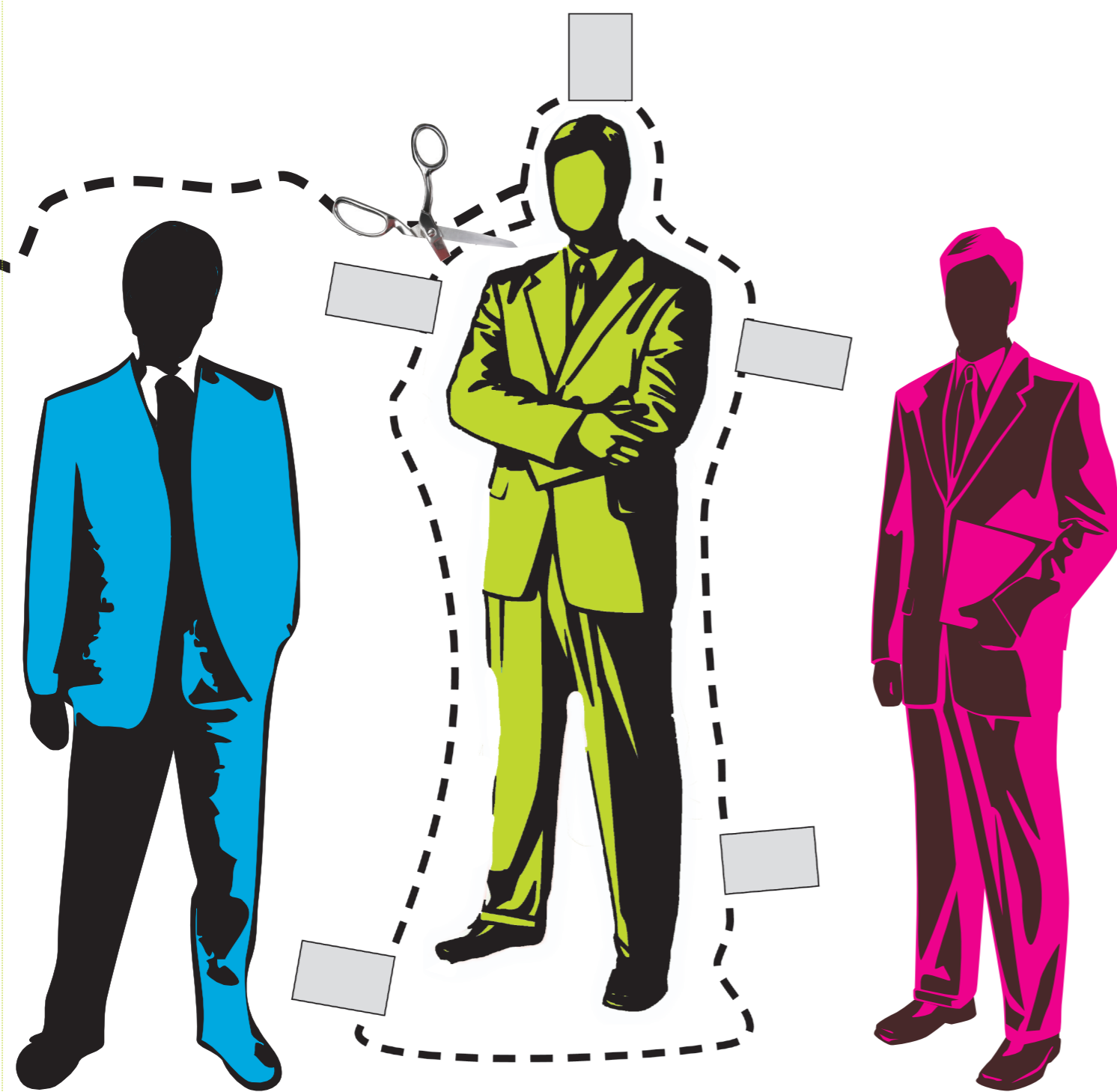


CUTTING OUT THE MIDDLEMAN?

The London Centre of Excellence has unveiled a toolkit which seeks to transform the way councils procure consultants, explains **Andrew Tregidgo**.



If there is one aspect of public service delivery that the media loves to get its teeth into it is the purported waste of taxpayers' money. And so, just before Christmas last year, newspapers up and down the country ran headlines on how our public services are spending exorbitant sums on fat-cat management consultants. MPs and trade unions pitched into the debate, with one trade union calling the spending policy 'the economics of the madhouse'.

The media outburst was prompted by the publication of a National Audit Office (NAO) report on the use of consultants in the public sector, the first authoritative analysis of its kind. However, the media chose to publish headlines that conformed to its stereotype of profligate public spending rather than report the NAO's findings in a measured way.

So, what were the headlines from the NAO report? Well, it found that total public sector spending on consultants was estimated at around £2.8 billion for 2005-06, with central government's share around £1.8 billion and local government's about £400 million. Spending across the public sector has risen by a third in the three years to 2005-06. The report concluded that while there have been improvements in using consultants, there is some way to go before good value for money is achieved overall.

Why is the public sector spending so much money on consultants? Government initiatives such as the eGovernment Programme, the National Procurement Strategy for Local Government and the Private Finance Initiative have encouraged local authorities to engage scarce professional expertise to deliver high-quality services and value for money to their citizens. However, initiatives such as the Gershon review have required local authorities to deliver year-on-year savings and operational efficiencies. This clearly creates a possible conflict between delivery policy objectives and the realisation of efficiency gains.

For local authorities to continue delivering and improving on high-quality services while meeting the challenges of a continually changing procurement landscape driven by performance improvement, they will inevitably need to continue to engage specialist expertise in the form of consultants and professional service providers.

The high levels of spend in this area, estimated to be in the region of £170 million a year across local government in London alone, and the predicted upward trend in the utilisation of consultancy and professional services reflect how local authorities are taking responsibility for ensuring the

delivery of good value for money through well commissioned and managed assignments.

To counter headlines of money being 'poured down the drain' by paying consultants excessive fees, and, on certain occasions, to repeat work they have already done for other authorities, significant progress needs to be made across key aspects of local government procurement. However, there is limited evidence as yet to show that procurement in this area is properly managed to ensure value for money.

If local authorities are to meet the challenging targets set by central government and keep council tax increases to a minimum, they will need to review their approach to this growth area of the public procurement market. *The NAO, in its recent report, made a series of recommendations, including the need for organisations to:*

- make a proper assessment of whether internal resources could be used instead of consultants
- collect solid information on their use of consultants, via such as performance reviews, to improve

professional services and continue to deliver quality services to their communities. However, a local authority will also need to engage in a strategic and operational review of its activity in this area. A review of this nature is complex and needs buy-in and leadership from senior managers. The LCE toolkit identifies some of the areas that would need to be addressed in any review.

While the toolkit is not an end-to-end manual for the strategic planning and review of procurement and delivery of consultancy assignments, it highlights some of the issues to be considered in this area and provides best practice information and guidance to support the procurement process.

For local authorities coping with the challenges of the transformational government agenda, capacity and knowledge very quickly become scarce commodities. It is not surprising that local government has witnessed a sharp rise in its use of consultants; buying in these commodities has been the preferred route for many councils. Indeed, given the pace and scale of

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buying decisions and better understand the benefits they bring

- actively engage with consulting firms to understand how they work
- regularly plan for and carry out the transfer of skills from consultants to internal staff to build internal capabilities

It is these very recommendations that have formed the backbone of an innovative toolkit recently published by the London Centre of Excellence (LCE) which seeks to transform the way councils procure consultants. The toolkit aims to cut local government's growing consultancy bill by encouraging local authorities to adopt a structured approach to commissioning consultants, and in this way it anticipates and complements the findings of the NAO report.

The toolkit is designed to give local authorities some of the tools they need to achieve efficiency gains and cashable savings from the procurement of consultancy and

change that local government faces, the need for external consultancy by the sector is both pressing and inevitable.

The issue, then, is to achieve the very best value from the use of consultants, a point recognised by one of the project's sponsors, Mark Gilks, Chief Executive of the London Borough of Hounslow, who said: "Local government contains huge talents and skills and yet the sheer complexity of the task faced means that local authorities will need to commission external consultants. This requires real skill which has been captured by this project and presented in a highly understandable and useable fashion from which all authorities can benefit."

With funding from the LCE, the guidance has been drawn up jointly by the City of London Corporation and the London Borough of Hounslow and seeks to make a ten per cent year on year efficiency gain on consultancy spending. Called the ►

lead feature

► *Commissioning toolkit for the procurement of consultancy and professional services*, the guidance sets out the steps necessary to realise efficiency gains and achieve much better value from the use of consultants.

So what does the guidance cover? Firstly, it defines the scope of consultancy and professional services as those that are commissioned to provide time-limited or project-based assignments in areas such as finance, construction, highways, management, legal, housing, social care, the environment and ICT. In other words, pretty much most areas of local authority business.

Susan Attard, Deputy Town Clerk, City of London Corporation and another of the project's sponsors, said:

The LCE toolkit aims to ensure that potentially all councils across the country are using consultants in the most efficient way possible

"The toolkit provides concrete advice for local authorities and a means to share best practice. It will not only help save public money, but also assist local government in disseminating skills among its own workforce across a broad range of services, from social care to planning."

Secondly, the guidance recommends that local authorities gain a full understanding of how they currently engage consultants. Many consultants are commissioned by service managers rather than by procurement professionals so an important starting point for local authorities is to find out the current state of play – who is doing the commissioning, which consultants are being used, analysing expenditure, assessing internal skills and capacity levels, finding out what systems are being used to capture data, what the consultants have achieved, and so forth. Without this fundamental organisation-wide evaluation, little progress will be made on delivering efficiencies and achieving better outcomes.

The guidance also recommends that local authorities gain much better knowledge of the supplier market. This can be done simply by picking up the phone and talking to colleagues in other local authorities or in professional

bodies who might be well placed to advise. And having informal discussions with suppliers themselves is an important step towards getting an

performance will be available shortly. The Regional Centres of Excellence will be considering how best to implement the toolkit across the other eight English regions as part of the wider RCE Procurement Programme.

There is no doubt that local authorities have to raise their game in terms of their approach to commissioning consultants, but it is not all lavish, uncontrolled spending as much of the press would have the public believe.

As the Director of the London Centre of Excellence, Ken Cole, states: *"While some boroughs achieve good value from their consultants, the toolkit aims to ensure that potentially all councils across the country are using consultants in the most efficient way possible."*

"We want to see higher standards of commissioning and substantial efficiency gains in a significant area of public expenditure."

Andrew Tregidgo is Project Manager of the LCE consultancy toolkit

IN SUMMARY...

- The London Centre of Excellence has recently published a toolkit which seeks to transform the way councils procure consultants
- With funding from the LCE, the guidance has been drawn up jointly by the City of London Corporation and the London Borough of Hounslow and seeks to make a 10% year-on-year efficiency gain on consultancy spending
- The toolkit recommends that collaboration can take place in a number of ways – between authorities, between services within an authority, across sectors and with suppliers themselves

FURTHER INFORMATION...

Copies of the toolkit can be found at:

www.lcpe.gov.uk

WHAT'S YOUR VIEW?

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