



USE OF CONSULTANTS

Report of the Sustainable Growth Scrutiny Committee

March 2011

CONTENTS

| | | <u>Page</u> |
|----|---|-------------|
| 1. | Introduction | 3 |
| 2. | Objectives of the review | |
| | 2.1 – Scope | 4 |
| | 2.2 – Terms of reference | 4 |
| 3. | Approach, key witnesses and reporting timetable | |
| | 3.1 – Approach | 5 |
| | 3.2 – Key witnesses | 5 |
| | 3.3 - Reporting timetable | 6 |
| 4. | Process, findings and recommendations | |
| | 4.1 – Process | 7 |
| | 4.2 – Findings and recommendations | 7 |
| 5. | Summary of recommendations | 30 |
| 6. | Glossary of terms | 33 |
| 7. | Appendices: | 34 |
| | Appendix 1: Councillor Fletcher’s questions and officer responses | |
| | Appendix 2: Consultancy spend 2009 to 10 | |
| | Appendix 3: Consultancy spend 2009 to 10 by directorate | |
| | Appendix 4: Consultant deployment | |
| | Appendix 5: Spend by supplier and project | |
| | Appendix 6: Peterborough procurement cycle | |
| | Appendix 7: Pre-Interview questionnaires | |

1. Introduction

In March 2010, the Sustainable Growth Scrutiny Committee requested a review into Peterborough City Council's use of consultants.

Regular engagement of consultants by the council raises many issues which this review sought to tackle:

- Why is there a need to employ consultants?
- Is there a substantial cost to the Council in employing consultants?
- Why are employees of the Council not asked to do the consultant's work?
- What checks and balances are in place to monitor the consultants?

Through this review elected members sought to determine answers to each of these questions.

Prior to this review, in 2006 the Best Value and Corporate Resources Policy Overview Committee undertook a review of the Council's use of consultants and agency staff. A monitoring report was produced for the committee in 2006 and analysis of the implementation of the recommendations made in 2006 are detailed later in this report. The review group also wanted to consider how successful that review had been and to ensure those earlier recommendations had been implemented.

A cross-party review group was established to undertake this work on behalf of the Sustainable Growth Scrutiny Committee.

The review group consisted of:



Cllr Stephen Lane
Independent



Cllr Nigel North
Conservative



Cllr Nick Sandford
Liberal Democrat

The review group would like to thank Karen Whatley, project manager, Kim Sawyer, head of legal services, Diane Baker, compliance and ethical standards manager and Louise Tyers, scrutiny manager for providing support to enable them to conduct this review.

2. Objectives of the review

2.1 Scope

- To examine the cost of consultants and whether that provides value for money
- To review the processes for engaging and monitoring the work of consultants
- To look at the relationship between consultants and staff of the council
- To examine the likely future use of consultants by the council

2.2 Terms of reference

- 2.2.1 Clearly define the terms consultant, consultancy, interim manager, and contractor
- 2.2.2 Ensure that measures are in place for departments to be able to keep track of consultancy spend
- 2.2.3 Examine how consultants are engaged
- 2.2.4 Examine the procurement process including the measures in place for deciding:
- What contracts are issued
 - How rates are decided
 - The rationale for how long companies and/or individuals are engaged
 - The cost and frequency of engagements
- 2.2.5 Examine a snapshot of:
- How many consultants are engaged at the present time
 - What are they working on
 - How long they have been working on a project for
 - What is the remuneration rate (daily/weekly/monthly/fixed price)
- 2.2.6 Scrutinise a selection of the major contracts awarded in the past two years
- 2.2.7 Examine the measures being implemented to reduce the reliance on consultants
- 2.2.8 Investigate and take a view on whether consultants should be engaged through the Employment Committee
- 2.2.9 Comprehensively evaluate the 2006 review's recommendations and report on the progress of their implementation
- 2.2.10 Gain answers to the questions posed in January 2010 by the then chairman of the Sustainable Growth Scrutiny Committee, Cllr Fletcher.

3. Approach, key witnesses and reporting timetable

3.1 Approach

The approach taken by the review group has been in three phases. Firstly a desk-top research phase enabled the group gather relevant publications, papers and documents, to establish a Terms of Reference and to then request the detailed information needed from Officers to conduct the review against the established methodology.

The review group had regard to the scrutiny reviews undertaken by other local authorities in relation to their own use of consultants, plus the report released in October 2010¹ regarding central government's use of consultants. The review group also considered guidance produced by:

- Management Consultancies Association's Model on the Value of Consulting; and
- I&DeA (now Local Government Improvement and Development) Members Guide on making savings through better procurement

The group's second phase was to interview council officers and other key people. The findings from these interviews are integrated into the later stages of this report.

3.2 Key witnesses

During Stage 2 of the Review officers from children's services, strategic resources, city services, Peterborough Delivery Partnership and the operations directorate were interviewed to assess:

- (i) The impact that consultants have had upon their service areas, at a programme, project and individual level in terms of benefit realisation, knowledge transfer and cost
- (ii) The measures in place for identifying staff potential as a route to reducing reliance on consultants.

The people interviewed during this stage were:

- Andrew Edwards, head of Peterborough Delivery Partnership
- Karen Harrington, head of business support (Manor Drive)
- John Harrison, executive director of strategic resources
- Richard Pearn, waste infrastructure programme manager (Business Transformation)
- Mark Sandhu, head of customer services
- Steve Ward, head of business support (city services)
- Mike Kealey, interim head of human resources
- Councillor Michael Fletcher
- Mark Burn, Unison assistant branch secretary

For Stage 3 of the review the Task and Finish Group identified a number of other key witnesses to be interviewed. Prior to the interviews taking place all interviewees were asked to provide written answers to a number of questions around the use of consultants, interim managers and skills transfer. Copies of the pre-interview questionnaires are attached at Appendix 7. Interviews were then conducted with the following:

¹ www.nao.org.uk/consultants-2010

Officers from Peterborough City Council:

- Gillian Beasley, chief executive
- Howard Bright, head of growth delivery
- Adrian Chapman, head of neighbourhood services
- Heather Darwin, Business Transformation manager
- Andrew Edwards, head of Peterborough Delivery Partnership
- John Harrison, executive director of strategic resources
- Jenny Line, sustainable development officer
- Matthew Rains, P2P manager
- Mark Sandhu, head of customer services
- Steve Ward, head of business support (city services)
- Colin Wilson, training and development manager

Cabinet Members:

- Councillor Marco Cereste, leader of Peterborough City Council
- Councillor David Seaton, cabinet member for resources
- Councillor Irene Walsh, cabinet member for community cohesion, safety and women's enterprise

Interims and consultants used by Peterborough City Council:

- Peter Beveridge and David Arthur, Stirling Maynard
- Anthony Davis, Headstuff
- Adam Jacobs, procurement project director
- Mike Kealey, interim head of human resources
- Ben Ticehurst, Peterborough Delivery Partnership
- Paul Tonks, head of Business Transformation
- Charles Trustram Eve, GVA Grimley
- Joan West, Business Transformation project manager

Other Interviews:

- Councillor Michael Fletcher

The following people provided written information to the Review Group but were not interviewed:

- Councillor Matthew Lee, deputy leader and cabinet member for culture, recreation and strategic commissioning
- Ramnit Bassi, Business Transformation manager
- Angela Nottingham, Business Transformation project manager

3.3 Reporting Timetable

The reporting timetable for the review will be:

| MEETING | DATE |
|---------------------------------------|---------------|
| Sustainable Growth Scrutiny Committee | 23 March 2011 |
| Cabinet | June 2011 |
| Council | July 2011 |

4. Process, findings and recommendations

4.1 Process

The Task and Finish Group met on the following dates:

- 15 June 2010
- 5 July 2010
- 17 August 2010
- 24 August 2010
- 28 September 2010
- 6 October 2010
- 2 December 2010
- 20 December 2010
- 18 February 2011
- 21 February 2011
- 1 March 2011
- 7 March 2011
- 15 March 2011

The group had originally intended to submit its full report to the Sustainable Growth Scrutiny Committee in September 2010. However, due to the depth of investigation, quantity of information to review and the complexities of the unfolding investigation; the group allowed itself more time to enable a thorough review of the council's use of consultants.

4.2 Findings and recommendations

ToR 1 - Clearly define the terms consultant, consultancy, interim manager, and contractor

The review group considered the Management Consultancies Association's (MCA) definition, as follows:

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 MCA sought by this definition to distinguish between short-term fixed period contracts for one-off projects where knowledge and techniques were to be made available in house. Consultancy work is therefore outside of the organisation's 'business as usual' and did not include additional staffing resources needed to deal with an increased volume of work. When engaging a consultant responsibility for the final outcome, or the ongoing service, would rest with the council.

The National Audit Office (NAO) 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.'*

Drawing from the MCA and the NAO definitions, the review group considered that consultants were typically defined as:

- Providing skills or expertise not available within the council
- Engaged under fixed term projects
- Working to identified outcomes
- Managed by council officers

However, under these definitions however persons who are employed to provide day to day operational resource were not defined as consultants.

In the first stage of its review, the group were mindful that the council had employed, or were employing, several persons under the label of 'interim managers' through the Professional Services Partnership (PSP). Several of these officers appeared to be engaged in the day-to-day operational resource of the council but sat outside of the council's management structure. The review group considered these people to be consultants and wanted to explore during the second stage of interviews their particular involvement within the council.

The following definitions were therefore offered to all those interviewed during the second stage of the process:

Consultants

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

Interims

Interims fill permanent vacancies or temporary increases in operational workload. Interims are therefore contractors used as day-to-day operational resources to maintain departmental function, and are managed by client staff.

Findings:

1.1 As a result of the interviews undertaken the review group considered that some of those persons employed by the council under the label of "interim manager" were in fact consultants who had in some cases been employed for longer than might have been expected under a consultancy contract i.e. non fixed term. Therefore, this group wanted to consider in relation to those longer term engagements whether those consultants continued to add value to the council's business and what controls might be necessary for the longer term engagement of consultants.

1.2 However, the group notes that the majority of the council spend, during a snapshot period, related to the more traditional definition of consultant i.e. fixed term single purpose contracts. The group therefore adopts the following definitions for the purpose of this review:

Consultants are external third parties with expertise, skills and knowledge that is typically not available internally. Consultants may include those filling managerial positions where the purpose of that role is to improve performance. Consultants are employed for fixed periods and provide identified outcomes contributing to the priorities of the council. Consultants are distinct from contractors who fill operational workload requirements within the scope of an existing role.

- 1.3 By this definition persons filling managerial roles may be either consultants or contractors depending upon whether they are engaged to work to an existing job description (contractors) or whether they are engaged to bring a new dimension to the role through the application of skills, knowledge or techniques not generally available (consultants). The purpose of engaging either consultant or contractor is intended to be for a fixed period although in the case of a consultant may not necessarily be short term.

It is important to note that the review group are recommending in this report that consultants who are engaged on longer terms should be subject to regular review by the Employment Committee.

ToR 2 - Ensure that measures are in place for departments to be able to keep track of consultancy spend

Following the 2006 review of the use of consultants, a new version of Oracle was implemented in July 2007 and the new 'Verto' project management system was implemented in September 2009. Both systems were implemented as control mechanisms for the council. The Oracle system can monitor internal purchasing processes and the Verto system monitors project management.

Verto was developed by the city council and TMI Systems, and is a hosted, web-based spreadsheet. The review group was given access and could easily interrogate random projects for detailed analysis.

The Oracle upgrade included a new categorisation method known as 'pro-class' which enables the council to more accurately reflect what was being spent on consultants.

The commercial and procurement unit (CPU) also implemented 'Supplierforce' in the third quarter of 2008. 'Supplierforce' is a hosted web-based supplier relationship management tool comprising of several modules, including; supplier information management; e-tendering functionality; contract repository and management modules and purchasing activity reporting. This enables the unit to control the commissioning of consultancy suppliers set up on the Oracle system. Both Supplierforce and Oracle can utilise the 'pro-class' classification codes.

Oracle has the ability to refer specific categories of purchasing to 'specialist buyers' who effectively act as a gateway for all purchases in that category. Specialist buyers were introduced for a variety of categories from July 2007 such as stationery, furniture and temporary and agency staff. The temporary and agency staff specialist buyers were introduced within HR in early 2008; however the CPU took over this responsibility from October 2008 and, before handing it over to the business support unit in December 2009, introduced specialist buyers to challenge purchasing under the consultancy category.

In April 2010 the CPU implemented a series of new 'smart forms' within the Oracle system which enable purchasing officers to appropriately categorise their order under 'Consultancy under contract' e.g. through the Professional Services Partnership (PSP), 'Adhoc Consultancy' or 'Interim Consultancy' i.e. interim managers. These 'smart forms' have been further updated and improved to allow easier data extraction. Detailed information, including the consultant's name, has also now become mandatory and has been captured since 1 December 2010.

At the time of this report the CPU were in discussion with the Oracle financial team about developing a standard report in Qlikview to assist with data capture. They were also liaising with Serco, the council's IT provider, on assisting with the development of reports and it is anticipated that a reporting function on the use of consultants may be made live from April 2011.

As a result of these changes, and in particular those arising from a result of this review, all consultants appointed to council projects, whether through the PSP or otherwise, are recorded and monitored through Verto.

The review group has also noted that in December 2010 the process for recruiting temporary staff and consultants changed.

The group has reviewed invoices, relevant contracts and has received training in order to be able to review information through the Verto project management system.

Findings:

- 2.1 The review group is pleased to note that this review has directly led to improvements in the way that the council records consultancy spending and monitors consultants' progress. A correlation can be drawn between this consultancy review, which commenced in Spring 2010, and the increase in activity and consequent progress around this issue. The group should like this progress to continue.
- 2.2 The monitoring of consultancy spending by departments has historically been problematic due to the nature of the system that receives the data input. Departments normally submit regular monthly Budgetary Control Reports (BCR), which enables the corporate management team (CMT) to monitor spending at aggregate level by department and service level against budget, but there is no specific monitoring of consultancy spending by the BCR. The review group was given to understand that officers were able to level out spending across budgets which the group believed may lead to misinterpretation of a consultant's performance as any losses or failure to achieve target savings by consultants may not be readily identified from aggregated budgets.
- 2.3 The review group considered that greater transparency around consultancy spend and performance could be achieved through consistent reporting on Verto. The Group noted that around 35 per cent of the council's spend on consultants was not recorded on Verto. However, the group was concerned that Verto should not become overly bureaucratic and officers need to consider whether reporting is required only following a minimum level of consultancy spend (e.g. £5K). The group considered that Verto should *not* be a tool for recording use of contractors (see paragraph 1.2 above for this definition) as employment issues are essentially a matter for the human resources team. The CPU team may therefore need to revise their terminology for the 'smart forms' to exclude contractors.

Recommendation 1:

All projects involving consultants should be recorded through Verto. This recommendation is subject to officers considering whether there should be a financial threshold to this requirement to ensure appropriate use of Verto.

Recommendation 2:

All members should be provided with access to Verto in order to improve transparency regarding consultancy spend. This will also assist to resolve any uncertainty which may exist around the commissioning of consultants.

Recommendation 3:

The CPU should provide an update report to the Scrutiny Committee in Autumn 2011 including:

- (1) the progress made with Qlikview reporting and the outcome of discussions with Serco
- (2) financial data, by department, for quarter four 2010/11 and quarter one 2011/12
- (3) whether the use of consultants is captured across the council through consistent use of Verto
- (4) the level of member enquiry of Verto
- (5) how the spend on consultants is being recorded and monitored
- (6) confirmation that there is accurate recording of savings and losses against each individual consultant or consultancy project.

Recommendation 4:

The Scrutiny Committee should consider whether, as a result of receiving the report, a policy on the use of consultants ought to be written for the benefit of officers to ensure consistent application in the use of consultants across the council.

ToR 3 - Examine how consultants are engaged

Decisions to engage a consultant are normally made by senior officers. The authorisation process for procuring consultants is determined by value through compliance with contract regulations and financial rules, however these rules are generally silent around any considerations to be given prior to engaging any consultant, including whether any skills or knowledge are available within the council.

Some years ago the council had decided to take a different approach to the use of consultants to provide project and performance management skills. The review group heard evidence that post 2002 the challenge which the council faced meant that the workforce had to acquire significant skills over a short period of time to improve the council's performance and have the capability to manage major projects

To complete the business transformation programme, the decision was taken to secure assistance through a single supplier of project and performance management skills to ensure consistent management of the programme across the council. The Professional Services Partnership (PSP) as it came to be known, has an underlying Cabinet Member Decision Notice that authorised the appointment of Amtec Consulting Group through an OGC Buying Solutions Framework. Services are however delivered through V4 Services Limited, a delivery partner to Amtec, which is essentially a sub-contractor to Amtec. The group noted that the appointment of consultants under the V4 Services contract is supported by a robust governance process which means that every individual assignment within that contract is authorised by the executive director of strategic resources via the approval of a business case. Officers also gave evidence that they are not under any obligation to use this particular contract if they consider they are able to obtain better value for money elsewhere.

The group considered that in deciding to award the contract to Amtec under the OGC Buying Solutions framework agreement and its delivery partner, V4 Services Ltd, a company that was leading the council's business transformation prior to the contract award, this led to the perception of there having been insufficient competition around delivery of these services. The group note however that in order to achieve a place within the framework, there has already been competition amongst the providers with only those already meeting the quality and value thresholds securing their position. Evidence was also heard that the use of a framework agreement can secure savings of up to 8 per cent of the

cost of the contract which is the equivalent cost of the contracting process and that it is accepted practice to seek a single supplier from a framework.

Another example of the use of consultants is the appointment of Tribal Education Ltd who were the specialist ICT and education consultants for the Building Schools for the Future programme. The appointment and subsequent authorisation was in accordance with contract regulations where the value exceeded £150k (the authorisation limit of the majority of heads of service) and the appropriate director made the approval of award through a 'Contract Award Report'.

Findings:

- 3.1 The group is satisfied that there is robust governance around the process for engaging consultants. Contract regulations and financial regulations set out clearly when senior officers can award contracts and when the Executive is involved in the award of the contract. However the criteria used by officers to make the decision to engage a consultant remains unclear to the group and there is concern that consultants are being used in the absence of any quality information regarding internal staff skills.
- 3.2 The Council has an Employment Committee which, while not a legislative requirement, is used locally for the appointment of officers at head of service and director level. The group has established that at present the Employment Committee is not used for the appointment of contractors filling temporary vacancies or consultants filling management positions when either of these is engaged at Head of Service or Director level.
- 3.3 The Professional Services Partnership has an underlying 2008 Cabinet Member Decision Notice and the group reviewed this in detail. Although the review group is satisfied about the process for appointing Amtec it considers that the contract has been in place for many years and would now benefit from further testing in the market. Some members of the group consider that because of the length of the contract the council may have developed too much of a reliance on this sole partner that one might question the strength of the value for money claim.
- 3.4 The review group was made aware of several awards which the council had received as a result of the approach it had taken to its business transformation programme through the Amtec contract and noted that this partnership continued to achieve success. The review group also heard from several officers about the positive benefits for council employees working alongside those consultants, however the group found that, in relation to the Amtec contract and those consultants employed in managerial positions within the council there needed to be
 - greater transparency around the rates paid to the consultancy firm engaged under the professional services partnership,
 - a better understanding of the specification and/or targets set for those individuals engaged, and
 - clear end dates or review dates for each consultant.

Recommendation 5

The council should amend contract regulations and financial regulations to set out criteria officers should consider before deciding to employ consultants. This ought to include consideration of any internal skills within the council.

Recommendation 6

The council should compile a central register of transferable professional skills available within the council which should be audited on a regular basis by the HR team.

Recommendation 7:

The council should amend the Employment Committee's terms of reference to include contractors and consultants whose accumulative remuneration rate over a project lifecycle would take them into the same salary grade as a head of service. Contractors and consultants at this level ought to be approved by Employment Committee before appointment whenever possible or reviewed at least at 6 monthly intervals to ensure that their continued engagement is appropriate.

Recommendation 8:

The council should review its further business transformation needs and assess whether the procurement of project and performance management skills will be required when the Professional Services Partnership (Amtec) contract next comes up for renewal

ToR 4 - Examine the procurement process including the measures in place for deciding:

- a) what contracts are issued**
- b) how rates are decided**
- c) the rationale for how long companies and/or individuals are engaged**
- d) the cost and frequency of engagements**

Projects requiring the expertise of consultants are usually identified through departmental business plans, or are initiated following changes in legislative requirements. projects can also be initiated in response to a local issue. The Peterborough Procurement Cycle, Appendix 6, demonstrates the procurement route that would be followed subject to an approved business case having been developed. The procurement route is designed to achieve competition amongst suppliers ensuring that the council achieves value for money for the quality of service it purchases. Each contract has a specification and evaluation criteria are applied consistently to all bidders.

Business cases are developed by the business transformation team, and authorised by the executive director of strategic resources. The senior contracts & partnerships manager is responsible for order raising and invoices processing through strong governance. This process has the approval of the chief internal auditor.

Each business case is assessed as to the level of external consultancy required and the level of skill required to undertake the assignment by a project manager. It would also determine how long a consultant is to be employed for, with any subsequent change to that being authorised by a change request procedure. Normally CV's are submitted to the project manager for consideration and candidates are interviewed. Junior consultants are used where possible.

The Professional Services Partnership (PSP), which was used for 65 per cent of the consultancy spending in 2009/10, is directed by the OGC Buying Solutions Framework. This framework has an associated rate card which is used for guidance.

A supplier negotiation programme was introduced in 2010/11 as part of the council's Business Transformation programme to deliver in-year cashable savings. This programme

is fundamental in ensuring the sustainability of the Comprehensive Spending Review budget cuts and has resulted in some consultancy suppliers reducing their day rates by as much as 30 per cent.

Findings:

- 4.1 With 65 per cent of consultancy spend being made through the PSP, and with an OGC Buying Solutions Framework, the review group had concerns that reliance on the daily rate card may not produce value for money from consultants who had been engaged in long term management positions within the council. Work charged at a daily rate may not encourage consultants to work as efficiently as those charged at a fixed price. In that event robust performance management of consultants would be required by officers of the council. The group heard evidence that those consultants who reported through Verto were required to update the system monthly with performance information and that this was a requirement for payment of their invoice. The group considered that this practice should be consistently applied to all consultants within Verto. The group noted that of the £8.8M spent on consultants in 2009-10 only £1.3M was spent on interim managers, so that the majority of the budget was spent was on short term, single target projects.
- 4.2 The group heard from several individual council officers who had achieved positive career development as a result of working directly with consultants under the PSP contract, however the group also heard evidence that skills transfer is not a routine part of the specification when engaging consultants. Consistent reliance on consultants for skills is expensive and repeated use in such cases might suggest poor value for money. Skills transfer is therefore to be preferred.
- 4.3 The group also found that the use of consultants in some cases is never likely to require skills transfer. These include contracts where the knowledge required is so specialised or technical that it would not represent good value for money to develop in house skills. An example was given of contaminated land evaluation where the use of land valuation consultants is beneficial as the need for such expertise is rare and it would not be feasible for the Council to develop an officer in this area when the skills and knowledge would be called upon so infrequently. Other examples include architects and surveyors.
- 4.4 The Group found from interviews with officers that consultants are regularly used for business as usual work and were also concerned that some consultants change from post to post without any evidence of external recruitment having taken place for these roles. Whilst the Group heard evidence demonstrating the flexibility a consultant provided within the workforce, the Group would like to see greater member involvement in the process through the use of the Employment Committee to ensure that there is a robust options appraisal for each interim appointment at Head of Service level and above.
- 4.5 The group noted that there was no call-in of the PSP CMDN, however the introduction of this contract was a significant decision for the council. Subsequently many questions have arisen from its introduction and the group suggests that increased scrutiny should be implemented in time for the contract renewal in 2012.
- 4.6 The group would like to see that where there is continued long term use of consultants they should be approached about working in-house. This should particularly happen where consultants are used at managerial level. This would allow for better scrutiny and line management of project officers, the securing of the knowledge needed to deliver projects and better value for money/ reduced costs. There are also incentives for consultants through job security, job satisfaction and

while it may not be enticing for all consultants, the group can see clear benefits to be derived from a conversation around this issue.

Recommendation 9:

The group would recommend that the Verto system have a reporting function which allows it to report on minor projects involving the use of consultants (under £50k in value) to the cabinet member for resources.

Recommendation 10:

For major projects (over £50k in value)

- a) the cabinet member for resources ought to be requested to add approval to the Verto system for projects involving the use of consultants; and
- b) representative bodies including the Joint Consultative Forum, CMT and the Audit Committee are able to request regular reports from Verto on the use of consultants

Recommendation 11:

The group would recommend that skills transfer is a written contractual requirement for appropriate professional skill contracts, particularly project and programme management, to enable officers to develop expertise which will directly benefit the council.

Recommendation 12:

A relevant scrutiny panel (or a suitably staffed sub-committee of one formed of members preferably with audit and/or accountancy experience) should take sample projects to put under review for test of business case and efficiency.

Recommendation 13:

Where the council engage consultants under long term contracts there should be a requirement for managers to approach the consultant at fixed periods in the contract about filling a permanent role within the council.

Recommendation 14:

There should be improved scrutiny of the PSP contract if it is renewed in 2012. The group recommend that the relevant scrutiny committee should be consulted prior to any decision being made to engage specific contractors.

Recommendation 15:

All consultants engaged at managerial level should be required to update Verto as a condition of payment.

ToR 5 - Examine a snapshot of:

- a) how many consultants are engaged at the present time**
- b) what are they working on**
- c) how long they have been working on a project for**
- d) what is the remuneration rate (daily/weekly/monthly/fixed price)**

Information detailing the projects where consultants have been engaged has been included in the background documentation (Appendix 4).

Findings:

- 5.1 There has been an 11 per cent increase in the number of consultants working for the council. The group established from a 2009 Freedom of Information (FOI) request that on the 11 February 2009 there were 72 consultants working for Peterborough City Council. A snapshot of the second week in January 2011 revealed that there were a total of 80 consultants working for the council. Both of these figures include consultant interim managers of which in January 2011 there were seven.
- 5.2 There has been no significant change in the amount spent by the council on consultancy. Over the period 1 July 2007 to 30 June 2008 the cost of the 72 consultants and interim managers was £8.1m. Over the 2009/2010 financial year, the council paid £8.486m to consultancy suppliers, £1.3m of which was for the supply of consultants in managerial positions.
- 5.3 It was noted that a number of consultants had been working with the authority for several years, the majority of these being under the Amtec contract. These are often referred to as interim managers but are in fact consultants working in managerial positions. However, 29 of the 80 consultants working for the city council in January 2011 were sourced from outside of the Amtec contract. Four of the seven consultant interims were also non-PSP. Whilst this demonstrates that officers are using their discretion to appoint outside of the Amtec contract, this might lead to question whether the Amtec contract is continuing to provide the best value for money. It may also be indicative of successful skills transfer resulting in reduced reliance on the contract however without any external monitoring of skills transfer this is difficult to ascertain. Recommendations 6 & 8 deal with this finding
- 5.4 Officer interviews determined that at least one manager contracted a consultant for a time-limited project and on fixed-price terms (Lot 3 project). The group were not certain whether departments made sufficient use of incentive-based and fixed-price contracts and were not certain of how consultants were effectively monitored. The group welcomes the recent creation of 'Specialist Buyer' within the procurement process and looks forward to an improved process as a result.
- 5.5 The group consider that the appointment of a consultant in a managerial position should be time restricted. This would create the opportunity for a more robust evaluation of the options available to the Council for fulfilling key roles and ensure that appointments are transparent and open to challenge. There have been, and continue to be, consultants appointed directly to vacancies. There may be good reason for this – an example would be where previous open recruitment has failed, and the recruiting director is confident that no one possessing the required skills would come forward should another recruitment campaign be undertaken. In this instance an appropriately qualified candidate could be sought through the PSP framework. This is how the current head of HR came to be appointed. The group found that this consultant has now been in post since November 2008, with good

results, but that a recruitment exercise might now ensure that the council continues to obtain best value for money if compared with directly employing that person.

Recommendation 16:

Should the council produce a policy around the use of consultants (see recommendation 4), this should contain the criteria for engaging and monitoring consultants.

Recommendation 17:

Managers should negotiate fixed-price or incentive-based contracts where possible.

Recommendation 18:

The council should whenever possible seek to fill senior management posts with a permanent employee where it is beneficial for the council and consider all other available options, (e.g. internal employees acting up) before seeking to recruit a consultant to a managerial position

ToR 6 - Scrutinise a selection of the major contracts awarded in the past 2 years

The group reviewed documented details of the yearly cost of consultancy fees via spreadsheets and copy invoices of which a random selection was ordered by the group. The group discovered errors in the recording of invoices and while officer intervention has since rectified the accounting error, the reason for the error in the Qlikview generated report remains to be reported back to the Scrutiny Committee.

The group also requested Make vs. Buy examples of procurement. Its intention was to test comparisons between employing a senior consultant as an interim manager and a director in a permanent role. It received three hypothetical cases indicating the cheaper option was to employ a consultant. In addition, the group was given a sample comparison on Make vs. Buy for the procurement cost of projects that were assigned to the PSP instead of direct tender in the first year of the contract, from September 2008 to August 2009. Referring to these particular assignments there was an indication of savings being made by the use of the PSP.

The group also discovered that some of the cost of consultants had been met by grant funding for certain projects. Evidence was heard from one consultant (Headstuff) who had been primarily engaged to make bids for external grant funding that the council may not otherwise have been aware of or received. This grant funding had been of considerable financial benefit to the council.

Apart from schools and benefit grants, the total value of all external grants that the council receives will total around £18m next year.

Some of these grants are in turn used to support the spend on consultancy. Examples of this include the following:

- £200k received from Improvement East to support the work on green shoots and the LSP review
- £230k of LPSA reward grant used to support work with the Greater Peterborough Partnership
- Growth projects have been supported by Growth Area Fund, including public realm and the Southbank

- Support to Future Jobs Fund and Migration Impact Fund projects funded by these grants

The ability of the Council to apply for grant funding has led to the establishment of an external grants bidding team, which means that consultants will no longer be required to support such bids.

Findings:

- 6.1 The group were dismayed by its discovery of inaccurate accounting with PSP invoices but note that officers have given assurances that the relevant corrections have been made.
- 6.2 The group was not convinced with the veracity of the hypothetical Make vs. Buy comparisons. The model presented related to a comparison of cost between a permanent post and a consultant which demonstrated the worst case scenario (i.e. meeting a senior officers full pension liability in addition to usual annual salary and on costs) and suggested that it was more expensive to employ a permanent member of staff. The group was of the view that the worst case scenario was not a typical demonstration of cost and that without the pension costs the employment of a permanent member of staff was more cost advantageous.
- 6.3 The Make vs. Buy for the PSP outlined the advantage of a framework agreement and the group does not argue these points, nor the reported cost savings within. However the group noted that recording these as annualised savings means that savings from one year are carried forward into the next contributing to a cumulative total. Whilst the group agrees that this may be accepted practice it considers that the principle of annualised savings should be made clear when they are reported to members rather than simply presenting the cumulative total over the entire period of the contract.
- 6.4 The group also noted the considerable advantages in employing consultants who bring additional skills and knowledge not available in house, allow for flexibility within the workforce by permitting officers to terminate contracts swiftly for non performance and do not carry the risk of redundancy costs or unfair dismissal claims.

Recommendation 19:

A report should be made to the Scrutiny Committee surrounding the errors found in Qlikview and what measures have been put in place to prevent such errors in future.

Recommendation 20:

Where possible, the council should seek to quantify the level of grant funding which supports the use of consultants within the council. This may be possible through a reporting function within Verto.

Recommendation 21:

Where appropriate HR should be involved in the recruitment process for consultants occupying managerial positions so that advice can be given on suitable candidates and in house expertise, skills or knowledge.

ToR 7 - Examine the measures being implemented to reduce the reliance on consultants

Officer interviews have demonstrated that as a consequence of having consultants working alongside officers, consultants' expertise has in some cases passed on to staff and the organisation as a whole. Consultancy roles were said to have reduced over the past two years with internal roles having been created instead. Senior officers have confirmed that employees of the council now lead on the following projects:

- The transformation and improvement of our customer services
- Front to back office integration
- Central funding unit which looks to attract additional external funding for the council
- Project management and business analysts are all council employees after the transfer of expertise from former consultants
- The council's Manor Drive business support which has helped to reduce the council's reliance on employment agencies through running its own mini-employment agency that recruits staff to work across the council in administrative roles as and when they are needed.

The council has very carefully monitored the return on its investment in consultancy services. The overall return on investment on consultancy spend has continued to increase with savings doubling in the last financial year.

The overall transformation programme has been delivering savings since 2006. The cumulative repeatable savings (excluding one-off savings delivered in each year) achieved over this period are:

Year Cumulative Total savings

| | |
|-----------|---|
| 2007/2008 | £5.779m |
| 2008/2009 | £12.987m |
| 2009/2010 | £21.649m |
| 2010/2011 | £27.735m |
| 2011/2012 | £29.158m (excluding 2011/12 savings target) |

The cumulative savings figures shown above are all recurring savings. That means we do not now need to take additional cost to achieve them in future years so the return on investment improves significantly every year.

Specific examples of savings achieved by reducing consultancy spend are:

- The council no longer pays consultants to examine and improve the way it runs its day-to-day business and have instead created internal business process improvement posts saving £95,500
- Consultants no longer oversee the purchasing of buy in goods and services for the council saving £161,650
- By reducing the amount paid to consultants – the council has generally reduced day rates by between 5 per cent and 10 per cent saving £119,451

Evidence was given that the council had invested in a leadership management programme for tier 2 and 3 officers to encourage development of management skills and to encourage succession planning amongst officers. This is with the intention of providing a strong base of managerial skills amongst employed officers to reduce reliance on consultants within managerial positions.

Findings:

- 7.1 The group found that contrary to the perception held by officers there had not been a reduction in the number of consultancy roles in recent years. The cost of consultancy in 2009/10 was substantially more than that of 2006. The PSP contract introduced an increase of consultants and interims to support the Business Transformation and Manor Drive projects. Although this was in response to the need to provide transformation quickly and consistently across the council, the group considers that greater HR involvement in the process might have led to an evaluation of whether the business transformation team could have been aided by the use of in-house expertise.
- 7.2 The group welcomed the intention to reduce the use of consultants though HR initiatives like succession planning, although this is driven in some part by the necessity of budget pressures as well as initiatives such as Investors in People (IiP). The group are equally pleased with a move to drive down the consultancy day rates where possible and would like to positively encourage officers to consider awarding contracts for professional services on a fixed-price or incentive-based contract, as per the recommendations to Central Government in the NAO Report (see also recommendation 17)
- 7.3 It is noted by the group that the outsourcing of the Manor Drive project is likely to result in a reduced reliance on a number of the consultants currently engaged by the council. Many of the consultants currently engaged by the council are involved in a project to outsource some of the council's back office projects. The group understand that this outsourcing is likely to significantly reduce the reliance upon consultants.
- 7.4 The group were disappointed to discover that there was no catalogue of employee skills (despite the 2006 Consultants Review). Individual service managers have no means of sharing information they currently hold in relation to their employees. It is also pleasing to note that HR is rolling out a Performance and Development Review (PDR), which has the capability to highlight officers with high potential, especially tier 3 or head of service; and notes these as future candidates for the roles that consultants currently fulfil. The group would like to see a move towards this information being held centrally. Recommendation 6 within this report makes the proposal for a central register of transferable skills.
- 7.5 As well as capturing employee skills, the group have found that there is no vehicle for recording a consultant's skills. Verto tracks projects, but not the skills required to deliver a project. The group would like to see Verto recording if an employee had worked with and received knowledge transfer from a consultant.

Recommendation 22:

The CPU should be allowed access to the information gathered by HR around internal skills and knowledge so that internal skills might be accessed before reliance is placed upon consultants.

ToR 8 - Investigate and take a view on whether consultants should be engaged through the Employment Committee

The Employment Committee is conducted under the authority of the council's constitution. The group heard evidence that traditionally the appointment of consultant managers at senior level has not been approved by the Employment Committee.

Findings:

- 8.1 The group is concerned that use of consultant managers at senior level may result in officers missing out on opportunities for career progression. If interims are appointed without HR involvement, it may seem that a ceiling exists that denies opportunities to gain appointment as a head of service or director. The appointment process for directors and head of service demands these go before the Employment Committee for approval but such a process does not exist for Interims appointed to vacant positions within the authority.
- 8.2 The group heard evidence that interim managers (consultants and particularly contractors) may have to be appointed at short notice to fill unexpected vacancies within the council's structure. Any such appointment should not be held up by the need for prior approval by the Employment Committee but that in such events the Employment Committee should be involved in ratification of the appointment and consideration of the main objectives of the role. Recommendation 7 deals with this finding.

Recommendation 23:

Managers should submit a report to the chief executive upon the proposed appointment of any consultant in an interim managerial role explaining why a consultant is to be preferred over an internal candidate. This is to ensure that officers are mindful of succession planning.

ToR 9 - Comprehensively evaluate the 2006 review's recommendations and report on the progress of their implementation

2006 Review - Recommendation 1:

That a centralised list of consultants used by the council should be maintained.

Officer update:

A detailed explanation of the measures that have been implemented by the council has been included in the group's report under Term of Reference 2.

Review group findings:

- 9.1 The group has concluded that whilst progress has been made in the procurement process, as acknowledged in other areas of this report, there was still an absence of any centralised list of consultants; and it would appear that recent compliance has only been in response to this review.

Recommendation 24:

A further update on the progress of the creation of a centralised list of consultants should be produced and a report made to the appropriate scrutiny committee in Autumn 2011.

2006 Review - Recommendation 2:

That when there is a need to appoint someone for a time limited piece of work, the council's policy should be to look within existing staff first to see if anyone has the required skills.

Officer update:

This has been utilised in areas such as the business transformation programme where secondments have taken place to the central team. The general approach is to look at the skill-set in the team first and utilise in-house skills. Only after consideration of the use of our own staff is specialist consultancy considered. In addition, the business transformation team constantly looks for opportunities to reduce the number of consultants working on the business transformation programme.

Review group findings:

- 9.2.1 There is no evidence of this recommendation being actively considered, and performance in this area has been poor. The progress made does not instil confidence in sufficient compliance with this recommendation. The group noted that in the majority of cases where particular technical knowledge is required it will still be necessary to appoint a consultant but a centralised or departmental catalogue of staff skills would assist officers in making an informed decision on whether consultants are required.
- 9.2.2 In addition there is no vehicle for recording consultant's skills. While Verto tracks projects, it doesn't have the capability to record the core skills required to deliver a project at present. It is pleasing to note that the HR Review being piloted will identify officers with high potential, especially tier 3 or heads of service; and note these as future candidates. The group would like this tool to be made suitable for recording if an employee had worked with and received knowledge transfer from a consultant.
- 9.2.3 The group was disappointed to find that there was no HR involvement in the selection or appointment of individual consultants. As reported earlier, the reliance on consultants for skills is expensive and improving internal skill is to be preferred over repeated use of experts.
- 9.2.4 The group has noticed a number of interims that have been in post for more than one year. There has been an occasion when an interim had moved between different posts. Whilst the group has considered the justification for this, it would be preferable for there to be greater transparency around such appointments.

Recommendation 25:

The roll out of the HR Review should be expedited to ensure that all areas of the council have been assessed by Spring 2011.

Recommendation 26:

Progress with the PDR process should be closely monitored to ensure that managers do not take a cascade approach as was the case with the previous APD system. This system prevented front line staff from receiving timely feedback or the opportunity to identify development opportunities and act upon career aspirations.

Recommendation 27:

The HR Review agenda should be amended to enable the chief executive and directors to identify where consultants are fulfilling positions. This information should be used to create a succession plan for ensuring that this is the most appropriate solution, or if not, to identify who could be developed to fulfil that role in future.

Recommendation 28:

A skills audit should be completed through a series of workshops with "Top Performers". Included in the audit should be details of the specific projects that staff have worked on, similar to a CV. That would help to identify those with the potential to be of 'consultant' level.

2006 Review - Recommendation 3:

When the use of consultants is being considered a full assessment on the risks of not undertaking the work should be carried out.

Officer update:

The introduction of the Professional Services Partnership (PSP) as a means of appointing the majority of consultants has a governance process in which each project or assignment has an associated business case which has a risk assessment and together with milestones and deliverables and the proposed external resources required.

Review group findings:

- 9.3 The group believe that the use of Verto for all projects involving consultants will result in risk assessments being completed. Effective scrutiny of projects selected at random by members would also tighten up the process and ensure that the continued use of consultants is wholly justified. Members' interrogation of Verto may also assist.

2006 Review - Recommendation 4:

When a contract comes to an end, a full review of the work and a view on the value for money should be undertaken. These should be kept centrally so that there is a corporate record of the suitability of consultants.

Officer update:

These are kept by individual departments but are centralised as part of the Oracle implementation and construction of the new contract management system. The Contract Management System was implemented in September 2009 and the CPU is in the process of populating it with information. The PSP being one of the council's major contracts will be a priority. The CPU currently have an on-going programme of populating the Contract Management System, the Consultancy category is under review in this next financial year. With the introduction of the Consultancy Approval Form, and the Consultancy 'Smart Form' a central record linked with the Contract Management System will be kept.

Review group findings:

- 9.4 The corporate record of suitability of consultants has been considered as being piecemeal until the third quarter of 2010. The evidence of new CMS is welcome and once it is fully populated will be an asset.

Recommendation 29:

The Contract Management System should be made available for scrutiny by members, or reviewed by way of regular reports to a scrutiny committee.

2006 Review - Recommendation 5:

There should be a clear process and procedure in place for deciding whether or not to appoint a consultant and this should form part of the council's constitution. This should include levels of authorisation e.g. cabinet member, director, head of service, senior manager and when the tender process should be used for obtaining the services of a consultant. This will ensure that there is a clear audit trail for the whole appointment process;

2006 Review - Recommendation 6:

Each project should be assessed individually and a reasoned decision made as to whether or not to appoint a consultant. No additional pieces of work should be given to a consultant without this process having been gone through; and

2006 Review - Recommendation 7:

Full terms of reference for each appointment should be drawn up and approved by the relevant director or head of service.

Officer update:

Contract standing orders were reviewed and subsequently contract regulations replaced them in August 2007. Consultancy services are processed as other procurement activity is in that there is officer delegation according to value, with most purchases being assigned to a head of service or director for approval. In addition, since the specialist buyer role has been introduced on the Consultancy category, the CPU challenge whether there is compliance with both contract regulations and EU Directives. In addition a new form has been developed for justification of appointment of consultants where the value exceeds £5000. The governance process requires the approval of the executive director of strategic resources. The CPU Team do not process purchase orders for Consultancy requirements without an attached approved form.

Review group findings:

- 9.5 The group welcome the introduction of specialist buyers to challenge consultancy spending and acknowledge that once every project is on Verto with a clear business case in place this recommendation will have been satisfied. The group also look forward to increased HR involvement to help provide most of the future skills requirement in these areas, and the potential for staff career progression through the PDR.

2006 Review - Recommendation 8:

The relevant committee should monitor the work of the Programme Boards to ensure that the new project management processes are being implemented in all areas of the council's work.

Officer update:

The council's corporate management team (CMT) as a strategic improvement board deal with this as part of the overall performance management arrangements of the council. Each director and departmental management team are also responsible for the projects at a departmental level.

Review group findings:

9.8.1 The group were concerned about the delay in rolling out the new Verto project management system across all areas of the council's work. It became compulsory for all projects to be recorded on Verto from 1 December 2010 only after the group had made enquiries ensuring a consistent approach across all service areas. Projects not previously recorded on Verto, with a collective value of £3m, would therefore not have systematically been 'dealt with' by CMT.

9.8.2 Until Verto, managers and directors did not have a universal vehicle for recording and monitoring projects, so while they may have been responsible for the projects within their departments, they have not been sharing information on the use of consultants corporately. The focus of many projects has been on the outcome i.e. that it was delivered, rather than the value derived from the project, whether the product was useful, or what lessons were learnt. The council has the ability to be an even smarter customer and is beginning to take steps in the right direction across all service areas.

2006 Review - Recommendation 9:

Guidance on the use of agency and temporary staff, including the full implications of employing such staff, should be developed and provided to all managers.

Officer update:

The council's temporary agency "Manor Drive Solutions" provides information and advice, in conjunction with HR, to managers in relation to employment of temporary staff, which is also available through the MyBusiness Support page on Insite. 'Manor Drive Solutions' has reduced the reliance on external agency staff considerably in the secretarial and administration sector and is making progress in other areas such as project management.

Review group findings:

9.9 Manor Drive Solutions is an internal staff agency with a staff bank, at the time of interview, of 55 people. It had made £32k (internal) profit in the previous nine months. MDS acts in a specialist buyer role, and all council-wide temporary staff are requested through the staff bank. Savings have been made by the reduction in external agency fees and the council benefits from owning a flexible workforce that can move around, dependant on where the work is.

2006 Review - Recommendation 10:

That all managers are made aware of the proposed changes to the legislation regarding agency employees and that its impact should be considered before employing such staff, if the changes are introduced.

Officer update:

A policy has been in place for approximately a year and is placed on Insite. In addition, strategic resources business support has taken on the role of specialist buyer since December 2009 ensuring compliance with corporate contracts and policy.

2006 Review - Recommendation 11:

The use of agency staff for engagements longer than three months should be discouraged.

Officer update:

This is actively discouraged and is part of the corporate policy in place. Any manager employing agency staff longer than three months is advised to consider whether a fixed term contract is appropriate by MDS and referred to HR for further advice. MDS monitor the length of temporary staff through a bespoke database.

Recommendation 30:

If a manager is shown to be disproportionately using agency staff for longer than three months then a business case should be made and entered on Verto.

2006 Review - Recommendation 12:

That the monitoring of the use of agency staff should be centralised so that the number of agency staff employed by the council is known, along with how long they have been employed for and which departments use agency staff regularly.

Officer update:

The employment of agency staff has been centralised to strategic resources business support who monitor how long they have been employed for and which departments are using agency staff regularly, through the specialist buyer role.

2006 Review - Recommendation 13:

That HR progress their work on succession planning and recruitment quickly to enable the council to move forward as an employer of choice.

Officer update:

The council has developed a "Human Resources Review" process, which includes the identification of succession plans for key positions, high potential development planning and top performer resource utilisation. This is now being piloted across learning and skills in children's services. The pilot was due to take place before Christmas 2010.

In order to improve the council's attractiveness as an employer of choice, officers have achieved Investors in People "Bronze" status following an independent assessment in October 2010. This will be promoted in recruitment adverts which will display the IIP logo to enhance the council's attractiveness to job applicants.

The recently launched Performance and Development Review process which replaced the appraisal process captures information on employee career aspirations which in turn will support the HR Review, particularly in the area of succession planning.

Review group findings:

- 9.13.1 HR is progressing its work on succession planning. The HR Review has been piloted in children's services and it is anticipated that it will be rolled out across the council by Spring/Summer 2011.
- 9.13.2 The group would like to see the council work towards further achievement in the liP process and re-launch the Vision 2010 programme where resources permit. The Group would like to see this undertaken as a rolling programme every three years.
- 9.13.3 The group has noted that the level and pace of change introduced by the business transformation team has not always been welcomed by some officers and the group note that senior managers should learn to build skills in effectively handling change management.
- 9.13.4 The appointment process for directors and head of service demands that these candidates go before the Employment Committee for approval. This committee is a requirement of the council's constitution. At present there is no particular reason why the appointment of consultant or contractors at managerial levels is not referred to the committee.

Recommendation 31:

The HR team should report to the Sustainable Growth Scrutiny Committee in late summer 2011 on progress or completion in the area of succession planning. If this requirement can be fulfilled by moving towards liP "Silver" status the report should also contain an evaluation of whether it is financially feasible for the council to progress towards this.

ToR 10 - Gain answers to the questions posed in January 2009 by the then Chairman of the Sustainable Growth Scrutiny Committee, Cllr Fletcher.

The group has received and reviewed officer responses to the questions posed by Cllr Fletcher. These questions and responses accompany this report as Appendix 1.

Of note are the following questions and officer responses which the review group has commented on:

Question: Are the employees of the PSP sub-contracting company directors of that company?

Officer response:

The council does not keep such records of sub-contracting consultancy suppliers, only details of the primary suppliers are kept.

Review group findings:

- 10.1 The group's enquiries have determined that a number of consultants, previously contracted by the city council in the pre-Amtec period under limited company status, have continued in post but under contract with Amtec. Three of these named consultants are directors of V4 Services Ltd; and had directorships or shareholdings in pre-Amtec contracted companies. The current nature of other individual contracts with Amtec is unknown.

Question: Clarify the status of Amtec PLC in relation to V4 Ltd and method of remuneration.

Officer response:

V4 Services Ltd is the delivery partner to Amtec Consulting Group. The council are contracted to Amtec and not V4 Services Ltd and therefore do not hold or have access to details of remuneration between Amtec Consulting Group and V4 Services Ltd.

Review group findings:

- 10.2 It is acknowledged by the group that there is potential for numerous layers of sub-contracts within the PSP arrangement e.g. Amtec have contracted V4, and could contract with other consultancies. Although each layer may add a cost the final Amtec invoice to the council, it has to be based upon the agreed rate card. The cost to the council is therefore that put forward under the framework regardless of what subsequent agreements are made between Amtec and its delivery partners.

Question: Provide documented evidence by way of a copy invoice as proof of all monthly payments. Provide documented evidence of the actual yearly cost of all consultancy fees.

Officer response:

Copy invoices may be commercially sensitive and not for general release. This ensures that the council gets the best value for money especially where there has been direct negotiation with suppliers to reduce their standard rates. The review group has selected and quality assured a sample of the invoices paid in 2009/10. Details of this process are included in the group's final report.

Review group findings:

- 10.3 The group has received documented details of the yearly cost of consultancy fees via spreadsheet and copy invoices of a random selection that was ordered by the group.

Question: What action is being taken to reduce the reliance on consultants?

Officer response:

The council has sought to use the expertise of consultants to pass on their skills to the organisation as a whole. Consultancy roles have reduced significantly over the past two years and internal roles have been created instead. The following projects are now led by employees of the council:

- The transformation and improvement of our customer services
- Front to back office integration
- Central funding unit which looks to attract additional external funding for the council
- Our project management and business analysts are all council employees after the transfer of expertise from former consultants
- The council's Manor Drive business support which has helped to reduce the council's reliance on employment agencies through running its own mini-employment agency that recruits staff to work across the council in administrative roles as and when they are needed.

The council has very carefully monitored the return on its investment in consultancy services. The overall return on investment on consultancy spend has continued to increase with savings doubling in the last financial year.

Specific examples of savings achieved by reducing consultancy spend are:

- We no longer pay consultants to examine and improve the way we run our day-to-day business and have instead created internal business process improvement posts saving £95,500.
- We no longer have consultants overseeing how we buy in goods and services for the Council saving £161,650.
- We have reduced the amount we pay the consultants we do employ – we have generally reduced day rates by between 5 per cent and 10 per cent saving £119,451.

Review group findings:

10.4.1 Although the level of savings produced through the professional services partnership is to be welcomed, more could be done to identify and plug core skill gaps by using more cost-effective alternatives to consultants and interims. New systems recently suggested by HR must be implemented by spring 2011 to ensure better use of our own staff before consultants and interims are used. Where an interim is used for short periods (sickness, maternity etc) a suitable council employee should shadow them so that they would be able to cover the post if cover is required and as an aid to career progression.

10.4.2 The group disagrees that that there has been a significant reduction of consultancy roles, evidenced by this review.

5. Summary of Recommendations

| No. | Recommendation |
|-----|---|
| 1. | All projects involving consultants should be recorded through Verto. This recommendation is subject to officers considering whether there should be a financial threshold to this requirement to ensure appropriate use of Verto. |
| 2. | All members should be provided with access to Verto in order to improve transparency regarding consultancy spend. This will also assist to resolve any uncertainty which may exist around the commissioning of consultants. |
| 3. | The CPU should provide an update report to the Scrutiny Committee in Autumn 2011 regarding (1) the progress made with Qlikview reporting and the outcome of discussions with Serco (2) financial data, by department, for Q4 2010-11 and Q1 2011-12 (3) whether the use of consultants is captured across the council through consistent use of Verto (4) the level of member enquiry of Verto (5) how the spend on consultants is being recorded and monitored, and (6) confirming that there is accurate recording of savings and losses against each individual consultant or consultancy project. |
| 4. | The Scrutiny Committee should consider whether, as a result of receiving the report, a policy on the use of consultants ought to be written for the benefit of officers to ensure consistent application in the use of consultants across the council. |
| 5. | The council should amend contract regulations and financial regulations to set out criteria officers should consider before deciding to employ consultants. This ought to include consideration of any internal skills within the council. |
| 6. | The council should compile a central register of transferable professional skills available within the council which should be audited on a regular basis by the HR team. |
| 7. | The council should amend the Employment Committee terms of reference to include contractors and consultants whose accumulative remuneration rate over a project lifecycle would take them into the same salary grade as a head of service. Contractors and consultants at this level ought to be approved by Employment Committee before appointment whenever possible or reviewed at least at six monthly intervals to ensure that their continued engagement is appropriate. |
| 8. | The council should review its further business transformation needs and assess whether the procurement of project and performance management skills will be required when the Professional Services Partnership (Amtec) contract next comes up for renewal. |
| 9. | The group would recommend that the Verto system have a reporting function which allows it to report on minor projects involving the use of consultants (under £50k in value) to the cabinet member for resources. |
| 10. | <p>For major projects (over £50k in value)</p> <ul style="list-style-type: none"> a) the cabinet member for resources ought to be requested to add approval to the Verto system for projects involving the use of consultants; and b) representative bodies including the Joint Consultative Forum, CMT and the Audit Committee are able to request regular reports from Verto on the use of consultants |

| | |
|-----|---|
| 11. | The group would recommend that skills transfer is a written contractual requirement for appropriate professional skill contracts, particularly project and programme management, to enable officers to develop expertise which will directly benefit the council. |
| 12. | A relevant scrutiny panel (or a suitably staffed sub-committee of one formed of members preferably with audit and/or accountancy experience) should take sample projects to put under review for test of business case and efficiency. |
| 13. | Where the council engage consultants under long term contracts there should be a requirement for managers to approach the consultant at fixed periods in the contract about filling a permanent role within the council. |
| 14. | There should be improved scrutiny of the PSP contract if it is renewed in 2012. The group recommend that the relevant scrutiny committee should be consulted prior to any decision being made to engage specific contractors. |
| 15. | All consultants engaged at managerial level should be required to update Verto as a condition of payment. |
| 16. | Should the council produce a policy around the use of consultants (see recommendation 4), this should contain the criteria for engaging and monitoring consultants. |
| 17. | Managers should negotiate fixed-price or incentive-based contracts where possible. |
| 18. | The council should whenever possible seek to fill senior management posts with a permanent employee where it is beneficial for the council and consider all other available options, (e.g. internal employees acting up) before seeking to recruit a consultant to a managerial position. |
| 19. | A report should be made to the Scrutiny Committee surrounding the errors found in Qlikview and what measures have been put in place to prevent such errors in future. |
| 20. | Where possible, the council should seek to quantify the level of grant funding which supports the use of consultants within the council. This may be possible through a reporting function within Verto. |
| 21. | Where appropriate HR should be involved in the recruitment process for consultants occupying managerial positions so that advice can be given on suitable candidates and in house expertise, skills or knowledge. |
| 22. | The CPU should be allowed access to the information gathered by HR around internal skills and knowledge so that internal skills might be accessed before reliance is placed upon consultants. |
| 23. | Managers should submit a report to the chief executive upon the proposed appointment of any consultant in an interim managerial role explaining why a consultant is to be preferred over an internal candidate. This is to ensure that officers are mindful of succession planning. |
| 24. | A further update on the progress of the creation of a centralised list of consultants should be produced and a report made to the appropriate scrutiny committee in Autumn 2011. |
| 25. | The roll out of the HR Review should be expedited to ensure that all areas of the council have been assessed by Spring 2011. |
| 26. | Progress with the PDR process should be closely monitored to ensure that managers do |

| | |
|-----|--|
| | not take a cascade approach as was the case with the previous APD system. This system prevented front line staff from receiving timely feedback or the opportunity to identify development opportunities and act upon career aspirations. |
| 27. | The HR Review agenda should be amended to enable the chief executive and directors to identify where consultants are fulfilling positions. This information should be used to create a succession plan for ensuring that this is the most appropriate solution, or if not, to identify who could be developed to fulfil that role in future. |
| 28. | A skills audit should be completed through a series of workshops with top performers. Included in the audit should be details of the specific projects that staff have worked on, similar to a CV. That would help to identify those with the potential to be of 'consultant' level. |
| 29. | The contract management system should be made available for scrutiny by members, or reviewed by way of regular reports to a scrutiny committee. |
| 30. | If a manager is shown to be disproportionately using agency staff for longer than three months then a business case should be made and entered on Verto. |
| 31. | The HR team should report to the Sustainable Growth Scrutiny Committee in late Summer 2011 on progress or completion in the area of succession planning. If this requirement can be fulfilled by moving towards liP "Silver" status the report should also contain an evaluation of whether it is financially feasible for the council to progress towards this. |

6. Glossary of terms

| | |
|-------|---|
| APD | Appraisal for Performance and Development |
| BCR | Budgetary Control Report |
| CMDN | Cabinet Member Decision Notice |
| CMS | Contract Management System |
| CMT | Corporate Management Team |
| CPU | Commercial and Procurement Unit |
| FOI | Freedom of Information |
| HR | Human Resources |
| I&DeA | Improvement and Development Agency (now Local Government Improvement and Development) |
| ICT | Information and communication Technologies |
| liP | Investors in People |
| LPSA | Local Public Service Agreement |
| LSP | Local Strategic Partnership |
| MCA | Management Consultancies Association |
| MDS | Manor Drive Solutions |
| NAO | National Audit Office |
| OGC | Office of Government Commerce |
| P2P | Purchase to Pay |
| PDR | Performance and Development Review |
| PSP | Professional Services Partnership |
| ToR | Term of Reference |
| VfM | Value for Money |

7. Appendices

- Appendix 1: Cllr Fletcher's questions and officer responses
- Appendix 2: Consultancy spend 2009/10
- Appendix 3: Consultancy spend 2009/10 by directorate
- Appendix 4: Consultant deployment
- Appendix 5: Spend by supplier and project
- Appendix 6: Peterborough Procurement Cycle
- Appendix 7: Pre-Interview questionnaires