

REPORT TO: Resources & Governance Overview & Scrutiny Committee

REPORT OF: The City Treasurer

DATE: 3 September 2009

SUBJECT: The Gateway Process for Controlling Expenditure on External Consultants and Agency Staff

SUMMARY

To appraise members of the work and recommendations of the Temporary Staffing Group, including details of spend on consultants and agency staff over time.

RECOMMENDATIONS

To endorse the changes to the process of engaging temporary staff through a gateway controlled by the Head of Corporate Personnel.

To consider delegating the monitoring of the continuing work on temporary staffing to the Human Resources sub group of the Resources and Governance Overview and Scrutiny Committee.

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BACKGROUND DOCUMENTS

None available.

1.0 INTRODUCTION

- 1.1 In November 2008, at the request of Executive Members and the Senior Management Team, the Council established the “Good Housekeeping Group” to improve control over our use of resources and the delivery of value for money in day-to-day “housekeeping matters”. The Good Housekeeping Group is chaired by the Head of Corporate Procurement and includes officers at all levels across the Council. The Group identified a number of individual projects to be developed; each has a lead officer from the group with support from officers from various departments and disciplines.
- 1.2 The projects identified include the use of energy, taxis, consultants/ interim staff, postal services, mobile phones, car parking permits, water bottles and meeting rooms/conference facilities.
- 1.3 As the use of consultants/interim staff was recognised by the Good Housekeeping Group as a major project which would benefit from focused scrutiny/analysis, a working group was established to drive the work forward.
- 1.4 The working group, known as the Temporary Staffing Group, was led by the Head of Corporate Procurement with support from areas of the City Council that had the highest volume of usage/spend in this area, ie Corporate Personnel, Capital Programmes, North Manchester Regeneration and the Manchester Improvement Programme (now the Directorate of Transformation).

2.0 THE WORK OF THE TEMPORARY STAFFING GROUP

- 2.1 The Group recognised the importance of reviewing how services utilise/engage all temporary staff, not just consultants in order to achieve efficiencies both in terms of operational stability and cost reductions and agreed the following work programme:-
- Review existing protocol/approval processes for the engagement/ recruitment of temporary resources and develop revised protocols which include enhanced controls and reporting mechanisms.
 - Review the existing profile/costs of appointment of consultants engaged in “business as usual” posts and make proposals for the transition of such workers under revised operating arrangements.
 - Provide reports to the “Good Housekeeping Group” which includes progress made in developing revised protocols and cost savings analysis, and submit recommendations for further improvement.
 - Act as a future monitoring/governance group, which includes regularly reviewing the spend/engagement in this area to ensure that services are operating to revised arrangements as intended.

- 2.2 The review across all services identified some areas of good practice in the engagement of consultants and agency staff but also highlighted a lack of consistency in the approaches taken.
- 2.3 Further analysis identified that the primary reason for this inconsistency was that managers across the organisation had differing views as to the range of alternative recruitment options available to them and the circumstances which were applicable.
- 2.4 As a result of their findings the Group reported to the Senior Management Team with a proposal to delegate controls, via a formal gateway, for the procurement of consultants and interim managers to the Agency Client Group within Corporate Personnel, which is a group previously established to control the engagement of Agency Staff, with proven benefits in reducing dependency and generating cost efficiencies.
- 2.5 In addition to enhanced controls, such an approach will provide managers with a suite of alternative recruitment options at the point of request which are tailored to meet individual service requirements whilst providing a level of consistency across all departments in the engagement of temporary staff. The Senior Management Team approved the proposal in April 2009.

3.0 **THE GATEWAY FOR GOVERNING CONSULTANTS/INTERIM MANAGERS**

- 3.1 The purpose of the gateway is to assess the needs of the service and consider a range of options for resourcing requirements for all consultants/interim managers prior to any procurement activity taking place and built on the work of the client Agency Group established in April 2007.

The gateway was established on 1 June 2009 and operates as follows:-

- (i) Departments requiring a consultant/specialist submit a detailed project brief to the Agency Client Group, outlining the work that needs to be undertaken, how the consultant will be measured, how skills transfer will take place and details of the project duration, on a standard pro-forma endorsed by the relevant Head of Service.
- (ii) The Agency Client Group assess the brief in consultation with the requisitioner to determine the most appropriate method of meeting the need through either of the following:-
 - Permanent/fixed term recruitment.
 - Engagement of Agency staff through the existing framework contracts.

- Engagement of consultant through an existing framework contract.
- Engagement of a Specialist consultant in accordance with Financial Regulations.

4.0 **THE USE OF CONSULTANTS AND AGENCY STAFF**

4.1 For the purpose of this report and the spend figures within it, the Temporary Staffing Group identified clear definitions between consultants and agency staff as follows:-

- Consultants - are defined as people engaged through an external company to bring in specialist skills (issue or industry specific) to undertake roles or functions for “one off” time limited projects where the skills do not readily exist within the City Council and/or where there is deemed to be no business need to establish such specified posts within City Council structures.
- Agency staff - are defined as people engaged through an external company to undertake the duties of a post that already exists within the City Council for a specified period of time at an agreed rate that is comparable to the Manchester grading profile for positions up to and including Grade 10 + 20% (£49,269).

5.0 **PROCUREMENT OF TEMPORARY STAFF**

5.1 Temporary staff, in the main, are procured through a range of framework contracts that have been developed to meet the varying needs of a city as dynamic and innovative as Manchester. The frameworks cover capital programmes, Directorate of Transformation (DOT), agency staff and senior interim managers.

5.2 For one off specialist requirements, where no framework exists, the Procurement is undertaken in accordance with the relevant Procurement Rules which vary depending on the value of the contract.

6.0 **CONSULTANCY**

6.1 The spend on consultancy typically falls into three main categories - support to Capital Programmes, one off specialist consultants covering a wide range of specialist skills across all Departments and support to the Directorate of Transformation (DOT).

6.2 **Capital Programmes**

Manchester City Council has a major Capital Programme delivering projects to the value of around £350 million per annum, including building schools for the future and individual projects such as the Town Hall Complex refurbishment.

- The projects are often complex, required to be delivered to a high quality standard within demanding timescales. These projects require highly qualified skilled staff to support and deliver the projects to the required standard and timescales.
- Due to the specialist nature of the projects, these duties/skills are not considered to be a long term/regular requirement of the City Council and therefore do not need to be established as part of existing/future staffing structures.
- Due to the nature of the contracting industry these highly skilled individuals are often only available through Specialist Consultancy Companies that invest heavily in their training and development to ensure they are up-to-date with current legislation and best practice delivery methods, whilst also ensuring that the necessary insurance/indemnity levels are in place to protect the City Council.
- The engagement of consultants enables the Capital Programmes Director to effectively deal with peaks in workload ensuring continuity of work for our construction partners undertaking various construction projects.

6.3 Specialist Consultants

- 6.3.1 These consultants are engaged in a wide variety of projects across all Departments and cover requirements that are normally outside the skills set of Council staff.

The following examples demonstrate the type of work undertaken in this category.

- Sportcity Project
Consultants have been engaged to develop plans for Sportcity as the potential development value of this scheme is up to £500 million. The detailed nature of the work as well as the scale and speed has required bringing in a range of different consultants to support and add value to the work which New East Manchester, the City Council and our partners are undertaking to develop a comprehensive approach to the future development of Sportcity.

The roles undertaken by the consultants range from expert advice on legal, financial and engineering issues where they have provided a detailed level of expertise not available from within the City Council's resources and added value to the skill base of the core team, through to specialist programme and project management expertise to drive forward the development programme.

- Manchester/Salford Pathfinder Project
Consultants have been engaged as technical advisors on the Manchester/Salford pathfinder project to provide objective and independent appraisal of Housing Market Renewal/New Growth Point

investment proposals and to support the governance functions to provide a robust means of making investment decisions.

This demonstrates to external agencies that we are taking a strategic and transparent approach to agreeing Housing Market Renewal allocations and that we monitor/scrutinise performance and impact. The Audit Commission have used programme review papers prepared by the consultant for the Manchester/Salford Pathfinder Board as the starting point for their performance monitoring this year, demonstrating that the work undertaken by the consultants is challenging to Manchester and Salford.

Responding to these challenges greatly assists forward planning and prioritisation.

6.4 **Directorate of Transformation (DOT)**

6.4.1 The portfolio of the DOT has grown significantly over the last 6 months, and now incorporates:-

- Facilitating the delivery of the Transformational Portfolio for MCC.
- Implementation of the new Town Hall Service Centre and Town Hall Transformation Programme.
- ICT (Business as usual and strategic initiatives).
- Environment on Call – (EOC).
- Residents' Wages programme.

6.4.2 The DOT also provides specialist resources to directorates to facilitate short term pieces of work which require specialist skill sets. In some cases, the use of consultants to support this type of activity proves more economically viable than recruiting permanent resource that carry "on costs" to the department overhead.

6.4.3 The increasing demand for support from the Directorate of Transformation has risen significantly owing to increasing pressure on departments to reduce resources and make savings. The recent business planning process has outlined a significant reliance on DOT resource to facilitate delivery of the MCC benefits target for 09/10.

6.4.4 **Value for Money Review**

As part of its Value for Money review, the DOT has taken the following measures to continue to reduce the use of consultants:

- In April 2009 the Directorate undertook a departmental restructure which included a job evaluation process of all existing permanent employees.
- This has resulted in a simplified organisation structure and alignment of the permanent resources into newly evaluated posts. This process has

caused a delay in appointment of permanent posts and, therefore, the DOT has sourced consultants in the interim.

- Rapid growth of the portfolio during 2009 has resulted in a 43% vacancy rate for permanent roles. It is envisaged these permanent posts will be filled by the autumn. The Directorate will, however, continue to use consultants to support the delivery of specialist projects within the portfolio.
- As part of the permanent recruitment campaign, the Directorate has converted a number of existing consultants to fixed term contracts and permanent roles. In addition, in April 2009, two DOT Heads of Service were redeployed to fulfil other operational priorities which resulted in the appointment of two consultant Interim Heads of Service. These vacant roles are being filled as part of the ongoing recruitment campaign.
- Upon completion of the permanent recruitment process the DOT will operate with no more than a 10% capacity of consultants to facilitate their flexible resource model and to accommodate chargeable work and fluctuations in workload.
- The Directorate has worked in conjunction with the Agency Client Group (AGC) and Senior Recruitment Team for recruitment of all temporary staff which has reduced spend on consultants for 2009/10.

6.5 **Spend on Consultancy Over Time**

The recorded spend in 2006/07 on consultancy across the Council based on value of orders raised was £10.09M and in the following two years from 1 April 2007 to 31 March 2009 spend in this category has averaged £7.20M per annum, a reduction of circa 29%.

The total spend on consultancy is less than 1% of the Council's total spend on goods and services, including construction.

7.0 **AGENCY STAFFING**

- 7.1 In common with many other organisations, including local authorities, the City Council has found itself in a position in recent years where it has increasingly called upon the services of agency staff to support peaks in workforce demands. With a total workforce of circa 15,000 employees (excluding schools) and during a period of significant changes to service as part of the agenda for modernisation of local government, dependency on temporary resources is evident across all service areas.
- 7.2 Cognisant of the levels and volume of historical spend and further to issues highlighted from a previous review in this area, the City Council established an internal monitoring/contract group, the Agency Client Group, in April 2007.

- This Group provides for a single procurement point within the authority, ensuring the engagement of agency staff is undertaken consistent with Council employment policies and procedures.
- The establishment of revised arrangements has allowed for more effective capturing of data on the use of agency workers which has resulted in more detailed management information currently being used to support longer term workforce planning and recruitment initiatives.

7.3 A number of benefits have been achieved through the adoption of this Corporate model of procurement which include but are not limited to the following:-

- Significant cost reductions through supplier margins and pay parity rate structures.
- Clear procurement/authorisation levels, ensuring compliance with financial regulations and the provision of accurate management information.
- Greater internal market intelligence to enable dedicated support to services and resolve difficulties in permanent recruitment processes.
- Ensures compliance with statutory legislation, ie CRB processes which mirror permanent staffing requirements in this area.
- Monitors contract performance to ensure that agency staff are measured in terms of quality and ensures that suppliers are capable of delivering against our interim/longer term workforce demands.

7.4 Staff engaged as agency workers are typically required to support departments through short term peaks in workload pending formal longer term workforce planning, ie short term projects that are grant funded for limited/short periods, to fill vacancy gaps in critical service areas such as Social Care where there are statutory obligations to provide care to the City Council's service users and to support areas that have a range of difficult to fill posts, ie Social Workers or other roles where there are generally high levels of turnover, ie Hospitality & Catering to maintain critical service standards.

7.5 An example how the Corporate Personnel model has benefited the services of the City Council can be evidenced by the work that is currently underway in improving the overall position for stabilising the permanent establishment of Social Worker positions across Children's Services, where information on the numbers of agency staff, the typical length of assignment, and the interim market rates are being analysed to understand and improve Manchester's permanent recruitment packages

7.6 **Spend on Agency Over Time**

7.6.1 The recorded spend in 2006/7 on Agency staff across the Council based on value of orders raised was £16.5M and in the following two

years from 1 April 2007 to 31 March 2009, spend in this category has averaged £11.83M per annum, a reduction of circa 28%.

The total spend on agency staff is approximately 4% of the total payroll bill, excluding schools.

8.0 FUTURE VISION

- 8.1 Cognisant of the benefits derived from the Agency Client Group model of operation and from the issues highlighted through reviewing the use of consultants and other temporary staffing, considerations are currently underway for the development of a Corporate/Centralised Resource model which will act as a “one stop shop” for all resource requirements. Proposals for such an approach are included in the Business Planning process for Human Resource Services which broadly include the following:-
- Combining common themes from both agency, consultancy and secondment review processes to provide a consistent approach across the Council that provides Managers with a suite of temporary options aligned across all resource activities so that they make the right choices.
 - The ability to review and rationalise recruitment policies to streamline application and improve turnaround times to gain:-
 - * Workforce stabilisation
 - * Reduced dependency on temporary staff and associated Costs
 - Contribution to the worklessness agenda by:-
 - * Better/joint workforce planning with suppliers of temporary staff to improve timescales for recruitment and drive down costs typically driven by high level of dependency
 - * Engagement with local suppliers to enhance our temporary offerings to local Manchester residents through targeted recruitment initiatives

9.0 SUMMARY

- 9.1 The work of the Temporary Staffing Group has highlighted a number of areas for improvement and good progress has been made in the control and engagement of temporary staff.
- 9.2 Building on the success of the Agency Client Group, the establishment of a formal gateway within Corporate Personnel governing all temporary staff appointments has significantly improved the engagement and control in this area of expenditure, and further benefits will be derived and reported on as the development of the Centralised Resourcing model progresses.
- 9.3 There is still work to be done in embedding the use of the gateway across the Council to deliver the benefits detailed in this report and the committee may wish to delegate the overseeing of this work to the HR subgroup of the Scrutiny Committee.