will include service and performance metrics as well a range of bespoke management information reports for operational managers and to provide strategic overview of the temporary workforce.

6 BACKGROUND PAPERS

- 6.1 Report on the Performance of Back Office Functions to Financial Performance and Contracts Committee on 2 July 2018. This is available online at:
<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=693&MId=9716&Ver=4>