

Report to: **Scrutiny Committee for Audit and Best Value**

Date: **1 September 2010**

By: **Chairman of the Project Board**

Title of report: **Scrutiny review of the use of agency staff and consultants in East Sussex County Council**

Purpose of report: **To present the outcomes of the scrutiny review and make recommendations**

RECOMMENDATIONS:

(1) That the Committee carefully notes the findings and conclusions of the Review Board's deliberations contained in the appendix to this report; and

(2) That no further scrutiny work needs to be undertaken on this issue at present.

1. Financial Appraisal

1.1 The main financial considerations of the Project Board's recommendations are outlined in the appended report.

2. Summary

2.1 The Project Board comprised Councillors Paul Sparks and Nick Bennett.

2.2 The appendix to this report contains the findings and recommendations of the Project Board which met on 20 July 2010. An evidence pack of supporting documentation is available on request from the contact officer.

3. Recommendations

2.3 The Committee is recommended to note the findings and conclusions of the review board and to agree that no further scrutiny action is necessary.

COUNCILLOR PAUL SPARKS
Chairman, Audit and Best Value Scrutiny Committee

Contact Officer: Paul Dean Tel No. 01273 481751
Local Members: All

BACKGROUND DOCUMENTS

The Report of the Project Board – appendix

Report of the Use of Agency Staff and Consultants in East Sussex Scrutiny Board

Board Members:

Councillors Sparks and Bennett (apologies: Cllr Gadd)

Officers:

Paul Dean (Scrutiny Manager), Duncan Savage, Assistant Director (Corporate Resources – Audit and Performance), Leatham Green (Assistant Director, Personnel and Training), Janet Webb (Personnel Manager) and Jonathan Campbell (Procurement Strategy Manager).

Background

At its meeting on 3 March 2010, Audit and Best Value Scrutiny Committee established a review board to explore the use of agency staff and consultants by the County Council and make any recommendations for improvements. The Board met on 20 July 2010 and addressed these key questions:

Agency staff: How much does the County Council spend on engaging agency staff? Should there be more recruitment from college / apprenticeships / 'grow your own' initiatives instead of agency staff?

Consultants: Further to the earlier Audit and Best Value Scrutiny Committee report on the use of consultants (20 November 2008), what progress has there been in formalising or controlling contracting arrangements (in association with other authorities)? What guidance is available for managers on how to engage and manage consultants?

Key messages from the review

The Comensura contract has resulted in efficiencies and greater accountability and transparency for the County Council's expenditure on agency staff.

Whilst we know approximately how much the County Council spends on ad hoc consultants, comparatively there is little information held centrally as to *why* in each individual case consultants are being used across the County Council, *what* they are being used for or the extent that they deliver agreed outcomes. This information is held at departmental level by the relevant commissioning manager / budget holder.

Several initiatives are now underway to provide greater clarity about the ad hoc use of consultants and to promote good practice to County Council managers including: production of a managers' toolkit; encouraging managers to seek alternatives, such as development opportunities for in-house staff, before engaging consultants; developing a preferred list of consultants; and a regional analysis of procurement spend which will include spend on consultants.

Evidence

Agency staff

1. Agency staff are typically used to cover short term absences by permanent members of staff (for sickness, say) or to deal with a temporary or unexpected short term surges in work.

2. East Sussex County Council has a requirement for temporary staff on an ongoing basis. Data obtained via the Comensura¹ contract shows that after the first year of operation some 95% of all agency staff in the County Council (in terms of spend) are now engaged through Comensura. This has resulted in several positive outcomes including: improved efficiencies and cost savings, access to higher quality temporary staff; and provision of better management information to enable departments to use agency staff more effectively. The remaining 5% 'off-contract' spend can now be seen and analysed more easily to check whether these staff, or agencies, should be included within the Comensura contract.

3. The Comensura contract has therefore resulted in increased transparency and accountability for expenditure on agency staff than existed previously. For example, it has led to a reduction in the use of longer term agency placements². By and large, these staff have either been moved on to the Comensura contract, with the added assurance of improved value for money, or the work is now undertaken by permanent staff.

4. During its first year of operation, the Comensura contract has resulted in savings of almost £247,000, representing 5.3% of the agency staff spend. Higher savings are anticipated during subsequent years because the first year involved a gradual transition of agencies to the Comensura contract.

5. The Board made observations apparent from the expenditure figures on agency staff for 2009/10:

- The highest spending department is Adult Social Care (at some 45% of the total) which shows particular peaks of expenditure in August and March. These correspond with peak holiday periods (August) and possibly reflect a relatively high level of absence due to permanent staff trying to use up remaining annual leave as the end of the leave year approaches (March).
- CRD has a proportionately high spend on agency staff (23% of the total) representing a relatively small number of relatively highly paid placements, mostly specialist and / or project funded roles in ICT.

¹ Since April 2009 Comensura has taken over responsibility for the management and procurement of all temporary staffing services required by the County Council (excluding consultants). As a neutral vendor, Comensura has no temporary workers of its own; rather it has managed the process of procuring them from agencies on behalf of the County Council.

² In a few cases some temporary staff had been found to be in place for as long as three years prior to the introduction of the Comensura contract.

Consultants

6. Typically a consultant brings in specific skills or expertise, often to contribute to a time-limited project, which aren't required or affordable on a long term basis.

7. The definition of *consultant* varies from team to team across the council making it difficult to build a clear cross-council picture of the extent to which consultants are being used. Fundamental to our understanding is the coding of expenditure used by managers within the council's financial IT system, SAP. Different managers historically have used different SAP codes to record expenditure on consultants and so it is very difficult to gain as clear a picture as to the numbers and use of consultants as it is for the use of agency staff.

8. The Board highlighted its own concerns, complementing this uncertain picture:

- The lack of a *corporate approach* towards engaging and using consultants.
- The potential for consultants to acquire critical business knowledge and then possibly leave the Council without transferring that knowledge to the organisation.
- The relatively high cost of engaging certain types of consultant.

9. Annual expenditure coded to 'consultancy' on the Council's finance system amounts to approximately £8m representing around 2% of total County Council procurement spend; this has remained relatively constant for the last three years. Roughly half of the £8m is spent on long term, contracted expenditure on a range of ongoing services where the Council has decided to outsource provision.

10. The remaining £4m is ad hoc expenditure on consultants where there is no long term contractual relationship with the Council. The latest information available about how this money is spent is based on a 'snapshot' exercise undertaken in 2008. That showed that almost 80% was spent with consultancy companies and the remaining 20% with sole trader consultants. Beyond that, there is little information available showing the specific reasons *why* individual consultants are engaged, *what* they are being used for or how well consultants are being managed.

11. Several initiatives are now being undertaken to improve the management of the use of ad hoc consultants and to address the gaps in understanding:

- 1) Through the Council's Finance Management Team, departmental finance teams are providing challenge to managers about the coding used for consultants in the SAP system; this should improve our ability to assess and monitor spend on consultancy across the Council
- 2) An intranet *toolkit* for managers has been developed and is being consulted upon prior to approval by the Chief Officer Management Team and formal launch (expected September 2010) which will:

- encourage managers to consider alternatives to external consultants, such as using internal staff;

- provide improved guidance on all aspects of the management of consultants, especially to ensure 'knowledge transfer' takes place at the end of a consultant's placement;

- clarify the proper procurement processes for engaging consultants.

3) A preferred supplier list of consultants has been developed after consultation with departments regarding their current and future requirements for consultancy. Initial results have proved disappointing so far and further work is required to understand the reason why it has attracted relatively low levels of usage.

4) Further clarity may result from the Council's participation in a procurement spend analysis being carried out by Spikes Cavell (data analysis consultants) funded by Improvement and Efficiency South East (IESE). The results are due in October 2010.

Recommendations

1) That the work being done to improve the management of agency staff and consultants by the County Council be fully endorsed.

2) That Audit and Best Value Scrutiny Committee receive a report in March 2011 which:

- outlines the latest information available about the use of agency staff via the Comensura contract, highlighting any key performance indicators that are causing concern; and
- describes progress with the initiatives being put in place to better manage the ad hoc use of consultants by the County Council.

Councillor Paul Sparks

Chairman Audit and Best Value Scrutiny Committee