

USE OF CONSULTANTS

Report By: Director of Resources

Wards Affected

County-wide

Purpose

1. To provide Strategic Monitoring Committee with information on the extent of the Council's use of external consultants in 2007/08.

Financial Implications

2. The report has looked at activity for 2007/08 and indicates the level of expenditure for the financial year. Any expenditure on consultants is funded by cash limited base budgets or grant from central government.

Background

3. At its meeting on 18 February 2008 the Strategic Monitoring Committee (SMC) requested information on the Council's use of consultants.
4. The regular financial reports to SMC provide budget monitoring information as part of the Integrated Performance Report. In the early stages of the 2007/08 financial year the reports and the accompanying presentations outlined the pressures being faced by the council and corrective action to address projected overspends.
5. One area that came to light was in ICT services. Subsequent effective management action reduced a projected overspend on the trading account and this was partly achieved by reducing the number of people employed as "consultants". In the case of ICT services the term was incorrectly used to cover interim management arrangements.
6. Other parts of the council also use consultants, but this tends to be for specific, focussed pieces of work. Using consultants in this way is accepted practice in local government where expertise is purchased to help with specific projects.
7. The initial work indicated a lack of consistency around what constituted consultancy. As with ICT Services in some cases interim management arrangements have been incorrectly viewed as consultancy.
8. In order to ensure that the exercise produces comparable information across the Council, a definition of consultancy was needed. On 16 July SMC received a report agreeing to use the following definition.

"Consultancy is the purchase of advice to clarify a particular situation or problem with the intention of producing focussed advice on possible options. Consultancy does not cover interim arrangements to fill existing posts or longer term contracted arrangements with the Council's partners."

Further information on the subject of this report is available from
David Powell, Head of Financial Services on 01432 383173

9. This definition has been applied to the work behind this report.

Methodology

10. The review commenced with the collection of total costs on relevant financial codes on the Council's financial system (Cedar Open Accounts). These costs were then analysed by Financial Services and the directorates who had commissioned the consultants using the definition agreed by SMC on 16th July. At an early stage it was decided to exclude all contracts below £1,000 as these tended to be for ad-hoc and minor work. Overall this amounted to £89,191 being removed from the total.
11. The review also aimed to establish if the use of consultants was 'Value for Money'. To reach this conclusion a series of standard questions was asked for each contract. These were:
- a) Did the Council have the work capacity and skills to deliver the target and aims of the above contract
 - b) On what basis was the decision made to use consultants?
 - c) Provide a brief description of the contract service that was provided
 - d) Was the work planned or was it unexpected due to unforeseen circumstances?
 - e) What selection criteria were used or basis of appointment? e.g. Specialised knowledge/unique skills etc?
 - f) How was 'Value for Money' achieved?
 - g) On completion of contract how was the work assessed and evaluated?
 - h) Provide a brief description of final outcomes/results of the consultancy service provided and how this added value.
12. The responses were then collected and analysed.
13. Further work was undertaken to determine whether the costs were met by the revenue account or capitalised under the relevant capital guidelines. This approach enabled the review to assess the extent to which consultancy activity contributed to the delivery of the capital programme.

Findings

14. The attached appendix gives details of the overall use of consultants but the key headlines established by the review are as follows:
- The Council had 75 contracts with consultants in 2007/08
 - Total expenditure amounted to £984,814

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- The funding of consultancy was not exclusively from base budget. Some consultancy costs were funded from government grant.
- The overall total expenditure needs to be compared with the Council's 2007/08 gross budget expenditure of £310million.
- The percentage of expenditure on consultants represents 0.3% of gross budget.
- Consultants have been appropriately used and this is predominantly to provide a level of expertise unavailable in the Council. In other cases the use of consultancy 'buys' time by bringing dedicated and focused resources to a project that the Council cannot provide.
- The review established that appropriate procedures were followed and that value for money was achieved.

Types of Consultancy Used by Directorates

15. The following gives an indication of the type of consultancy used by directorates in 2007/08. This is not an exhaustive list but does provide on a directorate by directorate basis some of the activity in 2007/08.

a) Adult Services

A contract was supplied that supported the modernisation of learning disabilities services. This was planned work that gave adult services access to a level of expertise unavailable in the Council and addressed the concerns raised by inspectors. The use of consultants was linked to a well defined 'brief' and led to the improvements in learning disabilities services now being delivered.

The Supporting People Service also made use of consultants in 2007/08. Work was commissioned to undertake an assessment of housing support needs in Herefordshire to inform Supporting People Commissioning priorities. The work had been planned but capacity issues within the team led to the commissioning of an external provider to deliver this significant piece of work. The project was endorsed by the Supporting People Commissioning Body. This was a two stage process with the first stage producing a needs analysis report. This report was evaluated to determine whether to proceed with a wider evaluation. A decision was taken not to proceed with stage 2.

b) Central Services

This area covers 'central' budgets and includes such budgets as the income from treasury management activities.

The Council employs an external advisor to give specialist management consultancy and investment advice. This is a 3 year arrangement meeting a need for external professional advice and a degree of challenge to our investment and debt management activities. The consultants provide advice on the creditworthiness of institutions to which we consider lending our cash. Their advice has assisted our performance and informs our borrowing decisions.

c) Children and Young People

The Department for Children Services and Families (DCSF) has a system of accreditation for Child Advocacy. The piece of work commissioned provides ongoing review and service development so that the authority meet its statutory obligations in relation to advocacy for those in the looked after system. The work also includes on-going support.

Following the postponement of the school's review the Council engaged a consultant to analyse the pupil forecast data and methodology used to produce projected pupil numbers. This independent analysis was requested by members and the outcome was used to further improve the robustness of pupil forecast data.

d) Corporate and Customer Services

Corporate and Customer Services used external consultancy to advise and guide the Council on gaining ISO27001 (information Security Management System). The standard applied to ICT Services and the Modern Records Unit. This was planned work to meet central government requirements for information security. The lack of internal resource meant that an external consultant was an appropriate way forward. The outcome was the award of ISO27001 to the Council. Payment was on a results basis and if the Council had not achieved the standard no cost would have been incurred.

e) Environment

A contract was let for specialist environmental advice in connection with a closed landfill site. The work was planned but lack of in house specialist skills meant that an external supplier was required. The work addressed the need for specialist technical advice in connection with planning permission conditions relating to properties close to Council owned (closed) landfills sites.

Another contract was let to supply environmental consultancy around landfill gas. This specialist work could not be carried out in house and

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helps inform discussions with the Environment Agency about site restoration.

f) Resources

Asset Management and Property Services use independent surveyors to carry out building condition reports. This occurs because of a lack of in house staff. The work is building specific and covers mechanical and electrical condition reports. There is an annual programme of inspections and the work helps safeguard the Council's property.

The Revenue and Benefits Services let a contract to transfer encrypted images from the obsolete Comino document management system to the new Idox system. The expertise was unique to the company engaged to carry out the piece of work. This was planned work but the complexity and volume involved meant the task was larger than originally assessed. The project meant that staff in both Revenue and Benefits as well as Customer Services have access to required documents.

Conclusion

16. The review has established that in 2007/08 the Council had 75 contracts covering the use of consultants. The total expenditure of £984,814 represents 0.3% of the 2007/08 gross expenditure.
17. Comparative data across councils for the use of consultants does not exist but it can be stated that all council's will engage consultants for specific tasks. The reasons for doing so will probably be in line with those that the review has noted: a need for specialist advice; lack of in house expertise or capacity; to address the outcome of external assessments or inspections and to provide validation or challenge.

RECOMMENDATION

THAT the report be noted, subject to any comments the Committee wishes to make.

BACKGROUND PAPERS

- **None**