

Report to Executive

Ward(s) affected: All wards

Report of Director of Resources

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Spend on Consultants and Agency Workers

Executive Summary

This report outlines the extent, nature, and spend on Consultants and Agency workers within the Council over the last five years and notes some key findings.

Over the last five years the Council has spent a combined total of £36.5 million on Agency Workers and Consultants across revenue and capital.

Of that spend, £24.5 million was on Consultants and £11.97 million was on Agency Workers.

Recommendation to Committee

To note the key findings and options for the Executive to consider.

Reason for Recommendation:

It is recommended that the Executive consider the options outlined in order to better control costs and provide a more robust governance approach to this spend area.

Is the report (or part of it) exempt from publication?

No

1. Purpose of Report

- 1.1 For the Executive to understand the extent, nature, and spend on Consultants and Agency Workers over the last five years.

2. Strategic Priorities

- 2.1 Consultants and Agency staff comprise key resource to deliver projects and programmes across the organisation, supporting all of the Councils Strategic Framework; placemaking, community and innovation. Both consultants and agency staff are brought where there is a lack of capacity (resource gap) or capability (skills gap).
- 2.2 Consultants in the Corporate Programmes work area in particular are delivering placemaking objectives.

3. Background

- 3.1 For the purposes of this report, Consultants have been defined as 'engaged by the Council to deliver a specific piece of work'. Agency workers have been defined as 'working to cover a substantive post or ongoing post within the organisation'.
- 3.2 **Consultants** are generally engaged on an ad-hoc basis across the organisation without a formal governance process in place and/or a Procurement process. Consultants are engaged for one off pieces of work and to deliver large scale capital projects on an on-going basis. There can be a lack of knowledge transfer occurring when consultants working on major schemes within the Council move on to another assignment outside the organisation.
- 3.3 **Agency Workers** There is currently a contract in place with Comensura for the provision of agency workers. This has been in place for the five year period that this spend report relates to. The contract was re-procured in late 2019 via the ESPO Framework MSTAR 3 so that the Council can continue to engage Comensura for the provision of agency workers.
- 3.4 Part of the re-Tender review conducted by Procurement identified that there is an issue with off contract spend (i.e. spend not via the Comensura contract) across the organisation where Hiring Managers are going off contract to obtain the workers they require. This is sometimes due to the inability to source quality professional service staff through the Comensura agreement but not always. There has been a pattern of engaging other recruitment agencies in the absence of ascertaining whether the main contract can supply the worker in question. Going off contract in this nature can expose the Council to inflated margins and risk where no Terms and Conditions are in place.

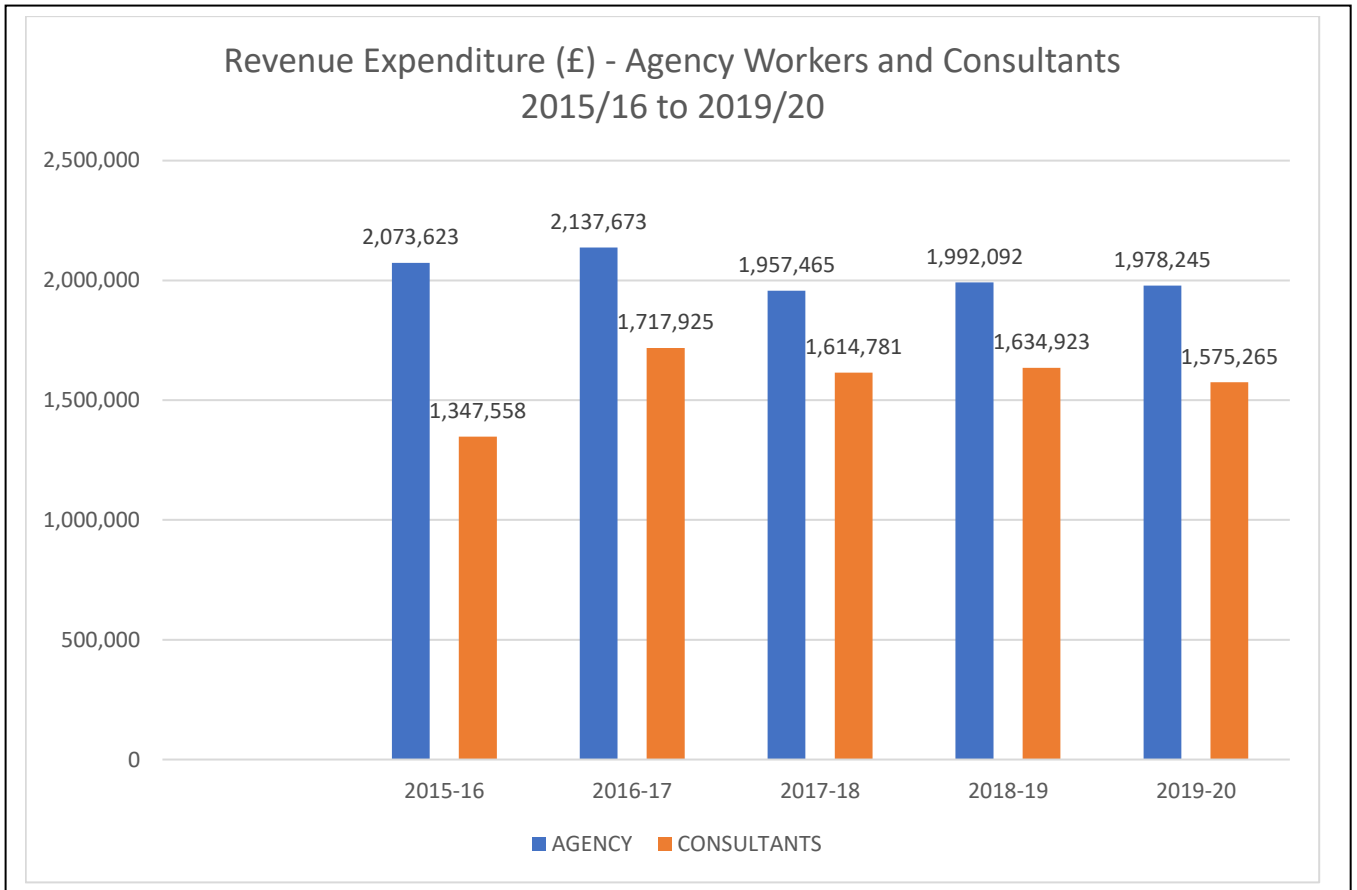
4. Consultations

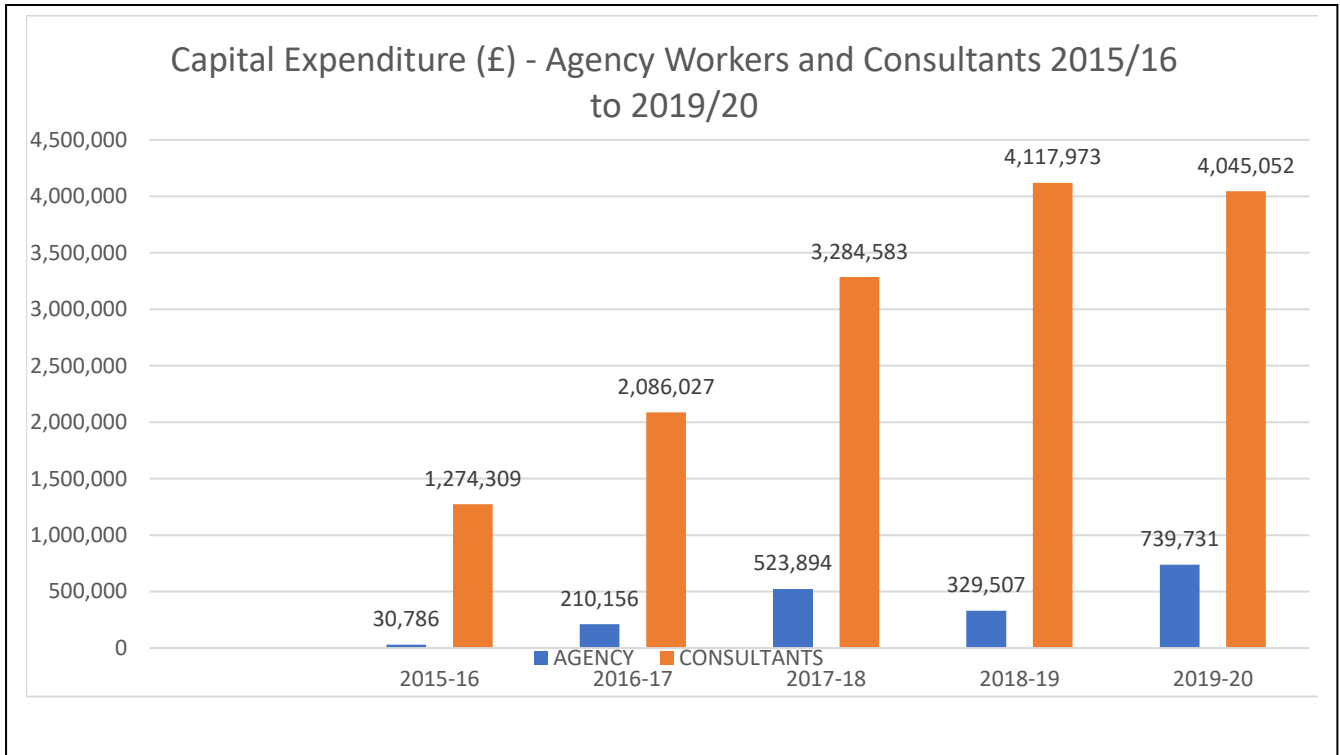
- 4.1 This report was considered by the Overview and Scrutiny Committee on Tuesday 20 October 2020 and the outcomes were: (I) That the Executive and the Corporate Management Team be requested to consider the options to better control costs and provide a more robust governance approach to spend on consultants and agency workers as outlined in the report submitted to the Committee; and

(II) That the Committee be provided with an interim update on consultants and agency worker spend in six months' time and with a full report of progress achieved in this spend area in one year.

5. Spend on Consultants and Agency Workers

5.1 Over the last five years the Council has spent a combined total of £36.5 million on Agency Workers and Consultants across revenue and capital.





5.2 Of that spend, £11,973,172 was on Agency Workers and £24,547,053 was on Consultants.

5.3 The capital spend on Agency Workers has increased over the last five years but is much smaller, totalling £1,834,074 per annum.

5.4 As referenced in point 3.4 there is a significant level of off contract spend, as much as 50% where the Temporary Staffing contract with Comensura is not utilised for agency workers. This is partly due to the inability of Comensura to be able to source quality professional service staff. There may be a continued need for additional agencies to be on formal contracts for those areas where suitable staff cannot be obtained, however tighter governance would be beneficial in order to maintain value for money and protect the Council by way of formal Terms and Conditions in place, in the event that poor advice is given.

5.5 Consultants: Revenue expenditure on Consultants has been consistent over the last five years totalling £7.89 million, but the capital spend has been much higher, nearly twice as much at £14.82 million.

5.6 Over the last five years the main areas for Consultants (advice under the revenue budget) are:

Infrastructure Management (Corporate Programmes):	£2.247 million
Policy and Planning:	£1.23 million
Internal Audit/Future Guildford:	£1.23 million

After these three service areas, the spend figures drop off significantly.

- 5.7 In terms of capital expenditure on consultants there are 171 unique cost centres used. The ones that stand out in terms of high spend are SARP (now Weyside Urban Village), Walnut Bridge, Ash Road Bridge, ICT Infrastructure Improvement and the Crematorium. It should be noted that some of the projects with high spend on consultants are subject to receipt of external funding.
- 5.8 The Council has undertaken some extraordinary projects which are captured within this spend such as Future Guildford, Local Plan High Court Challenge and Weyside Urban Village. These projects all use consultants heavily however they have followed the necessary Governance including a robust Business Case and each have been budgeted for via a Capital bid.
- 5.9 There are risks around where consultants are engaged and provide bad advice when they haven't been procured correctly and lack Terms and Conditions. The Professional indemnity and insurance standard clauses in a GBC consultancy contract are required to protect the Council in the event that the consultant is negligent, this is particularly important where their advice and designs are part of a high value project.
- 5.10 Agency Workers: Spend on Agency Workers has been predominantly revenue expenditure and has been consistent over last five years totalling £10.13 million, amounting to approximately £2 million per annum. Of this £2 million per annum average spend, the top five spend areas over the five year period are listed below. It should be noted that the top expenditure, £3.66 million (over five years) is to staff some of the Councils front line services: fleet and waste management.

Fleet and Waste Management	£3.66 million
Building Control Management	£0.71 million
Infrastructure Management	£0.67 million
Environmental Control, Food/safety	£0.64 million
Housing Benefits Management	£0.63 million

6 Options for the Executive to consider

- 6.1 There are several options which could be considered which would enable better control of consultant and Agency worker spend;
- 6.2 **Consultants:** Look to bring opportunities where possible in-house. There is a historic practice of engaging consultants on occasion to deliver work which could be conducted in-house within existing job roles.
- 6.3 If consultants are still required there is an opportunity for better cost control. In this regard, the Council is currently implementing new Programme and Project Governance arrangements, which will involve all new projects having a controlled start through a mandate process, a common lifecycle aligned to robust business case development and approvals through central governance gates. This will introduce a

number of benefits including a common understanding of the problem the Council are trying solve by starting a project and a robust evaluation of options for solving the problem.

- 6.4 The main cause of project over-runs and delay, historically, has been the lack of common understanding of what projects are trying to deliver, lack of clear strategic direction or consensus which has inflated project costs, including those of the consultants trying to deliver. The new mandate and business case templates add more rigour to the options evaluation, and both include cost breakdowns for the whole life cost of a project (not just delivery costs) and staged costs for business case development and feasibility. By introducing this approach justification and approval of consultancy costs (and internal resource costs) can be understood, and approved, as part of the appropriate gate and consultancy deliverables can be explicitly agreed and monitored through the business case as part of the gate approval and project reporting process
- 6.5 It is recommended that a skills transfer is a mandatory element of every consultant brought in to ensure there is a plan for not becoming dependant on them and that the valuable skills are transferred into the organisation where possible.
- 6.6 **Agency Workers:** Implement a Governance procedure around off contract spend on Agency Staff, initially directing all Hiring Managers to the Corporate Temporary Staffing contract with Comensura as a default and a Procurement exemption to Corporate Procurement Board be required if the commission is off contract and another recruitment agency engaged.
- 6.7 As Procurement is moving forwards within the Council and the Procurement Strategy was formally adopted by Executive in May 2020 there is an opportunity to align this work area with Procurement adopting the Category Management approach. Taking a holistic approach to consultancy spend across the organisation will result in better cost control; the category approach and sharing of information and procuring joint contracts where possible will enable more strategic sourcing decisions to be made resulting in savings.

7 Key Risks

- 7.1 If current practises continue in relation to consultants, expenditure will remain at the current high rate and as identified.
- 7.2 The further risks around consultants and lack of knowledge transfer may also continue.
- 7.3 Working without Terms and Conditions in place could leaving the Council exposed in the event of bad advice. However it should be noted this is infrequent and the quality of consultants engaged by the Council is of a high standard generally.
- 7.4 The ongoing risk of non-compliance is two-fold, firstly consultants are engaged initially for a minimal fee below the threshold requiring a tender process, the work then increases as they are further engaged in the project, the aggregate value takes the spend on the consultant above threshold upon when they are first engaged. Secondly, consultants are engaged for one off pieces of work of a similar nature and the

aggregate value of the pieces of work takes the spend above the threshold requiring a tender (or even OJEU) process.

- 7.5 These risks could both be mitigated by the implementing more robust Governance measures as outlined in section 5.
- 7.6 The continuation of off-contract spend on Agency workers will supply the worker required however at potentially a greater cost to the Council and at higher risk due to contracts not always being exchanged. There is a planned re-launch of the Agency worker contract in January 2021 which will guide the organisation back to the Comensura contract as the first port of call, it is anticipated this will have a positive impact in reducing some of the off contract spend.
- 7.7 The ongoing requirement for agency staff is anticipated to reduce over time as Future Guildford draws to a conclusion and permanent staff are largely in place.

8 Financial Implications

- 8.1 The financial implications are discussed throughout the report.

9 Legal Implications

- 9.1 The Council as a public body has a duty of achieving 'Best Value' and ensuring continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness under Section 3 of the Local Government Act 1999.
- 9.2 The Council must comply with the Public Contract Regulations 2015 and the Council's own Procurement Procedure Rules when procuring goods, services and works, this includes consultants.
- 9.3 The Council has standard consultancy agreement terms and conditions which protect the Council for example by ensuring it is indemnified against losses caused by the consultant, the consultant has adequate insurances in place, any personal data shared with a consultant is protected, the Council's equalities and other duties are passed onto the consultant and the Council has redress if the consultant does not provide the services to the required standard.
- 9.4 The Local Government Transparency Code 2015 Rule 31 provides that all contracts over £5,000 should be published in a way which is accessible to the general public, this applies to consultancy contracts. The Procurement Team should be made aware of all of these contracts so they can be published quarterly on the Contracts Register.

10 Human Resource Implications

- 10.1 This duty has been considered in the context of this report and it has been concluded that there are no HR implications arising directly from this report

11 Equality and Diversity Implications

- 11.1 This duty has been considered in the context of this report and it has been concluded that there are no equality and diversity implications arising directly from this report

12 Climate Change/Sustainability Implications

- 12.1 This duty has been considered in the context of this report and it has been concluded that there are no climate change and sustainability implications arising directly from this report

13 Summary of Options

- 13.1 Consultants:

13.1.1 Look to bring opportunities where possible in-house within existing job roles.

13.1.2 If consultants are still required follow the new Programme and Project Governance arrangements, which involves all new projects having a controlled start through a mandate process, a common lifecycle aligned to robust business case development and approvals through central governance gates, this will include Procurement following the Council's Procurement Procedure Rules.

- 13.2 Agency Workers:

13.2.1 Implement a Governance procedure around off contract spend on Agency Staff, initially directing all Hiring Managers to the Corporate Temporary Staffing contract with Comensura as a default and a Procurement exemption to Corporate Procurement Board be required if the commission is off contract and another recruitment agency engaged.

13.2.2 Part of the exemption approval will examine whether there is the option to take a holistic approach to agency worker spend across the organisation resulting in better cost control and aligning with the Council's Procurement Strategy which focuses on the category approach and sharing of information and procuring joint contracts where possible to enable more strategic sourcing decisions to be made resulting in savings.

14 Conclusion

- 14.1 It is recommended that Executive Committee note the key findings outlined in this report and agree to the summary options outlined in order to reduce expenditure in this area.

Background Papers – none
Appendices – none