

AUDIT PANEL		
Report Title	Pay Arrangements Consultants & Senior Interims	
Key Decision	No	Item No. 8
Ward		
Contributors	The Head of Human Resources	
Class	Part 1	Date: 21 November 2012

1. Purpose

At the meeting held on 22 March, the Audit Panel resolved that an update report should be brought back to the Panel in November 2012 on the current pay arrangements for consultants and senior interims together. The report provides details of the senior interims/consultants engaged together with charge rates, in keeping with the Audit Panel's wish that this information should be available in a non-restricted manner. The report also outlines the Council's proposal regarding the publication of salaries received by senior employees and payments made to consultants/interims.

2. Policy Context

The use of senior interim managers and consultants falls within Council's Corporate priority 10 "Inspiring efficiency, effectiveness and equity" by ensuring the delivery of excellent services to meet the needs of the community.

3. Recommendation

To note the current pay arrangements for senior interims and consultants within the Council and the Council's proposal regarding the publication of payments relating to senior interims/consultants.

4. Background

At the meeting held on 22 March 2012, the Audit Panel received information relating to the engagement and pay arrangements for consultants and interims within the Council. The Audit Panel agreed that a progress report should be provided in November 2012 on the continuing use of senior interims and consultants with greater transparency regarding the disclosure of pay rates, whilst maintaining the protection of individual data and having regard to commercial sensitivity.

The Audit Panel recognised the Council's approach to have a mixed economy with a large core of permanent staff, supplemented by temporary appointments to respond to either scarce skills or where service changes do not warrant the expenditure on permanent staff.

5. The use of Consultants & Senior Interims within the Council

The use of senior interims and consultants allows the Council to tap into a highly talented and often very specialised, pool of experts, each with a proven track record of delivery. It also provides greater flexibility to the resourcing of posts/roles.

The nature of their specific and targeted engagement means that, in line with current pay policy, the Council can demand “high level and hard-edged managerial accountability” from the first day of their assignment without having to wait for the incremental productivity improvement associated with new, permanent staff (often described as the “learning curve”).

The consultants currently engaged by the Council cover a range of roles and services. Many work on a part time or on an irregular ‘as and when’ basis with long periods, when they are not used at all. Some of the projects undertaken by the consultants are partly/wholly Government funded.

Executive Directors have been regularly monitoring the tenure of senior interims to satisfy themselves that these arrangements are essential to the running of the business. A number are working on major capital projects some of which will be coming to an end over the next 6 months.

Feedback from managers across the Council is that the specialist skills these individuals bring to Lewisham provides good value for money as the experience and expertise they bring to the Council is not available in-house.

The specialist and specific nature of the roles the individuals perform means that interims and consultants can be 100% focused on delivery.

In 2011, the Chief Executive asked Executive Directors to review their spend on senior interim managers and consultants . This review has resulted in a reduction of the numbers of senior interim managers and consultants, as well as a reduction in individuals rates and hours/days worked .

The table below shows the numbers in both categories (interims and consultants) from January 2011.

	Jan 2011	Sept 2011	Jan 2012	April 2012	End July 2012
Senior Interims	19	19	13	13	17
Consultants	24	13	14	11	11
TOTAL	43	32	27	24	28

6. How Consultants and Senior Interims are engaged

As explained at the previous meeting, pay rates for interims are regularly monitored through the agency contract the Council has with Reed Consulting to ensure the Council does not pay above the market rate. Although the costs of engaging permanent staff would typically represent two thirds of the cost of engaging Senior Interims, the Council saves substantially by not having to pay redundancy costs which could be considerable at a time when a number of reorganisations are taking place.

The number of consultants used at any one time fluctuates in line with service demands. As at the end of July 2012 there were 17 senior interims and 11 consultants working for the Council. Pay rates vary according to the role the individual is undertaking.

For senior interim managers, sourced through the Managed Service, the daily pay rates range from £204 to £450 per day. Reed have been tasked with ensuring that the rates the Council pays represents good value for money and are in line with current labour market rates in London. However, some rates will be dictated by the scarcity of individuals in niche skills areas.

For those senior interim managers who are sourced from outside of the Managed Service the range is much wider, from £255 per day to around £850 per day and reflects the more specialist skills required for the roles.

An analysis of the pay rates for senior interim managers shows that around 58.8% are paid less than £500 per day and 41.2% are paid above this rate.

The daily pay rate for consultants varies greatly and ranges between £200 and £600, with 54.5% being paid below £500 per day, and 45.5% being paid above this rate.

The Council continues to review charges levied for interims and consultants in line with market trends and to ensure efficiencies. Accordingly, over the last two years there has been a general reduction in the overall costs to the Council of senior interims and consultants. The Council continues to monitor and review costs on a periodic basis.

As at the end of July 2012, 17 senior interims were engaged within the Council. This represents 10% of the senior management establishment of the Council (SMG & JNC grades). 10 of these individuals are paid below £500 per day, whilst the other 7 are paid above this figure.

At Lewisham the engagement of senior interim managers is managed through the relevant Directorate Expenditure Panel, and is supported by a business case. The Procurement Guidelines on the use of consultants (revised November 2008) exclude consultants from being used to provide or manage mainstream services and specifically state they should not be used for interim or agency roles.

In appointing a consultant for an essential piece of work all managers are required to prepare a business case which is then presented to the relevant Directorate Expenditure Panel for approval.

Managers have justified the long tenure of some senior interims because of the nature of the projects they have been working on i.e. BSF programme, and to disengage such individuals at such a critical time would be inappropriate and harmful to the project outcomes.

7. Pay arrangements for current Consultants & Senior Interims

The table below lists the senior interim managers and consultants engaged by the Council as at the end of July 2012. Since the last report in May 2012, there has been little change in the overall number engaged indicating that the numbers have stabilised at this level from the previous high usage.

Of the senior interims/consultants who were engaged at the end of July 2012, 6 are covering ongoing assignments with no end date, 13 are anticipated to end in the next three months (although some may be extended), 3 are expected to end within six months, 5 will be engaged for up to another 12 months and 1 is required until December 2015 . The main reason for hiring senior interim managers is to cover vacant posts prior to a restructure. Other reasons include covering for the post-holders secondment, long term sickness absence or the managing of a major contract.

7.1 Table showing Senior Interim Managers as of July 2012

Directorate	FT/ PT	Job Role Area	How is the Council invoiced?	Is interim paid by PSC via LBL	Projected end date
Charge Rate Band £200 - £300 (inc pay and Oncosts)					
Community	FT	Adults Operations Management	Via Agency	Not applicable	April 2013
Customer	FT	Housing Advice & Review Management	Via Agency	Not applicable	Awaiting date from Mgr
Resources & Regeneration	FT	Human Resources Advisory Team	Via Agency	Not applicable	Aug 2012
Charge Rate Band £301 - £400 (inc pay and Oncosts)					
CYP	FT	Estate Management & Contracts	Via Agency	Not applicable	Oct 2012
Resources & Regeneration	FT	Asset Management	Via Agency	Not applicable	Nov 2012
Charge Rate Band £401 - £500 (inc pay and Oncosts)					
CYP	FT	PFI Contract Management	Via Agency	Not applicable	Ongoing
Community	FT	Adults Performance management	Via Agency	Not applicable	July 2013
Customer	PT	Management – Strategic Housing	Directly	Yes	Ongoing
Resources & Regeneration	FT	Audit & Risk management	Via Agency	Not applicable	Sept 2013
Resources & Regeneration	FT	Building Schools for the future mngmnt	Via Consultancy	Not applicable	April 2013
Resources & Regeneration	FT	Building Schools for the future mngmnt	Directly	Yes	Awaiting date from mgr
Resources & Regeneration	FT	Finance Shared Services management	Via Agency	Not applicable	Dec 2012
Charge Rate Band £501 - £600 (inc pay and Oncosts)					
CYP	FT	Health Commissioning	Via Agency	Not applicable	April 2013
Resources & Regeneration	FT	Building Schools for the future mngmnt	Via Interim recruiter	Not applicable	April 2013
Resources & Regeneration	FT	Asset Management	Directly	Yes	Awaiting date from mgr
Charge Rate Band £601 - £700 (inc pay and Oncosts)					
Community	FT	Head of Service	Directly	Yes	Ongoing
Charge Rate Band £801 - £900 (inc pay and Oncosts)					
Resources & Regeneration	FT	Asset Management	Via Consultancy	Not applicable	March 2013
Total 17					

7.2 Table showing Consultants as of July 2012

Directorate	FT/PT	Job Role Area	How is the Council invoiced?	Is consultant paid via PSC by LBL?	Projected end date
Charge Rate Band £200 - £300 (inc pay and Oncosts)					
CYP	FT	Teaching	Directly	Not applicable	July 2012
Charge Rate Band £301 - £400 (inc pay and Oncosts)					
Resources & Regeneration	FT	Contract Mgt Support in Facilities Mngmnt	Via Consultancy	Not applicable	Dec 2012
Charge Rate Band £401 - £500 (inc pay and Oncosts)					
CYP	PT	Fire Safety Assessment	Directly	Not applicable	Dec 2012
CYP	PT	Adoption Panel	Directly	Not applicable	Dec 2015
CYP	FT	Schools Infrastructure	Directly	Yes	Nov 2012
Community	PT	Adult Safeguarding	Directly	Not applicable	Sept 2012
Community	FT	Crime Reduction / DAAT	Directly	Yes	Aug 2012
Customer	FT	Housing Benefit subsidies	Directly	Not applicable	Ongoing
Charge Rate Band £501 - £600 (inc pay and Oncosts)					
CYP	PT	Lewisham Childrens Safeguarding Board	Directly	Yes	Ongoing
Community	PT	CEL Department Management Team	Directly	Yes	Ongoing
Customer	PT	Strategic Housing	Directly	Yes	Aug 2012
Total 11					

Daily Charge Rate Bands - Summary

Daily Charge Rate	Number Engaged
£200 - £300	4
£301 - £400	3
£401 - £500	13
£501 - £600	6
£601 - £700	1
£701 - £800	
£801 - £900	1
Total	28

8. Transparency of Senior Pay

The Council already publishes salary information relating to specific chief officer posts within the Annual Statement of Accounts and an annual Pay Statement outlining the Council's pay strategy and position. In line with the requirement to increase the transparency of senior pay arrangements, the Council has also agreed to publish information on an annual basis with details of salary bands of senior employees earning £75k per annum and above (approx £100k per annum including on-costs). This information which will be published in November will include the job title and job role together with the relevant salary banding for the post.

It is also intended to publish the cost to the Council of those senior interims/consultants who cost the Council the equivalent i.e. £100K per annum and over. This will currently include 6 of the interims/consultants listed in the above tables. This calculation has been used for calculating both permanent and agency salary costs.

9. Pay arrangements for Interims/Consultant paid via Personal Service Companies

In order to minimise the risk to the Council and rationalise pay arrangements, it is proposed that, as far as possible, all interims/consultants should be paid through the Council's Managed Service Provider. With this in mind work is currently being undertaken to transfer the responsibility for senior interims who are paid via Personal Service Companies from the Council to the Managed Service Provider.

As a result of this the classification of consultants and senior interims may change as many of these will be required to be engaged via the Council's Agency Managed Service; and distinctions will also need to be made between consultants, senior interims and other appointments such as panel members.

10. Legal Implications

The Council is required to comply with relevant legislation and Codes of Practice with regard to the publication and transparency of senior pay whilst maintaining individuals rights to privacy and data protection. HMRC Regulations and Guidance must also be followed with regard to the engagement and pay of any workers who are not direct employees of the Council.