

Report to: **Audit and Best Value Scrutiny Committee**

Date: **20th November 2008**

By: **Deputy Chief Executive and Director of Corporate Resources**

Title of report: **Use of Consultants - Update**

Purpose of report: **To provide an update to Members on the action being taken to improve our approach to the use of consultants**

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**RECOMMENDATION: Members are recommended to note the action planned to improve the Council's approach to the use of consultants.**

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## **1. Financial Appraisal**

1.1 There are no immediate financial implications from the planned work other than the cost of officer time. There is the potential to deliver efficiencies through the use of alternative procurement models and greater controls but it is not possible to estimate what these might be at this stage.

## **2. Background**

2.1 Members received a summary of the outcomes of a recent Internal Audit review of the use of consultants at their last meeting and requested that an update be provided. This report summarises the actions planned and taken so far.

2.2 The Internal Audit Report made a series of recommendations which can be grouped into two main areas of activity:

- A complete upgrading in conjunction with PAT and FMT of the ESCC Consultancy Code, taking into account the recent National Audit Office (NAO) report on use of Consultants and their Consultancy Assessment Toolkit to provide up to date guidance on the use of consultancy.
- An examination of the opportunities for achieving efficiency savings through the use of tendered framework agreements and / or access to existing frameworks for the procurement of consultants.

2.3 Finance Management Team has agreed a project that is intended to address the internal audit recommendations and a copy of the PID is attached as Appendix A.

## **3. Initial analysis of spend**

3.1 There has been a long-running issue in defining what constitutes true consultancy as opposed to contracted professional services, interim management or agency resource. The National Audit Office (NAO) has recently set out two scenarios where the requirement could be defined as Consultancy:

- The work is project-based – individuals or companies are engaged to work on specific projects that are outside the client's business as usual, and there is an end point for their involvement. If people are required as part of business as usual operations then it is staff substitution (agency/ interim) or outsourcing.

- Responsibility for the final outcome rests with the client – for example responsibility for achieving cost savings or improving quality of service rests with the client.

This project is being managed and SAP spend has been analysed using the NAO interpretation of Consultancy.

3.2 Following further analysis of the information held on the councils systems we calculate that the total spend on consultancy (excluding ongoing contracted activity such as Property Design Consultants) for the last financial year 07/08 is approximately £4.1million. This spend is being examined in two parts, firstly spend with companies (£2.7m) and secondly spend with 'sole trader' consultants (£1.4m) and this is set out by department in the table below. These figures should be regarded as interim only – the next stage of the project is to discuss spend analysis with departmental contacts to verify it accuracy and to identify their ongoing requirements for consultancy and it is possible that some further revision may be necessary.

	Companies	Sole Traders	Total
Adult Social Care	£604,820	£394,005	£998,825
Chief Executive's	£282,262	£200,435	£482,697
Children's Services	£229,250	£532,363	£761,613
Corporate Resources	£912,274	£127,573	£1,039,847
Transport & Environment	£648,614	£134,506	£783,120
Total	£2,677,220	£1,388,882	£4,066,102

Work is also underway to analyse spend by functional category and this will be conducted using the broad categories used by the Office of Government Commerce in their Catalyst Consultancy Services Framework Agreement:

- Environmental
- Financial
- Functional
- Multidisciplinary
- Organisational
- ICT

Fuller definitions of these categories is provided in Appendix C.

#### **4. Next Steps**

4.1 The project is still in its early stages and the next step will be to discuss the results of the initial spend analysis with departments as a basis for identifying ongoing requirements and making recommendations to FMT regarding potential alternative procurement approaches. Work will then also begin to revise the Council's guidance in the light of these recommendations. In addition to acting as Project Board, FMT will ensure that the final outcomes from the project fully address the recommendations made in the Internal Audit report.

SEAN NOLAN  
Deputy Chief Executive and Director of Corporate Resources

Contact officers: Duncan Savage Tel 01273 482330/Mark Tearle Tel: 01273 481128

#### **BACKGROUND DOCUMENTS**

None

## Project Initiation Document

Project Title	Consultancy Spend Project
Department	CRD
Service Team	
Department Reference	
Sponsor	Corporate Procurement Manager
Customer Contact	Duncan Savage
Author	Mark Tearle
Date	22 July 2008
Version	v.3

The purpose of this document is to set out the scope of a Procurement Project that is an effective response to the Internal Audit report on Consultancy and the requirements of the Council for better value arrangements when engaging external consultants or interim managers

### 1. Background

1.1 Based on data from SAP the Council's spend on external consultants is estimated to be approximately £3.5 million in 2007/08. This is one of a number of high spend areas identified by Procurement Steering Group (PSG) in 2007 where procurement was being carried out in a piecemeal fashion and there were opportunities to make efficiencies by putting more formal arrangements in place.

1.2 A recently completed Internal Audit review of External Consultancy has confirmed these findings and its management action plan (MAP) makes recommendations in two principal areas that require procurement action:

(a) A complete upgrading in conjunction with PAT and FMT of Guidance on use of Consultants, taking into account the recent National Audit Office (NAO) report on use of Consultants and their Consultancy Assessment Toolkit.

(b) An examination of the opportunities for achieving efficiency savings through the use of tendered framework agreements and / or access to existing frameworks for the procurement of consultants

### 2. Objectives, Benefits and Deliverables

2.1 The overall objective of the project is to improve the Council's approach to procuring consultancy and this is supported by two main themes:

The establishment of corporate contracts, preferred supplier lists and access to frameworks for the provision of consultancy services

The provision of updated guidance on the use of consultants

2.2 It is expected that the following outcomes will be delivered:

2.2.1 Confirmed number of consultancy Categories, derived from SAP reporting and agreed with departments based on their ongoing needs for consultancy services

2.2.2 A number of consultancy/ interim management consultancy firms appointed to a new Preferred Supplier List for below tender threshold requirements, for each of the agreed categories

2.2.3 Negotiated arrangements with those consultancy firms leading to better terms and user choice

2.2.4 Support for the local economy of East Sussex through use of local companies where this is consistent with European and UK legislation

2.2.5 Access to existing frameworks for Consultancy and Interim Management for above tender threshold requirements e.g. via OGC Catalist<sup>1</sup>

2.2.6 Identification of categories of consultancy / interim management above tender threshold where access to existing frameworks is not sufficient to meet the Council's needs and the letting of formal contracts either corporately or by departments should be considered

2.2.7 A "one stop shop" Intranet menu, information and advice for ESCC staff looking for consultancy covering both below and above tender threshold arrangements

2.2.8 Up to date guidance on the use and management of consultants

2.2.9 Proposals for embedding the new arrangements including publicity and training as appropriate.

### 3. Scope and Exclusions

#### **Exclusions:**

3.1 All MAP recommendations other than 4.14 & 4.15

3.2 All Agency staff spend

3.3 Consultancy spend coded to Material Group "Consultancy" which is not with a genuine consultancy firm

3.4 Consultancy spend already under ESCC contract or other authority frameworks

#### **Inclusions:**

3.5 All external consultancy and interim manager requirements

3.6 Liaison with Improvement and Efficiency South East (IESE) on their Consultancy Opportunity Assessment exercise

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<sup>1</sup> OGC Catalist is a Consultancy & Interim Manager Framework Agreement available to local authorities and managed by OGC Buying Solutions on behalf of DCLG. Generally would be used for more extensive, project based consultancy or interim management requirements. Existing small scale use of this arrangement has delivered savings of over £20,000 in 2007/08.

## 4. Risks

4.1 These may include:

- Failure to identify all consultancy spend due to inaccurate coding in SAP;
- Lack of suitable existing frameworks for above tender threshold requirements
- Lack of departmental buy-in / engagement;
- continuing maverick spend after the new arrangements come into place.

4.2 These risks will be mitigated by:

- full consultation with departmental contacts nominated by the Project Board
- periodic reporting to the Project Board
- evidencing where possible of savings available via new arrangements both price and process
- provision of good quality guidance, support by publicity and training as appropriate
- ensuring that new arrangements agreed by the Project Board are made mandatory and compliance adequately monitored

## 5. Project Organisation and Responsibilities

5.1 The Project Board will be: FMT

5.2 The Project Manager: Mark Tearle, Procurement Officer, CRD

5.3 The Project manager will work closely with nominated representatives from all departments, including ESF&RS (Steve Brown) and Internal Audit (Neville Van Sittert)

This will include each Department's nominated representative verifying latest SAP data on Consultancy spend, confirming continuing requirements for consultancy, agreeing main consultancy categories, confirming any existing or planned consultancy contracts, any preferred consultancies, and support for new PSL

## 6. Costs and Funding

6.1 Project Management will be resourced by CPT. The primary input from departments will be from their nominated contacts. If the project recommends the letting of departmental specific consultancy contracts or other arrangements then departments will need to resource the letting of these contracts.

## 7. Required Timescales

7.1 Project will run from 1 August to 31 December 2008 and will be managed in 2 phases. The initial phase will focus on the establishment of corporate contracts, preferred supplier lists and access to frameworks for the provision of consultancy services (outcomes 2.2.1 – 2.2.7) and will report back to FMT in October. The second phase will deliver the revised guidance (outcomes 2.2.8 – 2.2.9)

## 8. Project Approach

8.1 The approach will be to use SAP data and information extracted as part of the internal audit report as the base for consulting with departments, and to build on the data in order to come to a comprehensive view of the need for formal consultancy/ interim manager arrangements. These proposals will be consulted on with departments via their nominated contacts and will be reported to the Project Board for approval.

## 9. Quality Plan

Quality will be assessed by regular feedback from user departments on the agreed arrangements and SAP reports monitoring usage against the arrangements.

## 10. Project Communications Plan

Progress will be reported by the Project Manager through FMT

## 11. Change Control

Any request to change the scope or definition of the project as set down in this document must be assessed by the Project Manager. They will give their assessment of the impact of the change (for example to the cost or timescale of the project) to the Project Sponsor or Project Board, who will decide whether to accept the change request.

## 12. Project Closure

When the project has been completed the Project Manager will produce a Project Closure Report which will be formally signed off by the Project Sponsor. For information about what to include in the report, refer to the Toolkit's [Project Closure pages](#).

## 13. PID Authorisation

The PID needs to be formally authorised by the Sponsor or the Project Board. This means that the PID includes sufficient information for the Sponsor/Board to authorise the actual start of the project.

Authorised by	
Date	
Signature	

## Appendix B

### **CODE OF PRACTICE FOR THE USE OF EXTERNAL CONSULTANTS** **SECTION 7 – STANDARDS OF CONDUCT HANDBOOK**

#### **1. Consultants administering ESCC contracts**

1.1 It will be a condition of engagement of any architect, engineer, surveyor, business or other consultant who is responsible to the County Council for the administration of a contract on the County Council's behalf that he or she will:-

1.1.1 comply with ESCC Standing Orders as though he or she were an officer of the County Council, subject to the modification that the procedure to be followed in inviting and opening tenders will be approved in advance by the appropriate chief officer.

1.1.2 *at any time during the carrying out of the contract to produce to the appropriate chief officer, or his or her representative, on request, all the records maintained by the consultant in relation to that contract and on completion of a contract, pass all such records to the appropriate chief officer.*

1.1.3 *such consultants will generally be engaged following the award of a competitive tender according to ESCC Contract Standing Orders.*

#### **2. Consultants engaged for ESCC projects**

2.1 The reference to *external* consultancy in this code of best practice under 2.1, excludes:

- the use of consultants to cover temporary staff vacancies
- the normal work of professionals, such as architects, surveyors and engineers, except where they are responsible for administering contracts as under 1.1
- the normal work of lawyers, the rules for their engagement being separately managed by Legal Services

2.2 A department should have a good case for funding the appointment of an external consultant, either for a one-off piece of work or for an extended project. There are a range of good reasons for employing a consultant - these include the need for an independent review, the strategic nature of the project, the need for brokerage or a "critical friend", an unavoidably short timescale or a lack of the necessary in-house skills. The appointment of a consultant should be treated in exactly the same way as any other contract, in accordance with County Council Contract Standing Orders where appropriate as follows:-

2.3 Consultants should be taken from Select Lists, where these are available.

2.4 The process of a consultant getting on a Select List must follow Contract Standing Orders, Section 2.

2.5 Where the consultancy required is of a specialist nature not covered by any select list, Contract Standing Orders for Works of a Specialist Nature apply – Section 3.3c.

2.6 The value of any proposed consultancy must be realistically estimated in number of days and total likely cost. Where this is above £50,000 and a Select List is in place, competitive tenders must be sought, unless 2.5 above applies. If no select list is in place, the tender must be advertised. This is especially important for large contracts and high value projects.

- 2.7 Advice should be sought from CRD Finance as to whether a Consultant should be on the payroll for tax compliance. A checklist should be completed to ascertain whether employed or self-employed status is more appropriate.
- 2.8 Any award to a consultant from a Select List or by tender must be in writing. The Agreement with the Consultant should include:
- Official order number
  - Quotation or Tender reference
  - Scope of work
  - Roles & responsibilities
  - Description of project deliverables
  - Project schedule with key milestones
  - Place of work
  - Reporting arrangements
  - Termination
  - Copyright
  - Insurance cover
  - Payment & Hours
  - Reimbursable expenses
  - Materials
  - Invoicing
  - Confidentiality
  - Access to Children (if relevant)
  - Health & Safety
  - Equal Opportunities
  - Acceptance statement
  - Statement to be signed

**The Agreement with the Consultant should be substantially in the form of the Conditions of contract set out in the Procurement Library under:**

**"Tendering & Contracting documents area/ESCC Contract conditions/Conditions of contract for consultancy services"**

- 2.9 Consultancy work valued below £50,000 and not on a Select List should be competitively quoted for. Generally, small to medium **one-off** consultancy work would not need competitive quotations.
- 2.10 The case for using an external consultant as opposed to either an internal consultant or other internal resource should be clearly documented in terms of relative cost and availability of the particular skill or experience required.
- 2.11 Evaluation of the use of external consultants should be completed for all but the shortest project, with departments using a minimum checklist as follows:-
- was the project completed on time and to budget?
  - was the quality of work satisfactory?
  - will recommendations be implemented?
  - description of any problems, including in-house project management
  - assessment of individual consultant staff.



## **Appendix C**

### **OGC BS Consultancy Services Framework Customer Guidance (extract)**

#### **Scope**

The scope of our consultancy offering is extremely broad. In order to help customers identify and access the services they require it has been divided into 5 key categories:

#### **Environmental Consultancy**

The Environmental Consultancy offering provides multi-disciplinary professional and technical advice for the implementation of environmental policy across the public sector.

It is a simple means to procuring a range of environmental services and is flexible enough to meet a variety of organisational needs. Services range from single projects, reports, surveys and inspections through to strategic assessments, planning and implementation.

#### **Financial Consultancy**

The Financial Consultancy Framework provides a quick and simple route to procuring a broad range of financial services to support a number of business functions.

The scope of the offering provides financial and accountancy expertise as well as professional advice on all aspects of audit and assurance, including forensic accounting.

#### **Functional Consultancy**

The framework covers four major business consultancy fields: HR, Procurement, Project and Programme Management and Marketing. Each supplier offers a range of services with each of these functional areas.

#### **Organisational Consultancy**

The scope of this framework includes Business Strategy, Organisational Development and Outsourcing Consultancy.

From strategy assignments to specialist advice the framework agreement provides the full range of consultancy services required for the development of high-level business strategy and organisational advice. The selection of suppliers available encompasses some of the most trusted names in the industry.

#### **ICT Consultancy**

The ICT Consultancy Framework offers consultancy services for a range of ICT requirements. These are divided into eight specific categories: IS Strategy and Development, IT Architecture Design, eBusiness, IT Security, Telecommunications, Application Design, Emerging Technology and Enterprise Resource Planning. Due to the size of the offering, these frameworks are described in more detail in a separate catalogue.