

<b>AUDIT PANEL</b>		
<b>Report Title</b>	<b>Pay Arrangements Consultants &amp; Senior Interims</b>	
<b>Key Decision</b>	<b>No</b>	<b>Item No. 3</b>
<b>Ward</b>		
<b>Contributors</b>	<b>The Head of Human Resources</b>	
<b>Class</b>	<b>Part 1</b>	<b>Date: 18 June 2013</b>

**1. Purpose**

At the meeting held on 21 November 2012, the Audit Panel resolved that a further update report should be brought back to the Panel at the end of the 2012/13 financial year 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 provides an update on payments made to Public Service Companies.

**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**

The Audit Panel have received a series of reports with information relating to the engagement and pay arrangements for consultants and interims within the Council. The reports have ensured there is 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 interims and 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 or funded by partners such as health.

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.

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 initially resulted in a reduction in the numbers of senior interim managers and consultants, as well as a reduction in individuals rates and hours/days worked. However, due to the number of restructures currently being undertaken, the number of Senior interim managers has increased slightly.

The table below shows the numbers of senior interims and consultants from January 2011 – 1<sup>st</sup> April 2013

	Jan 2011	Sept 2011	Jan 2012	April 2012	End July 2012	1 <sup>st</sup> April 2013
Senior Interims & Consultants Total	43	32	27	24	28	32

## 6. **How Consultants and Senior Interims are engaged**

Pay rates for interims and consultants who are engaged via the agency contract with Reed Consulting, are regularly monitored 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 interims and consultants used at any one time fluctuates in line with service demands. As at 1<sup>st</sup> April 2013 there were 32 senior interims and consultants working for the Council. Pay rates vary according to the role the individual is undertaking.

For senior interim managers and consultants, sourced through the Managed Service, the daily pay rates range from £210 to £650 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 and consultants who are sourced from outside of the Managed Service the range is much wider, from £253.15 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 and consultants shows that around 78% are paid £500 or less per day and 22% are 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 1<sup>st</sup> April 2013, 32 senior interims and consultants were engaged within the Council. This represents 25% of the senior management establishment of the Council (SMG & JNC grades). 25 of these individuals are paid £500 per day or below, whilst the other 7 are paid above this figure.

At Lewisham the engagement of senior interim managers and consultants 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.

Managers have justified the long tenure of some senior interims due to the nature of the projects they are engaged on, where the technical and commercial awareness, and knowledge are critical to success, i.e. BSF, Housing, Adult Transformation and Asset Management, and to disengage such individuals at such a critical time would not make sound business sense.

Approximately two thirds of current senior interims are engaged within these four areas, many of which are undergoing substantial re-organisations. Of the 32 senior interims and consultants who were engaged as of 1<sup>st</sup> April 2013, 16 of these individuals were engaged in April 2012, thus have been engaged for over a year. Additionally, 6 individuals who were engaged in April 2012 have since left the organisation.

## **7. Pay arrangements for current Consultants & Senior Interims**

The table below lists the senior interim managers and consultants engaged by the Council as at 1<sup>st</sup> April 2013. Since the last report in November 2012, there has been a slight increase in the overall numbers engaged. This increase is partly due to the number of restructures occurring throughout the authority and where individuals with these niche skills are missing.

Of the senior interims/consultants who were engaged at 1<sup>st</sup> April 2013, 7 are anticipated to end in the next three months (although some may be extended), 12 are expected to end within six months, 11 will be engaged for up to another 12 months, 1 will end in 2015 and 1 is ongoing. 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, the managing of a major contract or supporting key roles.

### 7.1 Table showing Senior Interim Managers and Consultants as of 1<sup>st</sup> April 2013

Directorate	FT/ PT	Job Role Area	How is the Council invoiced?	Is interim paid by PSC via LBL	Projected end date
<b>Charge Rate Band £200 - £300 (inc pay and Oncosts)</b>					
Community	FT	Adults Operations Management	Via Agency (funded by Health)	Not applicable	Oct 2013
Community	FT	YOS Operations Management (pending recruitment)	Via Agency	Not Applicable	July 2013
Customer	FT	Environmental Enforcement	Via Agency	Not Applicable	July 2013
Customer	FT	Housing Decant of Milford Towers	Via agency	Not Applicable	July 2013
Customer	FT	Housing Decant of Millford Towers	Via Agency	Not Applicable	April 2013
Customer	FT	Housing Advice & Review Management	Via Agency	Not applicable	Aug/Sept 2013
Customer	FT	Housing – Partnership & Service improvement	Via Agency	Not Applicable	July/Aug 2013
<b>Charge Rate Band - £301 - £400 (inc pay and Oncosts)</b>					
CYP	FT	Childrens Social Care	Via Agency	Not Applicable	June 2013
Community	FT	Adult Social Care Integration of Neighbourhood teams	Via Agency (funded by health)	Not Applicable	Oct 2013
Customer	FT	Housing Needs Management	Via Agency	Not Applicable	June 2013
Resources & Regeneration	FT	Contract Mgt Support in Facilities Mngmnt	Via Consultancy	Not applicable	May 2013
Resources & Regeneration	FT	Asset Management	Via Agency	Not applicable	Sept 2013
<b>Charge Rate Band - £401 - £500 (inc pay and Oncosts)</b>					
CYP	FT	PFI Contract Management	Via Agency	Not applicable	Sept 2013
CYP	PT	Fire Safety Assessment	Directly	Unknown	Ongoing
CYP	FT	Schools Infrastructure	Via agency	Not applicable	Aug 2013

Community	FT	Adult Mental Health 4 borough project, costs shared. Max 2 days a month	Directly	Unknown	Dec 2013
Community	FT	Adults Performance management	Via Agency	Not applicable	Oct 2013
Community	FT	Adult Safeguarding	Via Agency	Not applicable	Nov 2013
Customer	PT	Management – Strategic Housing	Via Agency	Not applicable	May 2013
Customer	FT	Housing Benefit subsidies	Directly	Not applicable	March 2015
Resources & Regeneration	FT	Audit & Risk management	Via Agency	Not applicable	Sept 2013
Resources & Regeneration	FT	Building Schools for the future mngmnt	Via Agency	Not applicable	April 2014
Resources & Regeneration	FT	Building Schools for the future mngmnt	Via Agency	Not Applicable	Dec 2013
Resources & Regeneration	FT	Finance Shared Services management	Via Agency	Not applicable	Nov 2013
<b>Charge Rate Band - £501 - £600 (inc pay and Oncosts)</b>					
CYP	FT	Health Commissioning	Via Agency	Not applicable	Sept 2013
CYP	FT	Children's Social Care Service Management	Direct	Unknown	April 2013
Community	PT	CEL DMT(Specialist advice 1 day per week	Directly	Yes	Dec 2013
Resources & Regeneration	FT	Building Schools for the future mngmnt	Via Interim recruiter	Not applicable	Dec 2013
Resources & Regeneration	FT	Asset Management	Directly	Yes	Sept 2013
<b>Charge Rate Band - £601 - £700 (inc pay and Oncosts)</b>					
Community	FT	Head of Service	Via Agency	Not applicable	Oct 2013
<b>Charge Rate Band - £801 - £900 (inc pay and Oncosts)</b>					
Resources & Regeneration	FT	Corporate Asset services	Directly	Unknown	July 2013
Resources & Regeneration	FT	Asset Management	Via Consultancy	Not applicable	April 2013
<b>Total 32</b>					

### Daily Charge Rate Bands - Summary

Daily Charge Rate	Numbers Engaged – July 2012	Numbers Engaged - April 2013
£200 - £300	4	7
£301 - £400	3	5
£401 - £500	13	12
£501 - £600	6	5
£601 - £700	1	1
£701 - £800	0	0
£801 - £900	1	2
<b>Total</b>	<b>28</b>	<b>32</b>

**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 was published in November included the job title and job role together with the relevant salary banding for the post.

It also published 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 7 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 August 2012, the Finance division brought in the use of HMRC's website questionnaire to ensure that individuals engaged on a self employed basis by Lewisham were correctly categorised. This meant that they were able to be paid directly without adverse tax implications for the council. It also minimised the reputational risk to the council of being seen to fail to comply with either the letter or the spirit of relevant tax legislation.

The policy of ensuring that engagements are properly treated for tax purposes is important and as such the Finance division has vigorously pursued its implementation.

As a result, some of the self employed individuals moved into employment status, agency working or finished their contract. This resulted in the difference shown below

<b>Description</b>	<b>End July 2012</b>	<b>May-13</b>
Senior Interims	17	2
Consultants	11	4
<b>Total</b>	<b>28</b>	<b>6</b>

On the table above all the 6 Senior Interim and Consultants are now deemed to be self employed by HMRC and therefore must be paid direct.

All new persons wishing to work within LBL (other than direct employees or agency staff), whatever the payment are now obliged to submit the HMRC form completed and have this signed off by the manager of the department. This is then checked through the Web-link to ensure that their status is correct. No payments will be made unless the form has been signed off and the set-up for suppliers shows this has happened.

**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.

Background Papers

None

If there are any queries on this report please contact Tracey Hawks H R Resourcing Manager tel 0208 314 6466.