

Report of: Corporate Director of Resources

Meeting of:	Date	Agenda item	Ward(s)
Policy and Performance Scrutiny Committee	February 2019		
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 since November 2014. There has been a significant reduction in total spend equating to over £13m over the 4-year period. In the first 9 months of the delivery of the contract by the council’s new supplier, Reed, the spend on agency workers has continued to reduce to £14.846m. If the spend continues at the same level for the next 3 months, the annual spend will be approximately £19.795m, which will represent a further reduction of £3m, or another 13.2% on the previous year (March 17 to February 18). Indeed it will be the first time for at least a decade that the council’s annual spend on agency staff has been below £20m. It stood at £27m in 2014. Costs are falling due to reduced reliance on agency workers,

particularly to cover more senior roles, and better control of pay and agency charge rates by the Council's managed service provider, Reed.

5. Use of agency workers

	Live agency assignments	Agency workers as a percentage of the workforce
November 2018	692	12.69%
April 2018	635	13.65% *
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%

*previously reported as 14.03%

5.1 **Figure 1** above shows the number of agency worker assignments in reporting months between June 2015 and November 2018. Live worker assignments represent a single engagement of a worker. One agency worker may undertake more than one assignment in a given month. For example, a manual worker in Public Realm covering shifts in different teams will have each shift counted as a separate assignment. Hence, this figure will always be higher than headcount.

At 30th November 2018, there were 692 live agency worker assignments, compared to 635 on 30th April, 2018. This represents an increase of 9% since April, although it is still an overall reduction of 28.8% since June 2015.

Increases in live assignments often result from a need for additional capacity to cover shifts due to absence. The spike in live assignments in November partly reflects an increase in sickness absence in October and November. Analysis of live assignments by department is reported below.

5.2 Figure 1 also shows the number of agency workers as a proportion of the total workforce. Based on headcount, agency workers made up 12.69% of Islington Council's workforce as at 30th November, 2018 compared to 17.39% of the council's workforce as at June 2015. The figure at November 2018 is the lowest proportion of the total workforce recorded since June 2015 and compares very favourably to a median figure of 14.47% (based on headcount) recorded for all London councils in 2016/17, which was the last time that London Councils produced these figures.

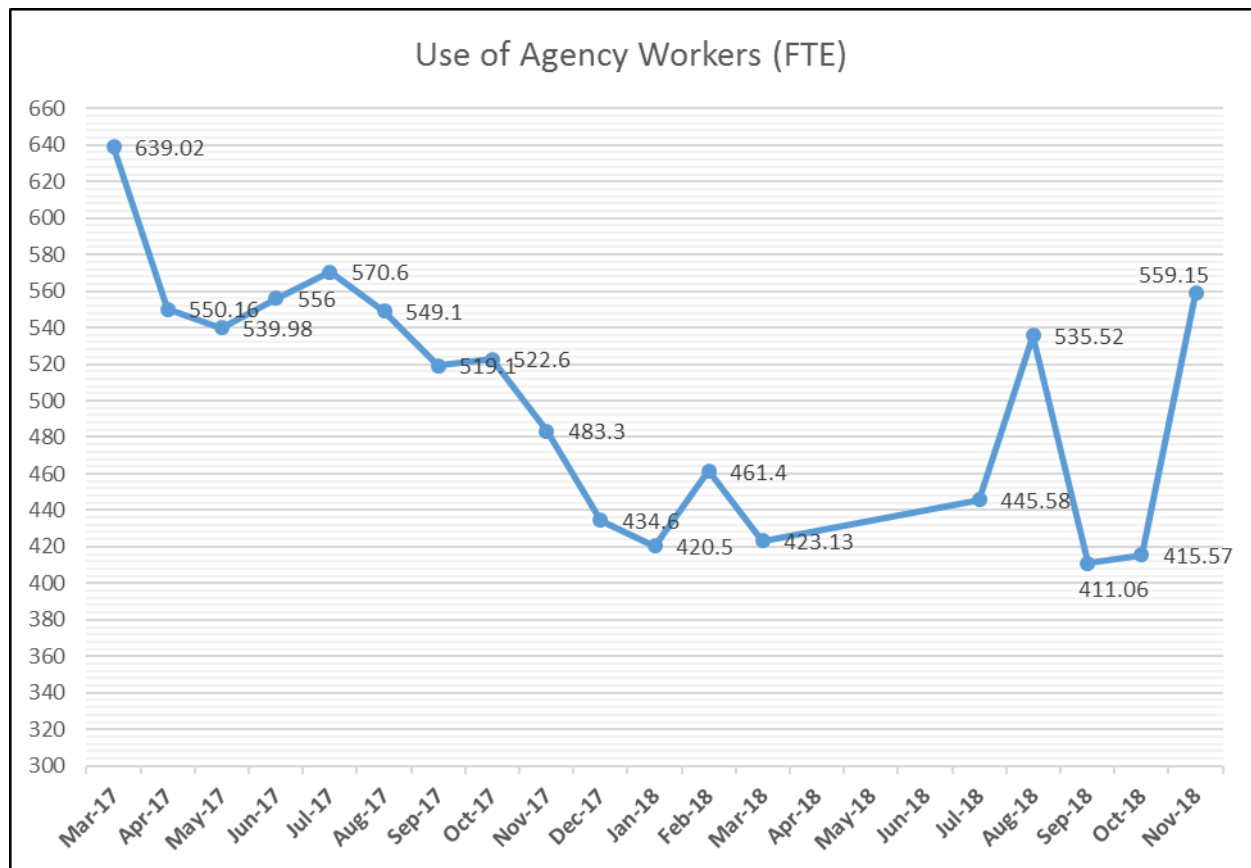
5.3 Furthermore Islington delivers the majority of its services directly, whereas many other London Boroughs do not. This model relies heavily on 'manual workers' and 'trades operatives' and requires an agile workforce with the ability to increase capacity rapidly, when needed, in order to maintain service delivery. When the numbers of agency workers are adjusted to exclude the two roles that deliver these services, the proportion of agency workers as a percentage of Islington Council's headcount is reduced further still.

5.5 Figure 2 below shows the number of full-time equivalent (fte) workers engaged over the course of each month, dating back to March 2017. This demonstrates a

reduction in the number of FTE agency workers from 639.02 in March 2017, to 559.15 in November 2018. However, there has been some fluctuation in numbers over the summer months, with numbers increasing in August (535 FTE's) then dipping in October (415.57 FTE's) before increasing to 559.15 in November. In overall terms, the trend is a reduction of just over 12% in 18 months. However, when November FTE numbers are compared to the last report in April, there is an increase of 113.57 FTE's, representing 2.4%.

5.6 The pattern of FTE's is variable when compared on a month by month basis. This reflects demand, and also Reed's management reporting information which is based on a calculation of the pay days in each month and results in some 5 week months. HR is currently talking to Reed about the possibility of providing data based on a 4 week period. This should iron out the peaks and troughs and more clearly show the trend. Nevertheless, consideration needs to be given to further measures to reduce dependence, so that the results achieved so far can be accelerated. Proposals for further reduction are outlined below.

Figure 2. Monthly use of Agency Workers (FTE)



Source: Reed (Nov 18)

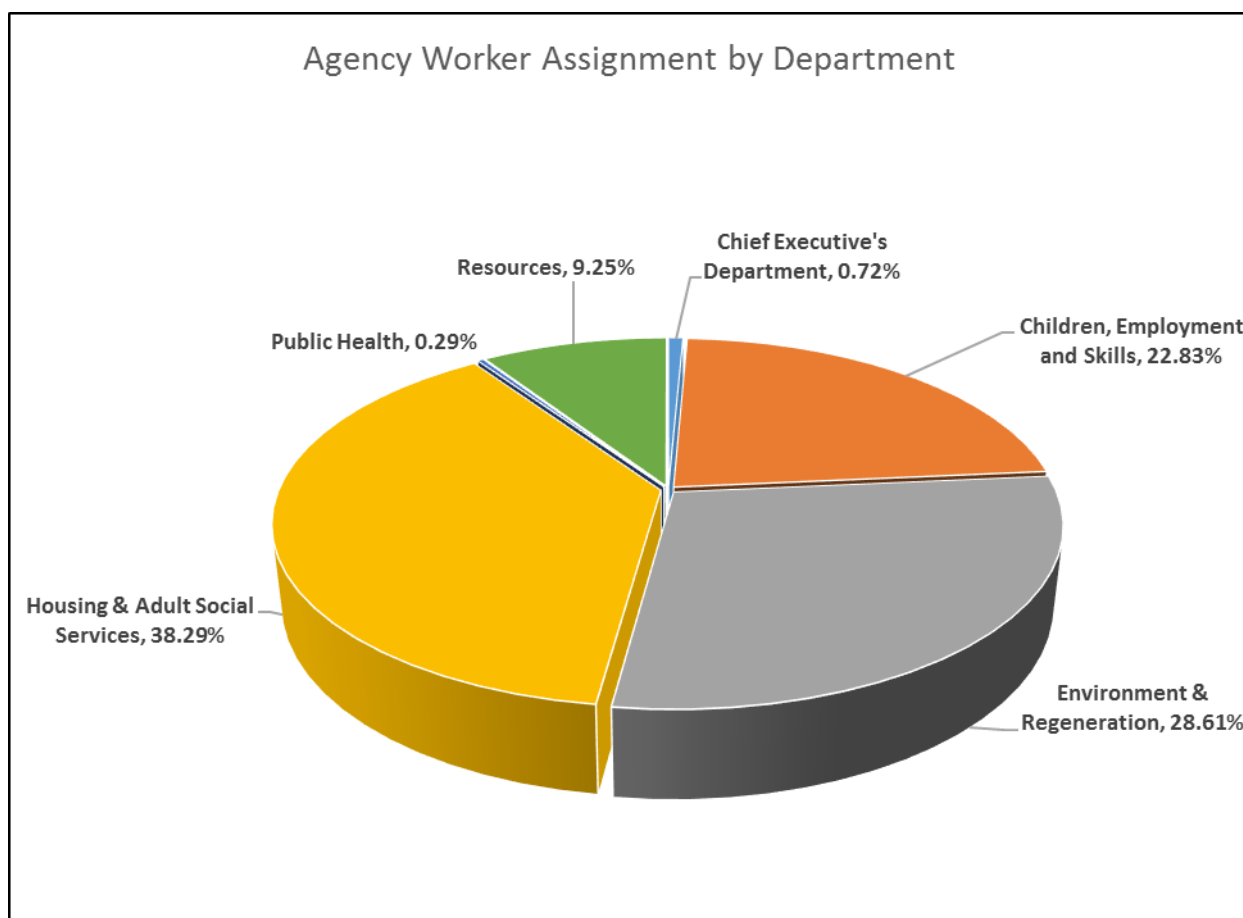
5.7 Use of agency workers by department

The number of agency worker assignments by department during November 2018 is 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. There is increased use of agency workers

across all departments in November compared to April, with the exception of Environment and Regeneration where use of agency workers in November is lower than in April.

- 5.8 HASS and E&R, which are both large departments, continue to depend on agency workers to provide services that are highly responsive to resident needs. Numbers in Environment and Regeneration have not changed significantly. On 30th November, the department had 198 assignments compared with 199 in the last report. Assignments in HASS have increased from 252 in the last report at April 2018 to 265 live assignments in November. The largest increase was in Adults Social Care and this may be attributable to sickness absence requiring additional agency worker cover for shifts during the month. HR will be working with managers to find alternative ways of resourcing social work roles.
- 5.9 The largest increase in live assignments in November was in Children, Employment and Skills. The department had 158 live assignments in November 2018, compared to 110 in April. Twenty - six of the new assignments were in Early Years and Childcare. The reason for this increase is that the agencies which had previously been providing these workers to early year's settings, outside of the Reed contract, joined the Reed supply chain. The benefit is that agency worker pay and agency charges are managed and compliance with legislation is assured.

Figure 3: Islington agency assignments for November 2018



5.9 **Types of assignments undertaken**

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

The number of agency workers covering roles in all job categories has generally increased since April, with the exception of the manual worker and legal categories where numbers have reduced. Manual worker roles have reduced by 12 and legal roles by 6.

The biggest increase in the type of assignment undertaken is in Qualified Education roles and this is due to agency suppliers providing workers to Early Years Children's centres coming into the Reed supply chain.

The Admin and Clerical category has also increased from 49 to 67. This is expected to reduce to small numbers, once the admin review is completed.

5.10 **Progress towards meeting departmental targets**

The analysis of service requirements for agency workers has led to the adoption of departmental targets for the use of agency workers with the aim of achieving a 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 12.69%.

Target rates and performance figures are based on headcount. Following a number of departmental restructures in recent years and the creation of the new People's Directorate the departmental targets will be reviewed and performance reported in the next report to Scrutiny.

6. **Reducing the use of agency workers**

6.1 **IR35**

There have been no further changes to IR35 in the public sector, since its introduction in April 2017. The majority of agency workers supplied by Reed and agencies in its supply chain work within IR35, covering roles that are needed to deliver services.

For every engagement of an agency worker, the hiring manager is required to use the HMRC tool to assess whether the role falls inside or outside IR35 before it is advertised.

In the summer, HR guidance on IR 35 was updated and made available on the intranet to all managers. Managers are required to maintain a copy of the test result and to send a copy to HR where a central record is held of all roles that are outside IR35. Following an internal audit of the process, HR is working with department leads for recruitment to ensure records are maintained and copies of the outcome of the HMRC tool are sent to HR.

6.2 Management Information

The council's managed service provider, Reed, continues to provide comprehensive monthly information on spend, numbers of live agency worker assignments, and FTE agency workers. This information is provided by department, and by category of roles and has been used to generate this report.

A small but important difference between data provided by Reed and that provided by the council's previous provider Comensura is that Reed provide data based on timesheet dates in the month which results in a 5-week month every quarter. Reed are looking at changing reporting to provide figures on a 4-week basis. This will even out the peaks and troughs in the monthly figures and will enable managers to more easily see trends in figures.

Reed can also provide headcount figures, that is the number of workers on assignment(s) each month rather than the number of live assignments and this would provide data that is more closely aligned to how the council monitors its own workforce. This is currently being discussed with Reed with a view to changing the way data is provided from April 2019.

6.3 Principles for the use of agency workers

The Director of HR along with the Chief Executive, Corporate Directors, and the Executive Member for Finance, Performance and Community Safety, developed a set of principles, intended to support the reduction in dependence on agency workers. This is attached at **Appendix 5**.

These principles provide a framework and guidance for managers and the HR service and their use has helped achieve reductions in the use of agency workers since their introduction in April 2017.

Further reduction will be achieved through our apprenticeship programme. We are encouraging apprentices into front line roles providing training and career opportunities in areas where there is a dependence on agency workers. Our upskilling programme 'Fuse' opens up progression opportunities for existing employees and we are using this programme to target filling some of the higher level posts currently covered by agency workers.

We will reduce our agency worker numbers further through the introduction of a 'temp to perm' policy. This will enable agency workers who perform well and are looking to build long term careers to apply to become permanent members of staff. There would be no additional agency charges providing that the agency worker has been working for the council for 13 weeks. A proposal for a 'temp to perm' policy is set out below.

6.4 Improving recruitment

We are reviewing recruitment processes to find ways to make them more efficient.

We are also working closely with colleagues in Digital Services to review the Trac recruitment system to identify if improvements can be made to improve management information and make it more user friendly. Alternatively,

opportunities for adding a recruitment module to the Northgate HR system will be considered. This will provide the advantage of holding all information on one system ahead a future move to an integrated ERP Finance and HR system.

6.5 Other measures to reduce the use of agency workers – ‘Temp to Perm’ policy.

To further reduce the council’s reliance on agency workers and associated costs the HR service proposes a temp to perm policy is introduced. This will be open to all agency workers who have been working on an assignment for more than 12 weeks. In these cases, no fee will be payable to the agency where the worker is subsequently engaged on a permanent or fixed term contract.

The temp to perm policy will not be available for roles that are subject to review for example those in scope of the current admin review.

Benefits of this approach will be:

- A reduction in the number of temporary agency workers engaged by the council.
- A reduction in associated agency costs as well as costs of vacancies and training.
- The offer of permanent work to agency workers who are looking to build long term careers working in the council
- Temporary workers will identify with the council and will have an increased feeling of belonging to the team, which helps integration
- Managers will be better able to plan for the future of their teams, and build capability, due to their increased ability to retain team members.

Proposal

This process will apply to all agency workers who have been in post for more than 3 months and who:

1. Provide satisfactory references from their previous employer(s) as required for the role they are undertaking.
2. Have the right to work in the UK, including commitment to apply for settled status where they are EU nationals
3. Hold current DBS checks that are less than 12 months old as required for the role they are undertaking

Agency workers who meet the above criteria will have the right to apply to a fixed term or permanent post provided that:

- There is a budgeted post in the establishment
- There is no one in the redeployment pool who is suitable for the role or who could be trained as part of a trainee apprenticeship
- A local person has been considered for the role as an apprenticeship

How this will work

The manager satisfies him/herself that the above criteria are met and considers redeployees and apprenticeships/upskilling opportunities first.

The council's managed service agency supplier Reed, provides confirmation of compliance with legislation and copies of previous references

The manager provides a reference for the agency worker covering the time they have been working for the council

The role is advertised on the council's internal system for 5 days

There is an accelerated interview process where all applicants are considered

Successful applicants which may or may not be the agency worker are offered the position within 4 weeks of the post being advertised

Contracts are issued and a start date agreed within 4 weeks of the post being advertised. If the appointment is to an agency worker the worker continues in post during that time.

The end to end process takes no longer than 12 weeks.

To assure its success the process will require a dedicated resource. It is envisaged that this resource will come from the existing recruitment team.

All temp to perm proposals will be subject to approval by members of CMB.

7. Contract update

Since April, a number of changes have been made to the delivery of the agency worker contract. At the depot, Cottage Road, there has been a change in arrangements for the deployment of agency workers on bin crew shifts. Previously the main supplier of agency workers, Cue, maintained a presence at the depot to ensure that there was always a supply of agency workers to cover shifts and the administration of timesheet hours. Since January, Cue no longer has a presence at the depot, although the agency is still the major supplier of workers. Managers are taking over the administration of agency needs and reporting their requirements directly to Reed. This is in its early days and the supply is being monitored closely to ensure service needs are being met.

Off contract spend, including Early Years Childcare has been brought on to the supply chain, ensuring compliance with legislation and with contract pay and charge rates.

Compliance with pay rates continues to be upheld and as a result agency workers are mainly paid the same rates as employees for the jobs they are covering. This is resulting in savings on the contract price.

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 November 2018 is set out below. However, the data set is not at a stage where any meaningful analysis can be carried out as there is a high percentage of undisclosed information. Discussions have taken place with the provider and it has been agreed that efforts will be made to increase the information collected.

- Gender

The percentages for those who have declared their gender are: Females 15.2%, Males 14.8%.

- Disability

The percentage of agency workers declaring a disability is 0%.

- Age

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

Figure 5: Age profile of agency workers

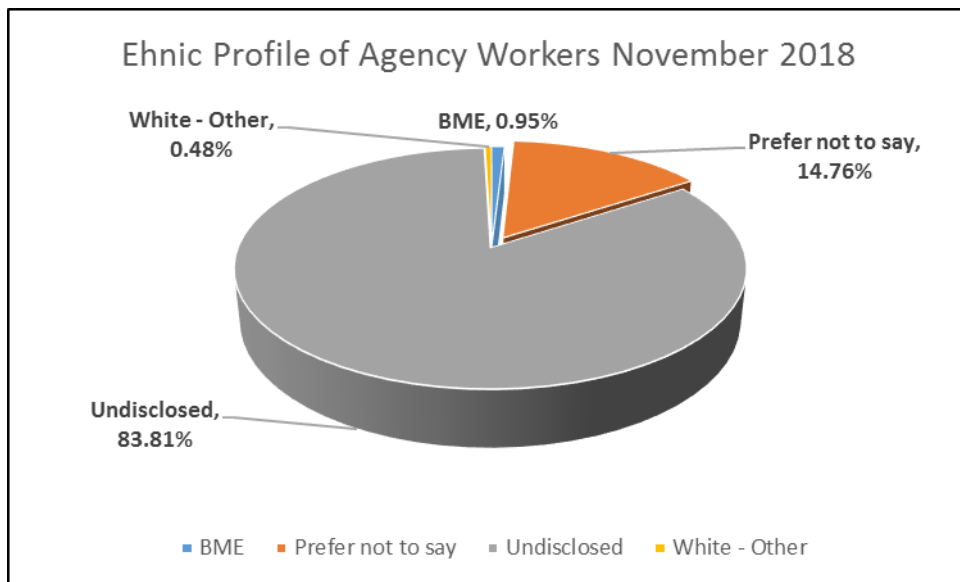
Age	18-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65+
%	5%	11%	12%	12%	11%	15%	15%	11%	6%	3%

Source REED November2018

- Ethnicity

81% 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 November 2018

9. Conclusion

Sustained reductions in the cost of agency workers are being achieved. Proposals for further reductions in the numbers of agency workers are included.

Final report clearance: **Signed by:**

Acting Director of Human Resources

January, 2019

Report author: Ruth Phillips
Interim Head of OD

Appendix 1

Spend on agency workers from November 2014 to November 2018

Period	Spend by Department						Total Spend
	Chief Executive's	Children's Services	Environment and Regeneration	Resources	Housing and Adult Social Services	Public Health	
March 18 to November 18	£82,981.94	£3,001,217.46	£4,617,556.41	£1,245,682.00	£5,834,784.48	£64,295.72	£14,846,518.01
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
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

		Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18
Chief Executives Department	FTE (35 hour week)	1	1	0.8	0.7	0.8	0.65	2.74	2.98	3.25	2.63	2.55	2.63
	# Active Assignments	1	2	2	1	1	1	3	3	3	4	3	5
Children, Employment and Skills	FTE (35 hour week)	77.03	73.1	77.4	75.2	73.17	77.02	92.93	76.46	84.47	64.74	70.57	98.02
	# Active Assignments	123	123	132	121	110	99	104	108	106	103	107	158
Environment and Regeneration	FTE (35 hour week)	147.4	144.7	157.1	152.9	156.41	160.20	200.98	150.91	189.14	144.55	140.17	181.96
	# Active Assignments	244	211	202	204	199	194	213	201	202	196	188	198
Housing and Adult Social Services	FTE (35 hour week)	166.4	163.7	186.4	157.4	154.32	168.44	205.09	177.19	213.35	163.10	168.43	226.76
	# Active Assignments	285	273	276	257	252	225	243	245	263	241	240	265
Public Health	FTE (35 hour week)	0	1	1	0.4	1	1.81	2.10	1.58	1.28	2.20	1.55	2.31
	# Active Assignments	0	1	1	2	2	2	2	2	2	3	2	2
Resources	FTE (35 hour week)	42.5	37.1	38.7	36.6	33.89	31.00	42.21	36.46	44.03	33.84	32.30	47.47
	# Active Assignments	77	72	75	70	71	50	57	59	62	58	61	64
Total	FTE (35 hour week)	434.6	420.5	461.4	423.13	432.75	439.112099	546.05	445.58	535.52	411.06	415.57	559.15
	# Active	730	682	688	655	635	571	622	618	638	605	601	692

Appendix 3: Number of agency worker assignments by department

Agency worker assignments by service for November 2018

Service Area	Count
Chief Executive	5
Communications & Change	5
Children, Employment and Skills	158
Employment, Skills and Culture	10
Learning and Schools	58
Partnerships & Support Services	18
Safeguarding and Family Support	61
Youth & Community	11
Environment & Regeneration	198
Planning & Development	18
Public Protection	2
Public Realm	178
Housing & Adult Social Services	265
Adult Social Care	138
Directors Support Unit	3
Housing Needs and Strategy	14
Housing Operations	32
Housing Property Services	54
Housing Repairs	5
Strategy & Commissioning	19
Public Health	2
Public Health	2
Resources	64
Corporate I&E ?	1
Digital Services	4
Finance Directorate	2
Financial Management	1
Financial Operations & Customer Service	40
Human Resources	5
Law and Governance	11
Grand Total	692

Appendix 4 - Agency worker roles

Job Categories of Agency workers for November 2018

Job Category	Chief Executive	Children, Employment and Skills	Environment & Regeneration	Housing & Adult Social Services	Public Health	Resources	Grand Total
Admin and Clerical	0	39	4	15	0	9	67
Customer Services	0	9	0	0	0	0	9
Education Qualified	0	37	0	0	0	0	37
Education Unqualified	0	5	0	0	0	0	5
Engineering and Surveying	0	0	6	20	0	2	28
Facilities and Environmental Services	0	0	7	0	0	4	11
Financial	0	3	0	0	0	10	13
Housing, Benefits and Planning	0	0	12	28	1	2	43
Human Resources	0	1	1	1	0	3	6
Information Technology	0	1	0	1	0	5	7
Interim Executive	0	0	1	4	0	2	7
Legal	0	0	0	2	0	9	11
Manual Labour	0	1	160	30	0	13	204
Marketing	5	0	0	0	0	0	5
Social and Healthcare Qualified	0	46	0	59	1	0	106
Social and Healthcare Unqualified	0	15	0	81	0	5	101
Trades and Operatives	0	1	7	24	0	0	32
Grand Total	5	158	198	265	2	64	692

Appendix 5 – Principles for reducing the use of agency workers



**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.