

**Report of: Corporate Director of Resources**

<b>Meeting of:</b>	<b>Date</b>	<b>Agenda item</b>	<b>Ward(s)</b>
<b>Policy and Performance Scrutiny Committee</b>	<b>10 June 2021</b>		All
<b>Delete as appropriate</b>		<b>Non-exempt</b>	

**Subject: Islington Council's use of Consultants, Interims and Agency Workers**

## 1. Synopsis

- 1.1 This report provides the Policy and Performance Scrutiny Committee with an update following the last report on 3 December 2020 on the Council's contract with Reed for the supply of consultants, interims and agency workers (collectively known as contingent workers) for 2020/21.
- 1.2 The report also provides an update on contingent worker usage under the Local Government Resourcing Partnership contract and other contracts outside of the Reed contract.
- 1.3 The council's use of agency workers has been reducing throughout the financial year with the exception of short-term Covid usage seen in Q4. There was a particular peak in order to resource our emergency lateral flow testing (LFT) sites.
- 1.4 As a result of this additional Covid usage, the overall expenditure (which had been decreasing) is higher overall than the spend 2019/20. There have been overall reductions in expenditure in all departments with the exception of housing and Public Health (see 4.6).
- 1.5 The numbers of agency workers or interims on rates above £450 a day has reduced significantly from 46 at the end of quarter 2, to 22 at the end of quarter 4, a reduction of 44%.

## 2. Recommendations

- 2.1 To note the information provided in this report, including:
  - a) An update on the strategies for monitoring and reducing usage and costs
  - b) Progress to reduce the cost and use of contingent workers

c) Time-limited challenges as a result of our response to the pandemic

### **3. Background**

- 3.1 Reed acts as a Managed Service Provider (MSP) for the supply of contingent workers for the Council. The Council also engages contingent workers through the Local Government Resourcing Partnership contract and other framework contracts for the supply of senior contingent worker roles.
- 3.2 Contingent workers (interim, consultants, and agency workers) form a necessary part of our workforce where specialist skills or short-term, front-line cover for our services are required.
- 3.3 For 2020/21, the Council set a target of no more than 10% of the workforce being agency workers. The numbers of agency workers engaged needed to be reduced if we were to reach our target.
- 3.4 In recent times, the target has been reported based on headcount rather than full time equivalent. Going forward, it is recommended that full time equivalent should be used to measure agency usage. This is because an agency worker could work a couple of shifts but be counted as one whole employee as a comparator. Using headcount also does not allow the Council to compare directly with other public sector organisations. All other London Councils and the NHS use full time equivalent as the standard measurement of agency usage, as significant numbers of agency staff work part time to cover shifts. For Islington, at the end of 2020/21 there were 699 agency workers by headcount and 556.5 by full time equivalent. This is 11.2% FTE against a London benchmark of 13%.

### **4. Reed Agency Contract agency worker numbers, spend & tenure**

#### **Agency Worker Numbers**

- 4.1 The number of agency staff by full time equivalent at a directorate level is displayed in Table 1 overleaf for 2020/21. Data presented is at the point of invoicing and therefore there can be a slight lag between hours worked and assigned cost.
- 4.2 As a result of Covid, we saw an initial increase in agency usage from May 2020 as a result of immediate critical cover. This then gradually decreased throughout the year. The overall numbers have risen again in the last quarter due to the use of agency staff for our emergency lateral flow testing (LFT) sites. We worked collaboratively with Reed to prioritise opportunities for Islington residents and those from neighbouring boroughs to secure opportunities for local communities and minimise travel.
- 4.3 Increases overall can be seen via 12 additional cleaning workers in Resources, 10 additional agency workers in Learning and Schools and 20 additional agency staff in Public Realm.

Table 1

	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
<b>FTE</b>												
All Directorates	496.48	538.92	534.53	531.02	494.86	437.52	462.70	475.66	450.89	459.37	551.54	556.00
<b>People</b>	161.84	176.35	173.61	175.19	166.58	163.32	176.57	173.03	164.75	151.94	178.13	181.15
Environment and Regeneration	203.89	219.65	220.57	221.82	193.78	138.04	141.03	158.84	141.02	142.17	168.58	164.69
Housing	79.16	89.54	88.55	82.45	78.96	87.23	94.70	96.71	99.95	88.21	109.00	102.71
Resources	44.18	45.42	44.07	43.72	48.16	44.09	44.31	41.33	37.02	33.04	45.21	57.55
Chief Executive Department	7.41	7.96	7.73	7.84	7.38	4.84	6.09	5.76	6.50	5.17	4.84	6.18
Public Health									1.64	38.83	45.79	43.73

- 4.4 At the end of quarter four 2020/21, agency workers comprised 11.2% of the workforce by full time equivalent, which places Islington in the first quartile (top performance) for London boroughs. There are only four boroughs (all outer London) and the City of London with lower percentages.
- 4.5 The median for London is 13% according to the latest London Councils Human Capital Metrics Report. Islington has a lower percentage by full time equivalent than Camden, Haringey, Westminster, Tower Hamlets, Lambeth, Hackney, Newham and Lewisham.

### Expenditure

- 4.6 Table 2 below shows the spend by quarter for the last 12 months with spend by category of worker and payments made to Reed and the supplier agencies (Reed Contract)

Table 2

	Q1	Q2	Q3	Q4	20-21
Turnover (Invoice Value Excluding VAT)					
<b>Agency Total</b>	<b>£6,657,698</b>	<b>£6,217,321</b>	<b>£6,148,067</b>	<b>£6,681,529</b>	<b>£25,704,615</b>
<b>People</b>	<b>£2,419,831</b>	<b>£2,321,257</b>	<b>£2,335,891</b>	<b>£2,294,946</b>	<b>£9,371,925</b>
<b>Environment And Regeneration</b>	<b>£2,356,241</b>	<b>£2,031,585</b>	<b>£1,763,803</b>	<b>£1,808,393</b>	<b>£7,960,022</b>
<b>Housing</b>	<b>£959,861</b>	<b>£965,929</b>	<b>£1,211,823</b>	<b>£1,321,088</b>	<b>£4,458,702</b>
<b>Resources</b>	<b>£704,086</b>	<b>£706,041</b>	<b>£662,595</b>	<b>£660,605</b>	<b>£2,733,327</b>
<b>Chief Executive Department</b>	<b>£217,679</b>	<b>£192,508</b>	<b>£171,074</b>	<b>£126,167</b>	<b>£707,428</b>
<b>Public Health</b>			<b>£2,881</b>	<b>£470,330</b>	<b>£473,212</b>

- 4.7 The spend of £25.7M for 20/21 is a rise of £1.9M from the spend for 19/20 which was £23.8M.

The three factors that have caused the rise in spend of £1.9M for 20/21 compared to 19/20 are;

- i. The additional cost of £470K incurred by the use of agency workers for lateral flow testing in Public Health. In 19/20, there was no agency spend in Public Health.

- ii. A rise in spend of £970K in quarter 1, compared to 19/20 previously reported caused by additional agency usage to address Covid. By full time equivalent, 72.65 additional agency workers were engaged during the first quarter of 20/21 compared to 19/20.
  - iii. The annual pay award which is applied to agency workers on the Reed Contract
- 4.8 Since the last report to the Committee, by directorate, except for Housing and Public Health, all directorates have seen a spend reduction since the high point of agency spend in quarter 1 of 20/21.

### **Tenure**

- 4.9 The average tenure of agency workers over the last 12 months has varied between 48 and 52 weeks, so not the same fluctuations seen in the previous 12-month comparison. The average tenure would be reduced through the quicker replacement of agency workers with permanent employees. The Council has agreed a principle that the tenure for agency workers should not exceed a year and people plans to be developed over the coming months will prioritise opportunities for this.
- 4.10 People Plans are plans that all directors will be asked to put in place with advice from HR colleagues in order to support and develop their workforce. They will use data to inform local priorities around resourcing and hard to recruit roles, agency usage, career pathways, learning and skills and health and wellbeing. The will include action plans from the staff survey and our challenging inequality programme.

## **5. Update on contingent worker spend outside of the Reed MSP contract**

- 5.1 The Council also engages contingent workers outside of the Reed framework. This can be through the Local Government Resourcing Partnership or other direct contracts. These contracts are paid through the council's invoice payment processes.
- 5.2 Table 3 shows the spend on contingent workers outside of the Reed contract for 19/20 and 20/21.

Table 3

<b>Contingent worker spend outside of Reed MSP contract</b>		
<b>Financial year</b>	<b>19/20</b>	<b>20/21</b>
Spend	£2,968,134	£2,440,808

- 5.3 At the beginning of 20/21 there were 22 agency workers engaged outside of the Reed contract above £450 a day. At the time of reporting to the committee in December, this had fallen to 17 and at the end of 20/21, there were 8 agency workers engaged outside of the Reed contract at above £450 a day.

## **6. All Agency workers/interims engaged at over £450 per day**

Council officers have continued to take steps to reduce the number of higher cost agency/interims engaged outside of the Reed contract and those engaged through the Reed contract. Numbers have been reduced by the recruitment of permanent employees, conversion to fixed term contracts where appropriate to retain specialist skills for a limited period and through negotiated reductions in day rates and charge rates. The table below shows the progress made.

Sample Date	Reed agency workers	Other agency workers	Total
30 September 2020	28	18	46
31 March 2021	14	8	22

## 7. Reducing agency spend

### 7.1 Engagement of contingent workers

It is recommended that where possible, all contingent workers should be engaged through the Reed framework to allow appropriate analysis and management of contingency workforce spend. There may be some exceptions where specialist roles cannot be filled using the Reed framework e.g. IT specialists.

The Local Government Resourcing Partnership can be used where roles cannot be filled through the Reed contract. Business cases must be approved by the Corporate Management Board.

A procurement exercise is just commencing for the contract which expires in 2022.

### 7.2 Temp to Perm

We have introduced 'temp to perm' guidance to support recruitment in departments. This process was underway in some departments but has been delayed due to Covid. It has increased in quarters 3 and 4 with 19 staff converting from temp to perm. The HR Resourcing team are supporting departments and directorates to manage this.

## 8. Implications

### 8.1 Financial implications:

The attached report includes the current spend on agency workers.

### 8.2 Procurement Implications:

None, as no changes to the contract with Reed Talent Solutions or the LGRP contract.

### 8.3 Legal Implications:

None, as no implications in relation to the Agency Worker Regulations.

Signed by

David Hodgkinson, Corporate Director of Resources      Date: 28 May 2021