

**Action No. 7 – Updated Annual Report on use of consultants 2024/25:**

- a) Members have requested information on the differences in cost between in-house and agency staff.

There are different ways to engage or contract temporary staff:

Employed through an agency, where the agency are in essence employing the individual and will charge the end client (council) a rate of pay. The rate of pay will include pay to the agency employee normally set at hourly rate, plus a fee payable to the agency to cover accrued holiday costs and costs associated with their administration and employment of the individual. There are Agency Worker Regulations (AWR) that the council adheres to which require anyone engaged for more than 12 weeks to be paid and receive the benefits offered to an equivalent employed role. The agency (as the employer) will set the rate of pay or review the rate at 12 weeks following the AWR assessment. These type of agency hires tend to be about quick resourcing needs, or temporary backfill arrangements (period of sickness cover or to cover a gap between employing someone). Agency hires may also be used rather than running over establishment in workforce where there is an immediate need to backfill any absences and with responsive solution – such as agency staff backfilling absences in Waste services. With agency hires the end client (council) will not have any employment related costs; including employer NI, Pension, sickness etc

The council pay its inhouse staff the rates of pay set by the council in pay scales. Agencies will determine rates of pay for their workers; and will only consider council pay rates in relation to the AWR at 12 weeks.

The other way to engage temporary staff is through interim arrangements/contractors: often these are engaged to work on particular piece of work, or project, or due to technical/specialist skills and experience they have. They may or not be paid through council payroll (depending on HMRC assessment); but they are likely to be paid a day rate and will not be determined by the Council. If they are inside IR35 (known as off payroll working rules), the individual will be paying tax equivalent to employee tax rates, and their day rate may be increased to reflect this. Or they may be self employed and the rate reflects costs they have to deal with accounting, invoicing and other aspect operating outside employment. Often interims are engaged for short period or because of a need for particular skill set or expertise that may not be required long term – and is longer term cheaper than employing someone. The council will pay the fee, but will not have the administration of the payroll, will not offer any benefits, pension, holiday, sick pay. The rates will be reflective of the skill set of the individual along with market forces.

There will not be a single set rate of pay as it will reflect the factors set out above, employers can expect to pay greater hourly rates than they pay for in house staff, but employers will also benefit from no management, administration or benefit related costs including holiday, sick pay, pension, employer NI costs.