

Report Title	Report to the Audit Panel on the cost & use of Consultants and Senior Interim Managers at LB Lewisham		
Key Decision	No		Item No. 13
Ward			
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Class			Date: 22 June 2011

1. Introduction

The purpose of this paper is to provide the Panel with details of the current use and cost of senior interim managers and consultants

2. Summary

The use of Senior Interim Managers and Consultants provides the Council access to specialist skills which enables projects and services to be delivered more effectively and efficiently than would be otherwise.

3. 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.

4. Definitions of Senior Interims & Consultants

4.1 Senior Interims

Senior interim Managers are defined as middle-to-senior grade managers covering a substantive post within the Council organisation and are 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. They normally would have line responsibility for staff if this is an element of the role they are covering.

Senior Interim Managers are normally hired through the Agency Managed Service operated on Lewisham's behalf by Reed Consultancy, though some senior interims are hired from specialist agencies who are not part of the AMS.

4.2 Consultants

An external consultant is an individual or organisation appointed to deliver a specified project with specified deliverables and a timetable. The project should either be developmental and/or problem solving and/or diagnostic and/or re-engineering in nature. Consultants should be engaged to deliver a professional, technical or management service or specific problem solving assignment.

5. Approval Process

Approval to engage a Senior Interim Manager 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 Council Officers, including senior managers, are required to prepare a business case which is presented to the relevant Directorate Expenditure Panel for approval.

6. Current Expenditure & Distribution of Senior Interims and Consultants

6.1 Senior Interim Managers

The figures below are based on invoices processed during January – April 2011.

	Jan-April 2011 total	Monthly Average
CYP	£204,024.57	£51,006.14
Community	£38,332.90	£9,583.22
Customer	£32,576.51	£8,144.12
Regeneration	£408,958.71	£102,239.67
Resources	£225,155.80	£56,288.95
TOTAL	£909,048.49	£227,262.12

6.2 Senior Interim Manager distribution across the Directorates:

Directorate	Jan 2011	April 2011
CYP	4	5
Community	1	1
Customer	1	1
Regeneration	10	9
Resources	3	3
TOTAL	19	19

The main reason for hiring Senior Interim Managers is to cover vacant posts prior to a restructure. Over 58% have been hired for this reason. Other reasons include covering for the post-holders secondment, long term sickness absence or the managing of a major contract.

6.3 Consultants

Establishing the cost of Consultants is more problematical than for Senior Interim Managers because of the different way their services are procured and paid for.

Senior Interim Managers are provided through Agencies, principally through our Agency Managed Service. The spend is therefore easy to identify.

Consultants can be procured through this route, but the majority set themselves up as Limited Companies, and invoice Lewisham directly. To identify consultant spend it requires the interrogation of all invoices processed by Lewisham (several thousand each month) and identifying those which are linked to this specific area of spend during this period.

Therefore, the figures presented here represent the consultant spend for January – April 2011 and the monthly average during this period.

During this period the following invoices/spend were processed and coded to consultants:

Directorate	Jan – April 11 Total	Monthly Average
CYP	£148,178.81	£37,044.70
Community	£174,384.68	£43,596.17
Customer	£336,917.43	£84,229.35
Regeneration	£309,789.92	£77,447.48
Resources	£74,652.17	£18,663.04
TOTAL	£1,043,923.01	£260,980.74

6.4 From the spend figures above, the number of Consultants across the Directorates is detailed below:

Directorate	January 11	April 11
CYP	5	7
Community	6	4
Customer	5	6
Regeneration	4	2
Resources	4	2
TOTAL	24	21

The primary reason given for hiring these Consultants is to either lead or support the delivery major projects (48%). The next largest group are performing specialist roles, principally in the educational or safeguarding fields. The remainder are technical specialists.

7. Listing of Senior Interims and Consultants

The listing below was prepared at the beginning of March 2011 and hence includes 23 interims and 23 consultants. It represents the roles covered by Consultants and Senior Interims in each of the directorates. The totals will differ from the tables above due to the different dates used and whether invoices were processed for the period reported on.

Consultations are taking place with our agency providers to establish whether the Council can publish the personal rates of pay for these senior Interim Managers to ensure that both the agencies and the council comply with Data Protection regulations, however indicative rates are provided in paragraph 8.

7.1 Children & Young People Directorate

Within CYP there are a number of roles associated with social care which are currently being covered by Senior Interims

Consultant / Senior Interim	Service Area	job title	Start Date	End Date
Senior Interim	Access Support	Educational Psychologist	February 2009	Ongoing
Senior Interim	Access Support	SALT	Being determined	Ongoing
Consultant	Children Social Care	Consultant Social Worker	2001	Once current work complete
Senior Interim	Children Social Care	Team Manager (R&A)	04/10/2010	30/04/2011
Senior Interim	Children Social Care	Team Manager - Children With Disabilities	14/10/2010	25/03/2011
Senior Interim	Children Social Care	Service Manager	21/02/2011	30/04/2011
Consultant	Children Social Care	Chair of LSCB	March 2009	June 2011

Senior Interim	Educational Development	Head of IYSS & Connexions Manager	19/12/2008	31/08/2011
Senior Interim	Resources	Head of Estate Management & Contracts	20/07/2009	30/09/2011
Consultant	Resources	Fire Safety Assessment Officer	December 2007	September 2011
Consultant	Resources - BSF. Estates Management Unit	Contract Manager for PFI FM contracts	Being determined	September 2011

7.2 Community Directorate

Within Community , a number roles are associated with the Adult Social Care Personalisation and Transformation programme.

Consultant / Senior Interim	Service Area	job title	Start Date	End Date
Senior Interim	Adult Services	Head of Service- Adult Services	02/08/2010	Indefinite
Senior Interim	Adult Services	Operations Manager - Older Adults	21/04/2008	30/04/2011
Consultant	Adults with Learning Disabilities	Specialist Senior Practitioner Assessor	March 2008	Being determined
Consultant	Community Safety - Adult Safeguarding	Officer	Being determined	31/08/2011
Consultant	Crime Reduction / Drug Action Team	Consultant	Being determined	Being determined
Consultant	Directorate Management Team - CEL	Consultant	2009	Ongoing

7.3 Customer Directorate

The majority of temporary roles within the Customer Directorate are interim, pending restructuring.

Consultant / Senior Interim	Service Area	job title	Start Date	End Date
Senior Interim	Housing Strategy & Development	Part time Service Group Manager	22/04/2010	31/03/2011
Senior Interim	Public Services - Central Admin	Continuity Manager	April 2007	June 2011
Senior Interim	Public Services - Service Development	Independent Adjudicator	January 2010	May 2011
Senior Interim	Strat Housing & Reg Services/Housing Needs	Lettings & Support Services Manager	December 2010	July 2011
Senior Interim	Strategic Housing & Business Regs Service	Housing Advice & Review Manager	19/07/2010	01/04/2011
Consultant	Strategic Housing & Business Regulations	Consultant	24/11/2010	18/03/2011

Consultant	Strategic Housing & Business Regulations	Consultant	18/03/2011	When funding runs out
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7.4 Regeneration Directorate

A number of individuals working within Regeneration who have been engaged on a long term basis are working within the *Building Schools for the Future* project. Additionally, forthcoming restructuring within Transport has meant a number of senior roles are currently being covered by interim managers, including the Head of Service

Consultant / Senior Interim	Service Area	job title	Start Date	End Date
Senior Interim	Performance & Strategy	Executive Director Regeneration	07/06/05	Indefinite
Senior Interim	Planning	Development Control Manager	05/03/2007	March 2012
Consultant	Programme Management	Programme Manager	Dec-05	May 2011
Consultant	Programme Management & Property	BSF Cost Manager	January 2008	April 2013
Consultant	Programme Management & Property	BSF Programme Design Manager	January 2009	April 2012
Consultant	Programme Management & Property	BSF Commercial Manager	May 2010	April 2012
Consultant	Programme Management & Property	Senior Programme Manager	December 2005	December 2011
Senior Interim	Programme Management & Property	Contract Management Support to FM	09/11/2010	August 2011
Senior Interim	Programme Management & Property	Procurement Support	April 2009	July 2011
Senior Interim	Transport	Head of Transport	02/08/2010	Pending Restructure
Senior Interim	Transport	Transport Manager	03/11/2008	Pending Restructure
Senior Interim	Transport	CPZ Team Manager	21/03/2007	31/03/2011

7.5 Resources Directorate

Within the Resources Directorate there are a number of roles being covered by Senior Interims in advance of budget restructuring. Additionally, there are specific iT projects, such as The Payroll Human Resources Information System (PHRIS) project, which requires individuals with specific experience in Business Objects software to help develop payroll reports etc.

Consultant / Senior Interim	Service Area	job title	Start Date	End Date
Senior Interim	Audit & Risk	Head of Audit & Risk	19/07/2010	30/06/2011
Consultant	Corporate Resources	PHRIS Consultant	June 2008	Mar-11

Consultant	Corporate Resources	PHRIS Consultant	July 2010	Ad-hoc days only
Senior Interim	Finance	Group Manager Capital & Treasury	15/03/2010	01/07/2011
Senior Interim	Personnel & Development	Strategic Organisational & L&D Manager	06/08/2010	30/06/2011

Feedback from managers using Senior Interim Managers and Consultants across the Directorates is that the specialist skills these individuals bring to Lewisham provides good value for money and represent a cost saving (through cost avoidance) due to the efficiencies their experience and expertise bring to the Council which is not available in-house.

The specialist and specific nature of the roles these individuals perform means that interims and consultants can be 100% focused on delivery. Their chances of gaining their next assignment depends on their ability to deliver in their current one, success at which will generate a positive reference once it comes to an end.

8. Pay Rates for Senior Interim Managers and Consultants

The council seeks to be a fair and good employer of choice. It seeks to engage the best talent and skills available but also to have regard to changing conditions in differing occupational labour markets.

The approach has been to have a mixed economy with a large core of permanent staff which are then supplemented by temporary appointments to respond to either scarce skills or where service changes do not warrant the expenditure on permanent staff.

The employment of 19 senior interim managers currently which represents less than 15% of the senior workforce is in keeping with this.

Pay rates for interims are regularly monitored through the agency contract the council has with Reed 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 in not having to pay redundancy costs which could be considerable at a time when a number of reorganisations are taking place.

Pay rates themselves vary greatly dependant on the role the individual is undertaking.

For Senior Interim Managers, sourced through the Managed Service the daily pay rates range from £238 per day to £700 per day. Reed have been tasked with ensuring the rates the Council pay represent 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 £283 per day to approximately £935. This is principally a reflection of their more specialist skills.

Overall, analysis of pay rates to Senior Interim Managers indicates that 45.5% are paid less than £500 per day, and 54.5% are paid above this rate.

The daily pay rate for Consultants varies greatly, although a large number of them are earning in excess of £500 per day. From those identified, the daily pay range is between £210 and £900, with 63.6% paid below £500 per day, and 36.4% are paid above this rate.

The use of Senior Interims & Consultants allows for greater flexibility in how posts/roles can be resourced – such as using them for part-weeks or specifically targeted periods (such as critical times during the delivery of a project).

Additionally, 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 use of Senior Interims and Consultants allows us to tap into a highly talented and often very specialised, pool of experts, each with a proven track record of delivery.

9. Current Market Trends in the Usage and Remuneration of Consultants and Senior Interims

Reed, our AMS provider believe that the interim market has changed within the public sector over the last 12 months. The number of interims working within local authorities has dropped not only over the past 12 months but more sharply again in the last 6 months, although Reed are unable to quantify by how much.

In terms of rates, Reed confirm that there has been a decrease of between 5 - 10% on interim salaries from 12 months ago. Although this decrease is mainly for new assignments, some ongoing assignments have also been re-negotiated.

A recent survey of interim managers working in local authorities, provides the following insight into the current trends in the interim market¹.

- Whilst **78%** agree there have been significantly fewer interim roles in the past 12 months, **55%** strongly believe that demand will increase in the next 3 to 6 months
- **60%** see that upturn coming from transformation, downsizing, efficiency and programme management roles
- **63%** state that daily rates have dropped at least **10%** over the past year
- Whilst **78%** will travel further now and **58%** will drop down a tier, only **34%** are more likely to consider a permanent or fixed term role
- Only **9%** have ever had a proportion of their daily fee set at risk against Key Performance Indicators

on a ‘risk / reward’ basis yet **80%** are positive about working within such a compensation scheme

10. Length of Tenure

94.7% of existing Senior Interims have been with the organisation for over 6 months. Whilst 58% of all existing senior interims have been engaged for over a year. The extended length of tenure at Lewisham reflects the desire not to substantively fill senior vacancies in services that form part of the budget reduction programme, thus mitigating the risk of potential, and expensive, redundancy payments.

11. Review of Senior Interim and Consultant Length of Tenure and Pay Rates

¹ Source: Green Park Interim & Executive Search June 2011

Agency spend is routinely and closely monitored on a monthly basis through the reporting of spend going through the Agency Managed Service. Additionally, a review of current spending on Senior Interims Managers and Consultants has been instituted by the Chief Executive which will be completed at the end of June 2011.

As part of this review, managers were asked to:

- Review the basic daily rate and reduce it
- Review the agency margin and reduce it
- Reduce the number of days worked

The review is still ongoing, but is 78% complete, and once fully completed the findings will be made available to the Panel.

Of the results received so far, in the case of Senior Interim Managers, in two cases the assignments were completed and their contract terminated and of those still working with us, the pay rates of 4 have been lowered and the agency commission of 1 Senior Interim has been reduced. This reduction is on average 10-12%, in line with the market trends identified above.

The hours worked have been reviewed and reduced in 7 cases and dates have been agreed for when 10 assignments will terminate.

For Consultants, 9 have left the Council or the contract terminated, 1 has had their hours reduced and, in the case of 3 Consultants, a date has been agreed for when their assignments will come to an end.

Concurrently, as part of their remit under the Agency Managed Service contract, Reed are reviewing the pay rates with the suppliers on the AMS and have achieved a reduction in some of the supplier margins.

Colleagues in HR, Procurement and Finance are also currently reviewing how the spend on consultants can be more easily recorded and monitored.