

Business Overview and Scrutiny Committee
Wednesday, 28 November 2018

REPORT TITLE	FURTHER INFORMATION REQUESTED IN RELATION TO THE CONSULTANTS AND INTERIMS
REPORT OF	INTERIM DIRECTOR OF CHANGE AND ORGANISATIONAL DESIGN

1.0 REPORT SUMMARY

1.1 This report was requested by the Business Overview and Scrutiny Committee at its meeting on 18 September 2018: It was resolved that a further report detailing the following would be brought to a future meeting to outline:

1. The possible benefits and dis-benefits of setting a ceiling for the amount consultants and interim staff are paid, reflecting the national pay grades for such work;
2. The possibility of recruiting from outside of the Matrix agency system if the Council is unable to recruit the specialists it needs; and
3. Adding a column in to the list of interims / consultants showing the day rates next to each post, prior to the Committee reaching any decision on the matter.

2.0 RECOMMENDATION/S

2.1 Business Overview and Scrutiny Committee are recommended to note the contents of the report, alongside the previous information shared in the report to this Committee on 18 September 2018.

3.0 REASON/S FOR RECOMMENDATION/S

3.1 The Committee requested this further information in relation to the Council's use of, and approach to managing interims and consultants.

4.0 BACKGROUND INFORMATION

4.1 The current agency contract is managed through Matrix SCM who operate a 'managed service' on the Council's behalf, acting as a 'broker' with the wider recruitment market to ensure best value and the right candidates are put forward for temporary placements. The contract is the result of a collaborative tender process within the Liverpool City Region (LCR), contracted to March 2021.

- 4.2 Matrix act in the same way as an insurance broker: the Council provides details of requirements, including rate and role brief for the work required and they automatically circulate those details to all agencies who are signed up to supply workers in the relevant category.
- 4.3 Matrix is able to use their preferred supplier position to negotiate the percentage margins from agencies who want to supply workers to the Council. The Council gets a quarterly rebate from Matrix which is a share of the savings that Matrix has made from negotiating the lower percentage fees.

The Council has been using Matrix since 2010 to date. Over the lifetime of the contract the table below shows the transactional history including spend and savings:

Net Spend	£46m
Net Saving (contractual rebate)	£6.2m
Saving %	13%

- 4.4 In some cases, the role covered by the interim or consultant is an established and budgeted role in the staffing structure. In these circumstances, the costs of the interim/consultancy arrangement need to be offset against the total cost of the Council employing someone directly (including associated on costs for pension etc).
- 4.5 When we have a short-term, clearly defined piece of work to deliver which requires specialist skills, it is cost-effective to bring in a company or an individual on a shorter-term contract to complete the work, get paid and leave the organisation. Using temporary staff brings much less additional costs such as sickness, holidays, pension and national insurance. We are also not required to continue paying them once their work is complete.
- 4.6 From the Council's perspective, whilst there are agency fees, an interim appointment does not carry pension or other on-costs (approx. 28% for directly employed staff) or any long-term cost to the organisation. There are other benefits to the engagement of interims and consultants. Experienced interims are used to hitting the ground running, able to pick up organisational context quickly and depending on the nature of the role, can add capacity very quickly.
- 4.7 The number and cost of interims and consultants the Council has engaged over the last two financial years are as follows:

Year	Number	Total Net cost
2016/17	37	£0.807m
2017/18	45	£1.8m

- 4.8 The Council has explored the use of fixed term contracts as an alternative but generally there is limited scope at more senior and executive level from candidates on the interim market.

4.9 The Council's Senior Leadership Team discussed the use of interims and consultants (and wider agency use) in August and agreed some changes to the approach to manage use and costs as robustly as possible.

4.10 This approach includes the following measures:

- Request for all temporary staff must be made via an online internal request approval system.
- Implementation of a 'cap' on agency placements at 12 weeks – any further extensions would require a robust business case before approving.
- It is proposed the approvers would be those currently on the vacancy 'freeze' panel(s) with the recommendation to include a representative from Commercial Management Service to support the panel/approval process.
- Posts approved for over 12 week placements (e.g. maternity cover, Interims Consultants working on specific projects) will be employed on a fixed Agency finders' fee rate.
- Monthly status report presented to SLT; detailing placements and associated costs.
- Monthly status report to each DMTs, to ensure DMTs take control and that they hold managers to account for managing their temporary workforce.
- Full time resource from Commercial Management dedicated to drive this new approach and model forward, working closely with HR and Finance.

5.0 PAYMENT CEILING

5.1 The Committee asked for an assessment of whether it would be beneficial for the Council to set a ceiling for the amount consultants and interim staff are paid, reflecting the national pay grades for such work. Firstly it is important to point out that there are no national pay grades for consultants and interims but the potential benefits and disadvantages of operating under a cap are outlined below:

5.2 Benefits:

- This would effectively set a cap for the amount consultants and interims are paid and would therefore provide recruiting managers with boundaries to operate within.
- The ceiling amount may support the Council in controlling spend on consultants/interims.
- The ceiling amount could be determined as a proportion of the permanent salary for the role, allowing costs to be offset within a controlled cost variance.
- Depending on the ceiling amount, it may encourage some workers to take up a fixed term contract as opposed to an agency placement.

5.3 Disadvantages/remaining issues:

- It would be difficult to determine the ceiling amount as there are no national pay grades for consultants or interims in terms of benchmarking data. Benchmarking data is only available from the market, and this is largely the rate of pay the interims/consultants expect for a certain role. This information is largely available from recruitment consultants and has

been used by the Council in the past to determine levels of pay for placements.

- The only other comparison information available would be the equivalent permanent salary for the role. However, the rate would always be considerably higher for a short term engagement due to the market variation in terms of supply and demand, and the nature of interim work i.e. interims do not have the same benefits as employee: pension, holiday, sickness, pension etc.
- Depending on what the ceiling amount is set at, it may stop some highly experienced and skilled consultants and interims applying for work with the Council.
- Consultants/interims may request/expect the ceiling rate.
- This is an issue of supply and demand. There is a going rate in specific sectors and for particular skills. If the Council isn't competitive in rates we pay, there is a risk that interims and consultants won't apply to work in Wirral.
- Would not provide any further control around the length of time a consultant or interim is engaged for.

6.0 RATIONALE FOR USING THE MATRIX CONTRACT

- The Matrix contract brings control and ALL expenditure through one contract to thoroughly manage costs.
- The Matrix contract also shows transparency in all expenditure through detailed management information.
- Matrix ensures that individuals working with the Council on a temporary basis are suitably qualified and that they have been suitably vetted.
- That correct precautions have been taken to ensure the welfare and safety of clients.
- That agency workers and interims are appropriately managed.
- Full safeguarding measures are in place.
- Wirral Council are satisfied with the 99% success rate that is being achieved through this contract is an acceptable level of success.

7. OPERATING OUTSIDE OF MATRIX FOR HARD TO RECRUIT ROLES

7.1 It is possible to operate outside of Matrix if we have particularly hard to recruit roles and we have tried to recruit through Matrix but they have not been able to fulfil the brief.

7.2 In this situation (about 1% of all agency/interim recruitment) the following would happen:

- As the Agency Staff Project Lead and Head of Procurement, we would need to make a determination if there is a case for operate outside of the contract for certain roles. E.g specialist planning roles, homeless prevention roles, specialist children's legal roles.
- Under the contract procedure rules, the recruiting manager would be required to submit a case for procuring outside of the preferred supplier contract (PRAD) and the corporate procurement team would then work with the department to either sign up the relevant agency to Matrix

(preferred route) or to procure direct. The disadvantage of procuring direct is that it increases administration costs and the cost of the agency margins will be much higher.

- Where we know that we have hard to recruit roles we would invite new and existing agencies to attend supplier forums where recruiting managers and agencies can discuss the Council's needs and the type of candidates we are looking for.
- We also hold candidate open days for any roles that prove hard to fill. Matrix will advertise the role to candidates in the local area and host an open day providing an opportunity for candidates to sign up to the local agencies that operate through Matrix.

8. TERMINATING THE MATRIX CONTRACT

- 8.1 The Committee asked about the possibility of terminating the preferred supplier contract with Matrix SMC.
- 8.2 The Council has a corporate contract in place with Matrix SCM for the engagement of all temporary workers including consultants and interims. This is a Merseyside collaboration contract through the LRC local authorities and is in place until March 2021. The Council is therefore required by contract procedures rules to source temporary workers through this route. Where Matrix are not able to meet the requirements of a particular role, authorisation by a chief officer and procurement must be given to make an exception to the corporate contract. Justification must be provided, including reasons why the Council is seeking to use the services of another provider.
- 8.3 If the Council were to come out of the Matrix Contract before the contract is due to end (contracted to March 2021) this would not be an easy process and would carry substantial risk as follows.
- The Council would be in breach of contract and would be sued for that breach.
 - If we cancelled the contract Wirral would have to manage approximately 200 agencies instead of one contract which would mean employing more staff to manage the process.
 - Agency margins would increase therefore increased spend on budgets.
 - The Matrix contract brings control and all expenditure through one contact to thoroughly manage costs.
 - The Matrix contract also shows transparency in all expenditure through detailed management information.
- 8.4 Legally unless we are able to demonstrate that Matrix have breached their side of the contract we would have no legal reason for ending the contract and will be required to continue with their services until March 2021, or suffer a breach of contract and be sued accordingly.

9.0 DAY RATES

- 9.1 The Committee asked for information showing the day rates for consultants/interims. This is attached at appendix A for the financial year 2016-17 and Appendix B for the financial year 2017-18.

- 9.2 It is important that the day rate that an interim or consultant is charging is not looked at in isolation. In order to do an accurate comparison of the cost of an interim/consultant against a permanent pay rolled member of staff you need to look for the net figure rather than the gross figure. The net figure will be achieved by taking the salary for the permanent equivalent role and adding on 28% on costs for pension and employers NI. You would then need to take the annual figure and divide it by the number of days worked by the interim/consultant. For the interim/consultant you would multiply their day rate by the days worked, minus the permanent cost+ on costs and this will give you the net difference between the two.
- 9.3 It is also important to remember that an interim/consultant worker is not entitled to any benefits such as sickness and annual leave and if they don't work they don't get paid whereas the permanent member of staff will still be paid.
- 9.4 An example of a permanent member of staff taking an average of 2 weeks annual leave and having 3 days sickness in a 6 month period, compared to an interim on £600 a day and £700 per day is shown in the table below:

	Permanent Employee Director level (top of D1)	Interim (based on £600 per day, 5 days a week)	Interim (based on £700 per day, 5 days a week)
Equivalent salary (6 months)	£75,543 including on-costs	£78,000	£91,000
2 weeks holiday	Included in salary	- £6,000	- £7,000
3 days sickness	Included in salary	- £1,800	- £2,100
Total cost	£75,543	£70,200	£81,900

- 9.5 An example of a permanent member of staff at EPO25 level taking an average of 2 weeks annual leave and having 3 days sickness in a 6 month period, compared to an interim on £300 a day and £400 per day is shown in the table below:

	Permanent Employee at EPO25 (top)	Interim (based on £300 per day, 5 days a week)	Interim (based on £400 per day, 5 days a week)
Equivalent salary (6 months)	£43,141 including on-costs	£39,000	£52,000
2 weeks holiday	Included in salary	- £3,000	- £4,000
3 days sickness	Included in salary	- £900	- £1,200
Total cost	£43,141	£35,100	£46,800

- 9.6 The Director level example shows the total difference in cost for the £600 per day interim is actually £5,343 cheaper than the permanent member of staff, and the interim on £700 per day is £5,357 dearer than the permanent member of staff. Therefore it does not always follow that an interim will cost more than a permanent member of staff. The Interim will also have to pay a higher level of tax as they are required to pay both employee and employer NI to the Revenue.

10.0 FINANCIAL IMPLICATIONS

- 10.1 The costs of interims are set out above and further detail is attached at appendix A and B of the report.

11.0 LEGAL IMPLICATIONS

- 11.1 Interims and consultants are not employees of the Council. However, the agency worker regulations 2010 guarantee equal treatment with regards to basic working and employment conditions for any agency worker after 12 weeks of service in the same job.

12.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

- 12.1 All interim and consultant arrangements are met within existing resources. The costs of which are set out elsewhere in the report.

13.0 RELEVANT RISKS

- 13.1 The Council may be at risk of breach of contract with Matrix SCM if it were to not use the corporate contract for engaging temporary workers.
- 13.2 The Council will also be at risk of increased costs in both internal resources to manage agency and interim workers together with higher agency margins.

14.0 ENGAGEMENT/CONSULTATION

- 14.1 N/A

15.0 EQUALITY IMPLICATIONS

- 15.1 There are no direct equality implications arising from the report.

REPORT AUTHOR (S): Liz Hammond
Interim Director of Change and Organisational Design

APPENDICES

Appendix A	Interims and consultants in 2016/17, including day rate
Appendix B	Interims and consultants in 2017/18, including day rate

REFERENCE MATERIAL

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Business Overview & Scrutiny Committee	18 September 2018