



National Audit Office

NAO Web-based Assessment toolkit for the Use of Consultants



Introduction

The consultancy toolkit provides a framework for reviewing the extent to which an organisation is achieving value for money from its use of consultants.

- It is aimed at procurement or commercial teams, customers/buyers of consultants, or audit staff.
- It can be applied to the use of consultants department-wide, or at a project-level.
- It is designed to diagnose areas of weakness and raise awareness of where improvements can be made.

When to use the toolkit

The toolkit can be applied on a whole organisation basis. Alternatively it can be applied before, during, or after a particular consultancy engagement.

- Use it to review the organisation's approach at an individual stage of the consulting process or;
- Use it to review an organisation's approach across the full consulting process.

How the toolkit works?

- The toolkit is divided into 5 stages of the procurement process.
- For each stage rate the organisation's approach against a series of statements.
- Guidance is provided on how to improve value for money with illustrations of what good practice can look like at each individual stage – often using case examples.

Please go to the User's Guide (page 4 & 5) for an explanation of how to use the toolkit.

Begin your review on the use of consultants starting at the first stage – Assess Need and Specify Resource Requirement (page 6).

User Guide

Stages of procurement

The user guide describes how to use this document and perform an assessment of your organisation's use of consultants. The toolkit breaks down the analysis process into five stages of the procurement cycle and provides questions to consider at each stage.

Stage 1: Assessing need and specifying requirement – This stage focuses on how the use of consultants fits into the organisation's recruitment and training strategy; and how their use is justified and specified.

Stage 2: Considering Resource Options – This stage looks at the options that have been considered to fill the resource gap, particularly the use of internal staff.

Stage 3: Tendering, Award, Contract – This stage focuses on whether tendering and contracting are effectively conducted by procurement teams, for example the use of framework agreements; various payment structures and competition.

Stage 4: Project delivery and skills transfer – This stage looks at communication and relations between client and consultant staff and skills transfer from consultants to client staff.

Stage 5: Post contract evaluation – This stage assesses the collection and use of management information including post-project evaluations and the application of expense policies.

User Guide

Stages of analysis

Analysing each procurement stage is broken down into three steps.

1 Statements to consider

Apply the scenario being reviewed (be it an assessment department-wide or a specific project) to the statements given and decide whether the department under review rates as red, amber or green. (Descriptions of the red, amber and green ratings for each statement are contained in the appendix to this document). Note – there may be one or more statements to be considered at each stage of the procurement lifecycle.

If the department rates as red or amber against the statement, then read the next stage of analysis – questions to consider.

2 Questions to consider

This step poses a series of questions to encourage a candid review of how efficiently consultants are used and to highlight potential weaknesses.

The set of questions correspond to the appropriate statement in the previous step. The questions are divided in to those appropriate for reviews department-wide and those just project-specific.

3 What is expected

This section provides a summary of how to maximise value for money from consultants for the statement area under examination.

This helps determine the extent of value for money achieved by the department, what advice to offer, and assists in identifying where its weaknesses lie and how to strengthen them.

Case studies

In some instances related case studies are provided to demonstrate how organisations have implemented ‘What is expected’.

Stage 1

Assess Need and Specify Resource Requirement

Statement A

The department has a strategy governing its use of consultants, which is tied into its plans for training and recruitment of staff.

Questions to consider

Department wide

How and when does the department conduct an assessment of what skills it has and those needed for upcoming projects?

How does the department expect its need for consultants to grow over the next 5 years?

Are there tasks/roles regularly required for projects that are often filled by consultants?

Does the department provide chances for staff to develop that are tailored towards the requirements of upcoming/current programme needs?

Does the department provide the recruitment team with detailed information of all work experience/skills desirable for upcoming projects?

Questions to consider

Project specific

At what point during the project were plans to involve consultants made?

Is the nature of work the consultants are required to do commonly needed by the department?

Were current employees requested to gain training in specific skills to benefit the project?

Were employees chosen for the project to help their development?

Did you try to recruit full-time staff to fill the roles done by consultants?

What is expected

By having the ability to identify where core skills gaps exist in relation to **medium and long term programme requirements** a department can effectively plan for recruitment as well as training and development.

Skills regularly purchased from consultancy firms must be under **constant review** to ensure value for money. If the same skills are being purchased over and over again it is very likely to be more cost-effective for the organisation to hire full-time, suitably skilled staff to carry out the function, or provide the necessary training for its current employees, including learning from consultants (see **Delivery, Commitment and Skill Transfer** for more information on transferring skills from consultants to internal staff).

Statement B

Sufficient management information is collected and analysed to inform the organisation's approach to using consultants

Questions to consider

Department wide

Does the department know its spend on consultants? How accurate are budgetary estimates?

Does the department know who its main consulting suppliers are?

Does the department know what the top services it buys are?

Does the department know what procurement routes are used to purchase consultancy?

How has the department's spending on consultants changed over recent years?

Who is responsible for the collection, analysis and use of management information on the department's use of consultants?

Do they have sufficient seniority to take action?

Questions to consider

Project specific

Is there accurate data available to determine what was spent on consultants for the duration of the project?

What is the variance between budgeted consultancy cost and the Actual values?

If consultancy costs were not close to estimated values, why was this the case?

What is expected

To maximise efficiency a department must have **accurate figures to be able to judge the value for money** it is achieving and how to make improvements.

An **individual with sufficient seniority**, such as the finance director or head of procurement, should be given the responsibility to collect management information and be accountable for acting upon it.

CASE STUDY 1

This case study shows how Astra Zeneca's approach to supplier management and use of management information informs its consultancy buying decisions

AstraZeneca, a large multi-national pharmaceutical company, is a significant user of consultants. In some ways, the challenges in getting value for money from consultants are the same at AstraZeneca as those encountered by the public sector (such as getting internal business colleagues to liaise with the procurement function and measuring the value of consultants). Two of the key areas the company has been recently looking at improving are better supplier management and use of management information.

Firstly, AstraZeneca has done some work to understand who its key global consultancy suppliers are. It is now putting in place regular, senior-level meetings to review spend, performance, and future demand with these suppliers.

The collection of management information has been another area of increased focus. The global category management team for consultancy collects information (covering for example, spend, services purchased, supplier information, and market intelligence) and importantly is looking to collect post-project performance information. The post-project 'scorecard' seeks to capture information on: behaviour, skills, administration, and an opinion on overall value for money. This information is used to inform future buying decisions.

Source: National Audit Office examination of Astra Zeneca

Statement C

Detailed business cases and recruitment specifications are regularly produced, explaining and justifying the need for consultants.

Questions to consider

Department wide

Does the department routinely require a business case to be written for consultancy engagements? Who reviews them?

Where a business case has not been written, why was this the case?

Are requirement specifications routinely written? Is there a process to deal with changes to the requirements during the course of the project?

Questions to consider

Project specific

Was a business case produced? To what extent did this provide a cost benefit justification for the use of consultants?

Was useful feedback given by the reviewer(s) of the business case?

If no business case was produced, why not?

Were requirement specifications written? Were they followed in the consultants' work? How were changes to them handled?

What is expected

The creation of a **business case** regarding the use of consultants (including a financial justification) will confirm (or remove) the necessity for their involvement. These cases should be reviewed by those with sufficient expertise and experience on the use of consultants to provide constructive feedback.

Requirement specifications should be written and consultants' work should be tracked against them to manage the scope (and cost) of their work. Requirements are likely to change to some extent during the project; a process should be in place to accommodate these changes. A firm view of what is required makes it more likely that you will choose the 'right' consulting firm as well as make it more likely to achieve the project/programme's outcomes.

The department should adhere to OGC guidance (re-issued in March 2006) on the recommended threshold levels requiring Ministerial or Permanent Secretary approval of consulting contracts and perform regular compliance checks. Doing so will ensure that senior management has full sight of the larger consulting contracts, promoting better accountability for their spending.

OGC's best practice document includes information on business cases and requirements specifications:

<http://www.ogc.gov.uk/documents/DeliveringValueFromConsultancyCP0076.pdf>.

OGC's has produced guidance to provide a simple framework for identifying and expressing the value expectations at the start of an assignment, in order to provide a baseline against which delivery can be measured in the post-assignment review:

http://www.ogc.gov.uk/documents/PSF_Value_criteria_template_BA_13sep.pdf.

Stage 2

Considering Resource Options

Statement A

An efficient mechanism is in place to identify relevantly skilled internal staff before procuring consultants.

Questions to consider

Department wide

Does the department have procedures in place that ensure internal expertise is considered in the first instance?

Is there evidence of this procedure being followed?

How does the department measure the pro's and con's (quality, timeliness, cost) of using internal resources versus external?

How often are consultant requirements fulfilled by internal expertise and what functional expertise has been typically provided in these cases?

Questions to consider

Project specific

Did the project carry out a gap analysis which identified the shortfall in internal resources?

Were departmental procedures followed (if any exist) to determine if internal expertise could be found?

What is expected

Public bodies should start with the presumption that their **own staff** are best fitted for the requirements. It is generally the most cost effective solution and best use of resources.

Efficient **mechanisms need to be in place to find appropriately skilled internal staff** from within the organisation or from other public bodies.

It is necessary to understand the costs of internal staff and make firm commitments to resource these posts on time.

Statement B

Reviews are conducted to ensure the presence of each member of the consulting team is essential and that their capabilities cannot be matched by any (available) department employee.

Questions to consider

Department wide

Are roles and responsibilities of each member of the consulting team commonly made clear?

Are consultants brought to conduct more generalist tasks, or are they done by department staff?

Questions to consider

Project specific

Were the roles and responsibilities of each member of the consulting team commonly made clear?

What particular skills or experience do the consultants have that the department does not have?

Were there any members of the consultancy team doing work your own staff would have been capable of doing?

What is expected

Review is necessary to ensure consulting staff are not being paid to do work that internal staff are already capable of; in particular more **generalist posts**, can be filled more cost-effectively with internal resources. Consultants are not cost-effective if they are being used to add capacity, but do not offer new and different skills. Furthermore, more specialist skills may be available in smaller consulting firms and these firms should not be neglected when seeking suitable companies for the work.

CASE STUDY 2

This case study is an example of replacing consultants with full-time staff to get better long term value for money

The e-Borders programme is looking to deliver timely data, information, intelligence and risk assessments to relevant government agencies on all passengers seeking to enter or leave the UK. The programme initially used two consultants to provide support on the implementation plan and engagement with the ports and carriers. The programme forecast that these skills would be required for at least the next two years and therefore looked to replace the consultants with full-time staff. The programme was able to do this and estimates that recruiting full-time staff instead of using consultants has saved just under £1 million over the two years, whilst maintaining the level of expertise.

Source: National Audit Office examination of the Home Office's eBorders programme

CASE STUDY 3

Here are two examples where departments have sought to get very specific skills from consultants to fulfil their requirements

The Department for Communities and Local Government's senior management team identified that a Programme Manager with experience of the fire service was required for the implementation phase of the New Dimension programme. New Dimension is seeking to enhance the capability of the fire and rescue service to respond to a range of incidents. Industry experience was vital to get the respect of regional staff that would be affected by the Programme. The Department was unable to identify an internal candidate with sufficient experience of the fire service so used a consultant. The Department believes that this person has proved to have the required skills to gain the trust and buy-in of departmental and fire service staff.

The Prime Minister's Delivery Unit used consultants to help develop the framework for departmental Capability Reviews and get stakeholders engaged into the process. The Reviews assess capability in the Civil Service in three key areas – leadership, strategy and delivery and aim to identify where departments need to improve. Two of the key skills required by the Delivery Unit were facilitation and managing workshops, in particular for a two-day workshop to be attended by a cadre of very senior civil servants. The existing civil servant project team had strong experience in facilitation and managing workshops, however they identified the need for even more sophisticated skills and experience. The team had previously worked with consultants to achieve similar objectives and engaged with them again for their specific need. The feedback from the two-day workshop was positive and it was an important factor in the development of the framework and the level of buy-in that has been achieved for Capability Reviews.

Source: National Audit Office examination of the Department for Communities and Local Government and the Cabinet Office's Prime Minister's Delivery Unit

Statement C

The key roles on major programmes are filled by department staff.

Questions to consider

Department wide

Is it common for consultants to hold key roles?

If the department does not always have enough qualified staff to fill all key programme roles, how do you actively work to solve/alleviate this situation for the future?

Do you always feel department staff are in full control of projects?

Questions to consider

Project specific

What proportion of key programme roles were filled by consultants?

Was this planned before the work began, or did it become necessary during the project?

Were there any points during the project where department staff felt the consultants had removed an element of control from the project?

What is expected

The department must always have staff in key programme roles to ensure **the department retains control and accountability**. If, due to unseen changes to the project, consultants have key roles, departments should aim to replace them as soon as possible. Ownership of a project should remain with the department; senior managers have hands-on responsibility for ensuring success.

Statement D

The department communicates well internally across the department and externally with other organisations about its use of consultants.

Questions to consider

Department wide

Does the department consider whether or not the skills it requires exist in another department?

Does the department consider whether similar consulting work has been done elsewhere within the department or by another department?

Does the department seek to collaborate with other departments for aggregated purchasing of services?

Questions to consider

Project specific

Were enquiries made to see if any other parts of the department or other departments had experience working on similar consultancy work? Was any useful advice gained?

Did you collaborate with other departments for aggregated purchasing of services?

What is expected

Government departments need to communicate well internally and share resources, knowledge, experiences and plans on using consultants.

Stage 3

Tender, Award and Contract

Statement A

The department has a procurement team which is always used in procuring consultants and its work is highly valued.

Questions to consider

Department wide

Is there a minimum consulting contract spend level beyond which the procurement function must be involved?

How does the procurement function ensure that it is involved in the buying decision?

Does the procurement team add insight to buyers of consulting within the department?

Questions to consider

Project specific

Were qualified procurement staff involved in the project?

If not, why not?

How was it ensured that the project team complied with procurement regulations?

Did the procurement team add value to the consulting purchase?

What is expected

A **procurement professional** should be involved in procurement decisions.

Their purpose is to add value to the procurement process in various ways:

- Providing supplier and market information.
- Providing independent challenge.
- Having access to knowledge about previous departmental consultancy experience and management information.
- Having knowledge of processes and procedures.

Procurement teams must **balance their 'policing' role with their 'customer services' role.**

Statement B

A variety of payment mechanisms are always considered when engaging consultants.

Questions to consider

Department wide

When using consultants, are a variety of payment mechanisms always considered?

Is guidance available on the appropriate use of fixed price and incentivised contracts?

How often are fixed price, incentivised or a combination of these contracts used?

Questions to consider

Project specific

Were a number of payment mechanisms considered for the project before deciding on the most appropriate?

Was there guidance available to help determine if fixed price and incentivised contracts were appropriate?

What is expected

A standard time and material structure payment method does not always result in best value for money. Alternative **payment mechanisms** such as fixed price and incentivised contracts should be explored. If alternative payment mechanisms are used, it is important to put in place a process to handle changes to what is required from the consultants.

Alternative payment mechanisms are likely to control costs effectively and help formalise the joint objectives that clients and consultancy firms share.

CASE STUDY 4

This example demonstrates the risks of escalating costs when paying for work based on time worked

The Home Office contracted with their consultants who are providing expertise in programme and project management and procurement using a time and materials payment structure as part of its Identity Programme. The Identity Programme seeks to provide UK residents with a secure method to prove who they are. The Department chose the time and materials payment structure for two main reasons: to allow for a degree of flexibility and because responsibility for work streams was planned to lie with civil servants. Both of these factors made it more difficult to set up fixed price contracts – the flexibility made it difficult to define detailed outputs and responsibility residing with civil servants reduced the amount of leverage the supplier would have over outputs. With the time and materials payment structure, the client (now the Identity and Passport Service) bears the costs for increases in project duration. The Service paid the consultants some £2 million a month in 2005-06, with a peak of £2.9 million in March 2006. Some of the programme’s key deadlines (for example the issuance of the invitation to tender) were rescheduled due to a variety of internal and external factors. This situation (where a project duration increases and payment is by time and materials) makes it more important to move consultants off the project, while being aware of the risks of losing momentum and knowledge.

Source: National Audit Office examination of the Home Office Identity Programme

CASE STUDY 5

This case study shows how payments can be linked to delivery

The Home Office used consultants as part of its Process Improvement Programme. The aim of this programme was to trial changes in processes in different parts of the Department to produce efficiency savings. Consultants, for example, were used to improve policy development processes, in particular within the Specialist Crime and Policing Policy directorates. These consultants put 20 per cent of their fees at risk dependent on achieving a series of targets. The targets were agreed at the outset and their successful completion would be assessed by a team made up of Home Office staff and consultants. A selection of the targets used in the Specialist Crime Directorate are below:

- develop and agree specific, individual learning plans for relevant Home Office team members;
- deliver team training sessions around core skills/techniques;
- develop the detailed implementation plan;
- ensure clear accountabilities and develop a framework for governance.

Source: National Audit Office examination of the Home Office’s Process Improvement Programme

Statement C

Framework agreements are routinely used when engaging consultants.

Questions to consider

Department wide

What percentage of contracts were awarded by the following routes – OGC Frameworks, joint frameworks, own frameworks or non-framework contracts?

Questions to consider

Project specific

Was a framework agreement used for the project's procurement?

If so, is this common?

If not, is it a common method but was considered inappropriate for this particular project?

What is expected

Using **frameworks** generally result in lower prices and reduces procurement costs for suppliers and customers. Using frameworks that have been set up by others can reduce set up and contract management costs. The procurement team should instruct teams which framework to use, whether it be from OGCBuying.solutions, another government department, or the department's own.

OGCBuying.solutions framework agreements are available at: <http://online.ogcbuyingsolutions.gov.uk/information/ConsultancyServices/>

OGC's contract database is available at: <http://www.ogc.gov.uk/contractsdatabase/>

Statement D

When there is a need for a consultant, the contract is put out to tender, allowing a broad range of firms to apply.

Questions to consider

Department wide

How often are single tender actions used?
Is this figure accurate?

Are single tender actions limited broadly in line with OGC guidelines on spending levels?

Is there guidance for the appropriate use of single tender actions by the department, including spending limits and processes?

Is the guidance followed and are compliance checks conducted?

Questions to consider

Project specific

Were the consultants for the project bought through a single tender action?

Is there evidence of a robust justification for the use of single tender actions?

Was/Is this done in compliance with OGC and department guidelines?

What is expected

Single tender actions should normally be avoided. It means the department will not get the benefits of competition, such as better prices and a broader range of ideas. Competition should include smaller firms, where appropriate, as they may have the specialist skills required. Customers should however be aware that suppliers' tendering costs will be factored into their overall rates.

CASE STUDY 6

This is an example of the benefits of using smaller suppliers

A large UK-based media company has found that an increasingly large proportion of its spend on consultants is with small and medium-sized firms.

The benefits the company sees from using smaller suppliers are:

- acquiring a consulting team that is more experienced and focused on the customer requirements, with fewer junior or generalist team members. This company interviews candidates focusing on their individual experience as relating to the requirement, as opposed to the firm's experience in an area;
- ease of getting continuity of staff enabling deeper knowledge of the client's business and reducing the initial learning curve for projects;
- potentially more competitive pricing as smaller firms may not have as significant 'overhead' or 'corporate' costs. The media company generally puts less weight on some of the benefits publicized by larger firms, namely brand, quality assurance processes, and access to a network of experts; and
- their flexibility and speed of decision-making and action.

Nonetheless, it is worth noting that this company, like the public sector organisations we interviewed, finds it difficult to measure quantitatively the value delivered by consultants, as separate from the value of a project or programme in its entirety.

Source: National Audit Office examination of a large UK-based media company

Statement E

Projects regularly engage with the market prior to the formal issuance of a tender.

Questions to consider

Department wide

At what stage of the procurement cycle does the department first engage with the market?

What stage does the department consider would be the most advantageous to start engaging with the market and why?

Is this opinion reflected by what actually happens?

Questions to consider

Project specific

At what stage of the procurement cycle did the project team first engage with the market?

If early engagement with suppliers was made, was this found beneficial to the procurement process?

With hindsight, can you see any benefit in having engaged with them any earlier than you did?

What is expected

Engaging early with the market during the procurement process allows for improved understanding of the requirements for both the supplier and the buyer, resulting in better responses to invitations to tender and more tailored supplier responses. It provides the potential suppliers with the freedom to participate in an **interactive dialogue to explore and to challenge the client's assumptions**. As a result the department may benefit from some innovative ideas that constructively challenge the original procurement and contracting approach.

OGC's best practice guide includes advice on early engagement with the market (relationships and engagement sections):

<http://www.ogc.gov.uk/documents/DeliveringValueFromConsultancyCP0076.pdf>

CASE STUDY 7

This is an example of talking to suppliers in order to get better responses to tenders

The Ministry of Defence held a supplier day to outline the business requirements for their procurement reform project. This project aimed to improve the way the Department purchases goods and services. The Department had almost 80 responses to their initial Official Journal of the European Union (OJEU) advertisement for this project. In order to improve the quality of the final bids, improve supplier understanding of the business requirements and to reduce the number of inappropriate bids, the Department decided to hold a supplier day that would allow an exchange of information between them and potential suppliers. The supplier day had the desired effect – the Department received high quality, competitive bids from suppliers committed to the project.

Source: National Audit Office examination of the Ministry of Defence

Statement F

Consultants are contracted for very defined, short to medium term durations.
Decisions to extend contracts are not taken lightly.

Questions to consider

Department wide

Is the duration of consultants' work always tightly defined?

What procedures have to be followed when the renewal of a contract is deemed necessary?

Is the decision to renew a contract deemed less significant than embarking on a new contract?

Questions to consider

Project specific

How long did/do you intend consultants to be involved?

Did this remain the case or was their time on the project extended?

Did you have to renew/extend the consultants' contract?
How carefully was this decision considered?

What is expected

Consultants should be perceived and contracted as a **short to medium term** resource, and if necessary the department should put exit strategies in place to ensure they do not become dependent upon the consultants. For the long term, full time resources should be considered.

Repeatedly renewing consultant contracts can severely compromise their value for money and hence the decision to extend the work of consultants should be as carefully scrutinised as their initial procurement was.

Stage 4

Project Delivery, Team Commitment and Skills Transfer

Statement A

Skill transfer is considered important and is planned for and encouraged, where appropriate.

Questions to consider

Department wide

Does the department plan for skills transfer during consultancy projects?

Does the department analyse and review how effectively skills are transferred (where the opportunity arises)?

Questions to consider

Project specific

How well equipped were/are you and your colleagues to take over the work/roles previously done by the consultants?

Were/are department staff willing to learn from the consultants and vice-versa?

Were/are the consultants willing to train and teach department staff and vice-versa?

What, if any, new insights or capabilities have the consultants left you with to help, now and in the future?

Will you need to hire consultants for similar work in the future, or have you now acquired the skills so internal staff can do it?

What is expected

Skill transfer is a cost effective way to **enhance internal resources** to **reduce the department's future reliance on consultants** and increase departmental core capabilities. It should be maximised by regularly assessing and **identifying future capabilities** required, and regularly **reviewing the success of skills transfer** to inform assessments of departmental capabilities.

The approach to achieve skills transfer should be specified so both parties are aware of what to anticipate and what is expected of them (including the measure of success and nominating the team members who will gain the skills).

OGC's best practice guidance includes advice on skills transfer (delivery and review section):

<http://www.ogc.gov.uk/documents/DeliveringValueFromConsultancyCP0076.pdf>

CASE STUDY 8

This example shows how skills transfer can affect which consultants you choose and how you use them

One of the key decision criteria for the Home Office in selecting consultants for its Process Improvement Programme was the consultants' ability to transfer skills to department staff. The aim of this programme is to trial changes in processes in different parts of the Department to produce efficiency savings. The four initial 'trial' projects within the Programme were designed to be the first steps with similar projects possibly to follow, depending on the findings of the four trials. As such, the Department recognised that certain skills would be required for the duration of the Programme (i.e. after the completion of the initial trial projects). The Department planned to use consultants for the trial projects working alongside a group of civil servants who would then lead any subsequent projects. Consultants' ability to coach their civil servant counterparts and their approach to skills transfer were key criteria in selecting the consultancy companies.

One of the Department's suppliers used the following main techniques to transfer skills to their civil servants counterparts:

- joint working to allow the civil servants to see the consultants' methodology and practices at close quarters;
- set-up of skills transfer targets which were monitored at monthly intervals;
- providing a mentor from outside of the project who was available to provide advice;
- including time in the project plan to allow for skills transfer.

CASE STUDY 8 (CONTINUED)

Through these techniques the civil servants are picking up important skills such as project and time management and methodology, IT systems use, communication, and strategic thinking.

A key output from the Ministry of Defence's Procurement Reform Programme, which was written as a requirement into the contract, was the transfer of skills from consultants to permanent employees. The programme's objective was to implement a department wide approach to category management for the procurement of certain commodities. This was a new concept within the Department and required the recruitment and training of over 250 full time civil servants to undertake the new roles. A key success factor for the project was the transfer of skills from the consultants to the new internal teams. A maturity model was used to assess the capability of the new teams. Department staff were assessed at various stages to see if they had attained the desired level of competence. The final assessment happened when the consultants were due to leave the team. The success of the skills transfer was improved by including it as a measure to trigger a part of the consultants' payments.

Source: National Audit Office examination of the Home Office's Process Improvement Programme and the MoD's Procurement Reform Programme

Statement B

The relationship between consultants and the internal staff on project teams is strong, featuring regular, open communication.

Questions to consider

Department wide

Are all affected staff provided with an explanation of why consultants are being used?

Is management approachable if staff have concerns over their role and the role of the consultants?

Are teams well balanced with a mix of internal and external staff?

Does the department have staff with adequate experience/training to effectively manage consulting projects?

Questions to consider

Project specific

Did all project team members clearly understand why the consultants were needed?

Was there good communication and relations between internal and external staff throughout the project?

Were the consultants as committed to the project as internal staff?

Was there a good understanding of the nature of the consultant firm, in order to know what to expect, establish a good relationship and determine how best to get value for money from them (e.g. aware the consultants may be given incentives to sell further services so the department stand firm and ensure they do not agree to buying services they did not necessarily need)?

Were the internal staff managing consultants sufficiently experienced/trained to be successful in that role?

What is expected

The reasons for using consultants should be made clear to all levels of the organisation concerned with the project. Consultants' work should be transparent so that the client's staff can feel they are involved. This will reduce, if any exists, the preconceived bias against the use of consultants. Encouraging concerns to be aired and discussed will allow the mixed internal and external team to work better together.

A good relationship between client staff and consultant staff is essential in gaining maximum benefit from the working relationship. Both parties need to be committed to the task at hand and be working towards the same goals.

Regular communication in the form of open meetings helps to build and maintain strong relationships. Although the project will dominate discussion, time should also be devoted to help understand **each other's overall business aims and constraints**. Each should be able to openly discuss their medium to long term objectives and plans and provide the other with an insight into their commercial pressures and objectives.

If **department staff managing** the consultants lack the relevant experience, training, development and/or assistance (such as mentoring) this should be provided or staff with the desired experience should be recruited.

Statement C

Project aims and targets are realistic and clearly defined. They are communicated to all individuals involved in the project and both client and consultant staff are equally committed to achieving these aims.

Questions to consider

Department wide

Are project targets regularly achieved? If not, is it because they were unrealistic or because they were changed too often?

Throughout the project is a full understanding of the aims and targets well communicated to all involved?

Is the importance of commitment from department staff to achieving the aims as highly regarded as the commitment expected from the consultants?

Questions to consider

Project specific

Were all the aims of the project achieved/Are you on course to reach your aims? If not, why? For example unrealistic aims and targets, frequent changes of them, underperformance by people...?

Were/are all individuals involved in the project (from all parties) well informed and updated on the project's aims and targets, throughout the duration of the project?

Was/is there a common understanding of aims and targets between internal staff and consultants?

Was/is there a high level of commitment shown by both internal staff and the consultants?

What is expected

Realistic targets and milestones for a project must be set otherwise success will be unlikely and such situations are bound to make relations between management, department staff and the consultants more difficult. Any changes to targets should be done in a considered manner and communicated to all.

For the aims of the project to be achieved, it is imperative **everyone involved in a project** (both department and consultant staff) **understands its overall objectives and aims**; with as much emphasis made throughout the project as there is at its outset.

It is important to the success of a project that the client **fulfils commitments**; the consultants can not be expected to remain dedicated to a project if the client produces work of a poor standard, shows a lack of diligence, or does not fulfil its commitments (e.g. providing inadequate resources, not making timely decisions).

OGC's best practice guidance includes advice on skills transfer (engagement; delivery and review section):

<http://www.ogc.gov.uk/documents/DeliveringValueFromConsultancyCP0076.pdf>

Statement D

Both department staff and consulting firms are given suitable incentives to reward an investment in a high standard of work and effort on the project.

Questions to consider

Department wide

What incentives are there for department staff to perform well in a project?

How well do you understand your consultants' motivations and incentives?

For example, are consultants allowed to freely talk about the work they perform for the department (within reason) to help build their reputation?

Questions to consider

Project specific

How did you decide who worked with the consultants on the project?

What did department staff get out of working on the project?

Were the consultants permitted to use the work they achieved in the project to boost their own reputation?

What other non-financial incentives did they have for working on the project?

What is expected

Staff chosen to work with consultants should be **selected carefully**, not just based on availability.

Incentives to do the job well may include the chance to learn or enhance certain skills while working on the project, allowing their involvement in the project to open doors to more interesting work, or promotion.

The department can also provide incentives for the consultants to perform to their highest standard. For example, by permitting consultants to talk about their work publicly, the **consulting firm's reputation** will depend on the successfully completing assignments.

The consultants may work harder to enhance their reputation while the clients can benefit from successful projects. Other incentives for consulting firms may include gaining experience or knowledge in a new or important field.

Also, an understanding of how consulting firms are organised, their incentive mechanisms, and their commercial practices, can help avoid confrontational relationships.

CASE STUDY 9

This example shows how an astute customer understood the value that suppliers place on working with government in order to improve contract negotiations

The Prime Minister's Delivery Unit identified the need for additional expertise, experience, and capacity for the development and communication of the framework for departmental Capability Reviews. The Reviews consider capability in the Civil Service in three key areas – leadership, strategy and delivery and aim to identify where departments need to improve. The project team understood that consultants were needed to provide deep experience and expertise in organisational capability diagnosis and, importantly, in engaging stakeholders. The team recognised that there was scope to obtain value for money in the consultancy contract because of the importance that prospective consultants would place on being involved in a key government initiative. Using this benefit, the project team was able to gather an exceptionally senior team from their consultancy supplier while remaining within their budget.

Source: National Audit Office examination of the eBorders programme and of the Prime Minister's Delivery Unit's development of the Capability Reviews framework

Statement E

Consultants' fees and expenses are routinely checked according to the department's policies.

Questions to consider

Department wide

■ Does the department check:

If travel costs charged by consultants are reasonable?

That the time billed for by consultants is the same as the time they have actually worked?

Whether it is being overcharged for overheads?

Whether the expenses charged by the consultants are reasonable?

That the fee paid corresponds to the level of consultants engaged?

Whether travel rebates are being claimed by the supplier and then passed back (or not) to the department?

Whether relocation costs charged by consultants are necessary?

Questions to consider

Project specific

- Was it checked:
 - If travel costs charged by consultants were reasonable?
 - That the time billed for by consultants was the same as the time they actually worked?
 - Whether they have been overcharged for overheads?
 - Whether the expenses charged by the consultants were reasonable?
 - That the fee paid corresponds to the level of consultants engaged?
 - Whether travel rebates claimed by the supplier were passed back?
 - Whether relocation costs charged by consultants were necessary?

What is expected

Consultants' **expenses should be monitored** to ensure compliance with departmental policies and procedures on consultants expense rates. The policy is constantly applied and compliance checks regularly carried out.

Stage 5

Post Contract Evaluation

Statement A

Valuable information is routinely collected, analysed and shared at the end of consulting projects to inform and provide advice for future procurements both within the department and across other departments.

Questions to consider

Department wide

How satisfied is the department with the service provided by consultants?

How does the department use the information from the post-project assessments and how does it ensure that lessons are shared and implemented?

Do departments commonly communicate their experiences with consultants across the department and with others?

Questions to consider

Project Specific

What kind of formal evaluation of the results of the project, against its original business case, did you carry out?

To what extent were the people seconded into the project and those impacted by it, involved in its evaluation?

What did you learn about how best to make use of consultants?
How will these lessons be disseminated?

Have the consultants brought a fresh perspective and new knowledge?

What lasting impact have they left? How satisfied were you with the work on the project as a whole? And with the input of the consultants?

How well does the consultants' outputs match what was expected of them?

Have experiences with using consultants during the project been shared to benefit other departments?

What is expected

To maximise the benefit of working with consultants, **post-engagement reviews** should always be conducted. This should include **policies** to evaluate the consultants' input once their part in the project is complete.

Compliance checks should regularly be performed to ensure reviews are completed properly.

Such review will provide valuable information to be analysed and shared to help inform other projects. Such information will help make informed decisions, such as which firms would be suitable to engage (and which would be unsuitable), and how to work well with them to gain value for money.

Informal knowledge can be equally beneficial. Employees can benefit from their colleagues experiences from past projects to learn how to efficiently work with consultants in present and future projects. It may be as simple as having a 'contact list' of all individuals who have worked with which consultant firms.

EXAMPLE 3 (SUPPORTING PAPER I):

This is an example of how an agency evaluates the use of consultants

The Environment Agency has introduced “value registers” which aim to capture the savings made during the course of a project – the costs avoided or the time saved, for instance – as distinct from the benefits of the overall project. This is quite different to the way most organisations think about the costs and benefits of using consultants: typically, the latter are rolled up into the business case for a project as a whole, making it hard to see what value has been specifically added by the consultants involved. By contrast, the Agency’s approach aggregates all the small-scale benefits often missed in big projects. “One of the advantages of the value registers is that it increases peer pressure among supplier,” says Paul Sedgwick, the Agency’s Commercial Manager. “They can look over each others’ shoulders and see how they’re doing by comparison. It raises the stakes for the suppliers and, because we now deal with a smaller number of suppliers, there’s a genuine incentive to come up with good ideas. We can also allocate work on the basis of performance.”

Source: National Audit Office examination of the Environment Agency

Appendix – Stage 1

Statement A

The department has a strategy governing its use of consultants, which is tied into its plans for training and recruitment of staff.

Red Assessment

The department has no strategy governing the use of consultants.

Amber Assessment

The department has a strategy for the use of consultants in place, but it is not integrated into the departments plans for training and recruitment.

Green Assessment

The department has a thorough strategy for the use of consultants. The strategy is adhered to when recruiting and training staff.

Statement B

Sufficient management information is collected and analysed to inform the organisation's approach to using consultants

Red Assessment

The department cannot provide a reasonable estimate for its spend on consultancy.

There is no system support to record management information on use of consultants.

There is no established process for collecting management information on the use of consultants, or the process is followed in fewer than 25 per cent of cases.

No compliance checks are done on the collection of management information.

Amber Assessment

The department can provide a reasonable and defensible estimate for its spend on consultancy.

There is some system support to record management information on use of consultants.

The process for collecting management information on the use of consultants is followed in 25-75 per cent of cases.

Compliance checks on the collection of management information are irregular and inconsistent.

Green Assessment

The department has an accurate figure for its spend on consultancy, with evidence to support its robustness.

There is full system support to record management information on the use of consultants.

The process for gathering management information on the use of consultants is followed in more than 75 per cent of cases.

Regular compliance checks show that management information is routinely collected and analysed.

Statement C

Detailed business cases and recruitment specifications are regularly produced, explaining and justifying the need for consultants.

Red Assessment

No specific financial justification is required for the use of consultants.

Business cases, specific to the use of consultants, are rarely produced (less than 25 per cent of the time).

There is no guidance on the specification of requirements for consultants. Specifications are written in fewer than 25 per cent of cases.

Very few (or no) compliance checks are done (less than 25 per cent of the time).

Business case feedback is rarely collected and shared (in fewer than 25 per cent of cases).

Amber Assessment

Separate financial justification is required under explicit rules (e.g. above a certain spend level).

Business cases, specific to the use of consultants, are normally produced (25-75 per cent of the time).

There is guidance on the specification of requirements for consultants. Specifications are written in 25-75 per cent of cases.

Some compliance checks exist (25-50 per cent of the time).

Business case feedback is occasionally collected and shared (in between 25-75 per cent of cases).

Green Assessment

Separate financial justification is always required for the use of consultants.

Business cases, specific to the use of consultants, are always produced (more than 75 per cent of the time).

There is guidance on the specification of requirements for consultants. Requirement specifications are always written (in more than 75 per cent cases).

Regular compliance checks are done (more than 50 per cent of the time).

Business case feedback is collected and shared to spread good practice in more than 75 per cent of cases.

Appendix – Stage 2

Statement A

An efficient mechanism is in place to identify relevantly skilled internal staff before procuring consultants.

Red Assessment

The department does not have a process to ensure that internal resources are considered in the first instance or if one exists, there is no evidence to suggest it is regularly followed (it is followed less than 25 per cent of the time).

The HR planning process does not take a medium to long-term view of what work can be done internally versus what will require external staff.

Amber Assessment

The department has a process to ensure that internal resources are considered in the first instance. There is some evidence of compliance with the process (it is followed 25-75 per cent of the time).

The HR planning process considers some aspects of what work may be done internally versus externally in the medium to long term.

Green Assessment

The department has a process to ensure that internal resources are considered in the first instance. The process is regularly complied with and there is evidence of its use (it is used more than 75 per cent of the time).

The HR planning process considers many to all aspects of a medium to long-term view of what work can be done internally versus what will require external staff.

Statement B

Reviews are conducted to ensure the presence of each member of the consulting team is essential and their capabilities can not be match by any (available) department employee.

Red Assessment

Project teams are rarely reviewed to ensure that the consultants skills are still required. There are no processes in place, or they are rarely used, to identify if internal staff can replace consultants.

Amber Assessment

Project teams are sometimes reviewed to ensure that the consultants skills are still required. Processes are in place, and sometimes used, to identify if internal staff can replace consultants.

Green Assessment

Project teams are regularly reviewed to ensure that the consultants skills are still required. Processes are in place, and used, to identify if internal staff can replace consultants.

Statement C

The key roles on major programmes are filled by department staff.

Red Assessment

The majority (more than 50 per cent) of key project roles are filled by consultants.

Amber Assessment

Some key roles (25-50 per cent) are filled by consultants.

Green Assessment

Fewer than 25 per cent of key roles are filled by consultants.

Statement D

The department communicates well right internally across the department and externally with other organisations about its use of consultants.

Red Assessment

Contracting information is not shared across the department.

There is no sharing of contract information outside the department.

There is no identification of opportunities for collaborative purchasing.

Amber Assessment

Contracting information is only shared on an 'as-requested' basis.

Contracting information is shared outside the department on an ad hoc and informal basis.

Opportunities for collaborative purchasing are identified on an ad hoc basis.

Green Assessment

Contracting information is routinely shared and is freely available.

Contract information is routinely shared outside the department and opportunities for collaboration are reviewed.

Opportunities for collaborative purchasing are regularly reviewed and planned in advance.

Appendix – Stage 3

Statement A

The department has a procurement team which is always used in procuring consultants and its work is highly valued.

Red Assessment

Qualified procurement staff are rarely involved in the procurement decision (less than 25 per cent of the time).

Amber Assessment

Qualified procurement staff are normally involved in the procurement decision (between 25-75 per cent of the time).

Green Assessment

Qualified procurement staff are always involved in the procurement decision (more than 75 per cent of the time).

Statement B

A variety of payment mechanisms are always considered when engaging consultants.

Red Assessment

Buyers of consultancy, and the procurement advisors, do not know when to use time and materials, fixed price and incentivised contracts. There is limited evidence that different payment mechanisms are being thoroughly considered and applied in the appropriate circumstances.

Amber Assessment

Buyers of consultancy and the procurement advisors know when to use time and materials, fixed price and incentivised contracts. There is some evidence that different payment mechanisms are being used and applied in appropriate circumstances.

Green Assessment

Buyers of consultancy and the procurement advisors know when to use time and materials, fixed price and incentivised contracts. There is evidence that different payment mechanisms are being used and applied in appropriate circumstances.

Statement C

Framework agreements are routinely used when engaging consultants.

Red Assessment

Framework agreements are used for less than 25 per cent of consultancy engagements.

Amber Assessment

Framework agreements are used for between 25 and 50 per cent of consultancy engagements.

Green Assessment

Framework agreements are used for more than 50 per cent of consultancy engagements.

Statement D

When there is a need for a consultant, it is put out to tender, allowing a broad range of firms to apply.

Red Assessment

The department cannot provide a reasonable estimate for its use of single tenders.

There is no guidance given on the use of single tender actions.

There is no process to monitor compliance with guidance (if exists).

Single tender action spend limit and process is rarely followed (less than 25 per cent of the time).

Amber Assessment

The department can provide a reasonable and defensible estimate for its use of single tenders.

Single tender actions are limited, though not within OGC guidelines on spending limits.

There is a process to monitor compliance with guidance, and checks are done less than 50 per cent of the time.

Single tender action spend limit and process is normally followed (25-50 per cent of the time).

Green Assessment

The department has an accurate figure for its use of single tenders, with evidence to support its decisions to use single tender actions.

Single tender actions are in line with OGC guidelines on spending limits.

Compliance checks against guidance are done regularly (more than 50 per cent of the time).

Single tender action spend limit and process is almost always followed (more than 50 per cent of the time).

Statement E

Projects regularly engage with the market prior to the formal issuance of a tender.

Red Assessment

There is minimal contact with potential suppliers prior to tendering. The process for engaging with suppliers prior to tendering is not well understood. The process is not being used.

Amber Assessment

There is some contact with potential suppliers prior to tendering. There is a process for engaging with suppliers prior to tendering. There is limited evidence that the process is being used.

Green Assessment

Suppliers are routinely involved prior to the tendering process. There is a well understood process for engaging with suppliers prior to tendering. There is evidence that the process is being used.

Statement F

Consultants are contracted for very defined, short to medium term durations.
Decisions to extend contracts are not taken lightly.

Red Assessment

There is no exit strategy for the use of consultants or it is rarely followed.

Amber Assessment

Clear exit strategies are in place and normally followed to encourage organisations not to become dependant on the consultants they use.

Green Assessment

Clear exit strategies are in place and almost always followed to encourage organisations not to become dependant on the consultants they use.

Appendix – Stage 4

Statement A

Skill transfer is considered important and is planned for and encouraged, where appropriate.

Red Assessment

The organisation rarely assesses and identifies future capabilities required.

The organisation rarely identifies occasions where skills transfer is appropriate nor incorporates requirements into specifications to ensure that skills transfer takes place and the success is measured.

The department rarely reviews the success of skills transfer to inform assessments of departmental capability.

Amber Assessment

The organisation sometimes assesses and identifies which future capabilities are required.

The organisation sometimes identifies occasions where skills transfer is appropriate. Requirements for skills transfer are incorporated into specifications and the success of the skills transfer is measured.

The department normally reviews the success of skills transfer to inform assessments of departmental capability.

Green Assessment

The organisation regularly assesses and identifies which future capabilities are required.

The organisation identifies occasions where skills transfer is appropriate. Requirements for skills transfer are incorporated into specifications and the success of the skills transfer is measured.

The department regularly reviews the success of skills transfer to inform assessments of departmental capability.

Statement B

The relationship between consultants and the internal staff on project teams is strong, featuring regular, open communication.

Red Assessment

The department can not readily identify their key consultancy suppliers.

The department does not have a clearly defined engagement process.

Responsibility for engaging with key suppliers is unclear.

Amber Assessment

The department can identify key consultancy suppliers.

The department has a defined engagement process and meets with key suppliers at least every year.

Individual responsibility for engaging with key suppliers is poorly defined and applied.

Green Assessment

The department has a clear view of its relationship with key suppliers across all business units within the department.

The department has a defined engagement process and meets with key suppliers at least every six months.

Individual responsibility for engaging with key suppliers is clearly defined and applied.

Statement C

Project aims and targets are realistic and clearly defined. They are communicated to all individuals involved in the project and both client and consultant staff are equally committed to achieving these aims.

Red Assessment

Internal staff and consultants do not understand the wider context of the project.

Senior management has not clearly articulated how the project delivers the organisation's objectives.

The internal project team is unclear why consultants are being used.

Amber Assessment

Internal staff and consultants have some understanding of the wider context of the project.

Senior management has partially articulated how the project delivers the organisation's objectives.

The internal project team has some understanding why consultants are being used.

Green Assessment

All internal staff and consultants have a clear understanding of the wider context the project.

Senior management has clearly articulated how the project delivers the organisation's objectives.

The internal project team is clear why consultants are being used.

Statement D

Both department staff and consulting firms are given suitable incentives to reward an investment in a high standard of work and effort on the project.

Red Assessment

There is no evidence that the consulting firm is rewarding its staff in line with client satisfaction.

There is little evidence that internal staff seconded to projects are rewarded for their performance on the project and the delivery of project objectives.

Amber Assessment

There is some evidence that the consulting firm is rewarding its staff based on client satisfaction.

There is some evidence that internal staff seconded to projects are rewarded for their performance on the project and the delivery of project objectives.

Green Assessment

There is evidence that the consulting firm is rewarding its staff for their contribution to the project's objectives and client satisfaction.

There is substantial evidence that internal staff seconded to projects are rewarded for their performance on the project and the delivery of project objectives.

Statement E

Consultants' fees and expenses are routinely checked according to the department's policies.

Red Assessment

There is no policy guidance on consultants' expenses, or the policy is not applied (less than 25 per cent of the time).

Compliance checks are done less than 25 per cent of the time.

Amber Assessment

Policy on consultants' expenses is sometimes checked (25-50 per cent of the time).

Compliance checks are done 25-50 per cent of the time.

Green Assessment

There is policy guidance on consultants' expenses, and it is almost always applied (more than 75 per cent of the time).

Compliance checks are done 75 per cent of the time.

Appendix – Stage 5

Statement A

Valuable information is routinely collected, analysed and shared at the end of consulting projects to inform and provide advice for future procurements both within the department and across other departments.

Red Assessment

There is no process for conducting post-engagement reviews of consultants. They are rarely conducted (less than 25 per cent of cases).

Post engagement reviews are not collated centrally.

Lessons from post engagement reviews are rarely reviewed during projects.

Very few (or no) compliance checks are done (Less than 25 per cent of the time).

Amber Assessment

There is a process for conducting post-engagement reviews. They are often conducted (25-75 per cent of cases).

Post engagement reviews are collated centrally.

Lessons from post engagement reviews are sometimes reviewed during projects.

Compliance checks are sometimes done (25-50 per cent of the time).

Green Assessment

There is a process for conducting post-engagement reviews. They are nearly always conducted (more than 75 per cent of cases).

Post engagement reviews are held centrally and made available to the whole department.

Lessons from post engagement reviews are routinely reviewed at key stages in projects.

Regular compliance checks are done (more than 50 per cent of the time).

