

APPENDIX 4

Consultancy Review: Terms of Reference

- (i) Define consultant, consultancy, interim manager, and contractor
- (ii) Review of expenditure codes to ensure that departments are able to keep track of consultancy spend.
- (iii) How are consultants engaged – officers' or director's discretion? Ascertain when the Executive would be involved in the appointment of a Consultant
- (iv) Review the procurement process, i.e. the measure in place for deciding what contracts are issued, how rates are decided, the rationale for how long companies and/or individuals are engaged and the cost and frequency of those engagements.
- (v) Review a snapshot of how many consultants are engaged at the present time. Provide a detailed register – what are they doing, how long for, and at what rate (daily/weekly/monthly/fixed price)
- (vi) Scrutinise a selection of major contracts that have been awarded on the past 2 years.
- (vii) Review the measures being implemented to reduce the reliance on consultants, including a review of the process as per Recommendation 2, 2006, which was included to ensure that PCC's employees with the relevant skills set are not overlooked in favour of consultants.
- (viii) Investigate and take a view on whether consultants should be engaged through the Employment Committee.
- (ix) Request and review a comprehensive update on the 2006 review's recommendations.
- (x) Gain answers to the questions posed by Cllr Fletcher as laid out below*.
 - 1. Identify all consultancy companies;
 - 2. Identify any consultancy company which may be sub-contracting to the main consultancy company;
 - 3. [With regard to question 2](#), identify the employees of the sub-contracting company who may actually be working for PCC;
 - 4. [With regard to question 3](#), are the employees of the sub-contracting company Directors of that company;
 - 5. Identify any other individuals who may be operating on a self employed basis and are engaged by PCC ([where they have been paid over £50,000](#));
 - 6. Identify the service period of any and all individuals who have been employed by PCC, on a consultancy basis, either directly or indirectly;
 - 7. Clarify the actual reason for the engagement of all consultants and companies, the areas of work they have undertaken and the financial benefits derived from that employment;
 - 8. Clarify the status of Amtec Ltd in relation to V4 Ltd and the method of remuneration;
 - 9. Who makes the decision to engage a consultant and how is this decision actually authorised;
 - 10. Who determines what rate is paid;
 - 11. Exactly what rate is paid, plus any other fees which may be involved;
 - 12. Provide documented evidence by way of copy invoice as proof of all monthly payments;

NB. The review group have elected to dip sample copy invoices where there has been an interim manager or consultant engaged on a minimum 6-month basis.

13. Provide documented evidence of the actual yearly cost of all consultancy fees;
14. What action is being taken to reduce the reliance on consultants;
15. What recommendations, if any were implemented following on from an enquiry held some five or six years ago into the use of consultants.

*insertions in blue are revisions/ point of clarification agreed by the Review Group

Consultancy definition

The definition agreed by the group for use during this review is the Management Consultancies Association's (MCA) definition, supported by the National Audit Office (NAO) statement.

The MCA defines consulting as:

'...the creation of value for organisations through the application of knowledge, techniques, and assets to improve performance.

This is achieved through the rendering of objective advice and/or the implementation of business solutions.

Consultants are distinct from contractors, in that the latter fill permanent vacancies or temporary increases in operational workload. Contractors are therefore used as day-to-day operational resources to maintain departmental function, and are managed by client staff.'

The National Audit Office defines consultants as:

'...external third parties, with expertise that is typically not available internally. Clients employ consultants for short projects, and usually specify an end point to their involvement in the project.

Although a project manager from the consulting firm generally manages the consultant, responsibility for the final outcome of the project rests with the client. This means that consulting is distinct from outsourcing or staff substitution.'