

REPORT TO : FINANCE AND RESOURCES SCRUTINY PANEL

REPORT FOR : 8 MAY 2009

REPORT FROM: STRATEGIC DIRECTOR AND SECTION 151 OFFICER

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REVIEW INTO USE OF CONSULTANTS

1. Purpose of the Report

1.1 The report sets out the proposed scope of the review.

2. Recommendations

2.1 It is recommended that the Panel consider the scope of the review of the Costs of Consultants.

3. Background

3.1 At the meeting on 29 March 2009, the Finance and Resources Scrutiny Panel received a report which provided information about the cost of consultants and the type of services used across the City Council. It also posed a number of questions for the Panel to consider.

3.2 Since 29 March 2009, the Chair of the Panel has met with the Chair of the Efficiencies Board, and they have agreed that the Efficiencies Team will support the Scrutiny Panel by undertaking detailed investigative work for the review on behalf of the Panel.

3.3 Expenditure incurred on consultants in 2008/09 is currently being consolidated and will be available by the end of April.

4. Objectives of the Review

- To review and establish the reasons for incurring expenditure on Consultants.
- To understand how the expenditure in 2008/09 has been financed and consider whether there is scope to make savings.
- To review temporary employees who have been retained by the City Council for more than one year.
- To formulate guidance as to when and how consultants should be employed, and to set parameters for employing temporary staff.

5. Scope of the Review

5.1 It is proposed that the review be undertaken in three phases and that the outcomes from Phases 1 and 2 be reported and agreed by the Scrutiny Panel before Phase 3 of the review commences.

5.2 Phase 1 of the Review

(a) Define what is meant by “Consultant” for the purpose of the review.

The definition currently being used by Finance staff is as follows:-

“A consultant is usually an expert or a professional in a specific field who has a wide knowledge of the subject matter. A consultant usually works for a consultancy firm or is self-employed, and engages with multiple and changing clients. Use of consultants enables the City Council to have access to deeper levels of expertise than would be feasible for it to retain in-house, and to purchase only as much service from the outside consultant as desired. Consultant costs include all externally purchased Intellectual services such as advice, reports and consultation.”

The term consultant can be used as a generic term for a number of different payments to external providers. The definition used will be particularly important if Members wish to benchmark the cost of Portsmouth’s consultants with those of other similar local authorities.

(b) Review the reasons for employing Consultants

The report to the Panel briefing on 27 March (paragraphs 6.3 and 6.5) provided examples of the types of consultants employed and the reasons for employing them. These examples were based on information relating to the financial years 2006/07 and 2007/08. Information on consultants employed during 2008/09 will shortly be available and will provide more up to date information for the Panel to review.

5. Scope of the Review (Continued)

(c) Consider the cost of consultants employed during 2008/09 and how the costs have been funded

Information being consolidated for 2008/09 expenditure on consultants will show:-

- the name of the consultant
- the type of consultant eg project manager, legal etc
- the project or scheme that the consultants is employed on
- brief details of the work carried out
- total payments made in 2008/09 (excluding VAT)
- whether the expenditure is revenue or capital
- whether the expenditure is ongoing or one-off in nature

- how the expenditure has been funded eg capital resources, cash limit budget, grant, release from contingency, from savings made elsewhere etc
- whether the Portfolio holder was consulted before the consultant was employed
- the value of the work that could have been carried out in-house if resources had been available, and whether this would have resulted in a saving
- other relevant information

If the Panel requests further information or want to review particular types of consultants in more depth eg legal or project management, the Efficiencies Team will bring the relevant information together and carry out any investigative work and report back to the Panel. The Panel may also want to review expenditure incurred on consultants in previous years eg. to ascertain whether there is an ongoing need for particular specialisms to be employed in-house.

5.3 Phase 2 of the Review

- (a) Review the number of instances where a temporary appointment has been made for a period which has exceeded one year.
- (b) Review how those temporary contracts have been funded and whether there is scope to make savings by appointing on a permanent basis.

5. **Scope of the Review (Continued)**

5.4 Phase 3 of the Review

- (a) Draft guidelines to be followed when consultants are employed, and the role of Members in the process

Once the Panel have completed Phase 1 of the Review, it is proposed that they consider drawing up guidelines setting out:-

- the circumstances when consultants should be used
- the process to be followed before employing them, including the role of Members in the process,
- value for money checks they would wish to see
- how they would wish to monitor the performance of consultants etc.

After completion of Phase 2 of the Review, the Panel may wish to draw up parameters for the employment of temporary staff covering:-

- the maximum period that a temporary member of staff would be employed
- action to be taken by managers if they wished to exceed the maximum period
- the process to be followed in employing temporary staff, including the role of Members under particular circumstances

(b) Review the procurement of Consultants

For some professions there are framework consultancy arrangements in place. The Panel may wish to review these and consider how successful these have been and whether further agreements are needed or would be beneficial. They may also wish to satisfy themselves that Standing Orders and Financial Rules are fully complied with when consultants are employed.

6. Timescale

6.1 The following timescale for completion of the review is proposed:-

- Phase 1 of the Review to be completed by the end of June 2009.
- Phase 2 of the Review to be completed by the end of August 2009.
- Phase 3 of the Review to be completed by the end of October 2009

7. Next Steps

7.1 The Panel to agree the scope of the review.

7.2 The definition of Consultants for the review to be agreed.

7.3 Information on expenditure incurred on consultants during 2008/09 and how it has been funded be considered by the Panel and any further investigation as directed by the Panel be carried out by the Efficiencies Team.

7.4 The Panel to invite Strategic Directors, Heads of Service, Portfolio holders etc as necessary for interview to obtain relevant background information.

7.5 The Head of Financial Services to set an exercise in train to capture details of temporary staff employed by the City Council for more than twelve months

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Roger Ching
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