



Report of the Head of Scrutiny and Member Development

Scrutiny Board (Central & Corporate Functions)

Date: 7th December 2009

Subject: Scrutiny Inquiry - Consultant Engagement – Session Two

Electoral Wards Affected:

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

1.0 INTRODUCTION

- 1.1 At its meeting on 8th June 2009 Scrutiny Board (Corporate and Central Functions) resolved to undertake an Inquiry into Consultant Engagement within the Council.
- 1.2 Members wished to review the process by which consultants are engaged and how they are evaluated. Members are concerned that engaging consultants provides a cost effective method of producing the required outcomes to a sufficiently high standard.
- 1.3 The Board was also interested in whether the use of consultants reflects a perceived skills gap within the Council, or whether there is a necessary focus on core business which requires ad hoc engagement of consultants.
- 1.4 Members have clarified that they do not wish to assume that the use of consultants is either right or wrong. Clearly, there will be a case for buying in the necessary skills at different times. However, Members have stated that they wish to establish whether there is a consistent approach to the use of consultants and whether there is regular evaluation of the Council's required skills base.

2.0 SESSION ONE EVIDENCE

- 2.1 During the Board's first session of this Inquiry, Members received a breakdown of expenditure on consultancy services for 2007/08 and 2008/09. Members asked that this information be analysed further by category and by highest spend. This is attached as Appendix 1.

2.2 Members also asked the Scrutiny Unit to research areas of best practice across the country and to identify those areas Scrutiny Board Members should be investigating further.

3.0 SESSION TWO EVIDENCE

What is best practice and what does good look like?

- 3.1 There are no national data sets produced by or on behalf of local government analysing Councils' use of consultants and other external input to their work. It is not possible therefore to assess our spend on consultants relative to any of our usual comparator groups (Core Cities). This is mainly down to different definitions and accounting processes.
- 3.2 However it is estimated that local authorities collectively spend £1.8bn per annum on external consultants. A saving of just 1% could release £40m. There is, therefore, a common interest in ensuring that the best value for money is achieved from consultancy use.
- 3.3 Throughout the country a number of Scrutiny reviews have taken place on this topic and the recurring recommendations from these reviews are;
- The need for a standard definition of what consultants are and what is expected of them, adopted by all departments
 - An internal 'gatekeeper' to monitor all procurement of consultants
 - A database to record all details of consultants, including ratings, to be shared between departments and potentially with other authorities
 - Any decisions to procure consultants to be brought to the attention of the relevant Director and Executive Member, or in some cases to be directly authorised by the Executive Member
- 3.4 The Regional Improvement and Efficiency Partnerships (RIEPs) is also working on ways to ensure greater improvement in the hiring of consultants. By way of information the nine RIEPs were created in April 2008 with a three-year funding package from Communities and Local Government. The RIEPs harness the expertise of councils to add new capacity to local government in order to accelerate the drive for greater improvement and efficiency. Put simply, they help councils and their partners to deliver better services, set through local area agreements (LAAs), by supporting them in their efforts to become more efficient and innovative.
- 3.5 The Yorkshire and Humberside RIEP is currently working on developing a set of organisational conditions they would consider constitutes best practice. These are shown in appendix 2
- 3.6 Controlling consultancy spend is an issue for the public sector generally, and as a result, the Office of Government Commerce (OGC) together with representatives from RIEPs and wider Local Government have set up a 'Collaborative Category Board' (CCB) to examine this area of spend. There are a number of CCB's operating nationally, each looking at different areas of public expenditure.

- 3.7 The Chief Procurement Officer represent the Council and the Yorkshire and Humber region on the 'Professional Services' CCB looking at the procurement of consultancy and agency staff. Some of the 'best practice' measures identified in appendix 2 are as a result of the CCB's work. As well as identifying best practice and ways to control spend in these areas – known as 'Demand Management' – the Board also looks at opportunities for collaboration and efficiency/improvements in each area.
- 3.8 In progressing this Inquiry, the Chair has suggested that the Board case studies two instances of the procurement of consultants (from the expenditure identified in appendix 1) and, using the criteria identified in Appendix, compares best practice against actual practice.
- 3.9 This exercise will identify where, if at all, we fall short of best practice and where improvements can be made to achieve better value for money. In the meantime the Chair also suggests that the Scrutiny Board monitors the development of best practice by REIP with a view, at an appropriate time, to discussing with the Chief Procurement Officer how it can be implemented in Leeds.

4.0 RECOMMENDATION

- 4.1 Members are asked to;
- (i) Discuss with officers present the current work of the Yorkshire and Humberside REIP with regards the development of best practice for the procurement and management of consultants.
 - (ii) Identify two areas for case study in order to bench mark current arrangements against best practice developed by REIP.