

**MINUTES OF A MEETING OF THE SUSTAINABLE GROWTH SCRUTINY COMMITTEE
HELD AT THE BOURGES/VIERSEN ROOM - TOWN HALL ON 23 MARCH 2011**

Present: Councillors M Dalton (Chairman), S Allen (Vice-Chairman),
N Arculus, D Day, S Lane and J Peach

Also Present: Councillor North – Members of Scrutiny Review Group
Councillor Sandford – Member of Scrutiny Review Group
Councillor Seaton – Cabinet Member for Resources
Councillor Fletcher

Officers Present: Kim Sawyer, Head of Legal
Louise Tyers, Scrutiny Manager

1. Apologies for Absence

There were no apologies for absence.

2. Declarations of Interest and Whipping Declarations

Councillor Arculus declared a personal interest in that the law firm he worked for was listed in Appendix 2 of the report.

3. Urgent Item

Following the last meeting of the Committee held on 16 March 2011, the Chairman agreed to consider the deferred minutes of the Joint Scrutiny Meeting which had been held on 6 January 2011 as an urgent item.

4. Minutes of the Joint Scrutiny Meeting held on 6 January 2011

The minutes of the Joint Scrutiny Meeting held on 6 January 2011 were approved as a correct record.

5. Review of the Use of Consultants

The report presented the final report from the Review of the Use of Consultants which had been prepared by Councillors North, Lane and Sandford.

At a meeting of the Environment Capital Scrutiny Committee on 14 January 2010, where the proposed council budget had been discussed, the subject of the use of consultants arose. It was agreed that the Sustainable Growth Scrutiny Committee be recommended to undertake an in-depth scrutiny review into the cost and effectiveness of the council's use of consultants and to make recommendations on the future use of consultants to inform the development of budgets in future years. At its meeting on the 18 January 2010, the Sustainable Growth Scrutiny Committee produced a list of questions which it asked to be answered.

On the 15 March 2010, the Cabinet Member for Resources delivered a report on the use of consultants to the Sustainable Growth Scrutiny Committee. Following this report and subsequent discussion, the Committee established a task and finish group to review the council's use of consultants and report back on its findings and recommendations. An

interim report on progress with the review was considered by the Committee at its meeting on 9 November 2010.

Councillors Lane, North and Sandford presented their report. A lot of work had been undertaken to produce the report and it was acknowledged that each of the review group started out with their own different personal views. It was hoped that all members of the Committee had read the report and the Group were happy to take any questions and answer any queries.

Questions and observations were made around the following areas:

- The report made reference to Verto and Qlikview, what were those systems? *Verto was the council's project management system which provided information on projects and how they were proceeding. Qlikview was a data management system.*
- Why did the council not already look to fill senior management posts with a permanent employee where it was beneficial? *This recommendation was about ensuring that before a consultant was engaged the skills of the existing staff were reviewed to see if there was anybody suitable to undertake the work. During the review it had become clear that there had been very little succession planning in the past but this was now improving. Where some vacancies were only short term it may still be better value to engage a consultant.*
- Councillor Seaton advised that he agreed with what had been said about the skill sets but it was difficult to pull across the skills of 2500 employees. When he considered a request to engage a consultant he always looked at the business case and took advice from Directors about any in-house skills which could be made available. Since the last review in 2006 the way the council worked had changed considerably, for example one Head of Service was now undertaking the roles of five people by taking on considerably more responsibility.
- It was believed that the Panel had not been convinced by the argument that it would be cheaper to employ a consultant rather than a permanent member of staff, was that the case? *We needed to take into account the longevity of the job, the skills of the person and mentoring of staff. The Executive Director of Strategic Resources had produced a make or buy model which showed that a consultant could be cheaper but the group had come to the view that the example shown had been an extreme model. On a like for like basis the group believed that it would still be cheaper to employ a permanent member of staff. It was important that succession planning was fully embedded in the council so we could 'grow our own'.*
- Councillor Seaton advised that the make or buy model had been accepted by our auditors as a middle of the road model.
- Did the group undertake any assessment of where consultants had provided value for money including transferring of skills? *The group had considered this and had been surprised that there appeared to be no contractual requirement for skills transfer. Some of the group did have concerns that some interims had been employed continuously over long periods and so a recommendation had been put forward that any interim appointments should be reviewed by the Employment Committee if they were for a long period. With regards to skills transfer the group had talked to a number of officers and asked them whether skills had been transferred and they stated that it did. It was accepted that in some cases it was impractical for skills transfer to happen, for example property valuation.*
- Did the assessment of a consultant already take place or was this done by the Verto system? *The group were initially unsure but the Verto system had an end of project review stage. The Business Transformation Programme had a large amount of projects under it and the group believed that the council did not have enough managers to manage those projects and therefore in some cases engaging consultants was the best option.*
- Councillor Seaton advised that the council's staff had not been skilled in project management and due to the big changes through the Business Transformation

Programme skilled project managers were needed. Consultants were brought in for a short time before the work became business as usual. Most of the consultants who had been brought in worked for short periods, however it was accepted that some interims had been engaged by the council for longer periods.

- The report mentioned that one of the advantages of using consultants was that it was easier to terminate their contract when necessary. During the recent budget setting process did we end any consultants' contracts rather than making permanent employees redundant? *Councillor Seaton recalled that one or two posts, including the Deputy Chief Executive had been ended. However we had also negotiated reductions in rates with some consultants.*
- Did the review group examine the governance processes in place for Amtec contract? *The review group had seen the tender documents and evaluation process.*
- Did the review group see the contract between V4 and the council? *No, there was no contract between V4 and the council, the contract is between Amtec and V4. Some members of the review group believed that that arrangement removed transparency in the process and believed that the public had a right to see the remuneration of people undertaking key roles in the council. That was why one of the recommendations was that the Sustainable Growth Scrutiny Committee should be involved at an earlier stage in the next procurement of the contract.*
- V4 were already being used by the council prior to the award of the contract to Amtec, had V4 been involved in arranging the contract with Amtec? *We did examine that and did not find any evidence of impropriety. The review group believed that Amtec had been chosen as they already had the right people, however other organisations had been asked to tender. It was believed that V4 were formed to be the delivery vehicle for Amtec.*
- Councillor Seaton asked for it to be made clear that V4 had not been involved in the Amtec contract and to suggest otherwise was misleading.
- One of the findings in the report said that in February 2009 there were 72 consultants working for the council but in January 2011 the figure was 80, did the review group have any view as to why that was? *Officers had reiterated to the review group that they were striving to reduce the number of consultants. However the Group had also been told that it was financially advantageous to use consultants, so some of the group believed that not everybody in the council was fully committed to reducing the numbers of consultants. The increase in numbers could be explained that in January 2011 the work on the Lot 3 procurement was coming to a conclusion.*
- The Head of Legal advised that it may be useful to explain in the report when it went to Cabinet what the governance processes were and also include the advice note the review group received on the award of the contact.
- Had any steps been taken into trying to bring consultants in-house onto council terms and conditions of employment? *The review group had been told that a number of consultants had been approached but had turned the offer down, however the group still believed that it was a useful exercise to undertake. This was why it was important to promote succession planning.*
- Why was a figure of £50,000 put forward as the value of contracts which should be referred to the Cabinet Member? *It tied in with the Contract Standing Orders*
- The number of consultancy firms used for contacts over £50,000 was lower than those worth under £50,000, was £50,000 to high? *It was about transparency, if a Cabinet Member Decision Notice was required to be made then it brought the decision making into the public domain and open to scrutiny.*
- Councillor Seaton advised that he had no issues about what the level of sign off should be.
- What was the review group's view on the progress made since the report in 2006? *There had been some significant process and the review group believed that this was in some part due to this review. The review had three parts to it – the concerns of Councillor Fletcher, early information gathering and the report. The Chief Executive, Head of Legal and Executive Director for Strategic Resources had all been very*

supportive and provided all of the information requested. Significant progress had been made but more work was needed to bring the costs of consultants down. Transparency was the key theme throughout the recommendations and all councillors should be able to see the progress made on projects.

- What was the inaccurate report with PSP invoices that the review group had found? *The review group had asked to see a sample of the invoices relating to the contract and compared them to the spreadsheet of costs but the total of the invoices did not match the spreadsheet.*
- The report stated that using OGC Solutions delivered 8% savings compared to using a traditional tender, had any modelling been done on this and who advised on the figure? *A member of the Strategic Resources team had stated the figure and the group had done its own research and tended to agree with the figure.*
- Some of the review group felt that if it was cheaper to use consultants why did not all councils employ their senior management on that basis? *Councillor Seaton advised that a number of local authorities had now changed the contractual basis on how they employed staff, for example only using one year contracts.*
- Some of the Committee had concerns about pre-tendering firms for work as only large firms could be pre-tendered and this meant that money left Peterborough's economy. *The review group had been told that the council could not automatically use Peterborough consultants as it would be against EU legislation. It was important that when the next contract was due a full review into the best way to procure it was carried out.*
- The Head of Legal clarified that EU rules governed procurement and we could not give an advantage to small to medium enterprises. If we wanted to attract them it would be dependent on how we worded the specification. The government had indicated that they would be looking to change the law on favouring small to medium enterprises.
- At the invitation of the Chairman, Councillor Fletcher addressed the Committee and he made the following comments:
 - At the Sustainable Growth Scrutiny Committee meeting early in 2010, a figure of £12m was reported on the use of consultants but the review has said it was £8m, where were these figures coming from?
 - In February 2010, he had tabled a number of questions to be answered but prior to a meeting of the Committee to discuss the answers, the Solicitor to the Council had cancelled that meeting following a threat from the solicitors to some of the consultants.
 - It was accepted that there were some short term engagements but there were some long term ones as well.
 - He acknowledged that a lot of work had been done but he still had certain concerns.
 - After the elections he would ensure that more work was undertaken.
- At the invitation of the Chairman, Mark Burn, Assistant Branch Secretary of UNISON addressed the Committee and made the following comments:
 - There was not a one size fits all solution.
 - There had been a big affect on staff with the number of consultants being engaged in some areas.
 - Some consultants provided good value for money.
 - Manor Drive Solutions would be a cost to the council when it was outsourced. How much would it cost be buy in the services?
 - He confirmed that consultants' contracts had been ended before permanent staff had been made redundant.
- Councillor North responded about the different figures being used for the cost of using consultants. In some cases Atkins had been classed as consultants but during the review the group had taken the view that they should not be classed as consultants. One of the outcomes of the review was to recommend a future definition of what was meant by consultancy.

- Some members of the Committee stated that they would expect to see details of the sub-contracting arrangements of any of our contractors. *The Head of Legal advised that we could insist on details of sub-contractors but we would be required to pay for it as it would be an additional requirement of the contract. Details of sub-contractor would be easy to obtain through Companies House and this could be looked at.*
- If we did not have details of sub-contractors how did we ensure that our policies were being complied with?
- Why had Councillor Fletcher not had the answers to his original questions? *The Head of Legal advised that she had joined the review late in the process and was not prepared to release the information until she was happy that she had the review group's consent to release the information and that the responses were within the law.*

The review group asked for their thanks to Kim Sawyer, Louise Tyers, Karen Whatley and Andy Cox for their support during the review to be recorded.

The Chairman thanked the review group for their work in compiling the report, Councillor Fletcher for proposing the review and to Councillor Seaton for supporting the review.

RECOMMENDATIONS

That the Cabinet be recommended that:

- (i) 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.
- (ii) 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.
- (iii) The Commercial and Procurement Unit (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.
- (iv) 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.
- (v) 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.
- (vi) 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.
- (vii) 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.
- (viii) 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.

- (ix) The Verto system have a reporting function which allows it to report on minor projects involving the use of consultants (under £20k in value) to the cabinet member for resources.
- (x) For major projects (over £20k 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
- (xi) 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.
- (xii) 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.
- (xiii) 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.
- (xiv) There should be improved scrutiny of the PSP contract if it is renewed in 2012. The relevant scrutiny committee should be consulted prior to any decision being made to engage specific contractors.
- (xv) All consultants engaged at managerial level should be required to update Verto as a condition of payment.
- (xvi) Should the council produce a policy around the use of consultants (see recommendation iv), this should contain the criteria for engaging and monitoring consultants.
- (xvii) Managers should negotiate fixed-price or incentive-based contracts where possible.
- (xviii) 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.
- (xix) 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.
- (xx) 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.
- (xxi) 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.
- (xxii) 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.
- (xxiii) 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.
- (xxiv) 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.
- (xxv) The roll out of the HR Review should be expedited to ensure that all areas of the council have been assessed by Spring 2011.
- (xxvi) 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.

- (xxvii) 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.
- (xxviii) 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.
- (xxix) The contract management system should be made available for scrutiny by members, or reviewed by way of regular reports to a scrutiny committee.
- (xxx) 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.
- (xxxi) 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.
- (xxxii) That the council investigates whether to move away from OGC Solutions as a method of contracting.
- (xxxiii) That the council conducts a cost benefit review analysis on whether details of sub-contracting arrangements should be included in all contracts.

CHAIRMAN
7.00 - 9.18 pm

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