

Report to: **Audit, Best Value and Community Services Scrutiny Committee (ABVCSSC)**  
Date: **8 November 2016**  
By: **Chief Operating Officer**  
Title of report: **Spend on agency workers in East Sussex County Council 2016**  
Purpose of report: **To consider the latest information available about the use of agency workers via Adecco**

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**RECOMMENDATION:** The Committee is recommended to note the findings and conclusions presented in this report.

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## **1. Background**

1.1 A report was presented to the ABVCSSC on 4 March 2011 detailing the outcomes of the scrutiny review of the use of agency workers and consultants in the Council. Progress updates were provided in October 2011, June 2012, and annually in November since 2013. This report is the latest update.

## **2. Supporting Information**

2.1 The Council has a planned approach to strategic workforce planning and the use of agency workers is integral to this. There are a wide range of circumstances where the Council makes a clear choice to engage Agency workers, including to:

- i) manage capacity during periods of workload peaks;
- ii) facilitate the move to new structures and models of service delivery, for example, using agency workers rather than recruiting to posts to minimise the risk of redundancy to permanent staff;
- iii) provide a flexible staffing model to ensure cover for short term absences such as annual leave or sickness;
- iv) ensure minimum staffing levels are maintained in services where this is a regulatory requirement, for example, in Adult Social Care (ASC) Directly Provided Services;
- v) provide cover for vacancies where there are recruitment difficulties;
- vi) secure specialist knowledge or activity where it is not efficient for the Council to employ a permanent resource, and
- vii) provide additional capacity to key projects and workstreams where it is not appropriate and/or viable for internal resources to be released.

### Summary and Key Findings

2.2 Attached at Appendix 1, Table 1, is a summary of the use of agency workers in the Council showing spend for the periods 2013/14, 2014/15, 2015/16 and 2016/17. The figures for 2016/17 have been forecast based on the actual quarter 1 (April to June 2016) spend. It should therefore be noted that these figures may change as we progress through the year, for example, as a consequence of seasonal variations etc.

2.3 The predicted expenditure on agency workers for 2016/17 is lower than 2015/16. This was expected as some of the large scale change programmes have now completed, for example, aspects of the Agile Working Programme have been delivered.

2.4 Salary spend by department is summarised in Appendix 1, Table 2. In considering the departmental spend further:

- i) in overall terms, the predicted spend on agency workers for 2016/17 is reduced compared to the previous year's spend;
- ii) whilst the Business Services Department (BSD) has the highest proportion of agency workers compared to permanent, contracted staff (8.21% of the BSD workforce spend engaged through agencies) this is a reduction on 2015/16 when 12.39% of BSD workforce spend was through agencies;
- iii) BSD was forecast to reduce spend on agency workers from a £3.6m expenditure in 2014/15, to a predicted spend of £2.4m in 2015/16. This predicted reduction in spend was achieved and BSD is now forecast to further reduce spend on agency workers from £2.4m to £1.6m in 2016/17; a significant projected reduction of 56% over the last 2 years;
- iv) Children's Services (CS) has shown year on year reductions in spend and this is predicted to continue for 2016/17;
- v) Adult Social Care and Health are forecast to spend a broadly similar amount on agency workers in 2016/17 with the proportion of agency workers to permanent, contracted staff, forecast to likewise remain broadly similar;
- vi) Communities, Economy and Transport (CET) is expected to spend a broadly similar amount on agency workers in 2016/17, although the proportion of agency workers to permanent contracted staff is predicted to increase;
- vii) Governance Services (GS) are currently showing a predicted increase in spend compared to 2015/16.

2.5 Attached at Appendix 2 is a detailed summary of the departmental agency spend and rationale for the use of agency workers.

2.6 A direct comparison of the costs between agency workers and employees is not readily possible as there are a range of factors in play. For agency workers there are essentially four strands of cost: (i) the basic hourly rate (that is paid to the worker), (ii) on-costs, including pensions (1% of salary) and national insurance contributions (iii) Adecco's costs, and (iv) the actual agency's costs (e.g. Nine to Five etc).

2.7 The latter costs vary, ranging from, for example, 0.42p per hour for Admin & Clerical work through to £3.10 per hour for a qualified Social & Healthcare worker (e.g. a Social Worker). For staff directly employed, there are 2 strands of cost: (i) the basic hourly rate of pay (salary), and (ii) the on-costs, including pensions and national insurance contributions. As such, the costs of agency workers and employees are, in practice, relatively similar.

2.8 Given that one of the key reasons for the use of Agency workers is to cover for short term absences such as sickness absence, the Committee received a summary of agency spend in relation to sickness absence as part of last year's report. The Council Plan target in relation to sickness is 9.24 days lost per FTE employee. The 2015/16 sickness absence outturn for the Council was 9.09 days lost per FTE employee; a reduction of over 11% compared to 2014/15 and within the 15/16 target. The Committee may recall that the Council had in place a number of initiatives aimed at reducing sickness absence which, based on these figures, are beginning to have an impact. Attached at Appendix 3 is a short summary of the range of initiatives and work being undertaking in this area.

#### Contract re-tender

2.8 The contract with Comensura expired on 31 December 2015. Following a mini-competition tender process, undertaken jointly with Surrey County Council, Adecco was appointed as the new provider. The new arrangements commenced in November 2015 and offer a hybrid solution, with the managed provider fulfilling a number of roles and using local SMEs to support the delivery of niche and specialist roles.

2.9 The Government recently published a consultation on proposed amendment to 'IR35', which governs the tax treatment of off-payroll workers who are registered as a limited company. As a limited

company the worker pays less tax as some of their income is apportioned for the running and development of their business. The proposed changes would require most limited company workers to pay the same tax as an employee and would require their agency or the client to deduct tax and NI contributions before they are paid. The change only affects off-payroll workers who work for the Public Sector. Public Sector organisations share concerns that workers will choose to work in the private sector where they will pay less tax or will only work for the Public Sector if their wages are increased to compensate for the additional tax.

2.10 East Sussex County Council and Surrey County Council have sent a joint response to this consultation which highlights concerns around attracting and securing a skilled temporary workforce to meet our business needs and the potential financial impact on the Public Sector if the proposals go ahead.

### Financial Appraisal

2.11 There are no direct financial implications resulting from the recommendations in this report as the use of agency workers is funded as part of the existing staffing establishment.

2.12 The current contract through Adecco provides for the Council to access agency workers via a contractual agreement with a range of agencies. Essentially, this provides for some certainty (without giving any guarantees) to be given to agency providers as to the level of spend by the Council and in return, the Council is able to access highly competitive rates.

## **3. Conclusion and Reason for Recommendations**

3.1 Robust monitoring and review arrangements are in place to manage the new contract with Adecco. As part of our overall performance management arrangements, we have in place Agency Contract Management Groups (comprising representatives from Adecco and across the Council) which meet on a quarterly basis to monitor operational issues around the day to day management of the contract, as well as performance against the agreed key performance indicators of the contract.

3.2 In addition, agency spend continues to be reviewed on a monthly basis with details provided to the Corporate Management Team via the Workforce Dashboard. We are therefore confident that we have in place sound arrangements for monitoring and challenging appropriately the expenditure on agency workers.

3.3 The Committee is recommended to note the findings and conclusions presented in this report.

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