

Improvement Scrutiny Committee – 24th February 2014

0873. USE OF CONSULTANTS ACTION PLAN

The Executive Director of Operations presented the report which gave Members details of the work carried out against the approved Action Plan.

1. To establish a system to ensure that the engagement of Consultants is subject to the same controls as the recruitment of temporary or agency workers i.e. signed off by the Executive Director of Operations and the Chief Executive Officer.

The Executive Director of Operations noted that the Council had considerably tightened up its budget procedures over the last couple of years. As such, all consultant spend was now approved by SAMT.

Moved by Councillor J.E. Smith and seconded by Councillor R. Turner

RESOLVED that the above target be signed off as complete.

2. To ensure that steps are put in place to improve the recording of expenditure on agency staff, software purchases. Hired/contract services and professional/consultancy fees so that it is easier to analyse and monitor trends.

The Executive Director of Operations noted that there had been a decline in all areas of expenditure covered by this element of the coding structure. The transparency agenda had been helpful in providing a more detailed analysis and allowed Members to review all spend over £250 as it was now publicised on the Council's website.

Members asked how services were assessed as value for money and the Executive Director of Operations explained that all tenders were assessed on service value as well as price. Questions were also asked regarding individual items included on the Analysis of External Payments 2012/13 which were answered by the Executive Director of Operations.

Moved by Councillor J.E. Smith and seconded by Councillor R. Turner

RESOLVED that the above target be signed off as complete.

3. To revisit the 'Use of Consultants' Review when effective 'sort' mechanisms are in place that will allow an assessment of the costs of 'bought in' services; sorted by commissioning Officer and department

Members felt that the review should be scrutinised on an annual basis.

Moved by Councillor J.E. Smith and seconded by Councillor R. Turner

RESOLVED that the Use of Consultants Review be scrutinised on an annual basis.

(Scrutiny Officer)

Agenda Item No. 12

IMPROVEMENT SCRUTINY COMMITTEE : FEBRUARY 2014 USE OF CONSULTANTS

1. Introduction.

- 1.1. The Improvement Scrutiny Committee produced its original findings concerning the Use of Consultants in the April of 2012. Further reports have been provided since which have updated the information provided at the time of the original report and which have tracked progress in implementing the recommendations of the Committee.
- 1.2. The Action Plan agreed as a result of the original report is set out in Appendix 1 together with details of the actual outcome. Section 2 below provides more details in respect of the key recommendations.

2. Progress against Original Recommendations.

2.1. The original report set out three recommendations which are summarised below.

Recommendation 1 : *Establish a system to ensure that the engagement of Consultants is subject to the same controls as the recruitment of temporary or agency workers i.e. signed off by the Director of Corporate Resources and the Chief Executive Officer.*

The Council's financial position and its financial management arrangements have changed significantly since the time of the original report. In particular the ongoing reductions in the level of Government Grant available to fund General Fund services have resulted in a significant reduction in non employee budgets in order to allow the Council to operate within the available level of resources. This leaves officers with a significantly reduced scope to fund consultancy or indeed any non day to day running costs type of expenditure. Given the closer examination of budgets both by the Accountancy Team and by Members at the quarterly Finance, Performance and Risk meetings there is an effective on-going scrutiny of all budget heads in place.

While revenue budgets have been tightened any use of financial reserves earmarked by departments now requires the approval of SAMT to transfer resources into the

revenue account to enable expenditure to take place. Salary budgets are now reduced to reflect staff leaving, maternity leave, etc. Such underspends can therefore no longer be used to fund consultants, agency staff. Where managers wish to retain these savings in order to be able to deliver services they must secure the approval of SAMT to reinstate the budget.

The range of controls outlined above – which are now part of the Council’s budget procedure – ensures that the employment of consultants, or any other unusual expenditure is subject to appropriate controls. In summary it is reasonable to conclude that recommendation 1 has been fully implemented.

Recommendation 2 :

“Ensure that steps are put in place to improve the recording of expenditure on Agency Staff, Software Purchases, Hired/Contract Services and Professional/Consultancy Fees so that it is easier to analyse and monitor trends.”

As part of the process of improvement to the Council’s budgetary control arrangements the accountancy team has provided training to help ensure that cost centre managers are coding expenditure appropriately. The data given at Appendix 2 compares the position reported at the time of the original Scrutiny Report with subsequent levels of expenditure. While Improvement Scrutiny may wish to consider the details provided in Appendix 2 there would appear to have been a general downward trend of expenditure.

At a similar point in time to the Improvement Scrutiny report both Internal and External Audit were critical of the Council’s arrangements for coding expenditure. These concerns have now been satisfied and the Council’s arrangements are now seen as fit for purpose.

While the Councils arrangements are now fit for purpose it does need to be recognised that the nature of consultancy expenditure means that it is difficult to capture in a single set of codes. The definition of consultancy work arrived at in the original Improvement Scrutiny report clearly highlights that consultancy work can cover a range of types of work which are difficult to capture in a limited number of financial codes. Subsequent reports to Improvement Scrutiny have highlighted that the Transparency Data – or creditor lists – provide a more robust source of information for Members as they detail the full range of organisation (including consultants) with whom the Council does business.

On the basis of the work that has been undertaken subsequent to the original budget scrutiny report it would seem reasonable to conclude that coding arrangements have improved, but equally important is the fact that the Transparency Data has been identified as an alternative source of information which is capable of highlighting the information sought by the Improvement Scrutiny Committee. The Transparency Data is particularly useful because ultimately the coding of expenditure does require an element of judgement by the officer who is undertaking the coding. Incorrect coding or subjective interpretation can therefore undermine the reliability of the information held

within the coding structure. Given that the Transparency Data provides the full level of information concerning all expenditure it is easier to interpret this data to resolve specific questions.

Recommendation 3 :

“Revisit the ‘Use of Consultants’ Review when effective ‘sort’ mechanisms are in place that will allow an assessment of the costs of ‘bought in’ services; sorted by commissioning Officer and department”.

Since the submission of the original report subsequent reports to the Improvement Scrutiny Committee have been based upon data provided through the Transparency Agenda which details all creditors over £500. The use of this data does provide a better understanding of what is spent on consultants, which organisations are the main providers and what services the Council actually procures through this route. An analysis of the transparency data demonstrates that the analysis of what a Consultant does – as provided within the original Scrutiny Review of April 2012 – provides a useful categorisation of the types of role that consultants play within the Council.

- 1.1. A Consultant may be defined as: an expert, a professional or a specialist. But in the context of the Council, examples of ‘Consultants’ could be defined as:
 - 1.1.1. An Interim Manager – an individual employed on a temporary contract that’s renewed on a regular basis. For instance, an Interim Manager will quite often be used to fill the gap between an Officer leaving and the recruitment of a replacement. Housing had an *interim* Repairs and Maintenance Manager in place for 2 years.
 - 1.1.2. The Council has used specialists, for instance, the Chartered Institute of Housing (CIH Housing) – This not-for-profit organisation has been employed by the Council to produce major (Housing-related) policy documents where there is a statutory requirement or presumption to have these items in place, for example, the new HRA Business Plan.
 - 1.1.3. Technical specialists – Housing used a company to install the new Mobile Working system; the company provided the software and the necessary training to run the system.
 - 1.1.4. Structural Engineers – for instance, Housing has used Structural Engineers in the past to provide professional advice on building safety. Also advice has been sought from Asbestos and Legionella experts.
 - 1.1.5. More widely; Training – the Council has often used organisations both commercial and not-for-profit, to deliver training on specialist subjects. For example, delivery of LGBT training, Sweeper Driver training, Fire Warden training, First Aid training, etc.
 - 1.1.6. Investors in People Assessors – in order for the authority to demonstrate compliance with the requirements of the Investors in People regime, an on-site assessment - every 3 years - has to be paid for. This also applies to the

Customer Service Excellence (CSE) award's (former CharterMark) annual assessment.

1.1.7. External Audit (Corporate) – there is a statutory requirement for the authority to engage external auditors

3. Current Position.

3.1 Appendix 3 to this report which is extracted from the Transparency Agenda gives an outline of some of the key items of consultancy expenditure in the current financial year. While there have been significant improvements in financial management arrangements since the original Scrutiny report the Committee may wish to give consideration to any of the individual items of expenditure highlighted within the data provided in Appendix 2 or 3. It does, however, appear to be relatively clear that the framework of managerial controls is now much more robust than at the time of the original Scrutiny report. APPENDIX 3 IS TO FOLLOW.

3.2 While it is clear that in the current financial climate any expenditure on consultancy does represent a significant call on local authority funding the key issue is to ensure that 'consultancy' or any other external expenditure supports the provision of a cost effective service to local residents, that its use is minimised and that it is appropriately procured. The same tests that should apply to all expenditure should be applied to Consultancy expenditure i.e.

- Is the expenditure necessary to provide a priority service to the public (the effectiveness question)
- Has the service been secured at the most economical price (the economy question)
- Is the service that has been purchased the most appropriate method of delivering priority services to local residents (the efficiency question)

4. The Improvement Scrutiny Committee will be aware that as part of its measures to balance the budget over the last few years that the Council has taken steps to minimise external expenditure on goods and services. There will therefore be less scope within the Council's budgets to pay external suppliers and accordingly the usage of such suppliers will have to decline. The current limitations to budgets and the closer scrutiny of expenditure should help ensure that the Council does not make unjustified payments either to "Consultants" or to any other external organisation.

Executive Director (Operations): February 2014.

Use of Consultants Scrutiny Review

Improvement Plan

Improvement	Lead Officer	Target Date	Expected Outcome	Resources	Progress Update	Actual Outcome
Establish a system to ensure that the engagement of Consultants is subject to the same controls as the recruitment of temporary or agency workers i.e. signed off by the Director of Corporate Resources and the Chief Executive Officer.	SAMT to consider this Recommendation further.		A co-ordinated approach to the recruitment of staff, whether temporary, agency or consultant. Exec expressed concerns in respect of a potential increase in bureaucracy balanced by the need to ensure expenditure was controlled. It was agreed that the issues raised would be considered by SAMT. (28 May 2012)		Will be considered by SAMT on 30 th July 2012 – awaiting outcome of discussion at SAMT to progress the recommendation.	This action has been completed as a result of the tighter process of budget management which includes removing vacancy savings and requiring all virement of funds to be approved by SAMT.
Ensure that steps are put in place to improve the recording of expenditure on Agency Staff, Software Purchases, Hired/Contract Services and	Bryan Mason – Joint Director – Corporate Resources		An effective ‘sort’ mechanism put in place to allow assessment of the costs of ‘bought in’ services.		Copy of report and recommendations sent to Joint Director of Corporate Resources – scheduled for review 7 th	Improvements in coding within the financial ledger have been identified, however, subsequent work by the Improvement

Improvement	Lead Officer	Target Date	Expected Outcome	Resources	Progress Update	Actual Outcome
Professional/Consultancy Fees so that it is easier to analyse and monitor trends.					January 2013	Scrutiny Committee has indicated that a use of the creditors data within the Transparency Agenda does allow a more effective scrutiny of expenditure on both consultancy and other expenditure.
Revisit the 'Use of Consultants' Review when effective 'sort' mechanisms are in place that will allow an assessment of the costs of 'bought in' services; sorted by commissioning Officer and department.	Improvement Scrutiny Committee/ Scrutiny Officer	7 th January 2013	The Committee will be able to assess the costs of bought in services and provide a report to Executive on their findings.	Committee time	Copy of report and recommendations sent to Joint Director of Corporate Resources – scheduled for review 7 th January 2013	Appendix 2 provides details of trends in expenditure since the original Scrutiny Report. Appendix 3 which is to follow will provide details extracted from the Transparency dat.

Cost Code Budgets 2011/12

APPENDIX 2

			2011 / 2012 Budgets					
Cost Code	Ledger Title	Number of entries in the Ledger	General Fund Budget	2011/12 Spend	Balance	HRA Budget	HRA Spend	HRA Balance
1028	Agency Staff	369	150,560	130,844	19,716	2,500	4,359	(1,859)
4046	Software Purchases	47	88,740	45,122	43,618	0	0	0
5001	Hired / Contract Services	2665	1,255,630	1,168,550	87,080	99,220	93,601	5,619
5008	Professional / Consultancy Fees	172	618,300	347,084	271,216	17,980	17,244	736

Cost Code Budgets 2012/13

			2012 / 2013 Budgets					
Cost Code	Ledger Title	Number of entries in the Ledger	General Fund Budget	2012/13 Spend	Balance	HRA Budget	HRA Spend	HRA Balance
1028	Agency Staff	239	93,270	87,608	5,662	10,000	9,000	1,000
4046	Software Purchases	31	86,020	32,223	53,797	0	6,600	(6,600)
5001	Hired / Contract Services	2630	1,215,225	1,112,957	102,268	114,500	66,877	47,623
5008	Professional / Consultancy Fees	211	506,360	400,035	106,325	5,980	2,485	3,495

Cost Code Budgets 2013/14

Cost Code	Ledger Title	Number of entries in the Ledger	2013 / 2014 Budgets (as at 13/2/14)					
			General Fund Budget	2013/14 Spend	Balance	HRA Budget	HRA Spend	HRA Balance
1028	Agency Staff	130	37,250	26,341	10,909	0	0	0
4046	Software Purchases	46	40,150	37,634	2,516	0	0	0
5001	Hired / Contract Services	2026	1,279,071	619,984	659,087	609,180	163,465	445,715
5008	Professional / Consultancy Fees	118	422,074	226,385	195,689	6,000	509	5,491

APPENDIX 3 : ANALYSIS OF EXTERNAL PAYMENTS TO FOLLOW