

CHESHIRE EAST COUNCIL

REPORT TO: SCRUTINY COMMITTEE

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| Date of Meeting: | 4 September 2012 |
| Report of: | Director of Finance and Business Services & Head of HR/OD |
| Subject/Title: | Use of Temporary Agency Workers |
| Portfolio Holder: | Cllr P Raynes Cllr B Moran |

1.0 Report Summary

- 1.1 The purpose of this report is to update Members on the use of temporary agency workers in the Council and provide feedback on the implementation of the new agency workers contract put in place with Comensura from 1 April 2012.

2.0 Decisions Requested

- 2.1 Members are requested to note the report.

3.0 Reasons for Recommendations

- 3.1 To update Members on the award of the new agency workers contract and its ongoing implementation.

4.0 Wards Affected

- 4.1 No impact on any specific wards.

5.0 Local Ward Members

- 5.1 No impact on any specific wards.

6.0 Policy Implications including - Climate change - Health

- 6.1 No significant policy implications.

7.0 Financial Implications

- 7.1 The overall level of spend on agency workers identified through Oracle for 2011/12 was approximately £6.8m. The spend for the current financial year to end July 2012 has been £1.24m which if extrapolated for the full year would amount to £3.72m.
- 7.2 In addition, it is clear that due to reductions in margins as a result of the new contract being awarded, the Council is certainly paying less in fees for the management of the contract. There have also been savings in back office costs due to a reduction in off contract expenditure.

8.0 Legal Implications

- 8.1 The Council, like all employers, must comply with the Agency Worker Regulations which came into force in October 2011 which most notably ensures that agency workers are paid at the equivalent rate to permanent employees where they have been engaged for longer than 12 weeks.
- 8.2 Engaging agency workers via the corporate contract with Comensura ensures that the Council complies with Procurement Regulations as detailed above.

9.0 Risk Management

- 9.1 The agency worker contract is carefully managed to ensure that the Council continues to obtain and maximise value for money and consistently high levels of service.
- 9.2 Risks are minimised as robust frameworks are in place for the recruitment and vetting of agency workers. Supplier compliance is regularly audited by Comensura.

10.0 Background

- 10.1 As Members may recall, a report was presented to Corporate Scrutiny in November 2011 detailing the use of agency workers in the Council and informing Members about a procurement exercise which was being undertaken in order to engage a new supplier of agency workers with effect from 1 April 2012.
- 10.2 At that time the Council had a contract for the supply of agency workers with Reed Managed Services. Managing the Council's agency requirements under one corporate contract ensures thorough management information and better management of margins and cost and hence value for money as well as the ability to consolidate all invoices into one. For various reasons, the corporate contract has not been fully utilised in the past with a degree of off-contract spend. This now provides the Council with a further opportunity to better realise these benefits.
- 10.3 Following a joint procurement exercise with Cheshire West and Chester a new contract was awarded to Comensura with an implementation date of 1 April 2012.

11.0 Comensura Contract & Agency Usage

- 11.1 Comensura are a neutral vendor supplier and as such do not employ any agency workers directly. Instead they manage a supply chain of a wide range of recruitment agencies that are better placed to meet the Council's diverse needs than any single supplier.
- 11.2 Currently all requests for agency workers must be approved by the Leader, the Portfolio holder for Resources, the Head of HR and OD and the relevant CMT member making the request at the weekly Recruitment Watch meeting. As with all vacancies and opportunities, approval to proceed will

only be given where a clear and compelling business case is put forward to the panel. Once approved by the panel, the hiring manager must complete the online booking form via the Comensura web site.

- 11.3 Comensura has built a comprehensive list of suppliers and the Council now has 76 agencies that are able to supply to Cheshire East. These include national organisations as well as many local agencies. Unfortunately some of the Council's existing suppliers (including Reed) declined the opportunity to sign up to the new arrangements for commercial reasons.
- 11.4 The Council has a dedicated Relationship Manager and HR Officers are in regular contact to deal with any issues as they arise. Monthly management information is produced and reviewed and managers and Finance Officers have the ability to run regular reports on their agency use via Comensura's online system – CNet.
- 11.5 During the period 1 April 2012 to 31 July 2012 the Council has had 203 agency orders. This was made up of 64 orders that were in place prior to the commencement of the new contract and transferred to Comensura and 139 new orders. Since 1 April 2012 the cost of these orders has been £988,825. This compares with £1,479,389 for the same time period last year for all agency spend.
- 11.6 As at 31 July 2012 the Council had 186 agency workers placed in the Council by Comensura.
- 11.7 Agency workers have been employed in a number of job categories. During the period 1 April – 31 July 2012 the details were as follows:

| Category | No. of Agency Workers | % of Agency Workers |
|-------------------------------------|------------------------------|----------------------------|
| Admin and Clerical | 30 | 8.93 |
| Engineering and Surveying | 1 | 0.30 |
| Facilities & Environmental Services | 1 | 0.30 |
| Financial | 7 | 2.08 |
| Housing Benefits and Planning | 3 | 0.89 |
| Information Technology | 1 | 0.30 |
| Legal | 7 | 2.08 |
| Management | 2 | 0.60 |
| Manual Labour | 205 | 61.01 |
| Social and Healthcare Qualified | 48 | 14.29 |
| Social and Healthcare Unqualified | 31 | 9.23 |
| Total | 336 | 100% |

- 11.8 Via Comensura the Council is able to accurately track the tenure of agency workers. This has become particularly important since the introduction of the Agency Worker Regulations (AWR) in October 2011. This legislation means that agency workers employed for more than 12 weeks should (as a

minimum) be paid at the same rate as people employed directly by the Council.

- 11.9 The average tenure for these workers 1 April – 31 July 2012 was 22 weeks. All agency workers have a maximum initial hire period of 12 weeks. Any extensions must be taken back to the Council's Recruitment Watch panel for approval a second time (see paragraph 11.2).
- 11.10 Since the new contract was awarded, management information confirms that no new bookings have been made via agencies who do not supply Comensura. However, there remain a small number of workers who were engaged on assignments prior to 1 April 2012 who are supplied via other agencies. This includes 32 workers who were previously supplied via Reed. The total spend on agency workers outside of Comensura from 1 April 2012 to 15 August 2012 has been £251,175.
- 11.11 The vast majority of these workers will either leave the Council at the end of their existing assignments, (no later than 30 September), or where it is essential that they remain, arrangements are being made for them to transfer over to the Comensura contract. In a small number of exceptional cases, specifically where restrictive covenants are in place with the supplier and the individual preventing them from signing up with other agencies, special arrangements will be put in place to continue with the existing supplier under renegotiated terms. However, no additional / new agency temps will be provided in the future under this arrangement.
- 11.12 Managers have been advised that if they do not use the corporate contract with Comensura to source agency workers, they will be in breach of the finance and Contract Procedure rules. For any proposed off-contract spend, they must complete a non-compliance form providing clear evidence as to why they require the agency person with an off contract supplier. The detailed business case must be agreed by the Recruitment Watch panel before the non compliance form is authorised by the Corporate Management Team and the relevant portfolio holder.

13.0 Future Developments

- 13.1 The aims for the first 6 months of the contract are:
- To eliminate all off contract activity (and as a result make savings);
 - To ensure managers are familiar and compliant with the new ordering process;
 - To ensure that all new processes are in line with the Council's procedures and legislative requirements;
 - To effectively manage the contract to ensure that Comensura are delivering against their Service Level Agreements.
- 13.2 Just over 12 months ago the Council undertook a pay rate benchmarking exercise for agency workers, in conjunction with Reed (who held the Corporate Contract at the time). Significant savings were achieved as a

result of these pay rate reductions and, as such, emphasis was placed on negotiating down the supplier margins when awarding the new contracts rather than the individual pay rates (which are within the Council's gift to change at any time). Over the coming months the Council will undertake a further benchmarking exercise with Comensura to ensure that pay rates continue to be in line with the market and to investigate any further opportunities for savings.

- 13.3 The supply chain (agencies registered with Comensura and supplying to Cheshire East) will be performance managed which will increase competition and the quality of candidates. Higher performing suppliers will be placed in the first tier in the supply chain, and will have better opportunity to supply the Council,

14.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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