

<b>AUDIT COMMITTEE</b>	AGENDA ITEM No. 5
<b>26 March 2012</b>	PUBLIC REPORT

Cabinet Member(s) responsible:	Cllr David Seaton	
Contact Officer(s):	John Harrison, Executive Director Strategic Resources Steven Pilsworth, Head of Strategic Finance	Tel. 452520 Tel. 384564

## USE OF CONSULTANTS – FUTURE MONITORING ARRANGEMENTS

RECOMMENDATIONS	
<b>FROM :</b> Executive Director Strategic Resources	<b>Deadline date :</b> N/A
<p>1. That Audit Committee consider the progress report on monitoring arrangements and policies in relation to the use of Consultants, along with their future role in such monitoring arrangements.</p>	

### 1. ORIGIN OF REPORT

This report is submitted to the Audit Committee following the Sustainable Growth Scrutiny Committee review into Peterborough City Council's use of consultants, and the subsequent endorsement of their recommendations by Cabinet.

### 2. PURPOSE AND REASON FOR REPORT

2.1 The Scrutiny Review recommended that the on-going monitoring role at Member level is undertaken by Audit Committee. This report seeks comments as to how this should happen, including what issues and information Audit Committee would like to consider in future to undertake their role in monitoring the use of consultants, and is in accordance with the Committees' Terms of Reference –

- 2.2.13 To review any issue referred to it by the Chief Executive or a Director, or any Council body; and
- 2.2.17 To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

### 3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	<b>NO</b>	If Yes, date for relevant Cabinet Meeting	N/A
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### 4. REVIEW OF THE USE OF CONSULTANTS

4.1 In March 2010, the Sustainable Growth Scrutiny Committee requested a review into Peterborough City Council's use of consultants. A cross-party review group was established to undertake this work on behalf of the Sustainable Growth Scrutiny Committee.

The scope of the review focused on the following objectives:

- 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; and
- To examine the likely future use of consultants by the Council.

- 4.2 The report from the Consultancy Review Group was issued in March 2011 and contained 33 recommendations: 27 of these recommendations were endorsed by Cabinet in June 2011. In broad terms, the recommendations related to policy and process changes. It was agreed that many of recommendations regarding good practice should be incorporated into a policy guiding the use of consultants and interims.
- 4.3 Progress in implementing the recommendations, including a draft of the policy, was considered by Sustainable Growth Scrutiny Committee at their meeting on 8<sup>th</sup> November 2011. Committee made a number of comments regarding the draft policy, and requested that an updated draft was brought back to their meeting of 6<sup>th</sup> March 2012 for consideration. Following this the Policy was recommended to Cabinet for approval on 26<sup>th</sup> March, and is attached as an appendix.
- 4.4 The policy outlines the process for engaging consultants, including the development of business cases on the Council's project management system (VERTO). All Members are being offered access to VERTO to be able to review relevant business cases. A training session is being held on 28<sup>th</sup> March.
- 4.5 The Scrutiny review also recommended that the on-going responsibility for monitoring the use of consultants, including the policy, should fall to Audit Committee.

#### **Use of consultants**

- 4.6 The definition of consultancy is based upon standard procurement classification. As such it covers a wide range of companies and services. A list of companies used in the last year is included in appendix 2, indicating the breadth of these companies and services.
- 4.7 The spend for the last three years is shown below, outlining a decline over those three years.

	<b>Consultancy £m</b>	<b>Interim £m</b>	<b>Total £m</b>
2009-10	7.1	1.4	8.5
2010-11	5.3	1.1	6.4
2011-12 (12 month period to January 2012)	4.6	0.5	5.1

It should be noted that the exact pattern of spend depends entirely on what projects are underway in the Council.

## **5. CONSULTATION**

- 5.1 Members of Sustainable Growth Scrutiny Committee discussed the draft policy at two sessions. The report of 6<sup>th</sup> March included specific commentary on how Member comments had been dealt with.

## **6 ANTICIPATED OUTCOMES**

- 6.1 That Audit Committee will determine what issues and information they would like to consider in future to undertake their role in monitoring the use of consultants.

## **7 REASONS FOR RECOMMENDATIONS**

- 7.1 The recommendations are in line with the recommendations of the Scrutiny Review, as endorsed by Cabinet

## **8 ALTERNATIVE OPTIONS CONSIDERED**

- 8.1 It is for Audit Committee to determine exactly how they wish to monitor use of consultants in the future. Committee can consider differing options in doing so

## **9 IMPLICATIONS**

- 9.1 Where appropriate, the policy outlines implications for areas such as Legal, Human Resources, Procurement and Finance.

This report does not have implications for specific wards.

## **10 BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

- Consultancy Review Report, March 2011
- Report to Sustainable Growth Scrutiny Committee, 8<sup>th</sup> November 2011
- Report to Sustainable Growth Scrutiny Committee, 6<sup>th</sup> March 2012
- Report to Cabinet 26<sup>th</sup> March 2012

## **APPENDICES**

- Appendix 1 - Consultancy and Interim Policy
- Appendix 2 - list of companies used in the last year

## Consultancy and Interim Policy

### 1. Aim

- 1.1 The aim of this policy is to provide Peterborough City Council managers with guidance on the engagement and management of external consultants
- 1.2 The Council aims to ensure that value for money is received from consultants and that internal resources are used where they are available.
- 1.3 This policy does not apply to the engagement of temporary agency staff or interims where that interim is employed under a fixed term employment contract to carry out work which is “business as usual”. However some reference is made to these processes where necessary to make the appropriate differentiation to consultancy.
- 1.4 The overall objectives of this policy are to:
  - Ensure consistent application in the use of consultants across the Council
  - Ensure correct procedures are followed when sourcing a consultant, and as result ensuring there is appropriate transparency
  - Minimise the use of consultants to reduce overall spend.

### 2. Definitions

- 2.1 Understanding the different processes for engaging persons under a temporary or fixed term contract can sometimes be confusing.
- 2.2 The Sustainable Growth Scrutiny Committee’s Consultancy Review report (March 2011) outlined the following definitions for distinguishing between consultant and interim/agency staff.

#### Consultant

*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.*

#### Interim

*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.*

- 2.3 Interims can be sourced in a number of ways. This is further outlined in section 3 below.

### 3. Approach to engaging consultants

- 3.1 The following table will assist you in understanding the correct process for engaging a temporary resource, and differentiates between consultants and other interim resource.
- 3.2 The policy itself covers the use of consultants. Existing procedures cover the use of Agency staff and Temporary employees.

Description	Payment Method	Engagement	Process
Consultant	Paid through invoice Short-term or fixed length employment	Requires tendering process to invite bids or sourced from the Professional Services Partnership (PSP) contract	Procedures outlined in this Policy (Schedule 1)
Interim	Paid through invoice Short-term or fixed length employment	Requires tendering process to invite bids or sourced from the Professional Services Partnership (PSP) contract	Procedures outlined in this Policy (Schedule 1)
Agency staff	Paid through invoice	Appointed through the Council's framework arrangements for agency staff	See Insite
Temporary employee	Paid through salary	Advertisement	<ul style="list-style-type: none"> <li>• Director's Board approval</li> <li>• Advert</li> <li>• Normal recruitment process</li> </ul>

## 4. Policy Requirements

4.1 This policy requires that:

- Officers are required to ensure that recruitment (and on-going management) of any consultant complies with the requirements of this Policy.
- The consultant in turn will be bound by the terms of the contract with them (either through the overarching PSP contract, or via a direct contract for services)
- Officers will be required to ensure that any tendering exercise includes a requirement for consultants to certify that they do not have any conflict of interest in carrying out the contract. Examples of potential conflicts of interest are set out at Schedule 2 to this policy.
- Officers must ensure that any contract with the consultant contains a requirement that any conflicts of interest which arise during the course of the contract (including those of any sub-contractor engaged) will be notified to an officer of the Council. See Schedule 3 for an example of an appropriate condition. A similar clause is contained within the PSP contract
- Skills transfer must be a written contractual requirement for appropriate professional skills contracts, particularly project and programme management, to enable officers to develop expertise which will directly benefit the Council. An example of a model skills transfer condition is also included at Schedule 4.
- Where the Council engages consultants on a long-term contract or on a series of successive short term contracts, there should be, only in appropriate circumstances, a requirement for managers to approach the consultant, at fixed periods in the contract, about filling a permanent role within the Council.
- Managers should negotiate, where appropriate, fixed-price or incentive-based contracts. It is noted that incentive-based contracts contain an element of high risk: therefore, guidance and agreement should be sought from the Senior Contracts & Partnerships Manager before managers embark on this course
- Officers should, wherever 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 an interim to a managerial position.
- Where appropriate, HR should be involved in the recruitment process for interims occupying managerial positions so that advice can be given on suitable candidates from amongst existing employees and in-house expertise, skills or knowledge.

## 5. Reporting and Monitoring

- 5.1 The recruiting manager will be required to complete progress reports on Verto to demonstrate that the objectives of the original business case are being achieved.
- 5.2 A monthly report on consultancy/interim usage will be submitted to the Executive Director Strategic Resources and the Cabinet Member for Resources for their information and scrutiny.
- 5.3 The Scrutiny Review recommended that the on-going monitoring role at Member level is undertaken by Audit Committee. Regular reports will be produced for the Audit Committee as requested.

## 6. Further support for Managers

- 6.1 Managers will be encouraged to source internal skills, expertise and resources before preparing a business case for consultancy resources (including consultants in interim positions).
- 6.2 HR will provide the necessary advice and support to test internal capacity before a decision is made to procure external assistance.
- 6.3 Legal Services will provide a standard form of consultancy contract for use by the Council which officers should use in preference to any contract proposed by the consultant. Where officers intend to rely upon a contract proposed by the contractor it must ensure that as a minimum the conflicts of interest condition and the transfer of skills condition at schedules 3 & 4 are included in the agreement.
- 6.4 Further guidance and support can be obtained from the contacts below:

Area	Contact
Business cases and Verto	Ramnit Bassi Business Transformation Manager (01733) 452388 <a href="mailto:ramnit.bassi@peterborough.gov.uk">ramnit.bassi@peterborough.gov.uk</a>
Procurement	Andy Cox Senior Contracts & Partnerships Manager (01733) 452465 <a href="mailto:andy.cox@peterborough.gov.uk">andy.cox@peterborough.gov.uk</a>
Legal advice	Kim Sawyer Head of Legal (01733) 452361 <a href="mailto:kim.sawyer@peterborough.gov.uk">kim.sawyer@peterborough.gov.uk</a>
Finance	Departmental Heads of Business Support  Steven Pilsworth Head of Strategic Finance (01733) 384564 <a href="mailto:steven.pilsworth@peterborough.gov.uk">steven.pilsworth@peterborough.gov.uk</a>

## Schedule 1

### Process for Engaging Consultants or Interims

- A business case must be completed on Verto (the Council's project management system) outlining the need for a consultant, the benefits and the cost. Business cases need to be approved by the department Head of Service or Director (along with finance, legal and procurement approval).
- Those exceeding £5,000 in cost require approval from the Executive Director Strategic Resources. Where the business case exceeds £50,000, the EDSR will in turn seek approval from the Cabinet Member for Resources.
- The business case must be approved before any other elements of the process can be undertaken. If you have any queries about this process, please contact Ramnit Bassi on (01733) 452388 or [ramnit.bassi@peterborough.gov.uk](mailto:ramnit.bassi@peterborough.gov.uk)
- Business cases will be available for Members to view via their Verto access
- If the cost of the consultant exceeds £5,000, then Council contract regulations also apply. These are available on the Council's Website and can be accessed via the following link:  
<http://democracy.peterborough.gov.uk/mqConvert2PDF.aspx?ID=8810>
- The ordering process is also explained on Insite and can be accessed via the following link:  
<http://insite/Information%20Library2/InfoLibraryPages/CategoryDetails.aspx?CatID=631>



## **Schedule 2**

### **Examples of potential conflicts of Interest**

The following are matters which could potentially give rise to a conflict of the consultant's interest with the Council's interest. This list is not exhaustive but it might assist in identifying whether any potential conflict of interest arises:

- The consultant's financial interests are affected by the outcome of the contract (but this does not include the salary paid to the consultant).
- The consultant is a member of a body or holds a position of responsibility in a body whose interests may conflict with those of the Council.
- The consultant is personally known to the officer or member awarding the contract (this is not necessarily fatal to the contract if the contract has been obtained through fair competition but should be declared in any event).
- The consultant owns shares or has an interest in any company which is affected by the outcome of the contract.
- The consultant has another contract which conflicts with the Council's interests.

## Schedule 3

### Proposed condition of contract - Conflicts of Interest

#### Conflicts of Interest

- 1 The Consultant shall take appropriate steps to ensure that neither the Consultant nor any of its personnel is placed in a position where in the reasonable opinion of the Council there is or may be an actual conflict, or a potential conflict, between the pecuniary or personal interests of the Consultant or such persons and the duties owed to the Council under the provisions of the Agreement. The Consultant shall disclose to the Council any actual or likely conflict of interest arising from the Consultant's provision of Services under the Agreement within 5 Working Days after becoming aware that such actual or likely conflict exists.
- 2 The Council reserves the right to terminate the Agreement immediately by written notice and/or to take such other steps it deems necessary where, in the reasonable opinion of the Council, there is or may be an actual conflict, or a potential conflict, between the pecuniary or personal interests of the Consultant and the duties owed to the Council under the provisions of the Agreement.
- 3 The Consultant acknowledges that a conflict of interest shall, or is likely to, arise in circumstances where either it or any of its personnel:
  - 3.1 bids for work from the Council in relation to the same procurement for which the Consultant is or has provided consultancy services to the Council; or
  - 3.2 is asked by the Council to review or evaluate any aspect of the business of a competitor including, without limitation, its commercial proposals, strategies, methodologies, goods and services.

## Schedule 4

### Proposed condition of contract - Skills Transfer

#### Skills Transfer

1. The Consultant shall where required use its best endeavours to identify the required knowledge and skill set to carry out the Services and impart the necessary skills and knowledge to the Council's employees with whom the Consultant has contact in the performance of the Consultancy Services. This should be undertaken with a view to increasing and consolidating the skills base within the Council.
2. In addition the Consultant shall deliver training including a Question and Answer Session to those workers and employees with whom the Consultant has had contact together with such others as are nominated by the Council. The training shall be of such duration and timing as specified by the Council and shall focus on those areas identified by the Council that arise from the delivery of the Consultancy Services to the Council.

## List of companies used in the last year

A G L Consulting
AMTEC Consulting Plc
Anglia Support Partnership
Ann Goldsmith Ltd
Athene Communications
Barker Storey Matthews
Brown, Kamni
Building Research Establish. Ltd
Capita Business Services Ltd
CEN Services Ltd
Centre for Sustainable Engineering
Civica UK Limited
Copping, Mr Fernley
Don Latham Associates
Donoyou, Mr Richard
Drivers Jonas Deloitte
ES4S Ltd
Experian Ltd
G V A Grimley
Gilgar, Mr Eamonn
Governetz Ltd
Grey Laughton Associates
Halcrow Group Ltd
Hays Specialist Recruitment Ltd
Headstuff Ltd
Hunt, Ms Deborah
Hyder Consulting (UK) Ltd
Innovative Solutions
Jane Held Consulting Ltd
Jones, Miss Linda
MCBN Management Consultants Ltd
Nash, Ms Susan
Nene Construction Management Servs Ltd
Newscrews Ltd
Northgate Information Solutions
Ntrinsic Consulting Europe Ltd
Peter Brett Associates
Randstad Care Ltd
Randstad CPE
Reilly, Mr Gerald
Rider Levett Bucknall UK Ltd
Sanham Agricultural Planning Ltd
Terrier Management Services
The Carbon Trust
Valuation Office Agency
Veredus

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