

AD HOC SCRUTINY PANEL

A meeting of the Ad Hoc Scrutiny Panel was held on 5 January 2016.

PRESENT: Councillors Councillors: J Sharrocks (Chair), J G Cole, T Higgins, J Hobson and L Lewis and G Purvis.

OFFICERS: A Crawford, P Stephens and C Lunn.

APOLOGIES FOR ABSENCE Councillors: T Mawston, L McGloin and D Rooney..

DECLARATIONS OF INTERESTS

There were no Declarations of interest made at this point in the meeting.

15/1 COUNCIL USE OF CONSULTANTS - INTRODUCTION TO NEW SCRUTINY TOPIC.

The Chair made reference to the Scrutiny Work Programme and advised that the Panel's next investigation would focus upon the Council's use of consultants, covering such matters as commissioning protocols and funding. The Council's Head of Performance and Partnerships was present at the meeting to provide the Panel with a general overview of the subject and to answer any questions that Members may have had.

The Scrutiny Officer explained to Members that, following consultation with the Chair, a number of key areas that may have facilitated progression of the review had been identified. These were shown at paragraph 3 of the submitted report.

The commissioning of consultants was undertaken in line with the Council's procurement regulations and standing orders, up to an expenditure of £164,000. Expenditure beyond that amount required following of the full OJEU tendering process, unless the matter concerned was eligible for an exemption (e.g. in the event that there was only one provider of the service in the market). Exemptions can be requested for any value under the OJEU threshold; in such instances a direct award would have been made. The complete grading process within the procurement process, was explained as follows:

- Any spends up to £15,999 could have been directly awarded;
- Any spends between £16,000-£53,099 required 3 quotations to be sought;
- Any spends between £53,100-£164,176 required completion of the Council's formal tendering process; and
- Any spends above £164,176 required completion of the full OJEU tendering process, unless exemptions had been applied on the basis of specialisms.

In terms of how consultants were engaged by the Council, it was explained that this was considered on a case-by-case basis. In respect of the Change Programme, consultants tended to be utilised for their knowledge and/or skills. From a knowledge perspective, the example of the ICT service was provided to the Panel. It was explained that if on occasion a restructure was being undertaken, or an application was being reviewed, one-off access to external expertise and their knowledge may have been sought.

A distinction between one-off procurement and routine acquisition of consultants was highlighted to the Panel. In terms of the latter, the example of Legal Services and sourcing of Barristers' advice was provided.

Regarding knowledge and skill acquisition in respect of the Change Programme, it was explained that consultants who offered skills and/or knowledge that the Council did not have, e.g. a lack of in-house training providers, had been procured. The advantage of doing this was that the associated large cost of having such specialist individuals on the establishment long-term was saved; however, this needed to be balanced in terms of whether routine acquisition of a consultant was required for a particular process.

In terms of costs, it was explained that a breakdown in the costs of consultants within the

Change Programme were available. However, centralised records of total consultants' costs were not held.

In response to an enquiry, it was clarified that although central records were not held, each department of the Council held their own budgets and would therefore be knowledgeable of their own expenditure. For cost details pertaining to the use of consultants on projects outside of the Change Programme, capital projects for example, each respective department would need to have been approached for cost details.

A single, dedicated budget for the use of consultants did not exist. Each department had their own budget which was split into salary and non-salary costs, and appropriate personnel would be responsible for allocating cost towards consultants on a project-by-project basis. In the case of the Change Programme, where a number of different projects were started, it may have been the case that the internal expertise was available to deliver a project in full. In others, consultants may have been required.

If consultants were required and service areas did not have sufficient resources available within their allocated budgets, an application would have needed to be made to the Council's Change Fund, which was primarily used for two things - funding Voluntary Redundancy applications and investing in projects. Applications were considered by the Assistant Director of Finance and Investment and LMT, and therefore business cases were required for projects. If service areas did have the resources available, then consultants could be commissioned in line with the Council's standing orders under delegated authority, i.e. if the expenditure was under £16,000, then allocation of that payment could be made by an officer with delegated powers. All transactions would be transparent and recorded. It was highlighted that any spends over £500 were made available on the Council's website.

The procurement grading criteria was reiterated to the Panel for their information. Reference was also made to the Council's membership of the North East Procurement Organisation (NEPO). NEPO was a collective that was established for a number of years to enable north east local authorities to collaborate on procurement. More recently, NEPO had established a 'NEPRO' framework for the procurement of consultants. It was suggested that further information should be obtained on this framework.

The Panel considered the definition of consultancy in respect of this Scrutiny review. Members felt that this would include anybody external to the Council who had provided a consultancy service, excluding contracted services. Reference was made to the Council's previous contract with Mouchel, whereby the Council had access to a preferential rate of service for their consultants if it was required. The contract had been for a number of specific services, but excluded the consultancy service. The Middlesbrough Manager project was an example where additional payments had been made for specialist Mouchel consultants. With regards to the Council's current contract with the Kier Group, the Head of Performance and Partnership would ascertain whether a similar arrangement was in place, and provide Members with details in due course.

Reference was made to the specialisms of work that had been carried out by consultants, which concerned areas such as ICT and cultural services. A short discussion ensued with regards to the role of consultants in comparison to established roles within the Council. The Chair indicated that by approaching individual departments and services, it would facilitate understanding as to when and why consultants were being commissioned. It was highlighted that the need to provide value for money for the taxpayer was imperative and it was important that the review was able to address the impact of consultants on the Council's resources.

It was explained that the Council did not have a specific policy on the use of consultants; however, this was not unusual. It was indicated that other Local Authorities may have had guidance available, but not a policy per-se. The Council did have procurement regulations which enabled it to deliver best value for money for the taxpayer. Within that, consultancy was considered as a service, which needed to be procured in line with the thresholds set out previously.

In response to an enquiry, it was explained that within the years of the Change Programme,

spend on consultants tended to reflect the phase of project development, as opposed to being 'block booked' at the start of the project.

Regarding value for money in terms of using consultants, a query was raised as to how this could be quantified. In response, it was explained that this would be detailed within the business case of a project, which would compare the costs of the project with benefits and risks. In respect of consultant charges, undertaking benchmarking activities, obtaining quotations and completing tendering exercises would assist with this. It was explained that an evaluation process would also be undertaken as part of commissioning work. A fixed price for the consultant's work on the project would be agreed prior to commencement.

Consideration was given to the use of consultants on both a routine and one-off basis, and whether any specific departments used consultants more than others. Reference was made to the Legal department and the procurement of Barristers as consultants, and Regeneration in respect of areas such as housing specialists for housing market renewal project work. It was explained that figures pertaining to project-related consultants and routine consultants would be prepared and presented to the Panel in due course.

A member queried the management of projects that had been assigned to external consultants. It was explained that the Project Manager would be based in the Council. A framework was currently being developed which would facilitate project management and the associated monitoring processes.

Members made the following suggestions in order to take the review forward:

1. That contact be made with individual departments and services to ascertain their procurement of consultants;
2. That the additional information, as discussed during the course of the meeting, be collated by the Head of Performance and Partnerships. With regards to a time period for costs, it was suggested that these be looked at from the start of the Change Programme with the variation across the period shown;
3. That the Panel review one or two high cost projects that had been undertaken in order to gain an understanding of the process from start to finish, and how the quality of both the consultants' work and the end product could be quantified;
4. That the Procurement Manager be invited to a future meeting to discuss NEPO's framework relating to the appointment of consultants.

The Scrutiny Officer advised the Panel that the next meeting had been scheduled for Tuesday, 26 January 2016.

The Chair thanked the Head of Performance and Partnerships for his contribution to the meeting.

RECOMMENDED:

1. **That the information, as presented, be noted.**
2. **That investigation of the topic be progressed in accordance with points (a) - (d) above.**
3. **That draft terms of reference for the panel's investigation be considered at the next meeting.**