

**Bath and North East Somerset Council
A Review of the Council's Use of Consultants**

An Investigation by the Resources Policy Development and Scrutiny Panel

Councillor Working Group

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Recommendations

Recommendations to the Resources Policy Development and Scrutiny Panel:

1. To strengthen transparency and accountability the working group recommend that individual Service Action Plans which are presented to the Resources Panel for scrutiny as part of the budget process in January of each year, should detail the existing and proposed service needs for consultants within the workforce planning section of these plans.
2. The working group recommend that the Panel is briefed on the results from the latest staff satisfaction survey and how this compares to the previous years to their list of potential future items on their workplan.

Recommendations to the Council's Corporate Audit Committee:

3. As part of considering the revised CSOs (Contract Standing Orders), we recommend that the Corporate Audit Committee considers the introduction of a proportionate risk assessment as part of planning an engagement process for recruiting a consultant.

Recommendations to the Cabinet (lead Member: Community Resources):

4. When the revised CSOs have been agreed by full Council, the role out of the supporting documentation should:
 - a. Incorporate an outline of the 'procurement toolkit' as part of any new third tier and above management induction pack or online induction course.
 - b. Include training for staff involved in the commissioning/procurement process to ensure that staff feel confident using the new CSO and can demonstrate that there is transparency in the procurement of consultants.

5. The Cabinet should encourage:

- a. Sharing of successful good practice examples (e.g. shared contracts, joint working with other local authorities and up-skilling internal employees) between senior officers e.g. Divisional Directors group, to ensure good communication between departments and to promote cross-service and partner working.
- b. The use of corporate contracts for specific skills requirements to reduce costs and ensure higher levels of control and transparency.
- c. An increase in collaboration with other local authorities/public bodies to establish joint contracts or use existing national or regional framework contracts for specific skills sets that the Council does not possess nor has the capacity to deliver in-house.

Introduction

At their Panel meeting on the 1st August 2011, the Resources Policy Development and Scrutiny Panel agreed to set up a small working group to investigate the ways in which consultants have been used by Bath & North East Somerset Council.

The working group had an initial meeting to scope the project and decided that as well as investigating how the local authority was using consultants, they would also look at how we seek to attain good value for money.

Aims and Objectives

Aim: The overall aim of this investigation is to find out whether the Council's use of consultants is providing value for money.

Objectives:

- 1) Conduct desk research to find other examples of reports on the use of consultants in the public sector
- 2) Examine financial figures provided by the Divisional Director of Finance on the use of consultants across the Council
- 3) Compile three case studies based on interviews with divisional directors on their use of consultants. The group would also investigate the possibility of interviewing consultants on their experiences of working for Council.

Methodology

Phase One:

Initially the working group undertook a brief desk research exercise and identified a report by the National Audit Office (NAO) entitled "*Central Government's Use of Consultants and Interims*" (2010). The report examined the spending of 17 central government departments and compared them against best practice for the recruitment of consultants and interims. The key findings/recommendations from the report were:

- Management of information about consultants was poor. Few departments could identify the role or number of consultants they employed, the length contracts or the classification of spending (NAO, 2010:5)
- Departments were not smart customers i.e. there was often no clearly defined specification for consultancy use; departments were not clear how the use of consultants were contributing to achieving their overall aims and objectives; inadequate training was provided to staff responsible for supervising/recruiting consultants, consultants were not held to account during monitoring of their contracts (NAO, 2010:6)
- More involvement from staff outside of procurement teams was required if services were going to make difficult changes that deliver better value for money (NAO, 2010:7)
- There was an overreliance on consultants rather than seeking to fill skill gaps with internal staff (ibid)
- Departments should be collating and sharing information about consultancy use (ibid)

The group were also provided with a set of financial figures from the Divisional Director of Finance which detailed spending across all Council departments on consultants for the years 2009/2010 and 2010/2011.

Based on the NAO report and analysis of the financial figures, the group developed a set of potential interview questions and identified three directorates within the Council which had a consistently employed the use of consultants.

The group then discussed these potential questions and the financial figures with the Council's Divisional Director of Finance. This meeting helped the group to gain a greater understanding of the financial figures and refine the questions they planned to ask directors.

Phase Two:

The second phase of the research process was to undertake interviews with three Divisional Directors. These were conducted during September-November 2011. Each interview lasted for approximately an hour and was based on a core set of questions identified by the Panel. All interviews were conducted with at least two members of the working group and an officer from the Policy Development and Scrutiny team attended to take notes.

In addition to speaking to Divisional Directors, the working group also met with Jeff Wring (Head of Audit, Risk and Information) and Eddie Hale (Corporate Procurement Manager) to discuss what support they provide to departments looking to recruit a consultant, refresh a framework contract and what research has been undertaken with other Councils to ensure value for money.

Phase Three:

Finally, the working group met to discuss what the key findings from the interviews and their research in the form of a SWOT (Strengths/Weaknesses/Opportunities/Threats) analysis. This was followed up with a recommendations workshop to discuss the draft report and recommendations.

Findings

Spending on consultants:

The working group discovered that over the past three years, spending on consultants has remained relatively static with spend in 2008/09 at £1.762mn, 2009/10 £1.957mn and in 2010/11 £1.918mn.

Panel Recommendation: To strengthen transparency and accountability the working group recommend that individual Service Action Plans which are presented to the Resources Panel for scrutiny as part of the budget process in January of each year, should detail the existing and proposed service needs for consultants within the workforce planning section of these plans.

Procurement Toolkit:

The Council's Contract Standing Orders (CSO) set out the procedural framework for procurement activity and also form part of the Council's Policy and Budget Framework. To support the CSO, there is a comprehensive procurement toolkit which sets out a pack of guidance to support the formal rules and procedures. This toolkit includes a section on the 'Engagement and the Use of Consultants' and if used correctly should ensure the Council is seeking good value for money from consultancy use. This section of the document covers the following areas:

- Defining what a 'consultant' is and why/when they should be used
- Planning an engagement process for recruiting a consultant
- Monitoring and reporting arrangements

The working group were impressed with the guidance document but noted that it was not easy to locate on the Council's intranet and were therefore concerned that there could be a lack of awareness of the guidelines within the Council. If used correctly there should be clear audit trails for all consultancy use but Councillors were concerned that not all tiers of management were aware or/using the 'Procurement Toolkit'.

The working group learnt that the Contract Standing Orders and Procurement toolkit will be refreshed and revised during the coming year as part of a larger project to improve Strategic Commissioning. They will then be subject to formal scrutiny through the Corporate Audit Committee before being taken to Full Council for final approval.

The working group felt that whilst the toolkit contained pertinent information about consultancy use, this could be presented in a more user-friendly way for Officers using the toolkit, such as having more robust templates or checklists for establishing the arrangements. The existing toolkit does contain different procurement thresholds for recruiting a consultant but the working group felt that part of this re-design should incorporate building in a wider risk assessment to the scoping and tendering process that did not rely on a price threshold alone.

The purpose of the risk assessments would therefore be to assist the officers in applying an appropriate and proportionate approach within the rules on the appropriate pathway to the market.

The working group also felt that when the revised CSO are agreed, there should be a clear communications and engagement plan to roll them out across the Council. This should include as a minimum training for staff involved in the commissioning/procurement process to ensure that staff have the confidence to negotiate good value for money and know how to effectively evaluate contracts in a transparent way.

Councillors also felt that the public would feel more assured about the Council engaging the use of consultants if they were aware of the comprehensive guidelines we have in place.

Corporate Audit Committee Recommendation: As part of considering the revised Contract Standing Orders (CSOs), we recommend that the Corporate Audit Committee considers the introduction of a proportionate risk assessment as part planning an engagement process for recruiting a consultant.

Cabinet Recommendation: When the revised CSOs have been agreed by full Council, the role out of the supporting documentation should:

- a. Incorporate an outline of the 'procurement toolkit' as part of any new third tier and above management induction pack or online induction course.*
- b. Include training for staff involved in the commissioning/procurement process to ensure that staff feel confident using the new CSO and can demonstrate that there is transparency in the procurement of consultants.*

Reasons for using consultants:

From the three interviews undertaken, Councillors identified four possible reasons for recruiting a consultant:

- 1) The department was under capacity and needed to recruit staff on a short-term/temporary basis to provide more capacity
- 2) To bring in specialisms that were not available in-house and/or not financially viable to employ full-time
- 3) To offer greater flexibility within the department's workforce to manage peaks and troughs of workflow
- 4) To demonstrate independence (NB: This last reason was not applicable to all Divisional Directors that were interviewed but it was apparent in some areas)

This corresponds with information given in the Council's procurement toolkit which suggests that at Divisional Director level, the guidance is being followed.

All three interviewees stated that they felt we had excellent in-house staff and tried to ensure any consultants they employed integrated with the department. One interviewee stated that if it were feasible, it would be worthwhile investigating whether the Council could set up an in-house register or database of employee's skills/qualifications which other services could look at when trying to fill a skills gap within their team. The working group did consider this and felt that whilst it is a good idea, actually establishing and maintaining the database would be too time and resource intensive.

Despite assurances, Councillors were concerned that with cutbacks across the public sector, employing consultants could be seen as a tempting stopgap and as such the working group felt it was important to maintain a consistent dialogue with permanent staff and to monitor staff satisfaction levels.

Panel Recommendation: The working group recommend that the Panel is brief on the results from the latest staff satisfaction survey and how this compares to the previous years to their list of potential future items on their workplan.

Good Practice and Information Sharing:

Overall, the working group were pleased to see that the issues identified in the National Audit Office report were not present in Bath & North East Somerset Council:

- Overall spend on consultants across the Council appears to relatively static
- The number of ex-employees returning as consultants has reduced and if this does occur it is as a result of a full procurement process
- All interviewees were using framework contracts
- All directors obtained both formal and informal references from any consultant they engaged with
- All directors had agreed objectives and specifications with consultants which they monitored on a regular basis
- At Divisional Director level there appeared to be a clear understanding of the procurement process for consultants and good working relationships with the Council's Procurement Team
- All of the Directors interviewed were in regular contact with counterparts in other local authorities to share good practice.
- The Council was working more collaboratively across the region and using national frameworks to reduce bureaucracy and maximise value.

Specific examples of good practice included:

Below are some of the examples of good practice that the working group discovered during their case study interviews with Divisional Directors.

Good practice: One interviewee stated that they had recently appointed a consultant who offered specialist project management skills. The consultant worked closely with two members of permanent staff, who were able to learn from the consultant and are now excellent project managers. As a result, there is no longer a skills gap in this area so this type of work can be completed in-house in future.

Good practice: The interviews highlighted that in certain areas, B&NES were working actively with other Councils/public bodies to share our expertise. The Council had recently set up an arrangement with Bristol City Council to increase collaboration over a number of different areas of spend and share resources and skills. This had already seen savings from its early work and had improved control and transparency with clear plans for the future.

Good practice: One interviewee stated that before considering using a consultant, they consider the skill set of their own department and also other departments within the Council and may seek to build project teams from different departments to complete projects

Good practice: All interviewees stated that they agree a set financial budget and objectives with consultants at the start of a project and then monitor the consultant's progress against these objectives and if these objectives were not achieved, they may consider using penalty payments.

Good practice: The interviews highlighted the significant work on-going through the Change Programme to create a 'Community-Led Commissioning' organisation and noted the detailed work required to align commissioning and procurement frameworks and incorporate them within the programme for up-skilling of officers. The panel would like to recommend that officers continue to ensure procurement and commissioning resources are aligned to maximise the skills and resources we have available.

The working group were pleased to find examples of good practice and would encourage these to be shared amongst senior officers across the Council.

Cabinet Recommendation: The Cabinet should encourage:

- a. Sharing of successful good practice examples (e.g. shared contracts, joint working with other local authorities and up-skilling internal employees) between senior officers e.g. Divisional Directors group, to ensure good communication between departments and to promote cross-service and partner working.*
- b. The use of corporate contracts for specific skills requirements to reduce costs and ensure higher levels of control and transparency.*
- c. An increase in collaboration with other local authorities/public bodies to establish joint contracts or use existing national or regional framework contracts for specific skills sets that the Council does not possess nor has the capacity to deliver in-house.*

Conclusion

In conclusion the working group set out to discover how consultants were being used at Bath & North East Somerset Council and how we seek value for money from the consultants we used.

The working group found that spend on consultants had been relatively static over the past three years and through case studies, identified clear reasons for using consultants as well as a number of good practice examples.

The working group also learnt that whilst there is a Procurement Toolkit available for staff, this is current subject to revision as part of a review of the Council's Contract Standing Orders (CSOs). The working group support the review of CSOs and the desire to link this to training for officers involved in procurement.

This report will be discussed and finalised at the Resources Policy Development and Scrutiny Panel on the 26th March. Once the report has been agreed, the recommendations will be sent to the Corporate Audit Committee and the Cabinet, as identified on pages 3-4.