

OVERVIEW AND SCRUTINY BOARD

8 NOVEMBER 2016

COMMISSIONING CONSULTANTS

**PURPOSE OF THE REPORT**

1. To provide information in respect of work completed following the actions allocated following the Executive Meeting held on 6<sup>th</sup> September 2016.

**RECOMMENDATIONS**

2. It is **RECOMMENDED** as follows:
  1. That Members of the Overview and Scrutiny Board acknowledge the draft policy on the commissioning of consultancy.
  2. That Members of the Overview and Scrutiny Board acknowledge the agreed definition of 'Consultancy' detailed in the draft policy.
  3. That Members of the Overview and Scrutiny Board acknowledge the quarterly monitoring reports to be implemented.

**BACKGROUND**

3. Following the presentation of the Ad Hoc Scrutiny Panel - Response - Council's Use of Consultants at Executive held on 8<sup>th</sup> September 2016 there were three actions allocated to the service area and the detail of those are shown in Appendix A.
4. In response to those actions the following work has been undertaken:
  - Drafting a Policy for Commissioning Consultants
  - Agreed definition for 'Consultancy'
  - Business Case Template developed
  - A dedicated GL Code has been created
  - Quarterly spend reports to be implemented.
5. The draft policy for Commissioning of Consultants addresses all the concerns that were highlighted in the Ad Hoc Scrutiny response and lays out clear guidelines for all staff in relation to the use of consultants.

6. The definition provides clarity about what the Council means by 'Consultancy' as there is still some concern that staff do not fully understand the difference between consultancy and agency staff.
7. The policy has been drafted in partnership with Human Resources as there are implications for the Council if a consultant is not commissioned appropriately. The policy also offers guidance and advice to staff about the monitoring that should take place to effectively manage the consultant commissioned in order to ensure it is delivered and deal with any issues.
8. The business case template ensures that the definition is met, provides evidence of the outcome and savings to be achieved and provides a robust audit trail for approval to commission a consultant as opposed to employing someone on a fixed term basis. Ultimately the business case will hold the service area to account in relation to the savings or non-cashable efficiencies that will be achieved through the use of a consultant so value for money will always be visible.
9. The GL Code will allow us to specifically run reports on consultancy spend in line with our definition, this will be monitored and the policy is clear that this GL Code must not be used for any other spends. The data will be analysed as part of the reporting process and any miscoding will be highlighted to the relevant service area.
10. It is intended that quarterly spending reports on consultancy will be presented to LMT.

## **NEXT STEPS**

11. A Single Executive report will be produced in order to formally endorse the Commissioning a Consultant policy.

## **BACKGROUND PAPERS**

12. The Ad Hoc Scrutiny – Response – Council's Use of Consultants.

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The following action(s) arising from the meeting of Executive held on 6 Sep 2016 13:00 have been assigned to you -

**Action to be taken: Scrutiny Recommendation:**

That, in order to ensure and improve accountability, a corporate policy is introduced on the appointment of consultants by Middlesbrough Council. This should include:

- a) A definition of 'consultant,' as shown in the Ad-Hoc Scrutiny Panel's final report.
- b) The need to set out a business case outlining out the reasons for a consultant appointment; the benefits of such an appointment; how progress will be monitored; how results will be measured; and including total costs of the project.
- c) A mechanism for senior level approval of all consultant appointments, with a consistent level of authorisation to be implemented across the authority. This process should involve the relevant Executive Member, or be reported to them.
- d) The need to involve the Council's specialist Procurement Team for all consultant appointments. This will ensure best use of support from organisations such as North East Procurement Organisation and its NEPRO framework.

**Service Action:**

A corporate policy will be developed and implemented to bring increased transparency to the use of consultants within the Council. The policy will be presented to Overview and Scrutiny Board in November 2016, when the Executive Member for Finance and Governance is already due to attend.

In the light of the Assurance Opinion that the operation of controls was 'Weak' in relation to one of the main authorities highlighted in the Ad-hoc Scrutiny Panel's report, the Tees Valley Audit and Assurance Service will be asked to act as a critical friend in developing the policy, and to test compliance with the policy after an agreed period.

The policy will be formulated 'giving consideration' to specific recommendations, as follows:

- a) The definition of 'consultant' proposed to and agreed by the Panel will be adopted.
- b) The policy will require a clear business case for the appointment of consultants, balancing benefits, costs and risks. The extent of the business case will be proportionate to these criteria, in line with the Council's Programme and Project Management Framework. The management of consultants will also be undertaken in line with this framework.
- c) An appropriate and consistent level of authorisation and approval is already in place for all forms of expenditure by the authority. This is provided by the Council's Standing Orders and is required to be adhered when procuring consultancy:

Up to £15,999 - Direct Award but still assure VFM £16,000 - £53,099 - Quotations - targeted at local suppliers where possible.

£53,100 - £164,176 - Tender via e-tendering portal £164,176+ - OJEU Tender via e-tendering portal.

This approach complies with the Middlesbrough Manager model and it is not considered necessary or proportionate to require specific and individual senior management approval for the appointment of consultants below current thresholds. Executive and individual Executive Members are consulted on proposed significant expenditure on consultancy, with much of this approved directly through Executive itself. Executive approval is required for key decisions over the financial threshold of £150,000.

d) The Procurement Team is involved in procurements of £16,000 and above. At this point discussions re: the use of NEPRO would take place and the system utilised if better value for money or use of resources can be evidenced.

Current arrangements are in line with the Middlesbrough Manager model, and it would not be necessary, proportionate or cost-effective to involve the Procurement Team in all consultant appointments.

Completion date: 5 Nov 2016

<http://it-mc-egenda.mbrodom.net/aksmiddlesbrough/users/officers/admin/kab192.pl?op=useractionlist&keyid=1522>

**Action to be taken: Scrutiny Recommendation:**

That, particularly in the case of high value, long-term consultant contracts, there should be an assessment made of whether it would be more cost-effective for the Council to employ staff on a fixed term contract for the duration of the project. Alternatively, the feasibility of engaging the necessary expertise from another local authority should be explored.

**Service Action:**

The Council has in the past and does currently utilise such options instead of consultancy.

In order to give further transparency, these options would be appraised as part of the business case for consultant appointment required by the forthcoming policy.

Completion date: 5 Nov 2016

<http://it-mc-egenda.mbrodom.net/aksmiddlesbrough/users/officers/admin/kab192.pl?op=useractionlist&keyid=1524>

**Action to be taken: Scrutiny Recommendation:**

That work that has been commenced to identify spending on consultants across the Council is completed for all service areas. To ensure improved monitoring and accountability, steps should also be taken to ensure that this information can be more easily recorded and made available in future.

**Service Action:**

The Council is required to adhere to International Financial Reporting Standards (IFRS), applied throughout the EU and many other countries and which does not require expenditure on consultants to be reported separately. However, the feasibility of establishing a dedicated cost centre for consultancy will be established and implemented if practicable.

Quarterly reports on the commissioning of consultants will be developed and provided to Executive Members and LMT to provide greater oversight of consultant expenditure.

Completion date: 5 Nov 2016

<http://it-mc-egenda.mbrodom.net/aksmiddlesbrough/users/officers/admin/kab192.pl?op=useractionlist&keyid=1525>