

Committee: Overview and Scrutiny	Date: 4th March 2008	Classification: Unrestricted	Report No.	Agenda Item No.
Report of: Sara Williams, Assistant Chief Executive		Title: Use of Consultants – Report of the Scrutiny Working Group for Excellent Public Services		
Originating Officer(s): Shanara Matin, Scrutiny Policy Officer				

1. Summary

- 1.1 This report submits the report and recommendations of the Excellent Public Services Scrutiny Working Group Review on the Use of Consultants for consideration by the Overview and Scrutiny Committee.

2. Recommendations

It is recommended that Overview and Scrutiny Committee:

- 2.1 Endorse the draft report.
- 2.2 The Service Head, Scrutiny and Equalities be authorised to agree the final report before its submission to Cabinet, after consultation with the Scrutiny Lead for Excellent Public Services.

Local Government Act 1972 (as amended) Section 100D
LOST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS REPORT

Background paper

Name and telephone of and address where open to
inspection

Scrutiny Review File held in Scrutiny Policy Team

Shanara Matin
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3. Background

- 3.1 The Working Group was established in September 2007 to investigate the use of consultants within the Council.
- 3.2 The objectives of the review were to:
- investigate the reasons for the use of consultants
 - evaluate the effectiveness of the work undertaken by consultants within the authority using case studies
 - consider the costs involved in using consultants and to compare these costs with other similar local authorities
 - use the findings as the basis for recommendations on further developing policies on use of consultants
 - consider the improvement in this area of procurement being implemented by the Council and identify any further areas of improvement
- 3.3 The working group met three times to review financial reports, procurement policies and procedures and the results of research into other local authority and public sector experiences of using consultants.
- 3.4 The report with recommendations is attached at Appendix 1.
- 3.4 Once agreed, the working group's report and action plan will be submitted to Cabinet for a response to their recommendations.

4. Concurrent Report of the Assistant Chief Executive (Legal Services)

- 4.1 There are no direct legal implications arising from this report.

5. Comments of the Chief Financial Officer

- 5.1 There are no direct financial implications arising from this report.

6. Equal Opportunity Implications

- 6.1 There are no direct equal opportunity implications arising from this report.

7. Anti-Poverty Implications

- 7.1 There are no direct Anti-Poverty implications arising from this report.

8. Sustainable Action for a Greener Environment

- 8.1 There are no direct actions for a greener environment arising from the report.

9. Risk Management

- 9.1 There are no direct risk management implications arising from the Working Group's report or recommendations.

Appendix 1 Use of Consultants – report of the Scrutiny Working Group for Excellent Public Services

Appendix 1

Use of Consultants

Report of the Scrutiny Working Group for Excellent Public Services

Tower Hamlets Council
February 2008



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Acknowledgements

The Working Group would like to thank officers and colleagues for taking part and supporting the review.

Working Group chair

Cllr Mohammed Abdus Salique (Labour)

Working Group

Cllr Helal U. Abbas (Labour)

Cllr Anwara Ali (Labour)

Cllr Stephanie Eaton (Liberal Democrats)

Cllr Abjol Miah (Respect)

Cllr Lutfur Rahman (Labour)

Cllr Simon Rouse (Conservative)

Councillors who took part in the Review

Cllr Alibor Choudhury (Labour)

Cllr Marc Francis (Labour)

Cllr Alex Heslop (Labour)

Cllr Joshua Peck (Labour) – Lead Member for Performance and Resources

Cllr Salim Ullah (Labour)

Council Officers

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Afazul Hoque – Scrutiny Policy Manager

Shanara Matin – Scrutiny Policy Officer

Chair's foreword

I am pleased to present the Excellent Public Services Scrutiny Working Group's report on the Use of Consultants by Tower Hamlets Council.

The use of consultants by local authorities is an area of local government which is controversial and much debated. There is a need, however, to balance public scepticism about the use of resources on consultants against the value external skills and expertise can bring to in-house capacity in improving public services. The Council will continue to need and use consultants as and when appropriate, but it is important to ensure consultants are procured and managed well.

Council officers need to have flexibility over when and how to use consultants to best meet service needs. There are for example areas where consultants are required to provide independence and objective oversight on issues such as senior levels of recruitment or to carry out sustainability appraisals of Local Development Documents. The case studies considered as part of this review also highlighted areas where consultants are used to lever in specialist skills and services that bring in innovation and techniques that the Council does not currently have. The key objective of this review has been to ensure that use of consultants is appropriate but also that there is robust procurement and management of these contracts and that we can demonstrate value for money. The working group were pleased to find that there is no evidence of inappropriate use of resources or that spending on consultants in LBTH is out of step with other authorities.

This report outlines the review process the findings and discussion undertaken by Members. It concludes with the recommendations which will be put to Cabinet. I believe that the recommendations the working group have made will further improve the way that consultants are engaged and managed by the Council.

I would like to thank all those who have been involved and my colleagues on the review working group for the way in which they have contributed to the findings in this report.

I would also like to thank Officers for their help and assistance.

Cllr Mohammed Abdus-Salique
Scrutiny Lead, Excellent Public Services

Recommendations

The working group recommendations set out the areas requiring consideration and action by the Council to ensure consultants are used more effectively and where possible to reduce their use by considering in-house capacity and scope for developing skills amongst existing staff first. The working group recognise that there is ongoing work to improve policies and procedures around procuring consultants and have developed recommendations that add to existing work streams on the area. The key areas covered by the recommendations are developing a corporate approach to procuring consultants, reducing dependency and capacity-building existing staff to take on project work wherever possible.

Based on the findings of the review the working group recommend:

R1 That the following criteria and definition of a consultant to be adopted across the Council.

Consultants:

- Have a defined work scope with deliverables
- Often provide a report as an output that provides recommendations for further action but the consultant is not contracted to deliver at that time.
- Have payment contingent upon completion of staged completion of the work
- Do not act as staff members i.e. do not have Tower Hamlets e-mail addresses, phone numbers or desks.
- May be able to provide a substitute to undertake the work
- Are not in a templated position for the purposes of the Comensura contract – i.e. they do not relate to standard jobs within the Council, which could be provided by either permanent or temporary staff
- Are contractually responsible for their outputs
- Are liable for their own performance and the content of their work

R 2 That future work on the procurement strategy to include programme of activities to help disseminate and embed procurement related policies within the organisation, e.g. presentations at all Directorate Management Team meetings and officer training.

R 3 That financial reporting on procurement of consultancy services should clearly identify source of funding and ring-fenced funding such as Section 106 or Lottery Funds.

R4 That targets for reducing expenditure on consultants should be highlighted as an objective in the Tower Hamlets Strategic Plan. The Corporate Management Team to set indicative targets and for progress to be reported back.

R5 That directorates review expenditure on consultants to assess the extent to which they are used and to establish a baseline for reviewing their use of consultants. Directorates should identify areas and set targets for reducing future spend in alignment with the Council's horizontal savings exercise.

R 6 That directorates should increasingly use internal secondments and graduate trainees for one-off projects, tying in with the corporate approach to developing staff.

R 7 That options should be explored to enable the corporate Consultation and Involvement team to become a gatekeeper for procuring external consultation services.

Introduction

1. The use of consultants by the public sector is often treated with suspicion and criticised as wasteful of public funds. It is also an area of interest and concern amongst elected Members and local people because of a perceived lack of transparency about how expenditure on consultants is prioritised and seen as taking funding away from service provision. Nevertheless, in the right circumstances, consultants provide an invaluable service to local authorities, allowing specialist skills to be brought in for projects where existing staff might not have the capacity or skills to undertake. Thus consultants can offer value for money if used appropriately.
2. The working group to review the use of consultants by the Tower Hamlets Council was set up in September 2007. The intention was to review the context in which consultants are engaged, the extent to which they are used within the Council and the policies in place to ensure value for money during the commissioning and management of work delivered by consultants.
3. It was agreed that this review would not be looking into the use of interim or agency staff and professional services used by the Council for example for legal or planning work.
4. The working group agreed the following review objectives:
 - To investigate the reasons for the use of consultants
 - To evaluate the effectiveness of the work undertaken by consultants within the authority using case studies
 - To consider the costs involved in using consultants and to compare these costs with other similar local authorities
 - To use the findings as the basis for recommendations on further developing policies on use of consultants
 - To identify and consider the areas for improvement in procurement and how it should be implemented by the Council.
5. The working group recognised that consultants need to be used to lever in additional skills and expertise to help improve and deliver the best possible services for local people. They felt however that there needed to be a better understanding of the extent to which consultants are used within the council and investigate alternative options to bringing in external resources.
6. Members also agreed that the review was an opportunity to further develop Member involvement to achieve efficiency targets as part of the efficiency agenda and support it to be embedded across the Council.
7. The strategic responsibility for how and when consultants are engaged falls within the remit of the Procurement Team within the Council. Given the introspective nature of the review into operational issues within the Council Members were keen to look at regional comparisons and wider good practice.

8. With these objectives in mind the working group agreed the following schedule of work for carrying out the review:

Introductory Review Meeting (October 2007)

- Introduction to Review topic and focus (agree scope)
- ‘Setting the context’ discussion with Officers
 - Definition of consultants;
 - Existing policy on use of consultants
 - Results of desk based research on best practice guidance from Audit Commission, Officers, London Centre of Excellence, professional bodies such as CIPFA

Second Meeting (November 2007)

- National evidence on use of consultants and trends, including benchmarking opportunities.
- Case Study - Master Planning and Business Process Improvement
- Cost of Consultants: Analysis

Final meeting (January 2008)

- Focused discussion with working group Members and key officers on issues arising during review
- Capture learning points and recommendations

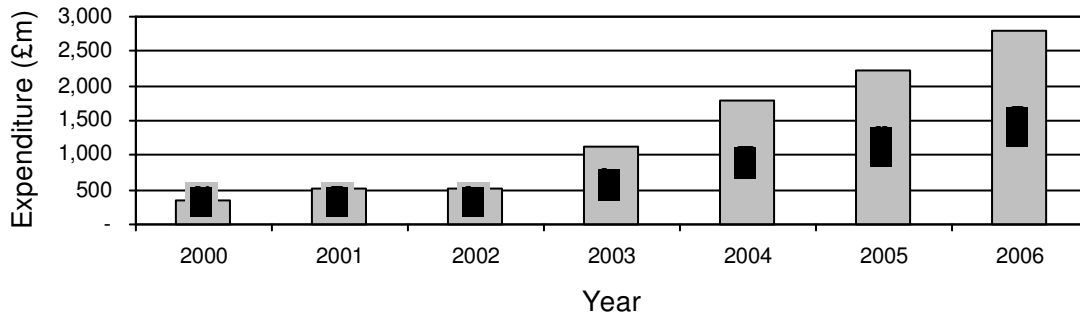
9. The Overview and Scrutiny Committee will consider the working group’s report and recommendations. The Council’s Cabinet will then respond to the report and its recommendations and the action plan response which sets out how the recommendations will be addressed.

Findings

Literature Review and Desktop Research

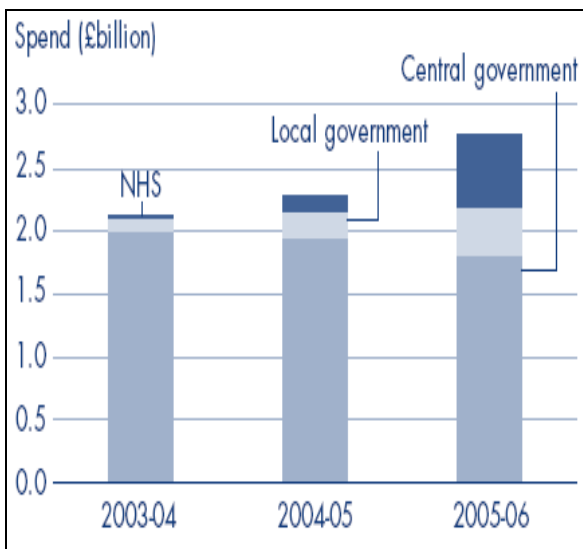
10. In 2005/06 estimated expenditure on consultants across London local authorities was £105m an average of £3m per authority. These figures are from the London Centre of Excellence (LCE) local authority expenditure analysis for 2006/07, but the LCE believe that this is likely to be an underestimate of the true level of expenditure on consultants. The largest areas of spend are property, construction and IT. With such high-levels of spend there is a responsibility on local authorities to improve outcomes and ensure that value for money is achieved.
11. The London Centre of Excellence is one of nine regional centres set up by Government to deliver the National Procurement Strategy and Gershon Review. The centre recently produced a Commissioning Toolkit for the procurement of consultancy and professional services. The toolkit was used within the scope of the review to provide a comparison to Tower Hamlets procedures for engaging consultants as well as being considered more generally by the review working group as a toolkit and guide in its own right. Members welcomed the similarities in approach between the procurement procedures within the commissioning toolkit and those used by the Council. The working group felt that it was important however, that the Council should develop its own programme of work to support the way the Tower Hamlets procurement strategy and policies are disseminated within the Council. Members were keen that any potential toolkit should reflect local needs and context and enable and empower officers to make better-informed choices when engaging consultants.
12. The National Audit Office Report, 'Central Governments Use of Consultants' in December 2006 offers a strategic comparison for this review. The report estimated the extent of public sector use of consultants in 2006 at £2.8bn, a figure heavily criticised by the media and public sector trade unions. Much of the debate that followed has contributed to a perception of consultancy services as being high cost and low return with little to demonstrate the impact of such high levels of expenditure over a period of time when satisfaction with public sector services has continued to fall.
13. Although the focus of the report was on central government departments, the review includes estimates of expenditure within local government based on figures from the consultancy trade association MCA (Management Consultancies Association) and industry sources. These estimates put local government spend on consultants in 2006/07 at £400m. This would equate to 14% of all total public sector expenditure which is very high compared to figures from other local authorities considered later in this report. This suggests that the MCA figures need to be read with some caution as well as the need for a more comprehensive analysis of expenditure on consultants across local government.
14. The graph below sets out the increases in public sector use of consultants over the last seven years taken from the National Audit Office report.

Public Sectors Use of consultants

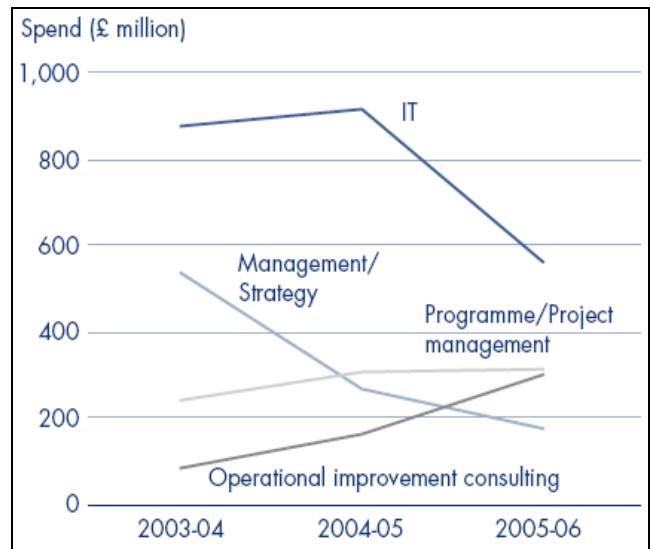


15. The tables below further highlight both the increase and proportion of spend between public sector bodies between 2003/04 and 2005/06, with central government departments and the NHS making up the majority of expenditure but with significant and steady increases in local government expenditure over the last three years. There have also been significant changes in the type of services consultants are providing within the public sector with a move away from management and strategy roles to programme and project management work. These changes reflect the increasing complexity of service provision for example aims to provide a seamless experience for service users across Health and Social care.

Public sector spend on consultants



Changes in demand for services



16. The report recommendations were on balance less about driving down daily rates or price and more about how to improve the way consultants are commissioned and managed to ensure they add value to public sector work. It highlighted the difficulties in equating savings to this area of spend and recognised that there would be a continuing need to buy in external expertise to improve services. The key challenges for public sector bodies were around planning and project managing consultant contracts, evaluating the learning and factoring in the role of existing staff both in terms of being the

first choice for carrying out the work on projects but also around building in scope for skills transfer and capacity building internal resources for future work.

17. Findings from the literature review and desktop research helped to further expand the scope of the review and to set the context for investigating local practices.

Use of Consultants by other Local Authorities

18. During the development of the scope for the review it was agreed that it would be useful to look at other local authority experiences of using consultancy services and other scrutiny reviews on the subject. A short research exercise found that the “Use of Consultants” is a popular scrutiny review topic with more than twenty recent or ongoing reviews currently listed online. Working group members received a briefing on the findings and analysis from seven recent scrutiny reviews on the topic. The key points from the briefing and Member discussion on the issues raised are set out below.
19. Other local authority scrutiny working groups found the most useful approach to a review of this kind tended to be where it was possible to frame the investigation within wider objectives such as to:
 - redress the lack of trust in why and how consultants are engaged
 - develop a coherent strategy for engaging consultants
 - ensure use of consultants led to value for money.
20. The scope of investigations varied from short reviews assessing the suitability of procurement procedures in engaging consultants, to organisation-wide reviews on how each directorate had engaged consultants over a number of years.
21. The most common terms of reference across reviews were to:
 - identify the context of when and why consultants are used
 - investigate the procedures used to engage consultants
 - assess the procurement procedures and the performance management of consultants
 - investigate the extent of use or cost of consultants; year on year trends, as a proportion of total expenditure and in benchmarking against other local authorities
22. Members welcomed the opportunity to use the learning from other local authorities in carrying out the review in Tower Hamlets. The key themes and recommendations from the other local authority reviews are summarised below.
23. Scrutiny reviews on the use of consultants can risk becoming reviews of management. The working groups which focused on promoting public confidence and developing more transparent procedures reported a more collaborative Member-Officer approach to the investigation. It was also important to define the term “Consultant” early on in the review process to distinguish between consultants who provide management support, advice and guidance, as opposed to professional services such as lawyers and engineers contracted to provide advice or support on for example capital build projects.
24. Working group members agreed that there was a need to agree a criteria that defined the role of a ‘consultant’ within Tower Hamlets. This would provide greater clarity to officers and members and promote transparency and knowledge of how the organisation uses consultants in a way that would build public confidence and trust.

25. All but one of the other local authority scrutiny reviews found that the reasons for engaging a consultant, were essentially sound in principle and in the right circumstances. In most cases the contract had resulted in securing additional funding or awards. The one instance where the scrutiny review found use of consultants to be excessive was where the authority was a poorly performing Council and subject to Voluntary Engagement, which are emergency measures where a council seeks support from Government to recover from weak performance.
26. A number of the reports identified problems with cost codes and distinguishing between expenditure on consultants and on professional fees. Recommendations included ensuring expenditure on consultants was noted by a unique cost code and to improve officer training on financial procedures. Some of the reviews explored how expenditure on consultants was budgeted for and found that the source of expenditure was often unclear or not noted. This would be important in the case of S106 contributions or for example Lottery Funding which are often ring-fenced.
27. In many authorities there were no specific policies to guide officers on the use of consultants. Often the procurement strategies fell short of relevant advice such as the level of management sign-off required to engage consultants. Officers at two authorities referred to the "Approved Officers Register" in Contract Standing orders which provide guidance on the tendering procedures depending on the financial scale of the contract. However, these exclude mechanisms for performance management or evaluation of the contracts once they are in progress.
28. In discussing the briefing on other local authority experiences of using consultants working group members asked questions about the current policies and procedures in place in Tower Hamlets and were informed that officers follow financial regulations and the procurement policy to engage consultants. A fuller presentation on current policies and procedures would be provided at a future meeting.
29. The briefing also identified that a vacuum in policies and procedures to deal with consultants resulted in poor value for money in the longer term. Thus, whilst the contract may have delivered the right outputs and outcomes, the skills and experience gained from delivering a project was lost by the organisation. This highlighted the importance of a taking strategic approach to the way consultants are used across an organisation.
30. Most reviews recommended that authorities should develop a corporate approach and have approved mechanisms for engaging consultants, including Member notification or sign-off in the case of significant contracts. This would ensure uniformity across the Council and develop transparent systems better suited to withstand any public questions over the use of consultants.
31. All of the scrutiny reviews put forward recommendations to encourage the use of alternatives before considering consultants, in particular by developing internal staff and their skills. Specific recommendations included a review of policies to give greater flexibility to use existing employees and resources for special projects across the Council and for procurers to consider in-house capacity ahead of putting a contract out to consultants. Contracts were to include and define the role of existing staff to ensure skills and knowledge transfer beyond the life of a project.
32. There was limited comparable information on the cost of consultants within the reports with considerable variations in the types of expenditure included in the figures. Wide differences in level of expenditure and in procurement and financial reporting practices

make further meaningful comparison between authorities difficult. The table below uses the data from the reviews to provide some insight into the scale and trends behind the use of consultants in local government. Most working groups were surprised however at the low proportion of spend on Consultants.

Local Authority	Financial Year(s)	Expenditure on Consultants	
		Total (m)	As % of total expenditure**
Solihull Council	2004/05	£2.304*	>1%
North Lincolnshire Council	1999/2000 1998/1999	£0.500 £0.500	Unavailable
Worcestershire County Council	2003/04	£1.062	0.2%
Hastings Borough Council	2005/06 2004/05 2003/04	£0.050 £0.019 £0.073	0.3% 0.1% 0.4%
Torbay Council	2003/04 2002/03 2001/02	£2.260 £1.798 £1.559	1.7% 1.5% 1.3%
North East Lincolnshire Council	2006/07	£1.249m	1.1%
London Borough of Tower Hamlets.	2005/06 2006/07 2007/08 (1 Apr – 31 October)	£0.836 £1.290 £0.703	0.1% 0.49%

*96 separate payments, excludes contracts worth less than £10,000

**% Some of these figures have been worked out retrospectively and were not included in the original Scrutiny report. Please allow for a margin of error as these were calculated using a range of online sources on Council budgets.

33. The information that is available suggests that there is no evidence that spending on consultants in Tower Hamlets is out of step with other authorities. Whilst Members welcomed the information on expenditure on consultants by other local authorities they felt that it was difficult to draw appropriate comparisons with authorities of such different profiles. The fact that the figures are drawn from other scrutiny reviews on the use of consultants further suggests that in carrying out the reviews these Councils may have been responding to an area facing performance challenges or public concern. Working group Members felt that information from other similar authorities to Tower Hamlets may highlight different issues.
34. The literature review and research exercise highlighted that even at a wider or regional level there is very limited public data on the use of consultants by other local authorities with only the London Centre of Excellence carrying out a regional project on the issue, and with restrictions on sharing information with authorities outside of the programme. Members suggested that benchmarking opportunities should be explored in the future to help drive through improvements in this area.

Defining Consultants

35. Members used the findings from the research to develop the next stages of the review. The scope of the review had been focused on looking into operational issues around commissioning, managing and evaluating consultants to undertake projects within the Council. Early discussion revealed however, that there were differences between directorates and teams on what constituted a 'use of a consultant', and therefore differences in how expenditure was recorded. This meant that financial data did not

always accurately differentiate between spend on consultants and other expenditure such as professional fees for legal or planning services. Members felt that this was a basic but important first step towards clarifying the role of consultants in the Council.

Recommendation

R1 That an agreed criteria or definition of a consultant to be adopted across the Council.

Consultants:

- **Have a defined work scope with deliverables**
- **Often provide a report as an output that provides recommendations for further action but the consultant is not contracted to deliver at that time.**
- **Have payment contingent upon completion of staged completion of the work**
- **Do not act as staff members i.e. do not have Tower Hamlets e-mail addresses, phone numbers or desks.**
- **May be able to provide a substitute to undertake the work**
- **Are not in a templated position for the purposes of the Comensura contract – i.e. they do not relate to standard jobs within the Council, which could be provided by either permanent or temporary staff**
- **Are contractually responsible for their outputs**
- **Are liable for their own performance and the content of their work**

36. During the discussion on draft recommendations Members emphasised the importance of highlighting the differences between internal staff and consultancy staff to maintain a distance in the client – consultant relationship and that this was important to the management role required of officers in using consultants. Members also raised questions about the length of time consultants stayed on in the organisation and a need to monitor this carefully. Officers explained that this was more likely to be an issue with interim or agency staff and that extension of contracts beyond the first six-months require corporate director sign-off in order to continue to employ staff in this way and would still be subject to regular reviews. In reviewing the definition set out above Members welcomed the separation of internal and external staff and that this would help to ensure consultants are not used to fill interim vacancies.
37. Working group members were keen that the review should also help to clarify the areas where consultants are required for specific roles. This is true for example for recruitment to senior posts where consultants are used because of a need for independent and objective advice and to ensure processes are transparent and fair. Similarly Government legislation requires for example sustainability appraisals of Local Development Documents to be carried out by independent specialists. Members requested that a list of areas where consultants are needed to be developed as part of the action plan in response to the recommendations.

Procurement and Commissioning

38. Working group members received a presentation from officers on the existing procurement policies and procedures. Officers identified a number of key areas for

action to improve how the Council engages and manages consultants as part of the work to update the procurement policy.

These are to:

- ensure that there is no duplication of energy and cost
- provide VFM with leverage
- understand success
- skills transfer to bridge knowledge gap
- greater knowledge about cost and not just price
- greater internal capacity
- ensure that consultancy spend is effectively managed going forward.

39. The Scrutiny Review working group members recognised that use of consultants is important in some circumstances to achieve local priorities. In disseminating updated procurement procedures, Members requested that directorates should also be tasked to consider targets and measures for reducing dependency on consultants. Most importantly in all instances of engaging consultants procedures should be transparent explaining the business case for using consultants and there should be a uniformity of approach across the Council. Members requested that an officer guide or toolkit on how to engage consultants should be developed as part of the action plan in response to the recommendations.

Recommendations

R 2 That future work on the procurement strategy to include programme of activities to help disseminate and embed procurement related policies within the organisation, for example presentations at all Directorate Management Team meetings and officer training.

R 3 That financial reporting on procurement of consultancy services should clearly identify source of funding and ring-fenced funding such as Section 106 or Lottery Funds.

Use of Consultants in Tower Hamlets

40. The extent to which Consultants are used in Tower Hamlets was assessed in two ways. Working group members received financial reports on expenditure across directorates from 2005/06 through to mid-year results for 2007/08. Members also requested two case studies to explore specific examples of how consultants had been used to improve services.

41. Members received the financial reports on use of consultants by the Council at the second review meeting. The reports included information on the type of projects where consultants were used, the name of the consultancies used and the cost of the contracts. A summary of total expenditure on consultants is included in the table below. Expenditure on consultants has therefore been consistently around 0.1% of annual expenditure in LBTH for the last few years

Year	LBTH Total expenditure on Consultants
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2005/06	£ 836,246.52
2006/07	£ 1,290,929.89
2007/08 (1 Apr – 31 October)	£ 703,918.96

42. The working group were joined by Cllr Josh Peck, Lead Member for Resources and Performance who introduced the Officer presentation and outlined the current work streams for improving procurement processes. The member led discussion was broadly exploratory with requests for further information. Members' questions and officer responses are summarised below in a table for ease of reference.

Question	Response
Members raised concern over increased expenditure in Development And Renewal, and the reasons behind it?	Some of the increases in expenditure from 05/06 to 06/07 has been because of ad hoc and new work requirements. The Development and Renewal spend on consultants is largely on Masterplanning, which requires specific skills and qualifications and for which there is not sufficient capacity in house at the point in time when it is required. The Olympics are also generating a lot of additional work.
What the options were for employing staff in house instead on a contractual basis?	
What are the barriers to exploiting skills amongst existing staff?	
What the options were for reducing the amount spent on consultants and on tackling a culture of using consultants?	
How is success measured in terms of procurement? What are the levels of success and or non-delivery? Are our target setting measures robust enough?	Measuring success – In addition to delivery against targets, procurement of consultants is assessed for value for money which include arrangements for vetting suppliers and only procuring services from the EXOR accredited supplier database. Compliance with financial regulations is also an important measure of success in procurement.
How is the equalities policy applied in procuring consultants?	The top 100 suppliers provide equalities data and equalities issues are explicit within the terms and conditions.
What happens when the use of a consultant goes wrong?	Experience with consultants does vary and the key issue is to ensure poor consultancy organisations are not used again. The EXOR framework agreement is there to ensure that the Council can select organisations with a positive track record.
Are there any penalty or get out clauses included in contracts for consultants?	Contracts include regular reporting mechanisms and there are contractual sanctions where failure to deliver results in

	non-payment. Contractual arrangements are all output based and include specific terms and conditions
Further clarification sought on the procedures for recruiting consultants?	The key added elements in addition to those outlined in the presentation are: <ul style="list-style-type: none"> • Pre-qualification questionnaire • Tender process itself

43. The financial reports were revisited at the final review meeting alongside the two case studies of how consultants had been used in different service areas. Reviewing the full set of financial reports Members felt that it was important for directorates to be able to take a more strategic view of skills gaps and needs in medium to long-term projects to help reduce unnecessary and ad-hoc use of consultants. They welcomed the overall figures indicating that the proportion of spend on consultants was low but were concerned that the trend was for a year on year increase. Members emphasised the need to set targets to reduce current levels of use to in order to achieve efficiency gains and also because of a sense that it is a public priority for resources to be used differently.

Recommendation

R4 That targets for reducing expenditure on consultants should be highlighted as an objective in the Tower Hamlets Strategic Plan under the Excellent Public Services Community Plan theme. The Corporate Management Team to set indicative targets to reduce expenditure on consultants and for progress to be reported back.

44. Members reviewed two case studies of how consultants were being used within the Council. The first case study looked at how the Council was looking to embed business process improvement (BPI) techniques to help improve services that faced challenges in meeting their performance targets. The technique itself is a management tool widely used in the private sector and increasingly in the public sector to turn around areas of poor performance. In discussing the case study Members noted the good practice around ensuring the work with consultants led to the development of an internal staff resource to carry out future BPI exercises. The working group suggested that there were areas for improvement and more should be done to assess the value added from engaging consultants and the impact it had on the service itself. This had the potential to add to any business case that might need to be made for future projects.
45. The second case study focused on the use of consultants to develop Masterplans, which are spatial planning documents that set out a holistic vision for local areas. The Council agreed to test out different approaches to producing Masterplans, retaining one in house and using a mix of consultant services and in-house officer support for two others. As a result this case study enabled working group members to make some direct comparisons between using internal and external resources to deliver projects.
46. A direct cost comparison suggests that it was more cost effective to use internal staff to produce a Masterplan. However, the evaluation of all three of the different approaches adopted by the Council highlight very different costs and benefits which have made a

strong case for contracting out all future Masterplan work, retaining only the project management and community engagement and consultation work for Masterplans within the Council. In particular the range and complexity of the number of professionals needed to produce a Masterplan make a strong business case for using consultants that specialise in this area and are able to lever in additional resources and achieve economies of scale based on their wider portfolio of work. The costs of delivering the Masterplan in-house also underestimate the cost in terms of staff resources which has been difficult to capture whilst the team project managed all three Masterplans and other Major project developments within the borough.

47. Working group members raised questions about the overall high levels of expenditure across the Development & Renewal directorate and the need to monitor and plan resource requirements in the medium to long-term. Members also recognised that the 2012 Olympics were generating a greater demand for planning services, noting that it could also be an opportunity to involve local people and further develop existing staff resources.
48. Members agreed that it was appropriate to try and achieve efficiency gains that they would like to achieve in this area through existing work-streams such as the horizontal savings exercise but that there also needed to be a specific focus on reducing reliance on and a culture of using consultants. Members suggested a higher profile of the issue was required within key council documents such as the Strategic Plan. It was agreed that Directorates should retain autonomy and flexibility in procuring consultants but that the issue needed to be reviewed at the Directorate level.

Recommendation

R5 That directorates review expenditure on consultants to assess the extent to which they are used and to establish a baseline for reviewing their use of consultants. Directorates should identify areas and set targets for reducing future spend in alignment with the Council's horizontal savings exercise.

Reducing Dependency and Using Alternatives

49. Throughout the review working group members have stressed the importance of considering internal capacity and resources first before thinking about using consultants. Members are keen to see the Council develop methods for auditing and understanding the skills amongst existing staff and the possibilities around using these skills to meet needs across the organisation. Members recognised that as a local authority, the Council needs to respond to policy developments that take place all the time and sometimes deliver unplanned work which may require the use of consultants in the short term. However, improved planning and knowledge of skills sets amongst staff and greater flexibility around the use of internal secondments and trainees could help to achieve much wider benefits for the Council and employees.

Recommendation

R 6 That directorates should increasingly use internal secondments and graduate trainees for one-off projects for example to meet research needs, tying in with the corporate approach to developing

staff.

50. The financial reports showed that there is a significant level of expenditure on using consultants to deliver and facilitate consultation work. As the Council has its own Consultation and Involvement Team, options should be explored around rationalising the way consultants are used for this type of work and how this can be more effectively procured in the future. This would support the development of good practice and provide teams with advice and support on how to get effective consultation services.

Recommendation

R 7 That options should be explored to enable the Corporate Consultation and Involvement team to become a gatekeeper for procuring external consultation services.

Conclusion

51. The working group welcomes the commitment of the Council to improving processes and procedures around engaging consultants to ensure value for money and to reduce dependency on using consultants.
52. The working group also welcomes the findings which demonstrate that there is no evidence of inappropriate use of resources and that expenditure on consultants within Tower Hamlets is in line with other authorities and analysis of wider trends.
53. At a strategic level, the Council needs to help coordinate efforts to understand the full extent of how and when consultants are used and to improve the levels and type of data held on work carried out by consultants. This would allow sharing of information across the organisation and help officers to make informed choices when the use of a consultant is required.
54. There are quicker opportunities for reducing use of consultants in some areas more than others. The recommendations have highlighted the potential for using the Consultation and Involvement team and the working group would recommend that further similar opportunities for collaborative work across directorates are sought out in the future.
55. There are good support services available to officers procuring consultants but more needs to be done to systematically embed good practice across the organisation.
56. The working group is particularly keen to see better use of existing staff to meet wider organisational needs. More internal secondments and use of trainees will help to achieve 'Workforce to Reflect the Community' priorities and has the potential to offer skills development and greater job satisfaction for employees.

Scrutiny and Equalities in Tower Hamlets

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