

Committee: Finance Committee Corporate Services Committee	Dated: 18 th April 2023 19 th April 2023
Subject: Use of Interims (Consultants)	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly? We have access to the skills and talent we need.	8
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	Not applicable
What is the source of Funding?	Not applicable
Has this Funding Source been agreed with the Chamberlain's Department?	Not applicable
Report of: Dr Marcelle Moncrieffe, Chief People Officer	For Information
Report author: Mark Williams, Interim Assistant Director: Reward and HR Projects	

Summary

This report provides an update to the Committee on the work being undertaken to review the spend and utilisation of interims and introduces new controls that are being put in place. A key objective of the reward refresh will be to reduce reliance on contingent labour (agency workers and interims) in hard to recruit areas. Spend on contingent labour was 4.02% of the pay bill in the financial year 2021/22.

Recommendations

Members are asked to note the report and note the controls that are being put in place regarding Interim Manager appointments from 1st May 2023.

Main Report

Background

1. Finance Committee in December 2022 requested that officers supply a report in relation to the use of consultants across the organisation. Specifically:-

“Members were keen to review a Report which outlined the current data around the number and usage of consultants, analysis of performance and value-for-money and the criteria used when appointments are made.”

2. This paper responds to the issues raised by the Finance Committee and sets out strengthened controls on managing the use of Consultants.

Scope

3. For the purposes of addressing the request of Members, consultant means:-
 - An individual who is not employed by Corporation who is hired via a Third Party / Agency; and
 - who is paid on a **daily rate** rather than on a Corporation pay grade.
4. The term “Interim” is used throughout the Corporation to describe the work of a consultant. This is also the term used in the recruitment industry. Hereafter the term interim is used throughout this report.
5. Typically, interims are hired in the following circumstances:-
 - To cover a budgeted vacancy. This occurs in the following scenarios:
 - I. Whilst a job is being advertised and permanent recruitment is taking place.
 - II. Where there is a review taking place of organisational arrangements which may lead to changes in the management structure.
 - III. Where the job cannot be filled on a permanent basis because it is in a hard to recruit area and it has not been possible to attract suitably qualified candidates.
 - To provide additional capacity and expertise in the following circumstances:-
 - I. To provide assistance for a key project or activity which is time limited e.g., an investigation or drafting a business case where there is no in house capacity
 - II. Where the required skills and expertise are not available internally

The following activities and roles are outside the scope of Interim work:

- Consultancy services – services commissioned from an organisation (rather than specific individuals) as a result of a tendering process.
- Office holders – a person appointed to an organisation who does not have a contract of employment. Within the Corporation this applies to roles such as the Judicial appointments, Elected Members and Trustees

Benefits to the Corporation of using Interims

6. The Corporation's workforce consists of employees and contingent workers. Interims are part of the contingent workforce. There are a number of benefits:-
 - They can be hired quickly.
 - They bring subject matter experts with significant experience which support organisational improvement.
 - The Corporation does not accrue any employment liabilities.
 - Assignment can be terminated rapidly should the need arise.

Disadvantages of using interims

7. There are also disadvantages to the Corporation if usage is not carefully managed:-
 - The costs can be high especially if placement is lengthy and not managed well.
 - Use of interims can hinder progression for internal talent by blocking internal opportunities to step up and be developed.
 - Long term usage does not provide stability for the organisation.

Sourcing interims – current arrangements

8. Where a manager highlights the need for an Interim, Hays should be used to source the worker directly or through their preferred supplier list (PSL). If a suitable candidate cannot be sourced via Hays or their PSL, then an Interim can be hired via another agency provided it is a procurement compliant route that has been approved by Commercial Services and HR. In the current financial year to date 25% of current temporary worker spend is outside of the Hays contract. It should be noted that Hays have taken action in partnership with us since January 2023 to extend their PSL to reduce off contract spend. A number of agencies have joined their PSL were previously commissioned directly.

Current spend on contingent workers – agency workers and Interims

9. Spend is categorised as part temporary labour spend for financial reporting purposes. It is important to see this spend in the context of overall workforce costs. The pay bill for the Corporation (including Institutions and the City of London Police) was £308M in the financial year 2021/22. Spend on contingent labour was £12.4M. This equated to 4.02% of the pay bill. In the current financial year, workforce spend to 31 January 2023 was £299M of which contingent labour spend was £12.1M (4.04%). Overall spend for 2022/23 is forecast to be in the region of £14.5M which amounts to a 14% increase in spend compared to 2021/22. It should be noted that spend on temporary

labour is sometimes charged as consultancy spend so the spend may understated. However, this is not significant.

10. We have worked with Hays to compare our spend on contingent workers. The Head of UK Public Sector advises that the average workforce spend is 8-10% in the public sector and rising upwards of 15-20% for the private sector. It is also well documented that spend on contingent workers in some NHS organisations is in the region of 15-20%.
11. Appendix A provides information on the current number of Interims working at Executive level within the Corporation.

Value for Money Considerations and Controls

12. There will always be requirements to hire interims to meet business needs. The benefits are outlined above. Value for Money considerations are important, and existing controls need to be strengthened. To achieve this, the following arrangements will be put in place with effect from 1st May 2023:-

I. Approval process for usage

Requests to hire to an Interim will set out the reasons for the request e.g. to fill a vacancy or bring in subject matter experience and leadership. There will also be a requirement to specify how the Interim assignment will support succession planning and develop knowledge and capability within the permanent team,

Approval to source an Interim Manager appointment will require the approval of a Chief Officer, Principal or Headteacher.

The use of an Interim to cover any vacant post in the Senior Management Group will be approved by the Town Clerk and Chief Executive in consultation with the relevant service Committee Chair/s .

II. Placement lengths and who can approve them.

Initial placements should be no longer than six months. Extensions beyond 6 months will require approval by a Tier 1 Chief Officer or the Town Clerk and Chief Executive.

III. Sourcing an Interim through a procurement compliant route.

All requests to hire an Interim Manager must be made through the Chief Officers / departments assigned HR Business Partner who will commission the Recruitment Service or Institution HR team to source candidates through a compliant route. Commercial Services will

provide advice where the use of the temporary worker contract including preferred supplier list is not appropriate.

IV. Monitoring and oversight of Interim Manager usage

Improving workforce reporting which includes spend on temporary labour is a key improvement priority as it is essential that Leaders have clear visibility of all workforce spend. This will be introduced as part of the new ERP solution for the Corporation. In the interim, departmental management teams will be required to monitor and review utilisation regularly. Utilisation will also be reported to Executive Leadership Board on a quarterly basis.

Corporate & Strategic Implications

13. Strategic implications – There will always be a need to be able to hire interims to meet urgent business requirements, provide specialist skills and increase capacity. There is likely to be an increased need to utilise interims in hard to recruit areas given current labour shortages especially in professional services areas such as legal, property and finance.
14. Financial implications – Whilst it is undoubtedly more expensive to fill jobs on an interim basis, the level of usage across the organisation appears fairly well contained. In the hard to recruit areas, daily rates are high, and it is incumbent to secure best value out of these individuals e.g. key additional targets such as enabling cultural or process transformation; or bringing expertise to bear in a way that alleviates pressure on permanent employees and brings about change. In some cases, using an interim with wider skill base than necessary for the post being filled can be a cost saving measure, when compared to rates charged for work by consultancy firms; but this needs to be managed effectively. Conversely, managed badly, the costs quickly become a drain on a department's resources. For departments or institutions with a significant use of interims, close monitoring will be required to ensure delivery of outcomes needed.
15. Resource implications – There will be additional resource implications arising from introducing the new measures but these are considered to be proportionate and appropriate.
16. Legal implications – There are no legal implications arising from the report.
17. Risk implications – No risks arise from this report but recruitment and retention is now a Corporate Risk and there is likely to be an increased need to rely on Interims due to recruitment and retention issues facing the Corporation. Factors such as reward and our value proposition affect our ability to be able to successfully attract the best talent to work for the Corporation. This is being addressed through the Reward Refresh and the development of our People Strategy and but will take time to implement. There are also wider issues affecting the labour market which exacerbate the

situation. This means there is going to be increased requirement to utilise contingent workers in the medium term.

18. Equalities implications – Contingent workers should be hired in accordance with the Corporations recruitments and selection policy. This will ensure fair recruitment takes place.

19. Climate implications – None

20. Security implications – None

Conclusion

21. The report sets out the current context and new controls that are being introduced to manage spend. The report also highlights that spend is unlikely to reduce in the short term.

Appendices

Appendix A – Interims working at Assistant Director level and above across the Corporation.

Name: Mark Williams, Interim Assistant Director, Reward and HR Projects

E: mark.williams@cityoflondon.gov.uk

T: 07513 703255