

Gap Analysis

“Finance & Resources Scrutiny Review into City Councils use of Consultants”

1. Original report objectives – to be expanded upon, page 3
 - 1) including what options were considered before engaging consultants
 - 2) finance arrangements – if being used to cover a vacancy, how was the extra cost of the consultant or agency staff member paid for as they would in many instances cost more than the vacant post
 - 3) review temporary employees retained for more than one year – what is the scale of this issue authority wide as opposed to the service areas that were looked at
 - 4) formulate guidance on when and how consultants are employed and set parameters for employing temporary staff – suggests that nothing exists at present, therefore what safeguards exist to protect the public purse and ensure that each service is gaining value for money
2. Phases of review, page 4
 - 1) (a) whilst the review looked at the term “consultant” it would be beneficial to sub-categorise non PCC employees from permanent staff to get a better idea of the scale of the issue. Also, take into consideration the financial liabilities faced by PCC for non permanent staff who are employed beyond a certain time-frame as they qualify for sickness and annual leave. (b) the list of reasons for employing consultants needs to be shown together with some narrative explaining the options considered and rationale for engaging consultants for a particular project or cover provision to demonstrate that alternative options have been considered including shared services with neighbouring local authorities (c) Whilst the review looked at financial data for

2008/09, data from 2009/10 should now be available for comparison purposes if the panel would consider this of value.

- 2) (a) this needs to be extended to cover the entire authority to better understand where the areas are that are heavily reliant on consultants or agency staff and the financial implications of this. The cost of consultants and agency staff often exceeds permanent employee's salaries which in turn can cause resentment amongst permanent employees. Understanding this issue will assist the panel in identifying skills gaps and offer suggestions in relation to filling the gaps, thereby saving money. (b) it is not fully known how temporary contracts across the authority have been funded due to the restricted size of the service areas that were looked at. Other areas of the organisation use consultants or agency staff and the panel needs to understand what all of the funding arrangements are and how they are likely to be affected by recent government cuts in funding as well as what shortfalls this will produce.
- 3) (a) there is an important role for elected members when consultants are being considered for employment and this could help to support the Leaders Resource Group in their deliberations.

3. Phase 1, pages 5-7

3.1 Capacity within certain departments was cited as a reason for employing consultants to ensure that work is carried out in a timely manner. What needs to be explored is the frequency with which this happens as it could reveal issues around forward planning, project and time management?

3.2 Whilst it has been noted that consultants have been used to give services the time to conduct a review of their needs before recruiting permanent staff, the panel could review the options of engaging staff on short-term contracts of employment at the same rate of pay as their peers, as opposed to agency or consultants rates, which would bring about an immediate cost saving.

3.3 There have been occasions when consultants have been brought in to assist with bid submissions, which if unsuccessful, are costs that have to be borne by the authority. What that panel could explore is where that level of expertise and

knowledge exists within the authority and the way in which it is being used. The ability to be able to call upon in-house expertise on a cost neutral basis as opposed to going outside and paying consultants rates must surely be worth exploring? The authority would benefit from learning how frequently these situations arise and whether or not there is value in training key members of staff to utilise these transferable skills across the authority.

3.4 The original panel agreed that due to the volume and complexity of the information that had been received, it would examine the cost of consultants across four areas of the authority. Whilst this was a pragmatic decision taken by the panel within the remit of the review, it would appear that this has resulted in an incomplete picture of the use of consultants and ways in which to properly review the cost implications for the authority. Perhaps SMP could consider tasking each themed scrutiny panel to look at the use of and cost of consultants within the areas that their scrutiny panel covers. This would give a clearer picture of the actual costs across the authority as well as within specific work areas which could help to identify work areas that would benefit from any suggested improvements.

3.5 The way in which consultants fees are coded for accounting purposes has proved to be problematic and at times complex. It was acknowledged that the improvements in accounting principles had made this task easier and that any modifications would also be reliant on the person inputting the data correctly coding the cost code.

3.6 The total consultant's costs across all capital and revenue projects for 2008/09 were £5,032,040. It would be worth comparing this against the figures for 2009/10 to see how this has changed.

4. Phase 2, pages 7-9

4.1 The purpose of phase 2 was to look at the number of instances when a temporary appointment exceeded 12 months. This was limited by the four service areas identified for the review and consequently doesn't give a clear picture of the authority. This would be rectified if each of the themed panels included this in their financial data questions for the service areas they work with.

4.2 There are known problems recruiting to certain posts, however, even though this is known, it is not clear how pro-active the organisation is in responding to this situation including considering developing their own talent in-house.

4.3 The issue about increasing capacity within services can arguably be done cheaper on short-term contracts as opposed to paying consultant or agency rates. The use of interim cover for long-term sickness for example could be an opportunity to provide secondment opportunities to develop our own staff and go some way to helping PCC become a learning organisation.

4.4 How acceptable is it in the current economic climate, for staff who have been engaged on contracts in excess of 12 months to decline the opportunity to work permanently for PCC, preferring instead to continue being paid consultant rates of

pay? What scope is there for actively recruiting to these roles, in order that they are more cost effective to PCC?

4.5 There clearly is a need for agency staff to ensure front line services are maintained on a daily basis and the in-house agency has gone some way to rectifying the pay anomalies that exist by ensuring staff are paid the same as their peers.

4.6 The original panel heard that 41 external agency staff has been employed in excess of 12 months. The funding for some of these posts comes from the HRA as opposed to the General Fund. The panel would benefit from seeing how much this relates to in actual money and what the rationale is for engaging these agency staff for prolonged periods of time and whether or not this actually represents value for money for the organisation. The argument used previously has been that PCC pays below market rates, however, given the length of time that these members of staff have been engaged; would there not be a case for offering Market Sensitive Increments which can be reviewed on an annual basis? When was the last time any of these vacancies were advertised? What is the current job market like in these particular areas? Reviewing all of these areas could bring about immediate savings as well as potential future savings.

5. Phase 3, pages 9-10

5.1 Implementation and compliance with the procurement process when engaging consultants is improving, however, it would be useful to understand areas of non-compliance, including frequency, to determine what is causing this.

5.2 The procurement gateway board (PGB) helps to monitor the projects where the cost of consultants for a project exceed £50k and ensure that they are engaged subject to their suitability, expertise and price. It would be useful for the panel to know how many projects where consultant's costs have exceeded £50k have been approved through the PGB during the period 2008/09 and compare this with the same period for 2009/10. It would also be beneficial to the panel to understand the alternatives considered in these cases and how the successful bidders are appointed.

6. Conclusions, pages 10-11

6.1 Whilst PCC are legally bound to procure services of external consultants, for example in child protection cases, what options have been considered or exist in providing a reciprocal arrangement with other local authorities?

6.2 It is noted that in-house agency staff move around different departments which benefits the organisation, however, how is this experience recorded to ensure there is a robust skills audit of staff to assist with succession planning and responding to operational business needs?

6.3 The procurement processes that have been introduced have led to greater transparency but what is being done to identify and resolve non-compliance with standing orders and financial regulations, including standing orders waivers?

6.4 What other options have been considered for Interim cover for senior posts? It is acknowledged that there are key positions within the authority that it is a legal requirement to have, however, what options have been considered to utilise existing staff whilst advertising for senior vacancies?

6.5 What is the true cost of consultants if some costs are offset or re-charged and how easy is it to determine the actual cost?

6.6 Areas of the service that income generate, such as the graphic design team should be used as a first resort as they represent an immediate saving to the authority against the cost of external graphic design teams. This also ensures compliance with corporate identity and standards.

7. Recommendations

7.1 None of the recommendations have yet been implemented; therefore the deadlines that have been set will need to be adjusted if they are subsequently submitted for consideration by the cabinet. The recommendations that currently exist are likely to be improved or removed dependent on the information received as a result of implementing the revised project brief.