

USE OF CONSULTANTS

To: **Audit & Accounts Committee**

Meeting Date: **22nd November 2018**

From: **Chris Malyon, Deputy Chief Executive**

Purpose: **To inform the Committee of findings and recommendations arising from the Internal Audit review of the use of consultants.**

Recommendation: **That Members note the agreed improvements (and associated timeframes for implementation) arising from this report.**

<i>Officer contact:</i>		<i>Member contacts:</i>	
Name:	Chris Malyon	Names:	Councillor Mike Shellens
Post:	Deputy Chief Executive	Post:	Chair of Audit & Accounts
Email:	Chirs.malyon@cambridgeshire.gov.uk	Email:	Shellens@waitrose.com
Tel:	01223 699796	Tel:	01223 699170

1. BACKGROUND

- 1.1 At the request of the Chief Executive, Internal Audit carried out a review of the use of consultants at Cambridgeshire County Council.
- 1.2 As part of the review, Internal Audit was requested to review the procurement arrangements relating to the appointment of a specific consultancy agency, V4 Services Ltd.
- 1.3 The external auditor subsequently advised that a complaint had also been raised regarding the issue, and consequently a specific briefing note was produced by Internal Audit to give detail of the V4 Services procurement.

2. APPOINTMENT OF V4

- 2.1 Gillian Beasley (GB) took up her role as joint Chief Executive of Cambridgeshire County Council and Peterborough City Council in October 2015. In response financial and other challenges facing the Council, GB worked quickly with the Strategic Management Team (SMT) to identify a number of areas for improvement and transformation:
 - the Council's Medium Term Financial Strategy was formulated in departmental silos and there was a prevailing view that service cuts were inevitable to solve the County Council's financial challenges;
 - expertise and understanding on how service transformation could be achieved was limited and dispersed throughout the organisation, meaning very few transformation proposals had come forward in the draft Medium Term Financial Strategy (MTFS) for 2016/17;
 - the recommendations from a Local Government Association Peer Review in October 2013 were largely unimplemented, particularly the need to bring together corporate support to save money through removing duplication of roles and to create a strong set of corporate services to drive transformation and efficiency;
 - commissioning principles and strategy for Adult Social Care (the largest spending area of the Council) were weak, leading to fragmented arrangements for purchasing care and insufficient financial control around these arrangements;
 - the Council's central contracts register was inadequate and a greater oversight of the Council's full contracting activity was needed to drive good contract management;
 - IT infrastructure experienced daily failures, with significant productivity losses and the organisation lacked a coherent IT strategy; and
 - there were a number of barriers to the corporate centre acting collectively in the interests of the whole council.
- 2.2 Faced with the significant issues identified above and with a short time-frame to make an impact on the MTFS for 2016/17 to prevent services cuts, SMT considered how to address these issues and where support from Peterborough colleagues or external consultants might be required. It was agreed that:
 - a. GB would lead on the IT issues with Sue Grace (SG);
 - b. Chris Malyon (CM) would lead on financial management, and MTFS with support

from the finance team in LGSS;

- c. Will Patten, Director of Commissioning at Peterborough City Council (PCC) would work with Charlotte Black and Claire Bruin to address the commissioning issues in Adult Social Care;
- d. External expertise would be commissioned urgently to support the Corporate Capacity Review (CCR) and to commence the building of transformation proposals to avoid service cuts whilst CCR was in progress. This would be under the leadership of CM and with the support of SG.

- 2.3 At the time, SMT had little experience or expertise in the transformation of services to the degree required to avoid service cuts. However, GB had a track record of leading successful transformation in Peterborough City Council and extensive experience of working with a number of consultancy firms. Taking into consideration both the required expertise and the need for an approach which would transfers skills to the organisation, GB asked SMT to consider working with V4.
- 2.4 Members of SMT met with representatives of V4 to assess whether they brought the right skills and approach to work alongside SMT to address the urgent challenges faced by the Council. CM concluded some due diligence in relation to V4, by benchmarking their costs and by taking references. GB and CM interviewed two national consultancy firms who offered similar consultancy support to that offered by V4. Whilst not a formal process, it provided valuable insight regarding V4's approach and how aligned these were to the outcomes required. It was clear from these sessions that V4's approach was far more about working with the council, building internal capacity and skills, and knowledge transfer than the other providers. Following these assessments, SMT unanimously agreed to appoint V4.
- 2.5 Given the level of urgency to deliver outcomes, V4 were initially engaged under an exemption in December 2016 (please see Appendix 2). When the work started the level of need in some areas was higher than anticipated and new issues were uncovered as the programme developed. In May 2017, SMT identified the need to bring in a managed service provider for consultancy services to give the organisation access to a wide supply chain of transformation expertise. Whilst waiting for procurement through the new MSP to be established, expenditure with V4 did exceed the Council's exemption thresholds. From August 2017 all external consultancy work – including V4 - was procured appropriately through the new MSP framework.
- 2.6 As part of their delivery, V4 supported several work streams and facilitated a number of workshops with Members and officers. The outcomes from the work with V4 included: business improvements in IT including a stable platform and significantly increased productivity; robust contract management; strong corporate capacity corporate services meaning the county council can run its business efficiently and effectively; a transformation programme which delivered £35.9 million in 17/18 (with 86% of proposals being attributed to transformation, limiting service cuts) and a collaborative, confident and accountable SMT.

3. MAIN ISSUES

- 3.1 The Internal Audit report on Use of Consultants is provided at Appendix 1, giving the results of a review undertaken on a sample of consultancy and interim appointments at Cambridgeshire County Council. This review identified satisfactory assurance over the system in place to govern the procurement and management of consultants at the Council, and limited assurance over compliance with the system. The report also identified a lack of central oversight of consultancy expenditure, further hampered by the difficulty of identifying consultancy expenditure on the Council's financial systems.
- 3.2 A more detailed briefing note from Internal Audit regarding the findings of the review into the procurement of V4 Services Ltd is provided at Appendix 2.

4. RESPONSE TO FINDINGS

- 4.1 As a result of the findings of the Internal Audit review, a number of actions to improve systems of governance for the procurement and management of consultants have been identified and agreed.
- 4.2 Agreed actions are detailed in the Use of Consultants report, at Appendix 1. This includes a draft revised Consultants & Interims Policy (provided as an appendix to the Use of Consultants report), incorporating improved processes, which has been produced by Internal Audit. This draft is currently under review with colleagues in HR and Procurement.
- 4.3 It has also been agreed that Internal Audit will conduct a follow-up review of compliance with this policy in the fourth quarter of 2018/19.

SOURCE DOCUMENTS

Source Documents	Location
Appendix 1: Internal Audit Report on the Use of Consultants Appendix 2: Internal Audit Briefing Note on Procurement of V4 Services	Internal Audit Octagon 1, Shire Hall, Cambridge