



ISLINGTON



A Guide to Buying Consultancy, and Other Professional Services

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Buying Consultancy Services

This guide will help you to spend money on consultancy services more wisely; it applies to all professional services. The aim of using consultancy services is to achieve results for your organisation that you could not achieve by yourself. Using the guide will also help you to develop an audit trail for each purchase.

It's primarily for people who do not spend the majority of their time managing procurement activities. You should read the guide all the way through before starting to write anything, where possible ask your procurement team for their input.

The guide was developed in response to feedback from users of the LCE's *Commissioning toolkit for the procurement of consultancy*. It bridges the gap between the toolkit's comprehensive and more detailed approach with the fact that many purchases are relatively small in terms of expenditure, say up to £75,000.

Rather than try to provide you with generic answers to cure all ills, this guide aims to make you think thoroughly about what you want to achieve and how you will do this. The nature of each project or assignment will influence the way you do this.

There are three parts to the guide, each heading being an outcome.

- **Decision making / briefing paper** will help you decide if you need additional expertise (internal or external) and help you to brief potential suppliers
- **Choice of supplier**; what to ask potential suppliers to give you in a proposal and how to evaluate proposals to choose the best supplier
- **Results**, managing the supplier's and your own organisation's performance to achieve the best results

Decision Making / Briefing Paper

The purpose of this part of the guide is twofold. It is to provide:

- Information to help decide if you need additional expertise
- Information to potential suppliers so they can submit accurate proposals

The critical step at this stage is to accurately describe what it is that you want to achieve. Get it wrong and everything else you do will be focused on the wrong issues and / or results that aren't as good as you have the potential to achieve.

The guide will also help you to decide if you need to purchase consultancy services from external suppliers, rather from available internal expertise. Completing the suggested template in appendix A will also enable you to brief internal and / or

external expertise. The more time and effort you spend describing the issues you face and the results you need to achieve the more likely it is that you will succeed, probably more quickly and with results that exceed expectations. A relatively small amount of consultancy services, in terms of time, effort and money could result in a significant impact; a cost of thousands of pounds for benefits measured in millions!

You should also consider tapping into the considerable expertise of potential suppliers. You could ask some of them (say three) for their views. To do this you might ask them to meet you in your offices; most will be only too pleased to do this. Remember at this stage you are asking for the benefit of their experience and expertise free of charge. You should be trying to decide if this is the real issue you face, that it's the cause and not merely an effect or symptom.

Do all this well and you may find that there is less to do; you'll certainly have a better insight into what you need to achieve. You could after these discussions decide that you can use expertise already available to you to achieve the results you need.

Choice of Supplier

Ideally you need to ask potential suppliers for proposals, say about 4 pages plus appendices. Even if your situation means that you have an urgent need and / or you know which supplier you want to use you should still use the following approach.

Potential suppliers need accurate information about what you want to achieve so they can provide accurate proposals. Use the information marked with ** in the suggested briefing paper in appendix A. Proposals should include:

- **Objectives**, these are often statements about what the supplier says they will achieve for you. The supplier has a responsibility to use their expertise to ensure, as best they can, the objectives will help you achieve results you need.
- **Approach**, how they propose to achieve these results, or help you achieve them
- **Results**, they will achieve for you. If this is likely to be a series of recommendations make sure they will include how you should implement them and follow up to make sure they achieve the results you need
- **Physical outputs**, they will provide, e.g. written reports, verbal reports, presentations, guides etc. Include ownership (IPR and copyright); you're likely to get a better deal if the supplier owns what they bring to the project and you own whatever is developed during the project, although the supplier should have the right to use this with other clients.
- **Roles and responsibilities**, thoughts on theirs and your organisation's roles / responsibilities, to include:

- How they will manage their performance and communicate with you?
- The specific activities each party is responsible for
- How, if appropriate, they will transfer skills and knowledge
- **Expertise**, that is directly relevant to achieve the results you need, as an organisation and specifically the people who will do the work
 - Include a description of their organisation and the people who will do the work
 - Evidence of why they will be able to achieve the results they say they will achieve and why they are good at doing this. This could include; references, case studies, short summaries of relevant work they have done
- **Price**, the amount they propose to charge you
 - **Fee**, you might want to ask for a fee in a specific way for example a project price, a price partly based on results or a price per unit of time (commonly known as a day rate). You could ask for options, less or more than you need.
 - **Expenses** (inclusive or exclusive?), what do they propose to charge for? Have they included them in their fee? Have they proposed specific rates (for example price per mile for travel, business class flights etc.)? Is there a cap for example a % of the fee?
- **Timing**, when can they start and when will they finish? Are there any assumptions they've made that these timings are based on? Are there any milestones to track their progress?

The amount you estimate that you will spend and / or the impact of achieving the results you need could justify a verbal / face-to-face briefing with potential suppliers. If it does then brief them after they have received information from you.

Use the information in proposals from potential supplier to answer the following.

- How likely it is that they will achieve the results they say they will?
 - Will this help you achieve the results you need?
- How likely it is that they will add more value than expected?
- How well they will do this?
- How much it will cost and when it will finish?

Many of the smaller (by expenditure) purchases are urgent. It can be difficult to spare the time and effort to set and use weighted evaluation criteria. You can supplement this approach or substitute it by asking potential suppliers to present

their proposals to you. It is a quick and effective way to get to know suppliers; you're likely to make better and quicker choices this way.

A key part of your audit trail is a contract award document that describes all aspects of the purchasing process and the decisions made. Include the evaluation process, the results, recommendations and space for the decision maker to sign it off.

Results

Actively manage the supplier's and your organisation's performance to achieve the results the supplier said they would achieve in the proposal you accepted. There is a suggested approach and more detail in appendix C. You should include:

- **A continuous review of what you need to achieve**, as the supplier gets to understand your organisation and the issue in more detail check to make sure you and they are addressing the right issue. Is it described accurately? Don't hesitate to change it if it's not. But do hesitate to expand the project (e.g. the amount you pay) unless you are sure you'll achieve significantly more.
- **Scope creep**, this is where the scope of the project changes significantly after it has started. Some suppliers may set out to find other relevant / associated issues that you need to address urgently so they can boost their income. Resist changes as best you can, especially if it costs more and / or will delay the project. Regard each potential change as new results to achieve and therefore you should start this process again.
- **Performance**, did you actively and regularly, rather than reactively or now and then, manage the supplier's performance against what has been agreed during the project? Did you also manage your own organisation's performance so that they provided (support, resources etc.) what they'd agreed to during the project?
- **Results**, measures are likely to be mainly subjective, except timings and costs, and should be set by you (the owner of the issue) as it's your perspective of value that matters. Did the supplier achieve what they said they would in the way (e.g. sensitively) they said they would, on time and on budget? If the supplier's output was recommendations how good are they in terms of your organisation's ability to implement them and the results you anticipate they will achieve?
- **Key learning points**, what did you learn that you think is important to pass on to others?
- **Follow up**, did you achieve the results you set out to achieve? If not then why not? If you implemented the supplier's recommendations did you achieve the results they said you could achieve?

Appendix A – Decision Making / Briefing Paper

The purpose of the template is to stimulate the thinking behind the perceived need to purchase consultancy services. It isn't to stop people buying consultancy but to help them do so better than they would have without it. The template is primarily for relatively small purchases, say anything up to £75,000. However, you should make sure you comply with your organisation's procurement and financial rules.

Complete it using plain jargon-free English and a suitable level of detail and explanation for the potential value of the impact you could have if you achieve the results you need.

Even if you need to achieve results urgently, or show that you have started to work to achieve them by appointing a supplier, the template doesn't take a long time to complete. You must in all circumstances take the time to understand what you want to achieve. Writing down what you need to do and how you might do this is a good way to do this. It'll help your thinking about what you have to achieve and how best to do it. Even if you know which supplier you want to use you should still complete as much of the template as possible.

The headings marked ** will help you brief potential suppliers when you ask them for a proposal.

Owner** (person who needs to achieve results):	
<i>Give the name, title, department and contact details of the person responsible. Ideally this should be the person completing this template.</i>	
What you need to achieve**	
<i>Describe what you need to achieve. It's critical to get this right in terms of accuracy and understanding. If you don't then you may try to achieve the wrong results. If you are you successful what impact will this have? Are there any dependencies to consider? Also describe what will happen if you aren't successful?</i>	
Background**	
<i>Describe the origin / background to the issue. Include the context of the issue, for example sensitivities, dependencies, importance etc</i>	
<i>You should also find out if it is unique, to you, your department, your organisation, other similar organisations etc. Where possible learn from others even if the context</i>	

and background are different. Perhaps there are others who have the same issue but have not yet tackled it? Do they want to collaborate to solve it?

Results needed from a supplier** (includes activities they are likely to do to achieve them)

What do you want a supplier to achieve? Is this the same as the results you need to achieve? What do you think a supplier will need to do to achieve these results, for example interviews, desk research. This is not necessarily what the supplier has to do, these are suggestions from your (the client) perspective. Who will manage the performance of the supplier and your organisation, and how will they do this? The results you need the supplier to achieve and the way they will do this form the basis of the performance measures you should use. Don't be put off if the key measures are subjective.

Supply market (and its dynamics)

What type of expertise and experience do you need? First establish if your organisation has the expertise and capacity to supply services to achieve the results you need.

Understand the supply market. How many external suppliers are there and where are they located? What type and size are they? Remember lower turnover and smaller suppliers aren't necessarily a risk given that little capital is needed. Is it a buyers or sellers market? Availability of expertise you need? How attractive do you think potential suppliers will regard the opportunity to help you achieve the results you need?

Options, costs and timing

Options - *What relevant options are there to achieve the results you need, and how will each one do this? Consider asking for other perspectives (for example procurement, finance etc.). Always include the option to use internal expertise.*

Costs - *Estimate the total cost for each option. Include your time and costs and the supplier's price (if internal supplier then possible recharge). Who will pay for the services and where will the money come from?*

Timing - *Start and finish dates? Explain why these dates. Impact if results are achieved earlier or later than expected? Is project suitable for milestones?*

Recommendation

Recommend an option and say why this is your recommendation. If your recommendation includes buying services from an external supplier describe how you will do this.

Sign off

Include the name, title and department of the person able to sign off the recommendation and date they signed it off.

Appendix B – Choice of Supplier

If you have the time, and the value / impact warrants it, then you should ask several suppliers to provide proposals. It is likely that in some cases you might know which supplier you want to use and only ask them for a proposal. If you do this you should still evaluate their proposal in the same way as if you had several proposals.

These are questions to ask and answer to help you evaluate proposals from potential suppliers and choose the best supplier for your circumstances. The following are suggestions don't simply take them literally, think around the issue and adapt them to suit your circumstances.

How likely is it that each potential supplier will achieve the results they say they will achieve? (Will this help you achieve the results you need?)

How well do the potential suppliers understand your issue? How well do they understand your organisation and / or your type of organisation?

Do they (organisation and individuals who will do the work) do this type of work regularly? How long have they been doing it for? Have they done the same or something similar before? Did they achieve good results? How long did it take for the client organisation to feel the benefit? For example if there was a recommendation to achieve cash savings have they been achieved? Check this by asking a referee for a reference.

If the results they achieved for other clients were recommendations check on the suitability, the implementation of these recommendations and subsequent benefits the client organisation achieved. You need to know the quality of the recommendations with regard to their suitability for the client organisation, in other words they weren't just technical best practice with little or no regard to how your organisation operates. If the supplier does what they say they will in their proposal will the combination of results and physical outputs help you achieve the results you need to achieve?

How likely it is that they will add more value than expected?

In doing the work to achieve the results they say they will achieve have any potential suppliers suggested / offered to add further value at no extra cost, for example the transfer of skills and knowledge or perhaps a process or model etc.? If yes can you quantify the benefit?

How well will they do this?

Can they achieve the results they say they will achieve in a way that is 'in tune' with how your organisation operates? Do they know or will they learn about sensitivities and normal operating procedures? Even if you haven't given them enough information to do this have they said how they will do this if they are successful?

Have they been clear about the roles and responsibilities each party will have? How well does this fit with your organisation relative to the information you gave to potential suppliers?

How long will it take them to achieve the results? How and when will they report progress to you? This could be a meeting when they are on site, a telephone call, a weekly e-mail etc. How will they report anything outside of the project that they learn which could add further value?

What physical outputs will they provide? Are these valuable? Will they suit your anticipated audience?

How much will it cost and when will it finish?

How much will it cost in total? This includes:

- The fee and expenses you will pay the supplier (internal or external)
- The cost of using your resources to support them
- Early payment discounts that are offered and you take up
- Risks / dependencies that could increase the cost

How certain is this cost? Is it clear what you will pay for? Is their fee:

- A fixed project price (plus or including expenses) based on a set of specific assumptions e.g. you will provide information they need when they need it
- A price that is only paid if they partly or wholly achieve results
- Time and materials that is a day rate plus expenses. Is it open ended, you take all the risk, or capped at a specific number of days, they take some risk

Then there's time related costs, if you achieve results more quickly than anticipated you are more likely to achieve additional benefits. However, the converse is also true, take longer and you may reduce the original anticipated benefits. If it's worth it you could consider incentivising the supplier to achieve results more quickly.

Appendix C - Results

The purpose of the template is to help you review the project and the results you achieve, and then to use what you learn on other projects and to pass it on to others.

Complete it using plain English and a suitable level of detail and explanation in the white space underneath each question. All the headings marked with ** should be completed straightaway at the end of the project.

Owner**:	
<i>Give the name, title, department and contact details of the person who managed the supplier's and your organisation's performance. Ideally this should be the person completing this template.</i>	

Project / Scope**			
	Yes	Partly	No
Were the original results that you wanted to achieve the right ones?			
Was the original need described accurately?			

Scope creep**			
	Yes	Partly	No
Did the scope of the project change?			
Did you document the changes?			
Did the changes add value? Describe below.			
Did it cost more to include the change(s)?			
During the project were additional issues identified but not included in the scope? What are they and will you start the process again to address them?			

Scope creep**

Supplier Performance**				
	Exceeded what was agreed	Achieved what was agreed	Below what was agreed	Significantly Below what was agreed
Did the supplier achieve the results that they said they would?				
	Exceeded what was agreed	Achieved what was agreed	Below what was agreed	Significantly Below what was agreed
Did the project finish on time?				
	Exceeded what was agreed	Achieved what was agreed	Below what was agreed	Significantly Below what was agreed
Was the project on budget?				
	Exceeded what was agreed	Achieved what was agreed	Below what was agreed	Significantly Below what was agreed
Did the supplier provide the service as they said they would?				
If the results are recommendations, are they practical to implement and will they achieve the results you need to achieve?	Yes	Partly	No	
Did they add any further value over and above that which they said they would achieve? If yes then how valuable is it?	Yes	Partly	No	

Client Performance**

	Exceeded what was	Achieved what was	Below what was	Significantly Below what
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Client Performance**				
Did your organisation provide the support you agreed to supply in the way you said you would?	agreed	agreed	agreed	was agreed
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Did you actively and regularly manage the supplier's performance?	Yes	Partly	No	
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Key Learning Points**
What did you learn that is important to pass on to others: <ul style="list-style-type: none"> • With the same or a similar issues • Buying consultancy (and professional services) • Managing the performance of suppliers of consultancy services

Follow Up (3 to 6 months after the end of the project)			
Is your opinion of the results the supplier achieved the same as it was straight after the finish of the project?	Yes	Partly	No
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If the supplier achieved results you needed are they still in place?	Yes	Partly	No
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If the results were recommendations have they been implemented?	Yes	Partly	No
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are the results from implementing the recommendations the same as the supplier said they would be?	Yes	Partly	No
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Sign off

Include the name, title and department of the person able to sign off the recommendation and date they signed it off.