

Report of: Corporate Director of Resources

Meeting of:	Date	Agenda item	Ward(s)
Policy and Performance Scrutiny Committee	25 th June 2018		
Delete as appropriate	Exempt	Non-exempt	

Subject: Islington Council's use of Agency Workers

1. Synopsis

- 1.1 This report provides Policy and Performance Scrutiny Committee with a progress report on the council's use of agency workers.

2. Recommendations

- 2.1 To note the information provided in this report and the progress to reduce the use and cost of agency workers.

3. Background

- 3.1 The Policy & Performance Scrutiny Committee commissioned a review in 2013/14 of the council's use of agency workers. The Committee agreed a number of recommendations which were considered by the Executive. The Executive agreed that a bi-annual update should be provided to the Committee on the council's use of agency workers and its implementation of the actions agreed by the Executive in response to the Committee's recommendations. This is the eighth such report.

4. Spend on agency workers

- 4.1 **Appendix 1** shows the spend on agency workers by department for the past 3 ¼ years. Whilst there are variations between departments, it demonstrates a significant overall reduction between the 12 months to September 2017 to the 12 months to February 2018, equating to over £3.3m, or 12%. Furthermore, in the first two months of the delivery of the contract by the council's new supplier, Reed, the spend on agency workers has amounted to slightly more than £3.1m. This means that, if the spend continues at the same level for the next 10 months, the annual spend will be approximately £18.7m, which will represent a further reduction of £4.1m, or another 18%. This level of spend in the 12 months from March 2018 will represent a reduction of 33% since the year to October

2015. It is possible that the on-going work to reduce the use of agency workers will produce an even greater reduction.

5. Use of agency workers

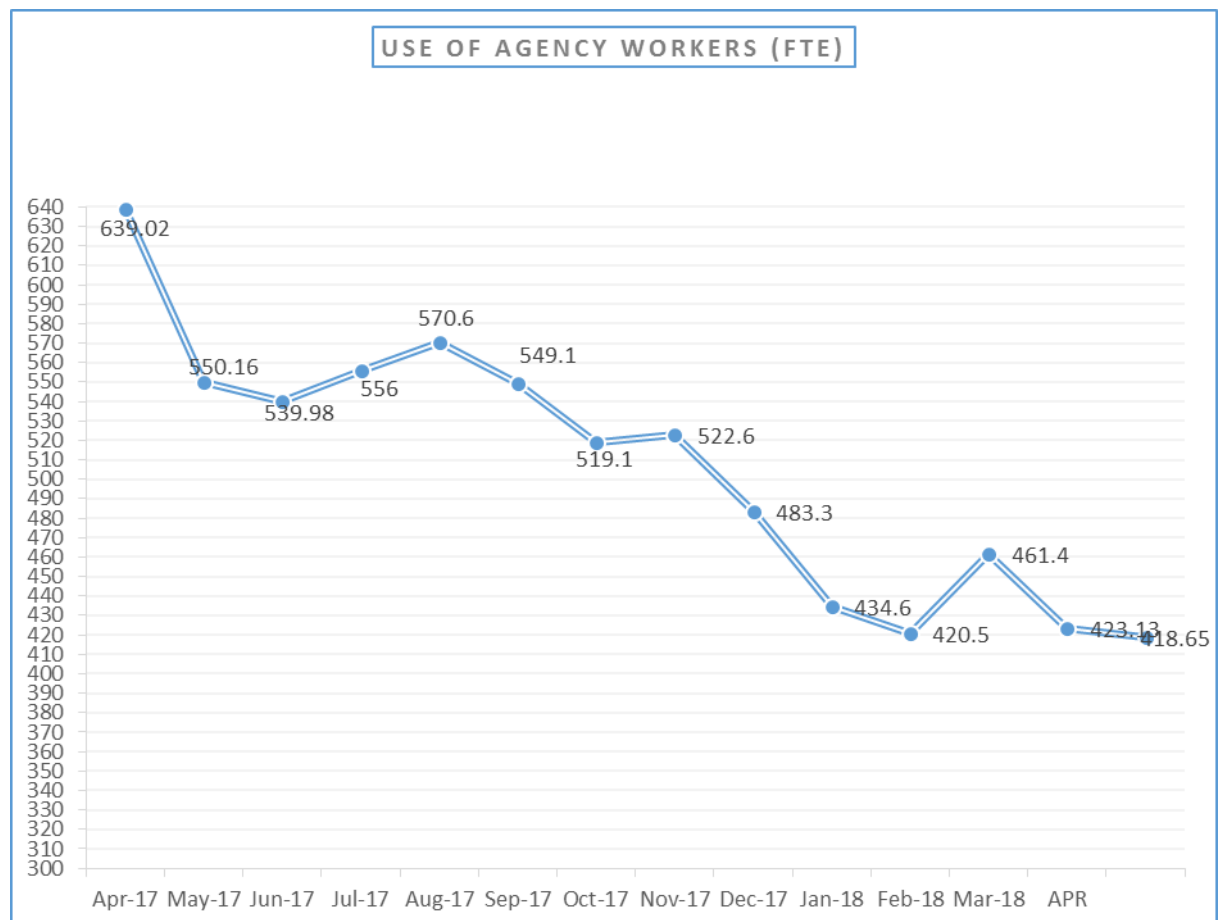
	Live agency assignments	Agency workers as a percentage of the workforce
April 2018	635	14.03%
September 2017	735	13.65%
June 2017	611	12.94%
October 2016	763	14.04%
May 2016	720	13.6%
September 2015	807	14.7%
June 2015	972	17.39%

Figure 1: Use of agency workers compared to council employees

- 5.1 On 30th April 2018 there were 635 live agency worker assignments, compared to 735 on 30th September, 2017. This is comparable to June 2017. (It is important to note that an assignment does not equate to a full-time post.)
- 5.2 Based on headcount, agency workers made up 14.03% of Islington Council's workforce as at 30th April, 2018 compared to 13.65% of the council's workforce as at 30th September 2017. This compares to a median figure of 14.47% (based on headcount) for all London councils in 2016/17. Therefore, the percentage of agency workers engaged by Islington Council based on headcount is slightly lower than the median for London councils. When the business model adopted by Islington Council, which is one of the direct delivery of services, is taken into consideration, this is a significant achievement.
- 5.3 The importance of the difference between the business model adopted by Islington Council, which delivers the overwhelming majority of its services directly, and those of most other London boroughs, which generally do not, should not be underestimated. The Islington model relies heavily on an agile deployment of workers and the ability rapidly to replace resources when they are depleted in order to deliver key services.
- 5.4 In view of this, in order to achieve a better comparison with other London boroughs, the assignments in the categories of agency workers that are engaged by services which are not generally delivered directly by local authorities, such as 'Manual Worker' and 'Trade Operative' can be removed. There were 252 assignments in these two categories in April 2018. When these are removed from the total figure, the number is reduced from 635 to 383, bringing the number of agency worker assignments as a percentage of Islington Council's headcount down from 14.03% to 8.46%. This means that when the number of agency workers is adjusted to allow for the differences in resourcing needs associated with the divergent operating models, in comparison to other London boroughs, Islington Council's use of agency workers is only 3/5 of the median for all London councils, which represents a major accomplishment.
- 5.5 Figure 1 above shows the number of agency worker assignments. However, **Appendix 2** and Figure 2 below provide the number of full-time equivalent (fte) workers engaged over the course of each month, this information is shown on a monthly basis dating back to March 2017. It demonstrates that the number of fte

agency workers over the course of each month has reduced steadily from 639.02 in March 2017, to 418.65 in April 2018. This represents a reduction of only slightly less than 35% in just 12 months.

Figure 2: Monthly use of agency workers (fte)



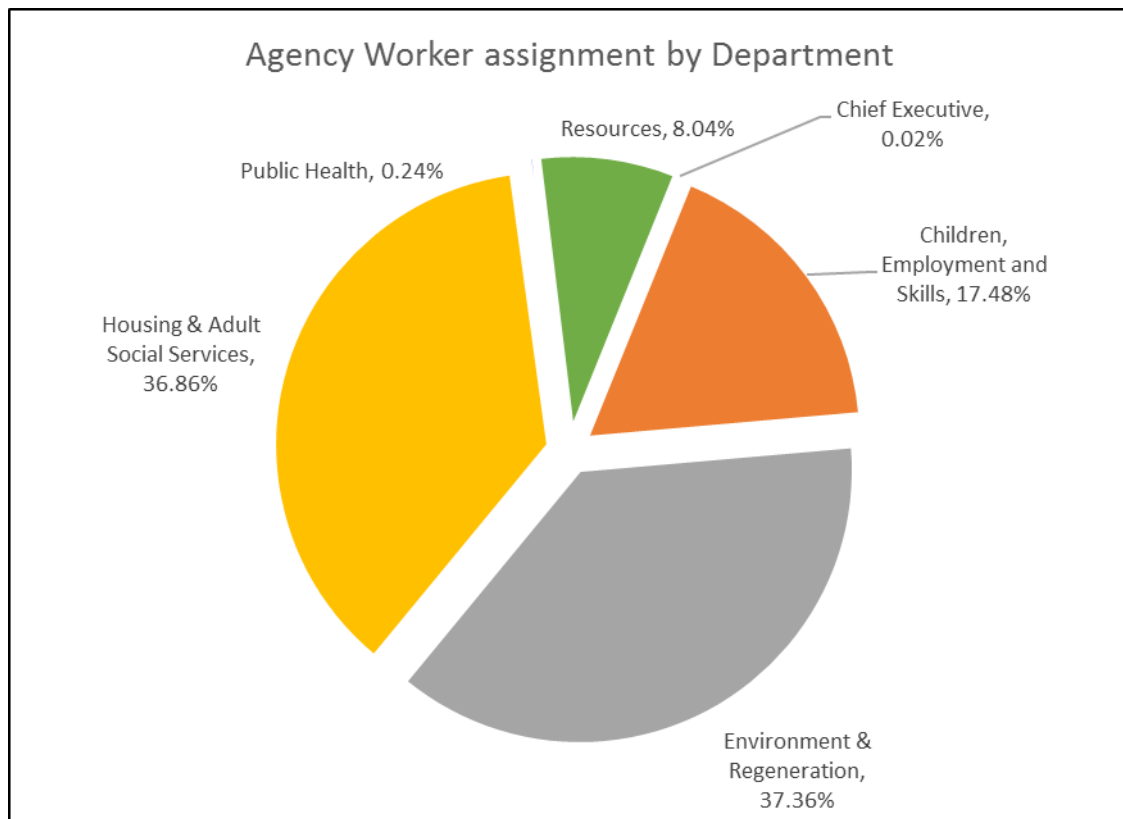
5.6 The reduction in the use of agency workers since March 2017 mirrors the reduction in spend reported in paragraph 4.1.

5.7 Use of agency workers by department

On 30th April, 2018, the highest number of live assignments was in HASS, with 252 (compared with 285 in the last report), followed by Environment and Regeneration, with 199 (compared with 244 in the last report), Children, Employment and Skills with 110, Resources with 71, Public Health with 2 and the Chief Executive's Department with 1. Clearly HASS and E&R are the council's largest departments and provide many services which must be highly responsive to residents' needs.

5.8 The number of agency worker assignments by department during April 2018 are shown at **Appendix 3** and Figure 3 below. This figure relates to the number of occasions on which agency workers were engaged (assignments), not the full-time equivalent figure.

Figure 3: Islington agency assignments for April 2018



Source: REED (April 2018)

5.9 Types of assignments undertaken

There is a concerted effort on the part of managers across all departments to adopt alternative resourcing options, in order to reduce the number of agency workers engaged. Large recruitment campaigns are taking place in order to move to a lower use of contingent labour.

Appendix 4 sets out the roles undertaken by agency workers during April 2018, shown by department. The categories of roles are those available for selection when entering an assignment onto the Reed system.

- In Public Health and the Chief Executive's Department, agency workers are used mostly to cover professional roles.
- In Children, Employment and Skills, the majority of agency worker use is in qualified or unqualified social care roles (which also makes up a substantial part of the contingent labour in HASS) although a quarter of the roles in Children, Employment and Skills are administrative and clerical, reflecting the need for specialist note-takers for statutory care meetings.
- In HASS, while there has been a marked reduction in administrative and clerical roles, there is still room for a further reduction in this category of worker. Organisational changes are being implemented in this department and agency workers are being engaged until there is clarity about resourcing needs, at which point the number is expected to reduce.
- In September 2017 the number of manual labour roles in E&R was 199. This has reduced by 23%, to 153 in April 2018, which reflects the effort that has been invested in changing the department's resourcing model. 77% of agency workers in E&R are undertaking manual labour roles, which demonstrates the requirement to ensure that services are delivered responsively. Managers

continue to seek to reduce the use of agency workers by pursuing alternative resourcing options and by focusing on reducing sickness absence.

- In Resources, the greatest use of agency workers is also in manual labour roles. This category is followed by legal and then financial workers. There is a focus on reducing their use, with campaigns currently under way to recruit to permanent and fixed-term contracts, and projects to explore different ways of working.

5.10 Progress towards meeting departmental targets

The analysis of service requirements for agency workers has led to the adoption of the following departmental targets for the use of agency workers to enable the achievement of the long-term annual average target of 10%. The agency worker strategy identifies a medium term target of 11.7% based on departmental use and the actions being taken to reduce deployment. Current progress against the medium-term target is set out below.

Figure 4: Organisational targets for the use of agency workers

Department	Target %	Current Performance %
Chief Executive's	2.5	0
Children, Employment and Skills	9.5	9.02
E&R	12	13.34
HASS	16	13.11
Public Health	3	3.27
Resources	10	6.36
Medium term annual average target	11.7	10.71

Chief Executive's Department, Resources and HASS have clearly achieved their targets comfortably. Children, Employment and Skills has also achieved its target, and Public Health and Environment and Regeneration have almost done so. Overall the council has exceeded the medium-term target agreed.

6. Reducing the use of agency workers

6.1 IR35

In April 2017, the much anticipated reforms to the IR35 legislation were introduced. These shifted the responsibility of paying tax and National Insurance contributions from agency workers engaged through Personal Service Companies to the party contracting with the Personal Service Company in circumstances where the worker's engagement resembled that of an employee. This change was intended to move as many public sector contractors as possible to be 'on payroll' and therefore considered for tax purposes to be the same as an employee. The reforms put some strain on service delivery but have been managed in such a way as to have little impact overall. Further changes to this legislation are anticipated.

6.2 Management Information

Considerable work has been done to provide management information to give a clear picture of the use of agency workers. The information made available by the council's previous provider, Comensura, was historically in the form of 'snapshot' reports, which showed the use of agency workers only on the final day of every month. In addition, the business structure on Comensura's system was out of date. Since March 2017 managers have been receiving reports on a monthly basis (or more frequently) which reflect the use of agency workers (both in the format of the number of assignments and the number of full-time equivalent workers) throughout the course of the month, and structures have been amended so they are accurate. The provision of management information has improved further since Reed became the agency worker contract provider, in March 2018. Managers are now receiving monthly spend by department and by job category, and the spend will be shown at service level from May 2018.

The transition from one provider to another in March 2018 created a considerable amount of work and it has been necessary to make adjustments to allow for different working practices. One of these is the difference between Comensura, the previous provider, and Reed, the current one, in calculating the number of fte agency workers. The method employed by Reed is more straightforward than that used by Comensura, and it more accurately reflects the actual deployment of workers. Attempts were made to join up the two different methods, but this proved impossible, so the decision has been taken to move to adopt the calculation used by Reed.

6.3 Principles for the use of agency workers

The Director of Human Resources has worked with the Chief Executive, Corporate Directors and the Executive Member for Finance, Performance and Community Safety to develop a set of principles to act as parameters for the use of agency workers. These principles provide guidelines for the deployment of agency workers, with the aim of reducing their numbers. They are attached at **Appendix 5**.

6.4 Improving recruitment

As agency workers are often used to provide capacity until recruitment to permanent or fixed-term contracts bears fruit, HR has been working closely with service managers to support more effective recruitment processes. This includes:

- Introducing a streamlined recruitment process, which will also allow for establishment records to be accurately maintained and budgets to be monitored. This process has been developed into an e-form to make the process even more user-friendly, which has been available to implement for the past 12 months but has been delayed due to a lack of capacity in Digital Services. At the time of writing, there is no indication of when it will be possible to implement this improvement to the council's processes;
- Developing a 'People Dashboard' so that at all times managers have at their fingertips access to accurate, up-to-date information on progress with recruitment campaigns, the number of agency workers engaged and levels of sickness absence. The Dashboard has been available to implement for the past 12 months but has been delayed due to a lack of capacity in Digital Services. At the time of writing, there is no indication of when it will be possible to implement this improvement to the provision of management information;

- Holding regular 'recruitment roundtable' meetings with managers in services where there are high levels of recruitment or hard-to-fill posts, to ensure there are no obstacles to the effective management of recruitment campaigns;
- Inviting Finance colleagues to resourcing meetings with managers, to clarify budget issues;
- Working with managers to develop alternative approaches to recruitment, to reflect different sectors of the employment market and make jobs accessible to the right candidates.

6.5 Other measures to reduce the use of agency workers

A number of other issues can have an impact on the use of agency workers, including the salaries and benefits offered, ways of working and absence levels. Work currently underway to address these issues include:

- Providing advice to ensure that remuneration levels do not form a barrier to permanent recruitment, recommending the appropriate use of job evaluations and market supplements. In certain circumstances, specialist expertise has been leveraged to improve job evaluations;
- Developing a compendium of the benefits offered by the council to assist in attracting the talent required to deliver services;
- Researching how different ways of working, such as annualised hours, may meet some resourcing needs and reduce the use of agency workers;
- Working with managers to reduce sickness absence, including a project to provide medical advice on the first day of absence, and a review of the Managing Attendance policy, to make it more user-friendly. In addition to this, the council's occupational health service provider is to change from June 2018, with the aim of giving employees access to a greatly improved service and promoting well-being;
- Delays in resolving workplace conflict have been caused by the inability of managers to identify competent colleagues to carry out investigations. Actions to address these delays include the provision of a new course in investigating skills. As workplace conflict often leads to increased sickness absence, it is projected that this training will contribute to the reduction of absences and therefore in the need to engage agency workers.

7. New provider of the council's agency workers' contract

7.1 The previous agency workers' contract, with Comensura, expired on 4th March 2018. A mini tender under the YPO framework, Lot 1 for Managed Labour was therefore carried out in 2017 to engage a provider from that date. The reasons for choosing this procurement route were that:

- It provided a framework of pre-assessed providers that included Comensura;
- It will enable the council to bring into the contract the current approximate £1.5m spend on senior interims that is currently off-contract;
- There is an option to use the contract for permanent recruitment;
- The tender was drafted to require that the contractor will partner with the council to deliver its social value aims to help more local people into employment; and

- There is a financial incentive for using this framework in the form of an annual dividend, which will provide approximately £54K on the current level of spend on agency workers.
- 7.2 The decision was taken to end the relationship with Comensura and award the contract to Reed, with the new contract starting on 5th March, 2018. The award was informed by engagement with managers through focus groups and an on-line survey to identify the requirements for a future contract. These were used to inform supplier engagement events and the preparation of the tender document. Reed's delivery of the contract is expected to deliver savings through the focused management of job categories and pay rates. The strong social value element of the contract bid promises to offer good opportunities to support access to employment for Islington residents.
- 7.3 Just two months into the delivery of the new contract, benefits from the change of provider are already apparent. These include:
- Charging rates are more accurate;
 - The correct regulated rates are being charged, whereas previously it has been revealed this was not the case;
 - A dedicated resource from the provider is located at council premises providing a highly responsive service;
 - The provision of management information has increased;
 - The social value element of the contract is being developed;
 - Improved controls are in place (e.g., of hours worked); and
 - There is improved management of the supply chain.

8. Implications

Financial implications:

None arising directly from this report.

Legal implications:

None arising directly from this report.

Environmental Implications:

None arising directly from this report.

Resident Impact Assessment:

There is no impact on residents as a direct result of this report. An equalities analysis of agency workers as at 30th April, 2018 is set out below:

- Gender

Following the engagement of a new provider, the data set is not at a stage where any analysis can be carried out, as the amount of workers where the category is undisclosed is 74%. Discussions have taken place with the new provider and it has been agreed that efforts will be made to increase the collation of meaningful information.

- Disability

The percentage of agency workers declaring a disability is 15%. Again as this is a new provider the agreement is that more robust information will be gathered. However, this is significantly higher than the figure for directly employed staff, which is 7.65%.

- Age

The age distribution of the agency workers is set out in the table below (Figure 5), which shows that agency workers are on average younger than the council's employees. 5.2% of agency workers are under 25 compared to 3.08% of employees.

Figure 5: Age profile of agency workers

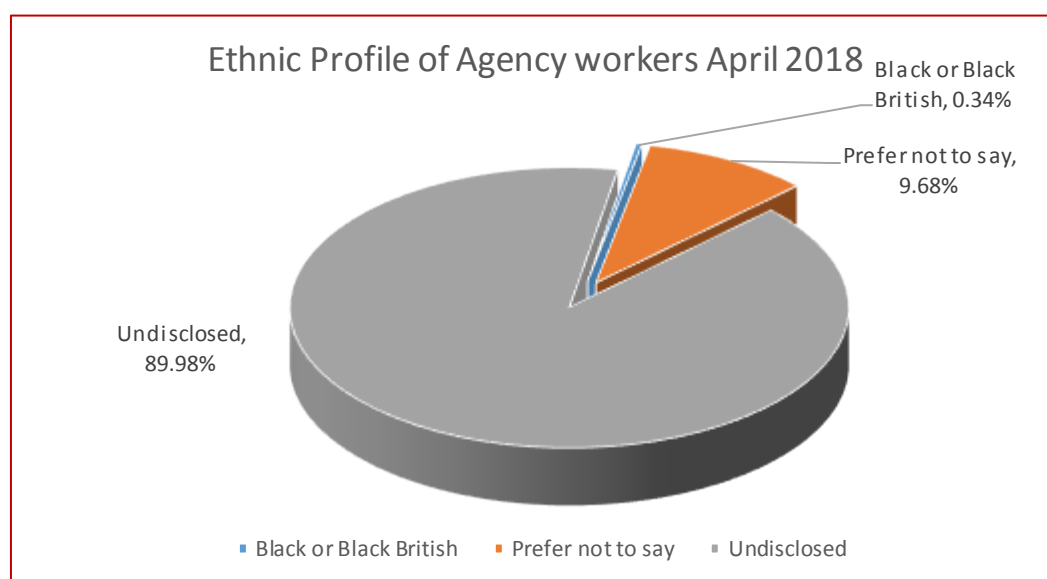
18-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65+
5.2%	11.5%	15.2%	11.2%	10.5%	13.4%	16.7%	8.5%	5.2%	2.7%

Source REED April 2018

- Ethnicity

90% of agency workers have not disclosed their ethnicity. As with the other equalities information, the provider has advised that efforts will be made to gather meaningful data.

Figure 6: Ethnic profile of agency workers



Source: REED April 2018

9. Conclusion

Significant and sustained reductions in the use and cost of agency workers are being achieved.

Final report clearance:

Signed by: **Mike Curtis**
Corporate Director of Resources

8th June, 2018

Report author: **Liz Haynes**
Director of Human Resources

Appendix 1

Spend on agency workers from November 2014 to February 2018

Spend by Department							
Period	Chief Executive's	Children's Services	Environment and Regeneration	Resources	Housing and Adult Social Services	Public Health	Total Spend
March 17 - February 18	£102,774	£4,598,685	£6,538,253	£2,788,763	£8,720,135	£54,892	£22,803,504
October 16 - September 17	£70,225	£4,531,693	£6,582,567	£4,419,512	£10,360,323	£185,849	£26,150,171
July 16 - June 17	£108,441	£4,445,748	£6,083,453	£5,053,308	£10,827,034	£263,679	£26,781,664
November 15 - October 16	£526,101	£3,845,127	£5,506,032	£5,078,407	£12,001,568	£107,836	£27,065,071
November 14 - October 15	£415,499	£4,200,612	£6,262,262	£4,531,437	£12,311,011	£76,953	£27,797,773

Appendix 2

USE OF AGENCY WORKERS BY ISLINGTON COUNCIL

		(ftes and active assignments)													
		Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18
Chief Executive's Department	FTE (35 hr week)	0.0	0.0	0.0	1.0	0.2	0.0	0.0	0.0	0.8	1.0	1.0	0.8	0.7	0.08
	# Active Assignments	0	0	0	1	1	0	0	0	1	1	2	2	1	1
Childrens' Services	FTE (35 hr week)	85.8	78.0	80.3	89.4	95.7	85.8	78.2	87.7	85.3	77.3	73.1	77.4	75.2	73.17
	# Active Assignments	131	123	123	139	138	143	136	129	134	123	123	132	121	110
Environment and Regeneration	FTE (35 hr week)	191.8	173.8	174.2	182.7	191.4	190.2	191.7	187.9	169.3	147.4	144.7	157.1	152.9	156.41
	# Active Assignments	221	210	204	216	225	248	260	259	256	244	211	202	204	199
Housing and Adult Social Services	FTE (35 hr week)	270.8	234.8	228.9	221.5	224.3	214.2	195.1	193.4	179.8	166.4	163.7	186.4	157.4	154.32
	# Active Assignments	457	443	363	352	322	328	331	317	301	285	273	276	257	252
Public Health	FTE (35 hr week)	1.2	0.9	1.0	0.7	0.7	0.0	0.0	0.0	0.0	0.0	1.0	1.0	0.4	1
	# Active Assignments	2	2	2	2	1	0	0	0	0	0	1	1	2	2
Resources	FTE (35 hr week)	89.4	62.6	55.6	60.9	58.3	58.9	55.5	53.5	48.1	42.5	37.1	38.7	36.6	33.66
	# Active Assignments	137	118	111	93	92	102	97	102	90	77	72	75	70	71
TOTAL	FTE (35 hr week)	639.0	550.1	540.0	556.0	570.6	549.1	520.5	522.6	483.3	434.6	420.5	461.4	423.2	418.65
	# Active Assignments	948	896	803	805	779	821	824	807	782	730	682	688	655	635

NB: Figures until February 2018 were provided by Comensura. Figures from March 2018 onwards are provided by Reed, the council's new supplier. The calculations vary slightly between the two suppliers, but the Reed approach more accurately reflects the use of agency workers.

Appendix 3: Number of agency worker assignments by department

Agency worker assignments by service for April 2018

Service Area		Count
Chief Executive's		1
		1
Children's Services		110
	Employment, Skills and Culture	6
	Learning and Schools	7
	Partnerships and Support Services	6
	Safeguarding and Family Support	85
	Youth and Community	6
Environment and Regeneration		199
	Planning and Development	21
	Public Protection	5
	Public Realm	173
Housing and Adult Social Services		252
	Adult Social Care	129
	Directors' Support Unit	3
	Housing Needs Strategy	9
	Housing Operations	27
	Housing Property Services	58
	Housing Repairs	14
	Strategy and Commissioning	12
Public Health		2
	Public Health	2
Resources		71
	Finance	3
	Financial Management	2
	Financial Operations and Customer Service	44
	Human Resources	4
	Law and Governance	18
Grand Total		635

Appendix 4 - Agency worker roles

Job categories of agency workers during April 2018

Job Category	Chief Executive	Children, Employment and Skills	Environment & Regeneration	Housing & Adult Social Services	Public Health	Resources	Grand Total
Admin and Clerical	0	28	8	13	0	5	5
Education Qualified	0	1	0	0	0	0	1
Education Unqualified	0	2	0	0	0	0	5
Engineering and Surveying	0	0	5	21	0	0	26
Facilities and Environmental Services	0	0	11	0	0	1	5
Financial	0	2	0	0	0	11	13
Housing, Benefits and Planning	0	0	11	32	1	3	5
Human Resources	0	0	0	1	0	4	5
Information Technology	0	1	0	0	0	0	5
Interim Executive	0	2	2	5	0	3	11
Legal	0	1	0	1	0	16	5
Manual Labour	0	0	153	35	0	28	216
Marketing	1	0	0	0	0	0	5
Social and Healthcare Qualified	0	57	0	40	1	0	98
Social and Healthcare Unqualified	0	14	0	80	0	0	5
Trades and Operatives	0	2	9	24	0	0	36
Grand Total	1	110	199	252	2	71	635



**Principles for reducing the
use of agency workers**

May 2017

Principles for reducing Islington Council's use of agency workers

The council has a presumption against the use of agency workers, preferring in all but exceptional circumstances to seek to recruit to permanent or fixed-term employment contracts.

The reasons for this position are as follows :

- The council wishes to act as a responsible and ethical employer, providing opportunities which offer people stability and security for them and their families;
- The council offers terms and conditions of employment which reflect its commitment to reducing poverty and inequality, and to making Islington a fairer place;
- Unless used in conjunction with planned knowledge transfer, a high use of agency workers undermines efforts to build organisational and individual capability and does not allow for effective succession planning;
- An extensive use of agency workers carries significant risk in view of the facility with which workers can terminate contracts; and a potentially transient workforce will be less motivated and less committed to the council's vision and values.

The council's operating principles regarding the use of agency workers are:

- Wherever possible, agency workers will not be engaged on contracts longer than 12 months;
- Agency workers may be required on a short term basis to maintain frontline operational services such as refuse, recycling, social care, and for short-term externally funded projects or to support income generation;
- Large-scale programmes which require specific skills most appropriately sourced through agency contracts will specify the extent of the requirement during the planning stage of the programme;
- Where agency workers are engaged, recruitment on a permanent or fixed-term basis will be undertaken concurrently, except when the need is for periods shorter than three months;
- Managers will endeavour to convert current agency workers' contracts to fixed-term contracts where possible.
- The use of agency workers, other than for emergency cover, should only be authorised by corporate directors;
- Where agency workers are used to cover hard-to-recruit-to posts, advice should be sought from HR on alternative strategies to develop a sustainable workforce;
- Options for reviewing remuneration will be pursued rather than engaging agency workers where remuneration is believed to be an obstacle;
- Managers will not engage agency workers to cover clerical and administrative roles for longer than 3 months;
- Extensions to agency contracts beyond three months must be agreed by corporate directors and authorised by the chief executive;
- Unless there is a compelling and exceptional reason for so doing, agency workers will not be engaged on successive assignments.

Human Resources undertakes to support the reduction of the use and cost of agency workers in the following ways.

Effective recruitment to permanent/fixed-term contracts

- The introduction of the new recruitment approvals process makes recruitment more efficient and easily monitored. This will continue with the implementation of the e-form and People Dashboard, which will allow managers easily to monitor the progress of their recruitment campaigns.
- Working with systems providers, HR undertakes to provide management information on key measurables relating to recruitment.
- The Recruitment Team offers recruitment roundtable meetings with managers to focus on large-scale campaigns or hard-to-fill posts.
- Alternative approaches to resourcing are being trialled when potential candidates may be unfamiliar with public sector recruitment.

Reward and remuneration measures that support permanent recruitment in a competitive employment market

- Human Resources will support applications for market supplements in posts where the council's salary levels are thought to be uncompetitive.
- A total reward statement will be developed to enable managers to demonstrate the value of non-financial as well as financial elements of the reward offer.

The development and implementation of departmental workforce plans

- Human Resources will support the development and advise on the implementation of departmental people plans to ensure a planned approach to resourcing and development.

Supporting the effective management of sickness absence and focusing on wellbeing

- Working alongside managers, Human Resources will support the effective management of sickness, to seek to reduce absences, including targeted projects in services where absences are particularly high.
- Human Resources will work to increase the effectiveness of the occupational health service, including procuring a new provider.
- There will be an increased focus on promoting well-being at work, drawing together the total offer and increasing its profile.
- The Managing Attendance policy will be reviewed, to ensure that managers have the best tools with which to manage sickness absence.

Effective management of the agency workers contract

- Human Resources will continuously work closely with the provider to seek to offer more options to reduce the use and cost of agency workers.

Increasing the provision of management information

- The People Dashboard will provide managers with information at their fingertips on the number of agency workers, progress on recruitment campaigns, progress with appraisals and sickness absence. This will enable managers to manage more effectively through evidence-based decision-making.

Increasing management capability

- High-quality learning will continue to be provided to build management capability and support managers' ability effectively to apply the council's policies and procedures, including attendance management, recruitment and selection, and performance management.