



## Report to the Finance, Performance and Resources Select Committee

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| <b>Title:</b>                               | Review of Consultancy & Interims spend  |
| <b>Committee date:</b>                      | 5 December 2013   |
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| <b>Report signed off by Cabinet Member:</b> | Peter Hardy, Cabinet Member for Finance<br>and Resources                                      |
| <b>Electoral divisions affected:</b>        | All   |

### Purpose of Agenda Item

- This report provides **information** of spend on consultancy and interims. Information on temporary agency staff is out of scope as this will be subject to a separate report to Select Committee in February 2014.

### Background

- Consultancy spend is high profile both within BCC and the wider Public Sector. It can be perceived as high cost; however, when used appropriately, spend on consultancy can offer value for money, by providing access to specialist knowledge or advice that would be inefficient to employ directly.
- The Overview & Scrutiny Committee discussed the 'Review of Spend on Consultants & Interims' report on 14 June 2011. The report explained the policy framework that governs the appointment of consultants and provided data and analysis on the usage of consultants and interims.
- It was agreed to develop a greater control over spend on consultancy, together with clear definitions and processes to encourage the most efficient and cost effective means of procuring and managing consultancy services.

- Considerable progress has been made in understanding this complex area of spend; driven by a savings target of £250k (Consultancy: £100k; Interims: £150k). An overview of the activity is provided in the table below:

| Date          | Action  |
|---------------|---|
| June 2011     | Review of Spend on Consultants & Interims report to Overview & Scrutiny Committee   |
| April 2012    | Contract for the supply of agency staff, interims and specialist contractors commenced with Pertemps                                      |
| May 2012      | Procedures and guidance for managers introduced together with an eform to capture consultancy spend                                       |
| December 2012 | Report to Achieving Outstanding Performance (AOP) Board detailing data collected from the eform submissions together with recommendations |
| June 2013     | Revised eform and procedures implemented  |

- Information on consultancy spend is subject to frequent Freedom of Information (FOI) requests.
- The term 'consultant' is used in the delivery of a wide range of activities, including consultancy, interim, training and expert witnesses. Appendix 1 provides the recognised public sector definitions for consultancy and interims.

## Report

### **Data Sources**

- The Council now has a range of data sources which provide a greater understanding of spend on Consultancy and Interims:
  - SAP:
    - Classification of spend by supplier against nationally recognised categories using ProClass, which is owned and developed by local government.
    - Classification by General Ledger (GL) codes that allocate spend against cost centre budgets.
  - E-form requests from service areas for consultancy provide greater detail/ transparency on individual consultancy assignments.
  - Management Information from the contract with Pertemps, that provides greater control in the engagement of interims.
- It is extremely difficult to understand the actual spend on consultancy, as consultancy can be classified in numerous ways. There are numerous GL codes and ProClass categories that can legitimately be used. Considerable effort in terms of

working days has been invested to interrogate the data available from the various sources to produce the information in this report.

### **Consultancy ProClass**

- The following ProClass categories were analysed: Consultancy – Business; Consultancy - Management - Organisation & Planning; Consultancy - Management – Personnel; Consultancy - Technical & Feasibility; Consultancy – Property.
- The analysis cuts the data by the ProClass category and only one category can be allocated to each supplier. Analysis by GL codes has also been used to understand specific spend in greater detail.
- The total spend with each supplier is aligned to the category of highest spend. E.g. Serco has been classified as “Consultancy – Business” despite also providing ICT products and training services; and Ringway Jacobs is classified as “Construction – Engineering” despite providing some consultancy.
- This analysis does not include suppliers that relate purely to legal advice, construction fees, training and ICT software/ maintenance.

| <b>Year</b>          | <b>ProClass Consultancy suppliers spend</b> | <b>No. of suppliers</b> | <b>Percentage of total BCC external spend</b> |
|----------------------|---|-------------------------|---|
| 2011/12              | £2,863,419                                  | 98                      | 0.9%  |
| 2012/13              | £4,175,043                                  | 87                      | 1.2%  |
| 2013/14 (up to 30/9) | £1,563,931                                  | 72                      | 0.8%  |

| <b>2011/12 Top 5 Consultancy suppliers spend- ProClass</b> | <b>Proclass Level 3</b>               | <b>Spend</b>      |
|--|---------------------------------------|-------------------|
| Serco Ltd/ Alexander                                       | Consultancy - Business                | £300,402          |
| Ernst & Young  | Consultancy - Technical & Feasibility | £252,270          |
| RPS Planning, Transport & Environment                      | Consultancy - Technical & Feasibility | £234,199          |
| Methods Consulting Ltd/ Arcus                              | Consultancy - Business                | £157,278          |
| ROC Systems Consulting Ltd                                 | Consultancy - Business                | £149,097          |
| <b>Total</b>   |                                       | <b>£1,093,245</b> |

| <b>2012/13 Top 5 Consultancy suppliers spend- ProClass</b> | <b>Proclass Level 3</b>               | <b>Spend</b>      |
|--|---------------------------------------|-------------------|
| Ernst & Young  | Consultancy - Technical & Feasibility | £541,771          |
| Serco Ltd/ Alexander                                       | Consultancy - Business                | £478,667          |
| Goodman Nash Ltd   | Consultancy - Property                | £466,322          |
| Methods Consulting Ltd/ Arcus                              | Consultancy - Business                | £458,054          |
| RPS Planning, Transport & Environment                      | Consultancy - Technical & Feasibility | £277,503          |
| <b>Total</b>   |                                       | <b>£2,222,317</b> |

| <b>2013/14 (Q2-Sept 13) Top 5 Consultancy suppliers spend- ProClass</b> | <b>Proclass Level 3</b>               | <b>Spend</b>    |
|---|---------------------------------------|-----------------|
| Ernst & Young   | Consultancy - Technical & Feasibility | £389,495        |
| Turner & Townsend Project Management                                    | Consultancy - Technical & Feasibility | £154,138        |
| Methods Consulting Ltd/ Arcus   | Consultancy - Business                | £144,556        |
| Serco Ltd/ Alexander  | Consultancy - Business                | £65,509         |
| Bruton Knowles  | Consultancy - Property                | £57,662         |
| <b>Total</b>  |                                       | <b>£811,359</b> |

### ***Findings- Consultancy ProClass***

- Spend as a percentage of BCC total external spend is fairly similar across the years, and arguably low (0.8% in 2013/14). Additionally, these findings are consistent with previous research.
- Other Councils have been asked for their percentage spend on consultancy:
  - Unitary Council A is 11%. Whilst this includes agency/ interims it would be more than twice as much as a BCC 'like for like' figure. Council A recognises the figure is too high and is a focus of activity to reduce cost
  - London Borough Council B is 7.17%
  - Unitary Council C is <1%
  - County Council D is circa 1%
  - County Council E is circa 1%
- Ernst & Young, Serco and Methods Consulting have all been in the top 5 spend during the past 3 financial years.
- The highest spending portfolio is consistently Finance & Resources and reflects the Transformational work taking place in the organisation and the role of the portfolio in terms of commissioning organisation wide activity such as ICT infrastructure.
- Difficulties in understanding consultancy spend are highlighted by Serco spend in 2011/12 which includes maintenance of road safety cameras (£94k).

### ***Benefits***

- Strong evidence that consultancy is being engaged where BCC requires specialist support and advice.
  - Ernst & Young provided specialist advice for a number of projects:
    - financial modelling for Energy from Waste (EfW) which is saving Buckinghamshire tax payers over £150 million during the 30-year life of the contract;
    - development of the Local Authority Trading Company (LATC), an innovative delivery model;
    - development of the Future Shape Programme
  - Serco through Alexander, its sub-contractor, supported the Transformation Programme First Phase. A number of individual projects achieved benefits in excess of £4.2M

- Methods Consulting through Arcus, its sub-contractor, are supporting numerous ICT projects, which is instrumental in transforming the organisation.
- Turner & Townsend are supporting Property Transformation in meeting their £500k savings target
- RPS were the technical advisors for the EfW project
- Goodman Nash Ltd have provided specialist knowledge to undertake schools rates reviews in Buckinghamshire and deliver savings (net of fees) in excess of £1.5m

### ***Consultancy Eform***

- In support of the Overview & Scrutiny Committee recommendations, procedures and guidance, together with an eform to capture the details were introduced in May 2012 to support managers in engaging consultants. In June 2013, these procedures were updated (mapped in Appendix 2), so that all requests for generic consultancy work flowed to the Transformation Team to fulfil.
- We have carefully considered tighter controls for consultancy spend, however, as the 'Future Shape' programme develops through business units, they will have the flexibility and freedom to deliver within a cash envelope.

### ***Findings- Consultancy eform***

- For the period June to September 2013, 25 eforms were completed for 17 different companies suggesting low compliance when comparing against ProClass analysis. Eform completion by managers has declined from 10 in June to just 2 in September 2013 indicating that the level of compliance is declining.
- The total potential cost of assignments captured is £585,495, which is significantly below spend highlighted in the ProClass analysis. Furthermore, this spend is spread over multiple financial years and confirms little compliance in managers completing the eform.
- The decision making is happening at a service area level and not a corporate level.
- Upon further investigation it can be argued that many of the eform submissions engagements are actually for specialist work e.g. Chairman of Interim Executive board (IEB), Chef Clubs, School Nurse Baseline Scoping. A full list of the assignments is captured in appendix 3, which suggests that BCC is using consultants appropriately to add value by providing specialist advice and not as purely an additional resource.
- The Environment portfolio has the largest spend, however this may only reflect that they are more compliant than other Portfolios as the GL code analysis indicates that they are the 5<sup>th</sup> highest spending Portfolio.

### ***Conclusions- Consultancy***

- The requirement for specialist consultancy to transform the organisation has increased. It is also spread across Portfolios and there may be an opportunity for savings from improved scoping of the work and negotiation.

- Spend on consultancy is relatively low (0.8% of the external spend) and is comparable with other Councils.
- Consultancies are generally engaged where specialist support is required.
- Whilst there is low compliance to the eform process, the direction of travel is for the organisation to have fewer centralised controls and support the commercialisation and innovation of the business units.
- The decision to engage consultancy is made at service level and not a corporate level, and therefore the corporate savings target is difficult to capture. However the direction of travel for the organisation mention above should be noted.

### **Interims**

- The contract awarded to Pertemps in April 2012, includes provision of Interims and Specialist contractors. Unlike traditional temporary worker contracts based upon agency staff, BCC made a decision to include interims and specialist contractors as part of the contract to drive down cost and preferential rates. The Resourcing Team in HR manage the contractual relationship with Pertemps aligned to the Council's Contract Management Framework.
- Engagements through Pertemps reduce the risk of liability, tax and pensions associated with engaging Interim suppliers directly. The reduction in number of suppliers will also reduce contract management costs.
- The Proclass category "HR- Temporary & Agency staff" has been analysed and spend not relating to Interims has been manually extracted. There is no specific GL code for Interims and therefore analysis by GL code is not feasible.

| <b>Year</b>       | <b>ProClass Interim spend</b> | <b>No. of suppliers</b> |
|-------------------|-------------------------------|-------------------------|
| 2011/12           | £1,222,525                    | 33                      |
| 2012/13           | £1,503,717*                   | 28                      |
| 2013/14 (to 30/9) | £1,126,372                    | 13                      |

\*Includes Interim spend with Pertemps from 1/10/2012 to 31/3/2013 only

| <b>2011/12 Top 5 Interim suppliers- ProClass</b> | <b>Spend</b>    |
|--|-----------------|
| Morgan Law Recruitment Consultancy               | £142,897        |
| Langley Search & Selection                       | £125,125        |
| Michael Page International Recruitment           | £116,601        |
| Tri- Care Consultancy Ltd                        | £113,795        |
| ICS (Salary) Ltd                                 | £112,000        |
| <b>Total</b>                                     | <b>£610,418</b> |

| <b>2012/13 Top 5 Interim suppliers- ProClass</b> | <b>Spend</b>      |
|--|-------------------|
| Pertemps   | £818,885          |
| MAPP Ltd   | £157,539          |
| ICS (Salary) Ltd                                 | £112,400          |
| Tri- Care Consultancy Ltd                        | £100,621          |
| Michael Page International Recruitment           | £96,860           |
| <b>Total</b>                                     | <b>£1,286,305</b> |

| <b>2013/14 (Sept 13) Top 5 Interim suppliers- ProClass</b> | <b>Q2 Spend</b>   |
|--|-------------------|
| Pertemps   | £910,346          |
| AMEO Ltd   | £61,488           |
| ICS (Salary) Ltd   | £57,600           |
| Tri- Care Consultancy Ltd                                  | £34,144           |
| Social Services Locums Ltd                                 | £14,610           |
| <b>Total</b>   | <b>£1,078,188</b> |

### ***Findings***

- The Pertemps contract has reduced the number of different interim supplier arrangements to 12, which were in place before the Pertemps contract was awarded.
- As at 30 September 2013 BCC had 21 interims and specialists through Pertemps.
- The average engagement is 60 weeks, and 15 of these interims have been here 6 months or more.
- The average day rate is £334.03 indicating that Pertemps day rates are considerably lower than when individuals/ suppliers are engaged directly.

### ***Conclusions - Interims***

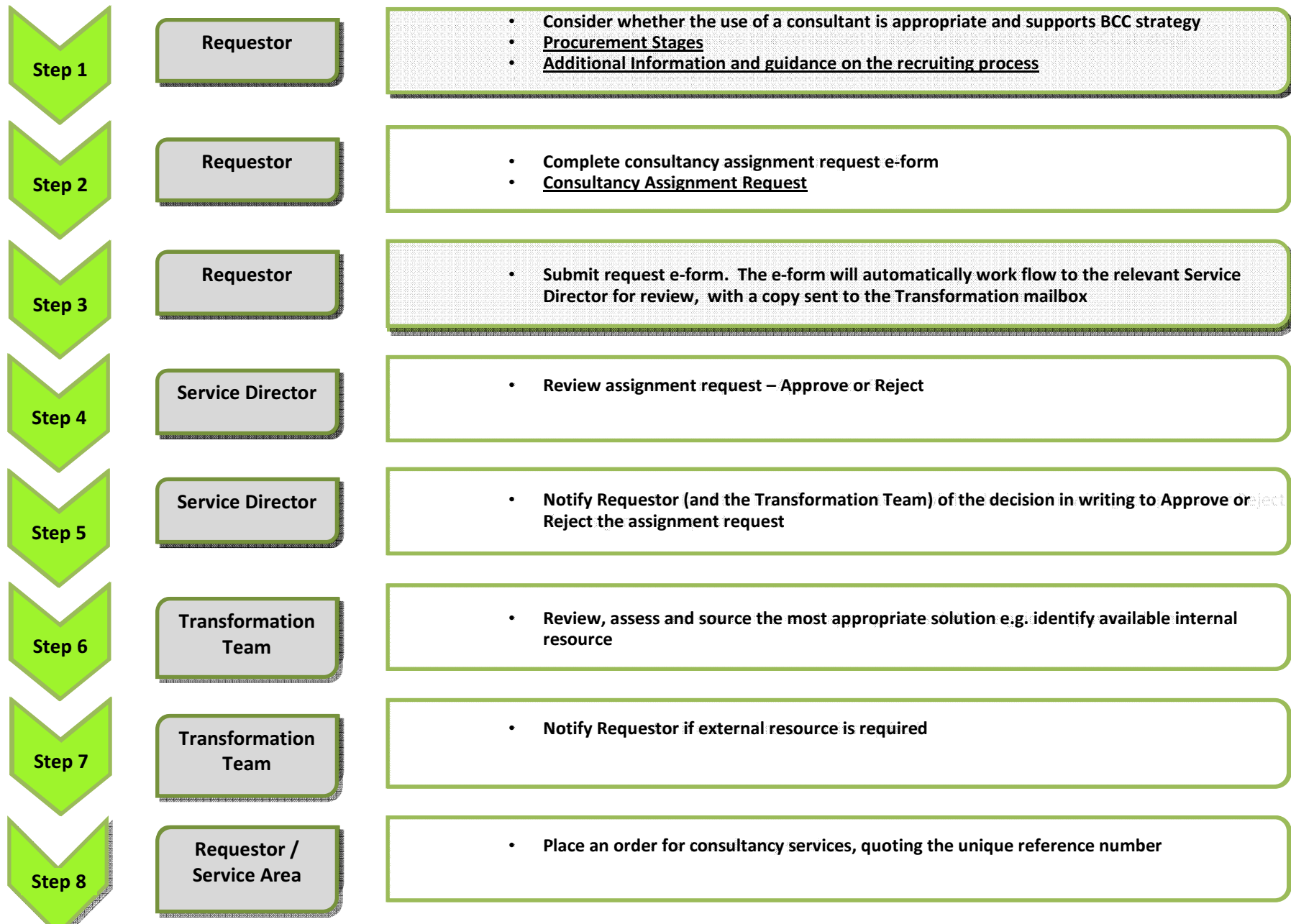
- It appears that the Pertemps contract for interims and specialist contractors is having a positive impact with strong compliance.

**Appendix 1:** OGC definitions of Consultancy, Interims and Specialist contractors are below:

|                        |  |
|------------------------|--|
| Consultancy            | <p>The agreed definition of consultancy used by the public sector is “the provision to management of objective advice relating to strategy, structure, management or operations of an organisation in pursuit of its purposes and objectives. Such advice will be provided outside the ‘business-as-usual’ environment when in-house skills are not available and will be time-limited. Consultancy may include the identification of options with recommendations, or assistance with (but not the delivery of) the implementation of solutions.”</p>   |
| Interim Managers       | <p>Interims are normally middle-to-senior grade staff working in an organisation, concerned with the fulfilment of particular professional functional or senior management positions within the organisational structure (usually covering Business-as-Usual activities or providing cover for a role) and ideally engaged on a short term basis.</p> <ul style="list-style-type: none"> <li>▪ may involve providing cover (e.g. for a vacancy, holiday or sickness) or additional resource (e.g. for a new team until someone is recruited, or a seasonal peak in workload).</li> <li>▪ may include Professional Interim Staff (e.g. senior qualified professionals in areas such as legal, finance, audit) and Interim Managers (including up to the most senior levels of the organisation).</li> <li>▪ likely to include a degree of organisational involvement (e.g. managing staff, representation at meetings).</li> <li>▪ typically engaged through an agency although in some cases may be engaged directly.</li> </ul> |
| Specialist Contractors | <p>Specialists are normally middle-to-senior grades, used to provide expertise that is not available in-house, fulfilling functional or senior positions within the organisational structure and ideally engaged on a short term basis.</p> <ul style="list-style-type: none"> <li>▪ may include sub-categories of Finance, HR, IT, Legal, Logistics, Marketing, Medical, Procurement, Estates, Technical and Other.</li> <li>▪ not staff substitution; specialists are used to provide additional resource, skills and expertise, not to cover vacancies etc.</li> <li>▪ should not include management functions or similar organisational involvement.</li> <li>▪ usually involved in a defined package of work or project rather than covering a day-to-day workload or defined job/ role.</li> <li>▪ in some instances, may include a degree of organisational involvement (e.g. managing staff, representation at meetings).</li> <li>▪ not always provided through an agency.</li> </ul>                                   |



## Appendix 2: Current BCC process for engaging consultancy



### Appendix 3 E-form assignments

|    | Assignment Title  | Assignment Brief   |
|----|---|--|
| 1  | Transition Director support for Buckinghamshire Learning Trust. | Support due diligence analysis and risk management activity. Ensure the smooth handover of staff assets activity and resources. Support the CEO in setting up BLT as a trading entity  |
| 2  | Media initiatives project extension                             |  |
| 3  | School Place Planning Requirements                              | Supply of Consultancy Services to undertake School Competitions and Area Plan related work   |
| 4  | Black Park Visitor Centre Feasibility Study                     | To conduct a study to assess the feasibility of developing a financially sustainable visitor centre in Black Park that enhances the visitor experience of all Bucks Country Parks  |
| 5  | Counselling Tender - Expert Counselling Support                 | Provide support, expert knowledge and advice on the Counselling Profession to support the Counselling Information and Support Services Tender  |
| 6  | Counselling - Professional Support                              | Providing expert support and advice in order to tender for Counselling, Information and Support Services   |
| 7  | Museum Trust  | Museum Business Planning with trustees prior to transfer   |
| 8  | Performance governance framework                                | To achieve the following outcomes: a performance framework, governance arrangements, scorecard and measures, a toolkit and training  |
| 9  | Review of TfB and Strategic Client                              | This is a diagnostic exercise into emergent problems in TfB. it has been discussed at high level by Service Director, Neil & Chris Williams to understand and redress Member concerns  |
| 10 | School Nurse Baseline Scoping & Recommendations                 | To analyse the current work content of the school nursing service and provide an informed professional opinion of how the service can be re-designed to meet the national model recommended for school nursing.  |
| 11 | FMS Consultancy   | Train Schools on FMS   |
| 12 | Chairman of Little Marlow CE Infant IEB                         | Chairman of Little Marlow CE Infant IEB  |
| 13 | Consultant for FGC  | Consultant for Family Group Conference Evaluation and Training Day   |
| 14 | Structural Engineering Consultants                              | Consultant structural engineers  |
| 15 | Expert opinion on report re Safety of Cot                       | Service is investigating a potential unsafe cot and requires an expert to give an opinion (which will be done in the next few weeks) and potentially be a witness for any future prosecution case (which could be some time away - hence the late anticipated finish date) |
| 16 | SIMS Support  | Support Schools on use of SIMS   |
| 17 | Chairman of IEB, Wye Valley School                              | Duties of Chairman to IEB  |
| 18 | AUTHORITY ENGINEER  | Provision of 'Authority Engineer' service to protect Council interests during the construction of the Energy from Waste Facility and Transfer Stations   |
| 19 | Consultant for complaints investigations                        | We need to set Michael Williams as a vendor for his work in investigating complaints   |
| 20 | Telehealth GP   | To provide independent clinical project advice on Telehealth programme   |
| 21 | Matrix re-assessment advise                                     | Matrix re-assessment advise and training   |
| 22 | HIGH HEAVENS TECHNICAL SUPPORT                                  | Technical support for 3 projects required for the implementation of the Waste Transfer Station at High Heavens - Highway junction and Road widening, Electrical Transformer relocation and Dano building demolition  |
| 23 | Narrowing the Gap   | Develop a project plan in relation to how we can narrow the educational attainment gap in Bucks  |
| 24 | Chefs Clubs   | Provide Chefs Clubs into schools   |

|    |                                    |  |
|----|------------------------------------|--|
| 25 | Highway Development Control Advice | To provide advice to Development Control (existing services - vendor name and bank details change took place - new vendor required in SAP) |
|----|------------------------------------|--|