

	<p><b>Financial Performance and Contracts Committee</b></p> <p><b>11 March 2019</b></p>
<p><b>Title</b></p>	<p><b>Temporary Workers Contract Implementation</b></p>
<p><b>Report of</b></p>	<p>Deputy Chief Executive</p>
<p><b>Wards</b></p>	<p>All</p>
<p><b>Status</b></p>	<p>Public</p>
<p><b>Urgent</b></p>	<p>No</p>
<p><b>Key</b></p>	<p>No</p>
<p><b>Enclosures</b></p>	<p>None</p>
<p><b>Officer Contact Details</b></p>	<p>Natasha Edmunds – Strategic HR Lead  <a href="mailto:Natasha.Edmunds@Barnet.gov.uk">Natasha.Edmunds@Barnet.gov.uk</a>  020 8359 2978</p>

### Summary

This report details the mobilisation of the new contract for the council's temporary workforce with Matrix SCM, noting the usage and expenditure in the first four months. It highlights the implementation and management of the new contract, and the need to continue to see an expected reduction in usage and expenditure going forward.

### Officers Recommendations

**That the Committee notes the actions being taken by officers to implement and monitor the new contract for 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 the council has mobilised the contract with Matrix SCM (Matrix), using the opportunity of a new supplier to improve the management, usage and expenditure on agency workers, and the next steps to be taken around the contract implementation; and to address the findings of the recent audit of the previous contract (Comensura).
- 1.2 Matrix were awarded a two-year contract to become the council's new Managed Service Provider (MSP), with the contract starting on the 1<sup>st</sup> October 2018.
- 1.3 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.
- 1.4 This report covers temporary and interim workers, referred to as temporary workers throughout this report.

### **PREVIOUS PERFORMANCE**

- 1.5 Under the previous contract with Comensura, an audit identified several deficiencies in the management of the supply of temporary workers to the council. Management of the temporary worker contract with Comensura sat between CSG HR and CSG Procurement at that time.
- 1.6 These deficiencies put the council at potential risk as usage, expenditure, performance and compliance were not monitored closely enough to meet the council's expectations and requirements.

- 1.7 The consequence of these failures of contract management were that anomalies were not easily picked up and addressed, while a lack of data analysis to challenge temporary worker usage did not help the reduction of expenditure.
- 1.8 The audit also found a lack of clarity around roles and responsibilities between CSG HR, CSG Procurement and the council, resulting in a lack of strong challenges of supplier performance of value for money and compliance.

### **MOBILISATION OF THE NEW CONTRACT**

- 1.9 During the mobilisation period of the new contract, opportunity has been taken to introduce measures to support the reduction of expenditure, improve compliance and apply the lessons learned from the audit.
- 1.10 The measures included more competitive rates to attract the best candidates (increased hourly pay to the temporary workers), a process to convert temporary workers to permanent staff, building in reviews after 12 weeks, tighter contract management and clarity on roles and responsibilities.
- 1.11 In negotiating the contract, the opportunity was taken to build in the following benefits:
- i) Lower MSP and agency fees
  - ii) Add new workers without them being signed up to an agency (thereby reducing additional margin costs)
  - iii) Get interim workers not on a temporary or permanent contract and onto the Matrix framework from specialist recruitment firms
  - iv) Ensure stronger safeguarding and pre-employment checks
  - v) No introductory agency fee should any workers secure permanent work through a job application with the council
  - vi) No fee if the temporary agency workers are offered employment after 13 weeks of (continuous or not) work
  - vii) Commitment from the supplier to reduce costs of agency workers
  - viii) Demonstrable commitment from the agency supply chain to source temporary workers from the local community.
- 1.12 These benefits should help the council reduce expenditure and have greater flexibility in finding a worker with the relevant skill set.
- 1.13 Importantly, a clear RACI matrix, where activities and decision-making are set against roles, has been put together detailing the roles and responsibilities of those involved in contract management. This will enable strong contract management by identifying, defining and assigning responsibilities, which will keep the council informed of all the contract processes and early identification of deficiencies to enable remedial action to be taken quickly, as well as opportunities.

- 1.14 The agency chose a net/net supplier that removed the rebate mechanism from the fees, so recruiting managers across the council pay market rate leading to clarity of agency cost. Previously, recruiting managers paid an inflated cost which was then returned through the rebate.

### **CONTRACT IMPLEMENTATION**

- 1.15 Since the new supplier contract went live on the 1<sup>st</sup> October 2018, there have been monthly contract meetings where Matrix have provided monthly figures on usage and expenditure on temporary workers.
- 1.16 Matrix have been on-site once a week, with the Account Manager available. This presence has been circulated around the council with uptake of support reducing over time, indicating that hiring managers are understanding the new system. This understanding has improved over time, and can be seen in the reduction in number of orders requested by Matrix (from seven in October 2018 to three in December 2018).
- 1.17 Monthly meetings were scheduled for the first quarter of the contract, but during the Q3 18/19 review meeting, it was agreed by all parties that monthly meetings will continue until the end of March 2019. This is strong contract management practice and will enable the council to apply improvements and the learning from the audit with the support of Matrix.
- 1.18 Beyond having Matrix's Account Manager on site, information has been circulated to all officers to understand the full benefits of the contract. Matrix have been quick to respond to any queries from hiring managers and send over information in a timely manner.
- 1.19 In the first quarter (Q3 18/19 – October to December 2018), the total cost of temporary workers via Matrix was £3,171,000, a total of 98,380 hours<sup>1</sup> worked. In January 2019 expenditure reduced to £935,000, with a total of 29,895 hours worked. The expenditure figures for Matrix can be seen in Table A.

---

<sup>1</sup> 30,847 hours in October, 31,505 hours in November and 36,028 hours in December.

**Table A: Total Council Temporary Worker Expenditure 01/10/18 – 31/01/2019**

Service	October	November	December	January
Adults & Communities	£114,000	£120,000	£136,000	£79,000
Commissioning Group*	£110,000	£143,000	£158,000	£131,000
Family Services	£674,000	£622,000	£724,000	£583,000
Street Scene	£104,000	£115,000	£151,000	£142,000
Total for 5 services	£1,002,000	£1,000,000	£1,169,000	£935,000

\* Includes Assurance

\*\* Figures rounded to the nearest '000

\*\*\* Figures taken from monthly Matrix reports

\*\*\*\* Figures may differ to those reported on the Open Data Portal given the period, i.e. monthly reports from Matrix to weekly invoices posted on the Open Data Portal, and when timesheets are signed off by managers

1.20 As seen in Table A, expenditure was stable for both October and November 2018, increasing by £169,000 in December 2018. This increase can be explained by both the seasonal demand (full-time staff taking holidays over the Christmas period) and the fact that managers are getting to grips with the new online portal. The increase in Street Scene is the result of the issues around implementation of the new waste collection rounds service.

**Table B: Agency Headcount 01/10/18 – 31/01/2019**

Service	October	November	December	January
Adults & Communities	28	23	27	23
Commissioning Group*	30	29	27	28
Family Services	143	147	160	150
Street Scene	61	58	78	107
Overall	262	257	292	308

\* Includes Assurance

1.21 Table B above shows the usage of temporary workers across the four services. This shows a similar number of temporary workers in October and November 2018, with an increase in December 2018. As with expenditure, this is linked with seasonal demand, where full time workers have taken holiday over the Christmas period.

1.22 As with the previous contract under Comensura, the highest usage and expenditure comes from Family Services, where there is significant labour market pressure across the country.

1.23 With Street Scene, there has been an increase in spend by 45.2% between October and December 2018. This coincided with the recent changes in waste collection routes where there was a need for temporary workers as permanent staff adjusted to the new working patterns and addressing the missed collections which required extra staffing.

- 1.24 In Table A, expenditure for Street Scene decreased between December 2018 and January 2019, but Agency Headcount increased over the same period. The reasons for this include:
- (i) A number of agency staff only working one or two shifts
  - (ii) Managers not closing completed assignments on the Matrix Portal
- 1.25 The implementation of the new contract under Matrix has been good, with minor problems sorted out quickly and effectively by all parties. However, there is more that can be done to obtain the full benefits of switching MSP.

## **NEXT STEPS**

- 1.26 With the contract only four months in, there are several steps that the council is taking to further reduce expenditure and apply all benefits of the new contract through policy and contract management.
- 1.27 Officers continue to progress implementation of the findings of the recent audit of the previous MSP contract management arrangements, into the new temporary workers contract arrangements and anticipate that all the actions will be implemented by their due dates. A link to the recent quarterly audit committee report is provided here:  
<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=144&MId=9495&Ver=4>
- 1.28 Continuing communications to all hiring managers to ensure that interim agency workers are only used when needed, and the continuation of the agency panel.
- 1.29 The proposed return to the council from Capita of the Strategic HR function also means that the council will be able to take a more strategic approach to resourcing and direct its HR function to support strategic council priorities.
- 1.30 The council is requesting improved and more detailed data reporting by Matrix during contract meetings. This will ensure that all involved are clear about the impact on the service area budgets and the overall costs of the contract.
- 1.31 Beyond improving the implementation of the contract, the council can investigate ways to reduce expenditure through, for example, having a greater focus on longer term workforce planning (supported by Strategic HR), increasing the conversion of temporary workers to permanent roles where appropriate to do so.
- 1.32 HR will be assessing the cost-effectiveness of getting off-contract spend onto the Matrix contract. If, during the assessment stage, this will reduce future expenditure, the council will need to work with Matrix.
- 1.33 In addition, Procurement will measure if the new ESPO framework (Procurement Services for the Public Sector) for interims is more cost-effective than Matrix. If the costs are less on a new framework than Matrix, then interims should be sought from here to reduce expenditure.



## **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 actions to mobilise the new contract and its implementation since October 2018. These actions have resulted in close monitoring of the contract.

## **3 ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 None.

## **4 POST DECISION IMPLEMENTATION**

- 4.1 The council will continue with the implementation of the new contract to control temporary worker expenditure. Continuous reviews through the quarterly performance reporting cycle will help track financial and non-financial benefits.

## **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 Contracts 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 the mobilisation, implementation and next steps of the new contract, the council is attempting to reduce the usage and expenditure of its temporary workforce. The process shows that the council is ensuring value for money in delivering 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.

5.4.2 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 council's services. The review of the use of temporary workers 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. Representatives from all services are invited to give feedback and ask questions in the monthly contract meeting.

## **5.9 Insight**

5.9.1 The 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.

## **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>

6.2 Report on the Performance of Back Office Functions – Temporary Staffing to the Financial Performance and Contracts Committee on 9 October 2018. This is available online at:

<https://barnet.moderngov.co.uk/documents/s48728/Performance%20of%20back%20office%20functions%20-%20temporary%20staffing.pdf>

6.3 Report on Internal Audit Exception Recommendations Report and Q3 progress Report 1 October to 31 December 2018 to the Audit Committee on 31 January 2019. This is available online at:

<https://barnet.moderngov.co.uk/documents/s50900/Internal%20Audit%20Exception%20Recommendations%20Report%20and%20Q3%20Progress%20Report%201st%20October%20to%2031st%20December%20.pdf>