



Budget and Finance Overview and Scrutiny Committee

Monday 2 December 2013 at 7.00 pm

Board Rooms 7 and 8 - Brent Civic Centre, Engineers Way, Wembley HA9 0FJ

Membership:

Members

Councillors:

Hopkins (Chair)
Kataria (Vice-Chair)
Brown
S Choudhary
HB Patel
RS Patel
Ketan Sheth
Van Kalwala

first alternates

Councillors:

Ashraf
Harrison
Green
Chohan
BM Patel
Long
Jones
Allie

second alternates

Councillors:

Clues
Hector
Lorber
Moloney
HM Patel
Oladapo
Gladbaum
Daly

For further information contact: Toby Howes, Senior Democratic Services Officer
020 8937 1307, toby.howes@brent.gov.uk

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democracy.brent.gov.uk

The press and public are welcome to attend this meeting

Agenda

Introductions, if appropriate.

Apologies for absence and clarification of alternate members

Item	Page
1 Declarations of personal and prejudicial interests	
Members are invited to declare at this stage of the meeting, any relevant financial or other interest in the items on this agenda.	
2 Deputations (if any)	
3 Minutes of the previous meeting held on 12 November 2013	
To follow.	
4 Matters arising	
5 Children and Families budget presentation	
The Acting Director of Children and Families will be attending the meeting to present to Members the current budget issues facing this service.	
6 Review of non-permanent staff arrangements	1 - 10
This review paper covers all non-permanent staffing arrangements entered into by the council, including temporary workers supplied by an agency, whether under the Reed contract or outside of it; and independent interims and consultants which the Council contracts with directly.	
7 Budget update	
The Operational Director of Finance will provide an update to the committee on issues relating to the development of the 2014/15 budget.	
8 Work programme 2013/14	11 - 16
The work programme is attached.	

9 Date of next meeting

The next meeting of the Budget and Finance Overview and Scrutiny Committee is scheduled to take place on Thursday, 16 January 2013 at 7.00 pm.

10 Any other urgent business


Notice of items to be raised under this heading must be given in writing to the Democratic Services Manager or his representative before the meeting in accordance with Standing Order 64.



Please remember to ***SWITCH OFF*** your mobile phone during the meeting.

- The meeting room is accessible by lift and seats will be provided for members of the public.

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 Brent	Budget and Finance Overview and Scrutiny Committee Report from the Director of Human Resources
For Action	Wards Affected: ALL
Review of Non-Permanent Staffing arrangements	

1.0 Summary

- 1.1 Brent Council employs a variety of people with different skills and qualifications, however at times the Council may require temporary resources including agency workers and consultants to deliver services and improvements to its residents. They are also used to deliver large scale projects and deal with peaks in workload.
- 1.2 This paper provides an update on the council's non-permanent staffing arrangements, including temporary workers supplied by an agency, whether under the Reed contract or outside of it; and independent interims and consultants which the council contracts with directly.
- 1.3 This report outlines the following:
- A summary of non permanent arrangements and spend
 - reasons for the use of consultants /agency workers
 - alternatives to using consultants / agency workers
 - risks involved in implementing these alternatives
 - costs incurred by Brent Council in using consultants / agency workers and compare these costs to other similar local authorities
 - Arrangements the council is making for the future purchase of interim executive staff and consultancy support;
 - current management processes for engaging non-permanent staff.

- 1.4 Internal audit has calculated that the total spend on non-permanent staffing arrangements was in the region of £24.6 million in 2011/12. Of this £10.5 million was spent on agency workers supplied through Commensura, leaving approximately £14 million spend on consultants and off contract interims. In 2012/13 the expenditure was reduced to just under £20 million, with £9.4 million spent on agency workers through Commensura, leaving an expenditure of £10.5 million on off contract interims and consultants. These figures are best estimates. It is probable that there is additional expenditure hidden in cost centres. In 2013/2014, the spend on agency workers is £8.86m as at 31 October 2013, and £2.34m for consultants. These costs are illustrated in the Tables 1&3 below.
- 1.5 Table 3 highlights that there is still a considerable amount of 'off-contract' agency worker spend. The total spend with Reed as at the end of October 2013 was £5.4m.

2.0 Recommendations

- 2.1 Finance and Scrutiny Committee are asked to note the contents of this report

3.0 Detail

- 3.1 Reducing spend on consultants and agency workers has been identified as an area in which the council can make considerable financial savings.
- 3.2 Good progress has been made in reducing the spend on agency workers since 2010 following the introduction of the vendor managed contract. This has also resulted in greater accountability and transparency in relation to agency workers spend. A trend graph to illustrate this is shown in Chart 3 below.
- 3.3 Whilst we know approximately how much the council spends on ad-hoc consultants, comparatively, there is less information held centrally as to why consultants are being used and what they are used for.
- 3.4 For clarity the term 'consultant' is defined as 'someone who does not fill an establishment post and works on project specific activity. Consultancy is procured under a contract for service, covers a discrete piece of work or project with a specific timeframe. A consultant may be an employee of a large consultancy group such as PWC or an employee of a small limited company. The council uses both large consultancies and individuals operating through limited companies. This paper does not cover the contracts provided by the large consultancies which are the subject of standalone procurement arrangements.e.g. external audit services provided by Deloitte.
- 3.5 The council defines the 'consultant' as someone who covers an establishment post usually at a middle or senior manager level, working to a job description. An interim may be self-employed, or an employee of a limited

company, appointed directly or through an agency. An interim will waive rights to employment status.

- 3.6 An agency worker covers an establishment post usually at an operational level, sometimes providing specialist skills. An agency worker is appointed through an agency and paid via the agency. An agency worker may accumulate employment rights with the organisation where they are placed.
- 3.7 Shortage of specialist skills is the most common reason given for the continued use of temporary workers. This is particularly true in the field of social care. According to London Council surveys, 40% of expenditure across London on agency workers is in the realm of social care.
- 3.8 The ease and speed of agency recruitment, and when compared with the lengthy processes inherent in recruitment for permanent staff .is also a reason why managers use agency workers and consultants However, recent case law and legislation has implied certain rights for agency workers, and the legal risks inherent with engaging agency workers must be managed if the council is not to be exposed to more costs.
- 3.9 Another reason given for the use of temporary workers is to carry out short discreet projects which cannot be carried out in the course of normal duties.
- 3.10 There are a number of alternatives that can be explored in order to further reduce the reliance on agency workers / consultants. These include: encouraging the use of fixed term contracts, which ahs been successfully done in the council's business support team removing the use of agency workers entirely, building a pool of casual workers, identifying skills gaps within the organization with a view to 'growing our own'.

Current position: Agency Workers

- 3.12 Reed Managed Services was awarded the vendor neutral contract in August 2013, at the expiry of the contract with Comensura. There are 317 workers provided through the Reed contract as at October 2013. A breakdown of the current status (headcount and costs) in October 2013 of agency workers by department are illustrated below.

Table 1 - Reed Agency Spend - October 2013

Directorate	Headcount	Total Spend (Net Invoice Value)
Adults	75	£181,534
Assistant Chief Exec Service	4	£12,284
Children and Young People	123	£306,759
Environment & Neighbourhoods	34	£75,819
Finance	9	£36,613
Human Resources	-	-
Legal & Procurement	8	£34,961
Regeneration & Growth	64	£180,800

Grand Total	317	£828,771
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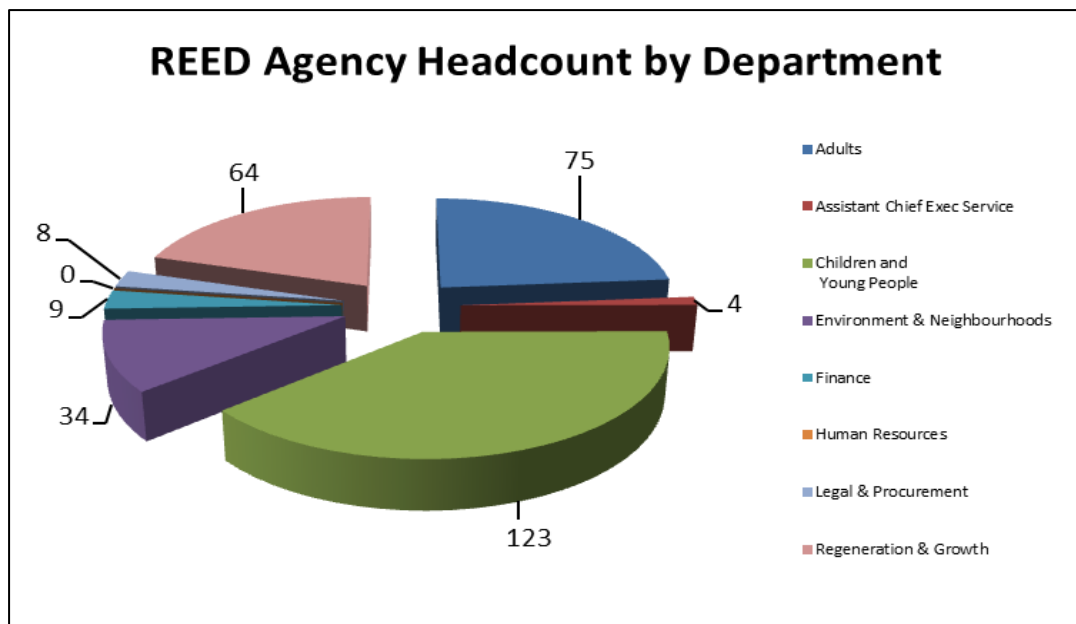
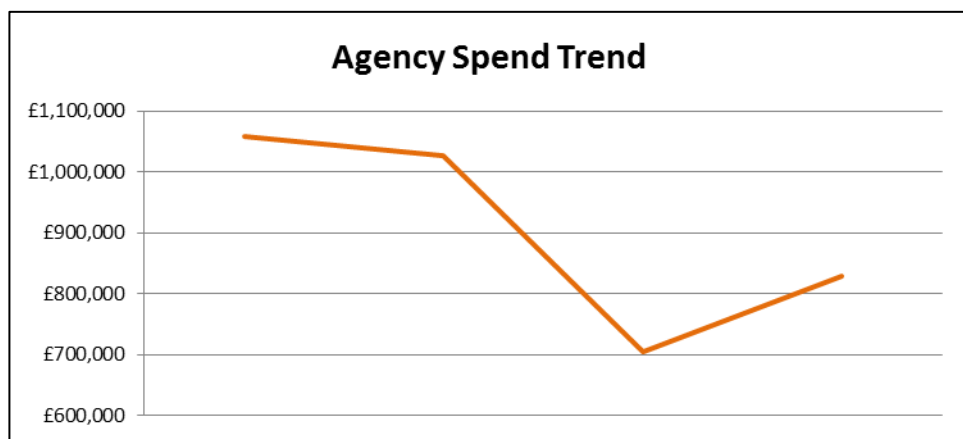


Table 2 - Agency Spend Trend - October 2010 to 2013

Year*	Headcount	Spend
2010	410	£1,058,674
2011	376	£1,026,425
2012	301	£703,650
2013	317	£828,771



- 3.13 An estimated £600,000 was saved on margins through the contract in 2011/2012 based on a calculation that compares Comensura costs to those through the previous supplier Matrix. However this is only a guide and does not take account of hidden costs including the interface with Comensura, the

Demand Manager role, the costs of management time and the costs of cross borough collaboration.

3.14 Current position: Interims and Consultants

Table 3- Interims and Consultants Spend (Active) - October 2013

Directorate	Headcount	Total Spend (Net Invoice Value)
Adults	6	£222,500
Assistant Chief Exec Service	4	£273,028
Children and Young People	17	£273,805
Environment & Neighbourhoods	-	-
Finance	15	£362,805
Human Resources	4	£359,100
Legal & Procurement	1	£58,050
Regeneration & Growth	1	£26,278
Grand Total	48	£1,575,566

Chart 4

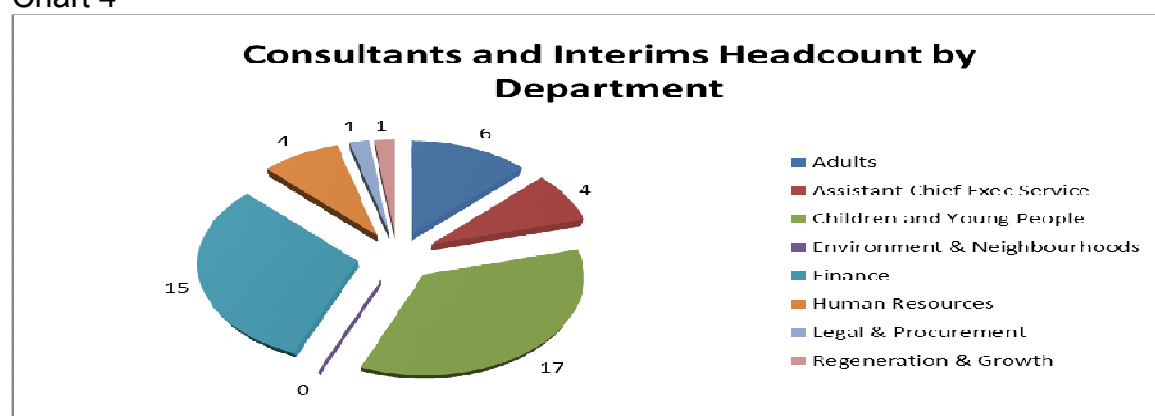
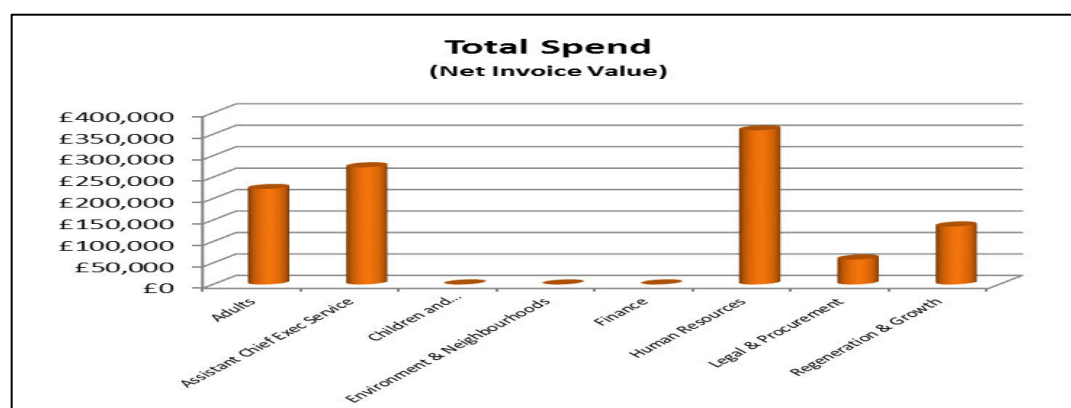


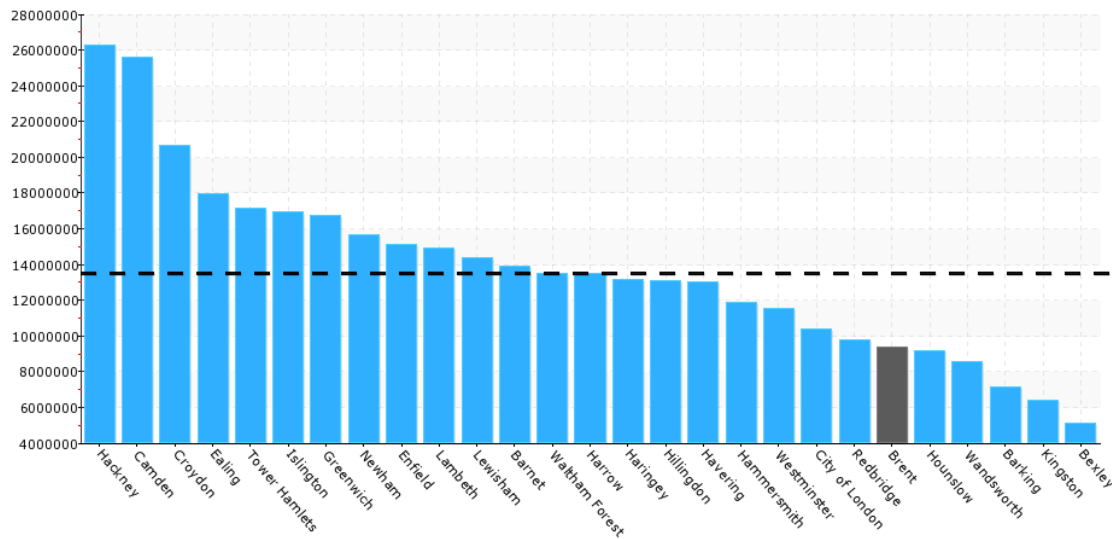
Chart 5



3.15 The Reed contract is managed within Human Resources. Other councils that have a similar this position in the HR service, working with colleagues in procurement, appear to have been more proactive in managing the supply. The Contract Manager is responsible for all contractual arrangements for non-permanent staff and for reporting on non-permanent staffing to CMT through the Operational Director, HR.

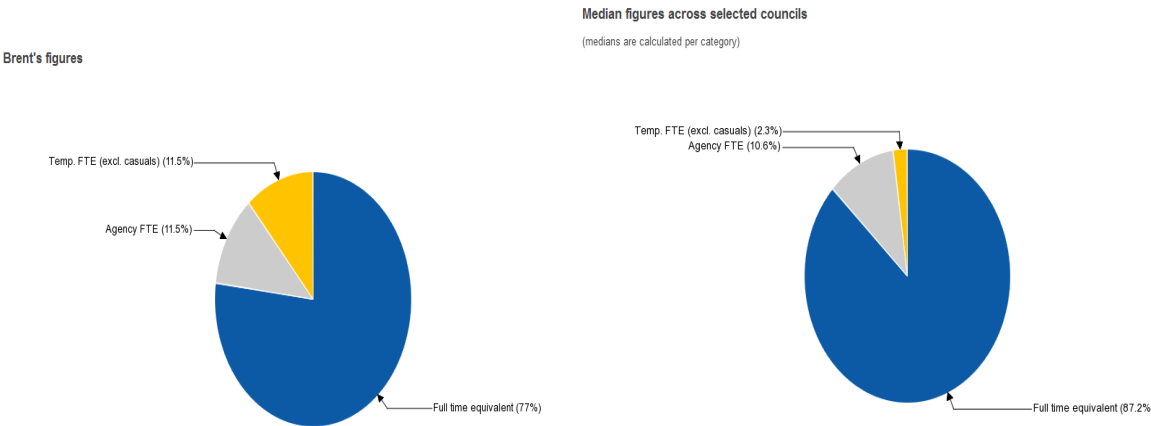
3.16 Comparator Data

Chart 6 Agency Worker Spend 2012/2013 across London Authorities



(source London Councils)

Chart 7



3.17 Chart 6 above shows spend on agency workers across London Boroughs in 2012/13. The table shows that the spend in Brent is below the London average.

3.18 A further summary of headline figures based on data provided by 26 boroughs for the financial year 11/12 is shown in Tables .

- 3.19 The analysis was derived from ProClass coding categories; Consultancy and Temporary & Agency staff from the Online Expenditure Analysis (OEA) tool.
- 3.20 Based upon 2011/12 data, the key headlines are as follows: 2011/12, total Party spend across London stood at around (£6.5bn).
- Expenditure for the Consultancy Category across London was around £130m across the 26 boroughs who submitted data (approx. 2% of total spend across the 26 boroughs)
 - Expenditure for the Temporary & Agency staff across London was around £164m across the 26 boroughs who submitted data (approx. 2.5% of total spend across the 26 boroughs)
 - The both categories category possesses a mixture of suppliers with various levels of engagement
 - Some suppliers are used by multiple authorities on the CRS.
 - Suppliers such as Comensura are common across boroughs and both categories

Table 5

Consultancy		
Total Spend Across 26 boroughs	£130,584,377	
Number of Suppliers	757	
Top 10 Supplier Spend within Category	Comensura	£54,716,220
	Capita	£23,642,754
	Kings Cross Genera Partner	£2,597,777
	Navigant Consulting (Europe)	£2,161,158
	NPS London	£1,448,684
	MOUCHEL MANAGEMENT CONSULTANCY LTD (HEDR	£1,126,161
	BRAMBLE CC	£1,055,635
	LIBERATA	£1,049,097
	SERCO SOLUTIONS	£984,109
	NSL	£859,672

Table 6

Human Resources" \ "Temporary & Agency Staff		
Total Spend Across 26 boroughs	£163,635,057.00	
Number of Suppliers	650	
Top 10 Supplier Spend within Category	COMENSURA	£25,891,149
	MATRIX SCM	£25,278,647
	HAYS RECRUITMENT (NON CIS)	£22,690,515
	BADENOCH & CLARK T/A PPS	£15,521,786
	PERTEMPS GROUP OF COMPANIES	£7,990,897
	MATRIX	£6,016,727
	REED MANAGED SERVICES	£2,395,166
	PLAN PERSONNEL	£2,101,745
	PROTOCOL EDUCATION	£1,974,364
	TIMEPLAN EDUCATION GROUP	£1,679,718

- 3.21 Proposals for tightening processes and procedures for future appointments- from October.
- 3.22 Currently a new business case is prepared each time an assignment is extended. This makes it difficult to track the history of each appointment and the expenditure. It is hoped that the One Oracle project will help address some of the issues currently experienced in tracking spend on interims and consultants.
- 3.23 The use of business cases across the organisation is sporadic with some departments enforcing this requirement better than others.
- 3.24 Once the business case is approved managers must channel recruitment through the new HR contracts manager who will ensure that best value is obtained for the council on all appointments. Currently there are local arrangements in place that result in managers paying varying rates to the same agencies.
- 3.25 The contracts manager will require a completed statement of works where the contract is over establishment for project /consultancy in order to seek quotes. In many cases there is no statement of works. A statement of works will be developed by a Task Group appointed for the purpose of reducing dependency on interims and consultants and .

Approved supplier

- 3.26 The HR contracts manager will work with the Senior Category Manager to ensure that once an appointment is confirmed that the appointee or agency provider is set up on the approved supplier list for the duration of the contract only. From Oracle go-live only approved suppliers will be migrated to the new system.

Employment checks and References

- 3.27 Managers should ensure that relevant checks are carried out for all interims and consultants particularly DBS checks, and that conflict of interest forms are completed. However HR currently cannot be certain that appropriate checks are made for all appointments of consultants. We have however ensured that all agency workers have relevant checks carried out prior to resuming with the council. From October the new HR Contract manager will undertake to ensure that all new interims and consultants provide relevant documentation either personally or through the supplying agency.
- 3.28 The following proposals will make the process more user friendly:
- Completion of a simplified business case, submitted electronically, at the touch of a button- to be developed with IT support.
 - Data capture on the Business Case to be used to trigger MI including spend.

- An automated message triggered at an agreed time to remind managers when the business case requires review.
- Business Cases signed off at Operational Director level, authorised by a senior member of finance and HR Director.
- A sample of business cases audited by the Contract Manager and a report provided to the Chief Finance Officer and/or the Director of Legal and Procurement quarterly.
- Spend to be monitored by the Contract Manager, through information provided via the Business Case and through benchmarking data provided via Project Athena from 2013 onwards.
- job descriptions and person specifications to accompany every request, as the agency worker will be covering an existing post, on an evaluated pay grade. This will ensure the correct hourly rates are paid from the outset.
- Job titles need to be clear and simple to provide the best match of agency workers to requirements.

Interims and Consultants

- 3.29 Partly as a result of difficulties in bringing in suitable senior interim support through Reed, managers have gone 'off contract' to engage senior interims and people with specialist knowledge. Managers are required to use the Reed system first and should only go off contract when this is unsuccessful.
- 3.30 Other London boroughs have reported similar difficulties in finding senior interims through the Reed contract. Between June 2011 and June 2012 the Council engaged 144 people 'off contract' either through individual agencies (Gatenby Sanderson, Odgers, Badenoch and Clark, Morgan Law and Solace) or directly with individuals trading as sole traders or through limited companies.
- 3.31 Central scrutiny of business cases service will offer more robust approach than we currently have whilst keeping costs down
- Documentation checks and compliance checks including IR35 checks carried out centrally by Contract Manager reducing duplication of effort and improving quality assurance
 - Opportunity for obtaining coordinated supplier feedback
 - Central benchmarking and monitoring of day rates
- 3.32 The HR Contract Manager will be a single point of contact for managers looking for senior interims and consultants. Managers will benefit from the reduced rates and from the Contract Manager's knowledge and expertise of the interims on the preferred supplier list.
- 3.33 Relationships with independents are one of mutual trust. In many cases individuals are known to the council for the quality of their work and ability to deliver. At times there is no specification of work, contracts, or time sheets. Managers may not always be aware of, or understand, the implications of IR35, exposing the council to risk of reputational damage and HMRC investigation and fines.

- 3.34 To safeguard the Council it would be advisable to only contract with individuals operating through limited companies, to gain copies of relevant documents including VAT registrations and Professional Indemnity Insurance and to use the employment checklist available on the intranet. The HR Contract Manager will ensure that appropriate documentation is held for all individuals and that in all cases contracts are issued and actions taken to protect the Council against IR35.

4.0 Financial Implications

- 4.1 “There are no direct financial implications arising from the recommendations of this report. However, managing staffing expenditure more effectively will clearly have financial implications over time

5.0 Legal Implications

- 5.1 As indicated above, interim and consultancy appointments are covered by Contract Standing Orders. It will be necessary for the different options indicated above to be reviewed, and legal advice given on the proposed guidance to managers to ensure there is no breaching of such rules, as well as guidance about the EU public procurement rules, the making of appropriate checks and how to avoid setting up an employment relationship. Contract Standing Orders should also be amended to allow some of these individual arrangements to fall outside Standing Orders where the relationship is more like that of an employee.

6.0 Diversity Implications

- 6.1 None

7.0 Staffing/Accommodation Implications (if appropriate)

- 7.1 There will always be a need for specialist skills and additional capacity at times of change and the council can provide for this need at the best rates using the approach outlined in this paper. It can sometimes be more cost effective to employ the services of a temporary worker.
- 7.2 Improved contract management of non-permanent staffing arrangements will help to ensure that vacant posts are filled sooner so that the council has a reduced reliance on non-permanent staff.
- 7.3 HR Improvement Group also regularly reviews the status of agency workers and interims and regular discussions take place at CMT all with the purpose of reducing spend on temporary workers.

Background Papers

Contact Officers

Cara Davani
Operational Director, Human Resources

Budget & Finance Overview & Scrutiny Committee Work Programme 2013/14

Chair Cllr Hopkins

Date of Meeting	Purpose of Agenda item	Requested Information / Evidence	Invited witnesses	Notes
23 rd July 2013	<p>To receive the report on the Budget Strategy 2013/14 – 2015/16.</p> <p>WLWA – Financial management and procurement project</p> <p>Work Programme for 2013/14</p>	<ul style="list-style-type: none"> Work Programme discussion 	<p>Mick Bowden, Deputy Director of Finance</p> <p>Jim Brennan, Director WLWA</p> <p>Sue Harper, Director of Environment & Neighbourhoods</p> <p>Councillor Marshari Lead Member for Environment and Neighbourhoods</p>	
11 th September 2013	Regeneration & Growth	<p>A presentation on;</p> <ul style="list-style-type: none"> The departments current budget position Budget pressures, and Actions being taken to deal with 	Andy Donald, Director of Regeneration & Growth	

	Budget Update	<p>those issues</p> <ul style="list-style-type: none"> • The Capital Programme <p>To provide members with information regarding the current budget position.</p>	Mick Bowden, Deputy Director of Finance	
8 th October 2013	<p>Environment & Neighbourhoods</p> <p>One Council Budget Saving</p>	<p>A presentation on;</p> <ul style="list-style-type: none"> • The departments current budget position • Budget pressures, and Actions being taken to deal with those issues 	<p>Sue Harper, Director of Environment & Neighbourhoods</p> <p>Irene Bremang</p>	

	Budget Update	To provide members with information regarding the current budget position	PMO Manager Mick Bowden, Deputy Director of Finance	
12 th November 2013	Budget Update Adult Social Care	First Reading Debate update – to include emerging finding from the budget consultation A presentation on; <ul style="list-style-type: none"> • The departments current budget position • Budget pressures, and Actions being taken to deal with those issues 	Lead Member for Finance & Resources Phil Porter acting Director Adult Social Care	
2nd December	Budget Update	To provide members with the latest budget information.	Mick Bowden	

2013	Children and Families	<p>A presentation on;</p> <ul style="list-style-type: none"> • The departments current budget position • Budget pressures, and Actions being taken to deal with those issues 	<p>Sara Williams, Acting Director Children & Families</p> <p>Cara Davani, Operational Director, HR</p>	
15 th January 2014	To agree the Panel's first interim report			
5 th February 2014	<p>To discuss and comment on the administration's draft budget.</p> <p>To agree the Panel's second interim / final report.</p>	<p>All Members will be invited to attend this meeting</p> <ul style="list-style-type: none"> • A presentation on the administration's draft budget from the lead member • To include a response to the recommendations contained in the first interim report • The aim of this report is to respond to and make recommendations about the administrations draft budget 	<ul style="list-style-type: none"> • Councillor R Moher 	

		prior to the Executive		
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