

Central government's use of consultancy services

How government works



Prepared for the Auditor General for Scotland
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Auditor General for Scotland

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Part 1. Introduction

Central government spent around
£114 million on consultancy services
in 2006/07.

1. Central government uses consultancy services for many reasons. If used correctly, public sector bodies can use consultants' knowledge, skills and resources to help deliver new services and initiatives quickly and expertly. But if these services are not well managed, consultants can be an expensive way to improve public services while also limiting the opportunity for public servants to use existing skills or gain new knowledge and skills.

Defining consultancy services

2. For our study, we have used the Cabinet Office's definition of consultancy services. The Cabinet Office introduced a common definition in 2006 to help monitor and report on consultancy spend. It defines consultancy services to include information technology (IT), human resources and training, legal services, business management, property and estates services and financial services.¹

3. In Scotland, central government uses consultants in different ways; they are used when existing staff do not have the time to carry out work or when staff do not have the knowledge and skills to do it. Consultants can be used to support short projects with a known end point, such as management consultancy, or for longer term activities through contracted-out services or staff substitution (*Exhibit 1*).

4. We examined consultancy projects that included management consultancy, staff substitution and some contracted-out services, as the risks for each are similar and all require careful management. Unfortunately, we cannot determine the extent of consultancy use for management consultancy, staff substitution or contracted-out services, as central government in Scotland has used a narrower classification of consultancy and therefore does not record the

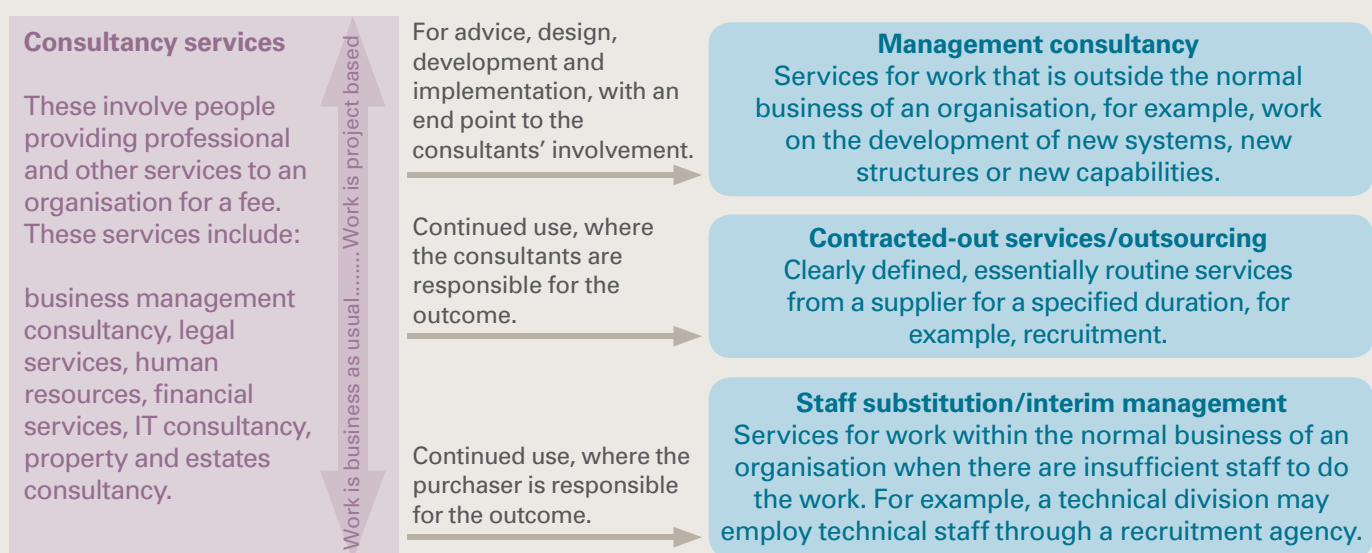
information in this way.² The Scottish Government excludes staff substitution and contracted-out services from its definition of external consultancy.³

Limited information on consultancy spending and activity is available

5. The primary information about consultancy spend and activity comes from a Scottish Government database called the Procurement Information Hub. The Scottish Government set up this database in 2007, seeking a more complete and reliable picture of all public spending on goods and services. The database relies on expenditure information that public bodies submit. In 2006/07, returns from the Scottish Government's core directorates and 38 of the highest spending agencies and non-departmental public bodies (NDPBs) indicated they spent £1 billion on all goods and services.⁴

Exhibit 1

Defining management consultancy and other consultancy services



Note: The Scottish Government has recently developed revised guidance on the use of consultancy for professional services. This defines consultancy as management consultancy and excludes contracted-out services and staff substitution.
Source: Audit Scotland

1 The Cabinet Office concentrated on those services seen as offering the greatest potential to secure improvements in value for money. The definition excludes work by non-commercial bodies such as universities and various categories of consultancy service such as building and capital projects; public relations; marketing and environmental services.
2 The Scottish Government has recently developed revised guidance on the use of consultancy for professional services, which clarifies its definition of consultancy.
3 Prior to September 2007, the Scottish Administration was referred to as the Scottish Executive. It is now called the Scottish Government. When dealing with the earlier period this report refers to the Scottish Executive but in all other instances it refers to the Scottish Government.
4 Appendix 1 has more information about the central government bodies that provided information and the business types included within the consultancy classification we used for the study.

6. The Scottish Government's database provides a broad picture of total spending using information supplied by public sector bodies. It classifies, aggregates and analyses this public sector spend data and enables organisations to identify common areas of spend and common suppliers.

7. The main limitation of the database is that it categorises spending according to each supplier's main business. It does not provide information about the actual services purchased from suppliers or the number of purchases made. Some suppliers may provide a mix of consultancy and other goods and services but the database cannot distinguish between these different elements. Consequently, the database can provide only broad estimates of consultancy spending. Future developments to the database are planned, which should allow central government to monitor spend on consultancy services more accurately and in more detail (covered in [Part 2](#) of the report).

Central government spent around £114 million on consultancy services in 2006/07

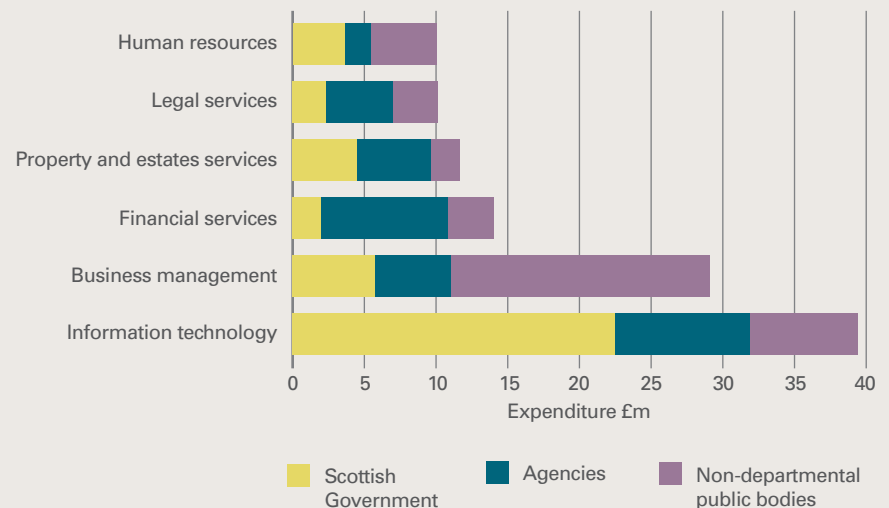
8. Based on data from the Scottish Government's database – and subject to the limitations with the data noted above – central government bodies spent around £114 million on consultancy services in 2006/07.

9. Of the central government total of £114 million:

- Scottish Government directorates spent £41 million (36 per cent).
- NDPBs spent £38 million (34 per cent). Scottish Enterprise and Highlands and Islands Enterprise accounted for most of this (£35 million).

Exhibit 2

Spend on consultancy by central government, 2006/07



Source: Scottish Government Procurement Information Hub

- The Scottish Government's agencies spent £35 million (31 per cent). Transport Scotland accounted for around a third of this (£12 million).

10. Central government bodies used over 1,200 different consultancy suppliers in 2006/07. They spent the following on different types of consulting ([Exhibit 2](#)):

- £39 million on information technology (IT)
- £29 million on business management consultancy, some of which will be for IT consultancy
- £14 million on financial services consultancy
- £12 million on property and estates services consultancy
- £10 million on legal services
- £10 million on human resources and training consultancy.

11. There were just over 19,000 individual transactions (paid invoices) with consultancy suppliers in 2006/07. The Scottish Government database

does not include information on the number of contracts and so we have estimated this using an average of 2.25 transactions per contract. Using this estimate, the total number of consultancy contracts each year is around 8,500. We have used this figure in assessing potential savings later in this report (see [Parts 2 and 3](#)).

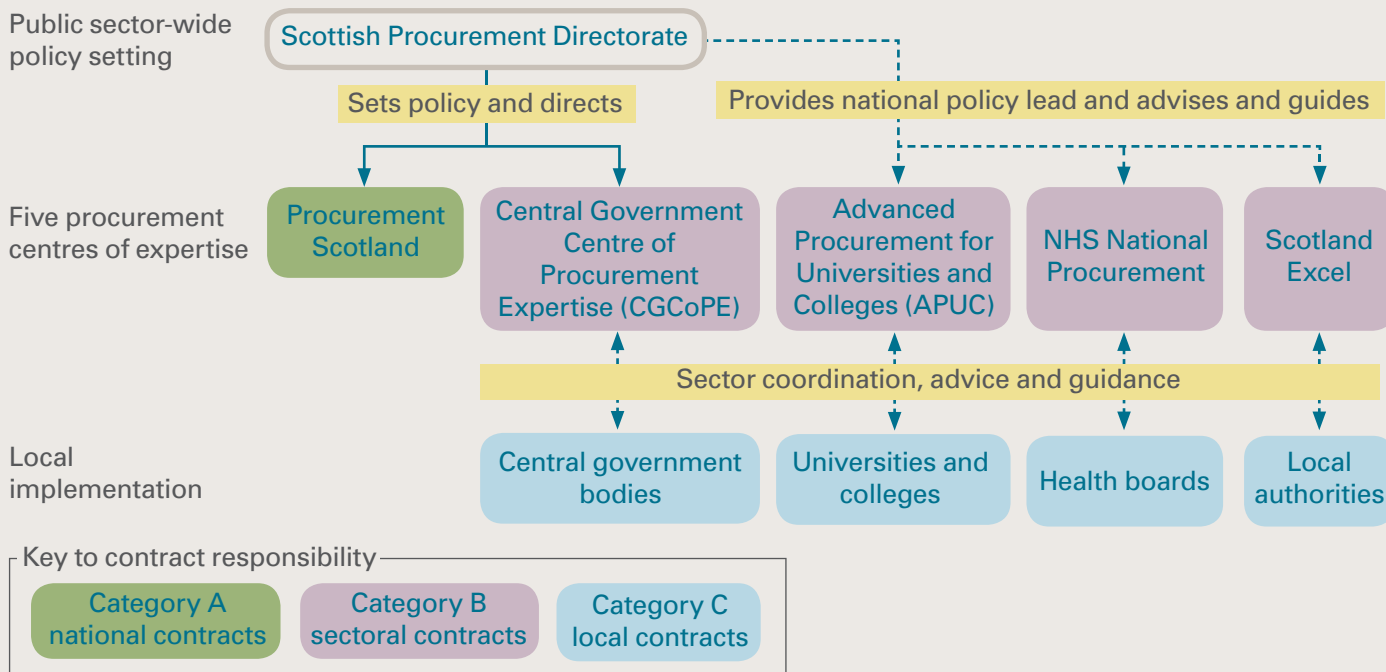
Central government is changing the way it buys consultancy services

12. The Scottish Government's Scottish Procurement Directorate (SPD) is responsible for developing the policy on procurement for Scotland. It provides advice and guidance on procurement to the Scottish Government and its agencies and ensures compliance with statutory legislation. NDPBs usually follow SPD policy and have similar procurement procedures to the Scottish Government. Agencies follow the same approach as the Scottish Government.

13. In 2006, the McClelland report on public sector procurement in Scotland led to the establishment of the Public Procurement Reform Programme.⁵ The reform programme led to the creation of five centres

Exhibit 3

Public procurement in Scotland



Source: Audit Scotland

of procurement expertise in 2007 and 2008. These are specialist units that support better collaboration and more efficient procurement across government (Exhibit 3). They aim to improve collaboration within the public sector, leading to better use of procurement resources; cost savings from greater purchasing power; and less complex processes for suppliers. Audit Scotland will publish a report on the Public Procurement Reform Programme in 2009.

14. One centre, Procurement Scotland, is tasked with establishing national contracts (through framework agreements – see box) for high-value goods and services that are commonly used across the public sector. These are known as ‘category A commodities’ (Exhibit 3). Computer and business management consultancy are classed as category A commodities, and some financial services such as accountants may also be included.

A framework agreement (also known as a shared, common or call-off contract) is used when there is a need to buy similar knowledge and skills on a repeated basis. It covers the essential terms for a series of specific contracts to be awarded during a given period. Its terms may include the duration, pricing, conditions of performance and services envisaged.

When setting up a framework agreement, a competition takes place to identify one or more potential suppliers of the service over the lifetime of the agreement. Once the agreement is in place, contracts for specific services can be agreed faster and at lower cost. This can involve further mini-competitions between the framework contractors.

Source: Audit Scotland

15. Four other centres of expertise are responsible for establishing sector-specific contracts for goods and services within each of the health, local government, central government and tertiary education sectors. Goods and services commonly purchased or that are important within a given sector are classed as ‘category B commodities’. Some consultancy services, for example training services, may be classed as a category B commodity. The Central Government Centre of Procurement Expertise is responsible for improving procurement of category B commodities for central government bodies.

16. Goods and services where there is unlikely to be a benefit from centralised purchasing are classed as ‘category C commodities’. Individual bodies buy these for themselves with the Central Government Centre of Procurement Expertise taking the lead for core Scottish Government directorates (see Appendix 1).

17. As part of the reform programme, the Scottish Procurement Directorate is developing the following changes in relation to the procurement of consultancy services:

- Procurement Scotland is developing national contracts for the whole of the public sector for business management consultancy and computer consultancy services, and plans to have them in place in 2009. For central government bodies these contracts have an estimated annual value of £9 to £11 million, 12-14 per cent of their current spend on computer and business management consultancy services.⁶
- A framework agreement for purchases of financial consultancy services across the public sector which, if public bodies agree, could be in place in 2010. Procurement Scotland will consult with public bodies to decide what services are included in this contract.
- An updated consultancy buyers' guide and toolkit for procurement staff to improve buying of consultancy services.
- Nationally agreed Best Practice Indicators to monitor public sector procurement were announced in May 2008. We understand the first reports on performance using some of these indicators should be available in January 2009.
- An internet-based system for advertising public sector contracts, called Public Contracts Scotland.⁷ This has been available for use since mid-2008 and has been developed to allow additional uses, for example, a supplier registration facility.

18. The Scottish Government has recently developed revised guidance on the use of consultancy for professional services.⁸ This new guidance reflected emerging findings from this report. The Government's revised guidance:

- reinforces the need for consultants to be used sparingly, effectively and only where unavoidable
- clarifies the definition of consultancy and strengthens controls over the processes for commissioning, purchasing and managing consultancy service contracts and projects
- sets out approval levels, including requirements for the sign-off of individual projects by directors general and Scottish ministers
- introduces the requirement to maintain a register of consultants' contracts within the Scottish Government, its agencies and NDPBs, to improve contract reporting within these bodies.

Once the revised guidance is fully implemented it may help address our recommendations below.

About this report

19. In carrying out this study we:

- analysed information on consultancy spend from the Scottish Government's information hub
- reviewed the use of consultancy services in 18 projects across six public bodies including the Scottish Government.⁹ The projects cost £20 million in total and included different services, contract types and sizes. We list these projects in [Appendix 2](#)

- surveyed 103 project managers in central government who have used consultancy services and 83 consultants who provided services to central government.¹⁰ The total cost of the projects included in the survey is £36 million

- interviewed central government staff.

20. A project advisory group provided the project team with independent advice and feedback at key stages of the project. The membership of the group is shown in [Appendix 3](#).

21. The remainder of this report is organised into three parts:

- Planning the use of consultancy services ([Part 2](#)).
- Buying consultancy services ([Part 3](#)).
- Managing consultants ([Part 4](#)).

6 Estimated by Audit Scotland and Procurement Scotland.

7 <http://www.publiccontractsscotland.gov.uk>

8 *Guidance on the Use of Consultancy (Professional Services)*, Scottish Procurement Directorate, December 2008.

9 As well as the Scottish Government, we looked at Scottish Enterprise, Highlands and Islands Enterprise, the Students Awards Agency for Scotland, Registers of Scotland and Historic Scotland.

10 The response rates achieved were 75 per cent for project managers and 65 per cent for consultants.

Summary of key messages

- We estimate that central government spent around £114 million on consultancy services in 2006/07. The Scottish Government spent £41 million of this (36 per cent); NDPBs spent £38 million; and agencies spent £35 million.
- Consultancy spend has not been recorded separately in the past so central government bodies do not have good information on how much is spent on consultancy, what consultancy skills, services and knowledge are bought and why. Similarly, central government has not collected or shared enough information to identify whether consultants are used because staff do not have time to do the work or because they do not have the skills and knowledge to do it.
- There is a need to better plan the use of consultants. Use of consultants is rarely linked to wider planning about when and how to get the services needed and the best way to purchase them across the organisation as a whole.
- Most procurements follow recommended practice and central government is using competition well to ensure value for money from its consultancy spend. However, some competitions could be carried out more efficiently. Savings may be made by using existing framework agreements and ensuring that the most cost-effective form of competition is used, taking account of the nature of the requirement and the number of potential suppliers.
- Central government could improve its management of consultancy projects through more consistent and formal

evaluation. Taking advantage of opportunities to learn from consultants and ensure knowledge transfer more often would also improve value for money.

- Central government could make savings of up to £13 million a year through better planning and procurement of consultancy services.

Summary of recommendations

Central government bodies should:

- confirm they have clear processes for approving and recording the use of consultants and monitoring progress, and reinforce these as required
- plan their use of consultancy services when developing their forward work programmes to ensure that consultants are used where their knowledge and skills bring greatest value for money
- always evaluate the option to use consultants against the option to use their own staff and record if consultants are required because work cannot be undertaken by staff or because it offers better value for money
- gather and share consistent information on the consultancy skills and services bought and why consultants are used
- when consultants are appointed, use them where they can add most value and ensure staff fill key project roles where possible
- improve the quality of their invitations to tender through better and earlier discussion with consultants about their consultancy needs
- increase the use of framework agreements where possible by ensuring that existing

agreements are used and new ones developed as appropriate

- select and use the most economical procurement routes by using framework agreements, restricted competitions and closed tendering approaches where appropriate
- ensure that project budgets are realistic based on discussions with consultants when developing specifications or an analysis of costs from similar completed projects
- provide training on project management techniques and additional support to staff in project management roles
- evaluate the work of consultants more systematically and share findings from these reviews
- work closely with consultants to increase assurance on quality and make use of opportunities to learn from consultants and ensure knowledge transfer, where appropriate.


The Scottish Government through the Scottish Procurement Directorate, Procurement Scotland and the Central Government Centre of Procurement Expertise should:

- continue to develop framework agreements for the public sector
- continue to support the work of procurement specialists by collecting more detailed information on public sector spending and making this available to central government bodies
- develop the annual supplier registration system to help simplify the bidding process for suppliers and make it available through the Public Contracts Scotland portal.

Part 2. Planning the use of consultancy services



With better planning, central government could improve the value it gets from its use of consultants.



Key messages

- Central government does not have a clear strategy for its use of consultants or for linking use to its priorities or financial and workforce plans.
- There is a lack of information on what consultancy skills, knowledge and services are bought and why consultants are used.
- Better workforce planning could reduce the demand for consultants. We estimate better planning could give savings of up to £10 million a year. This potential saving depends on the ability to replace consultants with staff, which requires careful planning to ensure that this does not affect other commitments.

Better planning of consultancy services is needed

22. An effective strategic plan for using consultants should take account of current and future work programmes and the knowledge and skills of staff to identify when consultants can best be used. With better planning central government could improve the value it gets from its use of consultants through:

- ensuring spending on consultants supports its key priorities
- better workforce planning, including recruitment and training strategies, to improve the knowledge and skills of staff.

23. Central government bodies generally decide to buy consultancy services as individual projects. They rarely link these decisions to any wider plan or strategy about when and how to get the services needed and the best way to purchase them across the organisation as a whole.

Case study 1

Student Awards Agency for Scotland (SAAS)

SAAS uses a processing system to administer student support and decided to replace this system in November 2007. It considered three options:

- conducting the development work in-house with some limited help from a consultant
- employing consultants to undertake all the development work
- continuing with the current system, which required consultancy support to maintain it.

SAAS chose the first option and five permanent and several temporary staff were employed to undertake the systems development work. In choosing this option, SAAS identified a need for a dedicated project manager and brought in a consultant to act as a team leader.

SAAS estimates that savings of £3.5 million will be delivered over a three-year period. Another advantage is that the new staff now offer ongoing support for SAAS's IT systems.

Case study 2

Highlands and Islands Enterprise (HIE)

HIE's internal audit team plans its use of consultants as a regular part of its annual workforce planning. Consultants support the internal team:

- if internal staff do not have sufficient skills or expertise to carry out a piece of work
- during periods of high workloads.

HIE uses this approach to ensure that consultants are used when they are needed most. For example, because of the planning work it decided to use consultants to complete a business continuity review as there was no business continuity expertise in the internal audit team.

Source: Audit Scotland

24. During our review we identified two examples where the decision to use consultants was built into longer term planning ([Case studies 1 and 2](#)).

25. [Case study 3 \(overleaf\)](#) provides an overview of the use of consultants in place of permanent staff on a project by the Scottish Government's e-health directorate. Initial planning did not anticipate delays in the recruitment of permanent staff for the posts filled temporarily by consultants. This has led to a significant cost increase for this project. However, it has been offset by lower than expected staff costs.

There is a lack of information on consultancy spend

26. Around a fifth of public bodies taking part in our survey have separate consultancy budgets. Most record spend on consultancy services against individual project budgets rather than a consultancy budget. While it is important that projects have reliable records of all relevant spending, the lack of a central record makes it difficult to identify what central government is spending on consultancy services and how this expenditure is changing over time.

Case study 3

Scottish Government's use of consultants on the e-health programme

Background

The e-health programme is a large programme to invest in new technology in the health sector to enhance patient care. In 2006, the then Scottish Executive Health Department (SEHD) adopted a new management structure requiring additional resources to deliver this programme.

Initially, SEHD needed consultants urgently to fill key posts. As it would take time to recruit skilled people to fill roles in this programme, it recruited a new head of e-health by February 2007 but the remainder of the programme team was too small and did not have all the right skills. In May 2007, after a fast-track competition, SEHD appointed consultants to help implement the programme temporarily while they made longer term arrangements.

Contract timescale – The contract was for an initial period of nine months, from May 2007, with an option (later adopted) to extend up to 36 months. The last use of the contract was in October 2008 although it has not been formally terminated.

Contract budget – The budget for the initial work advertised as part of the OJEU (European) competition in December 2006 was £0.5-0.75 million (excluding VAT). In July 2007, after the contract had been awarded, the estimated total final value was £1.2 million (excluding VAT). Due to additional work and extensions to the contract, budgets and costs increased. The estimated final outturn cost at November 2008 was £4.3 million (excluding VAT).

Planning and control of the consultants' contract

The remit of the consultants' work was broad. They provided staff to fill supervisory and project management roles within SEHD and produced different documents to support the e-health programme.

A business case is key to setting and maintaining clear direction for any project and for ensuring accountability. SEHD did not prepare a business case for the contract and, at the outset, formulated their requirements in terms of timescales, costs and scope of the contract very broadly.

SEHD did not make a value-for-money assessment at the start to compare the costs of hiring consultants with recruiting staff. There was no systematic basis for reviewing value for money as the contract continued and was extended. SEHD approved all changes in contract scope and cost after dialogue with the consultants. As at November 2008, the Scottish Government had not evaluated the contract to determine how far it had delivered what was planned or delivered value for money.

Reasons for increased contract costs

Because SEHD was unable to recruit to posts as quickly as anticipated, it increased its use of consultants instead. It did so to:

- ensure business continuity within the programme, which had top priority and a fixed time frame
- allow longer term recruitment and job matching for *Agenda for Change* to complete properly, which it considered essential for success of the programme overall
- ensure value for money, as terminating the contract and stopping work would mean losing expertise, skills and knowledge and undermine the delivery of programme.

Reported savings in anticipated staff costs of £2 million offset the increased consultancy costs of £2.2 million, as the table shows:

Budget and outturn costs for supporting the e-health programme							
	2007-08		2008-09		2007-09 combined		
	£m Budget	£m Outturn	£m Budget	£m Outturn	£m Budget	£m Outturn	£m Change
Main consultants' contract	1.1	3.0	1.0	1.3	2.1	4.3	+2.2
Additional consultants' contract	0	0	0	0.2	0	0.2	+0.2
SEHD staff costs	2.0	0.5	1.7	1.2	3.7	1.7	-2.0
Total e-health support costs	3.1	3.5	2.7	2.7	5.8	6.2	+0.4
Total e-health programme costs	85.3	84.9	73.3	73.0	158.6	157.9	-0.7

Note: All figures exclude VAT.
Source: Audit Scotland

27. Also, central government bodies do not collect information on the consultancy skills or knowledge bought and why. This makes it more difficult to plan future spending on consultancy services and get the right balance between using consultants and staff.

28. With better information on the skills, knowledge and services bought, central government could:

- identify potential knowledge and skills gaps and seek better ways to fill them. For example, it is not clear what consultancy skills central government bodies commonly buy. With this information Procurement Scotland or the Central Government Centre of Procurement Expertise could develop a national or sector-specific contract to purchase these skills, saving on procurement time and costs and obtaining lower prices and better value for money
- develop training and recruitment policies to meet its skills needs, getting better value for money than continued use of consultancy services.

29. In its revised guidance issued in December 2008 (paragraph 18), the Scottish Government introduced a requirement to maintain a register of consultants' contracts. This should provide better information in the future.

Better workforce planning could deliver savings of up to £10 million a year

30. The Scottish Government's guidance states that consultancy services should only be used when:

- the work cannot be undertaken by staff

- consultants can bring new knowledge and experience which adds 'demonstrable and achievable' value for money.¹¹

31. Central government bodies do initially consider if staff can complete the work. Project managers in our survey considered using existing staff for 66 per cent of projects, and considered other alternatives such as training staff and recruiting or seconding staff for 13 per cent and 14 per cent of projects respectively.

32. The reasons for using consultants should be documented in business cases, but we found this was not always done. In our survey of project managers 72 per cent had used a business case or financial justification to set out why consultants were needed and how they would be procured. There was no business case or financial justification for 28 per cent of projects but two-thirds of these were contracts costing less than £25,000.

33. Central government uses consultants most often because staff do not have the skills or expertise needed. Other reasons for using them include:

- getting the work done quickly
- getting an outside perspective
- staff are too busy
- to complete work to a higher standard than might otherwise be achieved.

34. Often several factors contribute to the individual decision to use consultants. For example in one of the projects reviewed, the Scottish Government employed consultants to help improve delivery of landlord registration by councils by gathering

and sharing best practice and working with council staff to review and improve their approaches. The consultants had greater expertise in performance improvement among councils than Scottish Government staff and were able to complete the work more quickly. The consultants' relative independence from Scottish Government was also important in meeting the project objectives.

35. Better workforce planning could produce savings by reducing the number of times that public bodies use consultants because their staff do not have sufficient time or skills to do necessary work. We identified the potential savings based on our survey of 103 consultancy projects. This suggests that central government could have completed five per cent of the surveyed projects without consultants and with little risk of impact on the outcome. Across central government as a whole, we estimate that better planning could lead to savings of up to £10 million each year ([Exhibit 4, overleaf](#)).

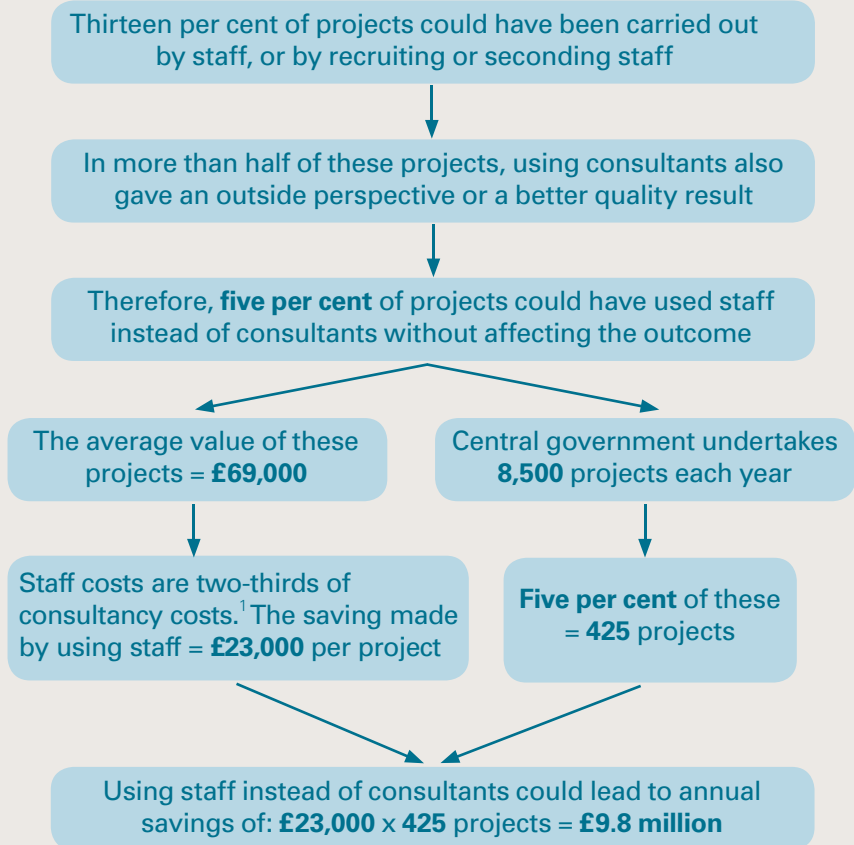
36. Our estimate allows for the cost of employing staff against the saving in consultancy fees, but does not take account of the impact this may have on their other duties. We are unable to estimate the opportunity cost of using staff to avoid the need for consultants, as this will vary from project to project. This could reduce potential savings. Public bodies need to consider the opportunity cost and effect on work programmes before deciding whether to use current staff, a secondment or consultants. However, having funds to pay for consultants when staff are difficult to find does not provide sufficient justification for using consultants. There is a need for careful planning to ensure that consultants are not substituted for staff because of work pressures.

11 This guidance also sets out other criteria that must be met such as authorisation procedures and project management arrangements.

Exhibit 4

Potential savings from better workforce planning

Central government could save up to £10 million each year from better work planning.



Key assumptions:

- The cost of employing staff to undertake the work is two-thirds of the cost of using a consultant and takes account of salary and all related employment costs.

Note: 1. Based on an estimate in the National Audit Office report *Central Government's use of consultants*, 2006.

Source: Audit Scotland

Recommendations

Central government bodies should:

- confirm they have clear processes for approving and recording the use of consultants and monitoring progress, and reinforce these as required
- plan the use of consultancy services when developing forward work programmes to ensure that consultants are used where their knowledge and skills bring greatest value for money
- always evaluate the option to use consultants against the option to use their own staff, and record if consultants are required because work cannot be undertaken by staff or because it offers better value for money
- gather and share consistent information on the consultancy skills and services bought and why consultants are used
- when consultants are appointed, use them where they can add most value and ensure staff fill key project roles where possible.

The Scottish Government through the Scottish Procurement Directorate, Procurement Scotland and the Central Government Centre of Procurement Expertise should:

- continue to support the work of procurement specialists by collecting more detailed information on public sector spending and making this available to central government bodies.

Part 3. Buying consultancy services

Central government generally buys consultancy services well but there are opportunities to improve procurement methods.

Key messages

- In most cases central government buys consultancy services well but some improvements can be made.
- Changes to the procurement process could improve the quality of tenders and reduce inefficiencies.
- Using the most economical competition and procurement route could lead to savings of £2.9 million a year.

Good procurement practice requires competition and collaborative purchasing

37. Competition should ensure value for money but should not place an excessive burden on potential suppliers. Procedures should follow the general principles of European Union competition law, which include:

- non-discrimination
- equal treatment
- transparency.

38. The Scottish Government has developed guidance on purchasing consultancy services designed to ensure those involved 'act with integrity and honesty, pursue value for money and encourage continuous improvement and innovation' ([Exhibit 5](#)). This guidance is consistent with guidance from the Office of Government Commerce (OGC).¹²

Individual consultancy purchases are generally carried out well

39. Generally, central government bodies follow key aspects of good practice when procuring consultants:

Exhibit 5

Summary of Scottish Government guidance on procuring consultants

- Procurement staff should be involved in the purchasing process to offer advice and guidance.
- Joint approaches and collaborative purchasing should be used where possible.
- Invitations to tender should include clearly defined terms of reference.
- Invitations to tender should request specific information including the consultants' understanding of the work; staff CVs; quality assurance and project management approaches; references; and a breakdown of consultants' input by days, total fees and daily rates.
- The competition route chosen and the degree of publicity required ([Exhibit 6](#)) should be appropriate to the value and the complexity of the project. Public bodies must satisfy legal requirements in these areas.
- Consultants can seek additional information and any critical information omitted from the tender documents must be notified to all bidders. Budgets should not be revealed to consultants.
- The tender approach should ensure that all potential suppliers are treated equally and fairly.
- The tender evaluation process must be systematic, thorough and fair and should be agreed and documented before tenders are received.
- Following the assessment of written proposals bidders may be invited to clarify their proposals.

Source: Adapted from the Scottish Procurement Directorate Policy Manual

- Most managers buying consultancy services had support and advice from procurement staff or from staff with procurement experience. Central government bodies used staff with a procurement background for advice on over three-quarters of contracts (and usually did so for contracts costing more than £60,000). Other support, such as published guidance on procurement, was available to four-fifths of project managers and guidance specifically on procuring consultants was available to over two-thirds of project managers.
- Terms of reference are generally clear. In our review of individual projects we found that in

14 out of 18 cases tender documents complied with the guidance and clearly specified the project needs. The exceptions were a Scottish Government project (see [Case study 3, page 10](#)) and three projects where the value was around £10,000 each.¹³

- Invitations to tender request specific information. Our review found that central government uses standard layouts to ensure that specific information requests are included in their tender documents.
- The competition route chosen is usually appropriate to the value and complexity of the project. Two-thirds of consultants in our

¹² *Delivering Value from Consultancy – a guide for public sector clients and suppliers*, 2006, Office of Government Commerce and Management Consultancies Association and the Scottish Government Procurement Policy Manual.

¹³ Two of these were single tender contracts for Scottish Government on hard-to-reach communities and HIE on business continuity. The third was a procurement by SAAS from a framework contract. For all three the project specification was fully developed through discussion with the consultant. This type of approach is appropriate for low-value projects.

survey considered that central government uses competitive tendering approaches which provide proper, open competition.

- Competitions allow a mix of consultancy suppliers to bid for contracts. Project managers identify potential bidders by advertising for them and from previous knowledge. This produces tender lists where small consultancies (with fewer than 50 staff) and companies not previously used by the project manager take part in over two-thirds of competitions. The Scottish Government's information hub shows that the number of different consultancies used by central government in 2006/07 ranged from 50 property and estates consultancies to just under 500 business management consultancies.
- The tender evaluation process is systematic and fair. Our review of projects showed central government used strong tender assessment processes for competitions. In our survey, project managers reported that price and quality evaluations are usually part of the assessment process (94 per cent of the time). Historic Scotland, Highlands and Islands Enterprise and Scottish Enterprise include the assessment criteria in their project specifications, which gives bidders a better idea of client requirements.

Appropriate competitions help to ensure value for money

40. Competitions help lower spend on consultancy while ensuring quality. Buyers must choose the most appropriate form of competition given the value and nature of the contract and the number of bidders expected (Exhibit 6).

Exhibit 6

Competition types

- **Open competition:** the contract is advertised and the invitation to tender (ITT) is sent to all consultants who ask for it.
- **Restricted competition:** used where a large number of bidders is expected. The contract is advertised and a tender list is drawn up, based on preliminary submissions that detail experience and capability. Only shortlisted consultants receive the full tender documents.
- **Closed tendering:** for low-value contracts where the contract is not publicly advertised. The ITT is sent only to shortlisted bidders.
- **Framework agreements (also known as shared, common or call-off contract):** these agreements are used when there is a need to buy similar knowledge and skills on a repeated basis. For further information see the box on page 5.
- **Single tender (sometimes referred to as non-competitive actions):** only one supplier is invited to tender. The use of single tenders should be strictly controlled and based on justifiable and objective grounds, for example, when the consultant is the only possible supplier.

Source: Audit Scotland

41. In line with guidance, most projects involve competition of some type. Twenty per cent of contracts in our survey were awarded through framework agreements, 43 per cent after a restricted competition or closed tendering and 21 per cent through an open competition. Fifteen per cent of the projects in our survey were awarded by single tender, but two-thirds of these were for projects costing less than £10,000.¹⁴

42. Competition encourages consultants to offer greater value for money to public bodies. Almost half of consultants in our survey stated they had reduced their daily rates to improve their chances of winning a project and two-fifths had done so when tendering within a framework agreement. Consultants also reduce rates for other reasons, for example, if they are interested in a project or when dealing with a potential client for the first time. In addition, consultants try to improve value for money by offering extras

such as additional work that may be of interest; offering to transfer skills to staff; or suggesting tasks that clients could complete for themselves (Exhibit 7, overleaf).

There are opportunities to improve procurement methods

Better and earlier communication could improve tenders

43. Central government could improve the quality of the tenders it receives by communicating better and earlier with consultants.

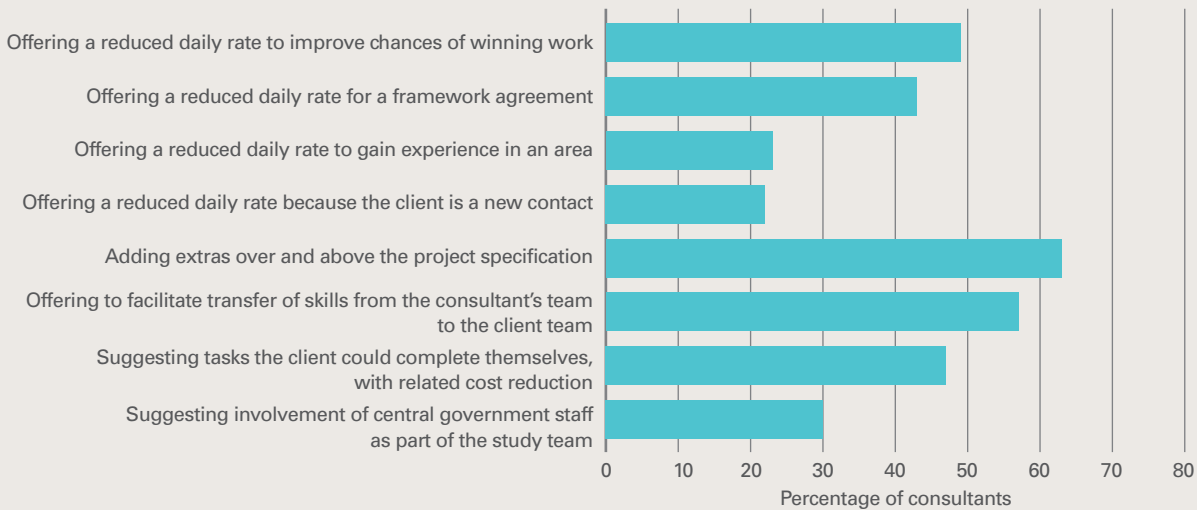
44. Good practice is to specify projects well at the outset, so that bidders may make proposals best suited to the project requirements. In most of the 18 projects we reviewed, project managers had specified the work clearly. Nevertheless, in some of these cases consultants suggested that additional discussion of requirements at the outset of projects would have been useful. In response to our wider survey,

14 Our survey did not collect details on why the single tender route was used for the four single tender projects costing more than £10,000.

Exhibit 7

Tendering approaches used by consultants

Consultants use a number of ways to offer better value for money to central government.



Source: Audit Scotland

two-thirds of consultants considered restrictions on talking directly with the client limited the quality of their tenders. Nearly as many considered unclear or insufficient information in tender documents to be a problem (Exhibit 8).

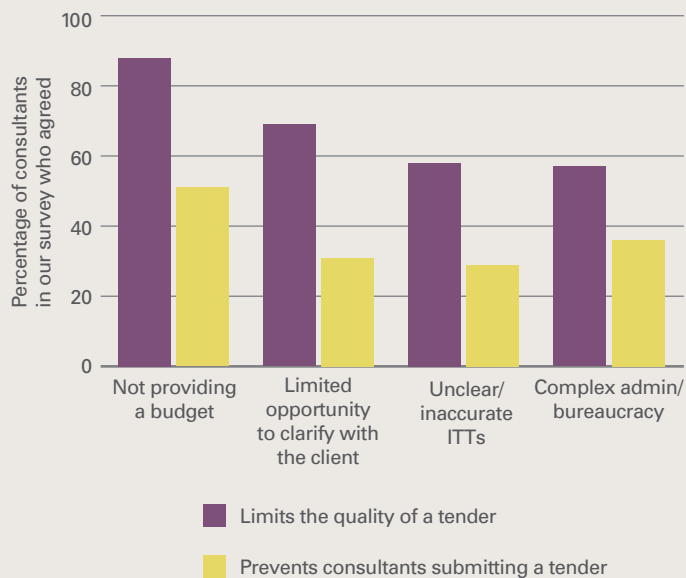
45. Our review of projects showed that central government generally relies on written questions and answers to communicate with bidders as part of the tender process. Despite the Scottish Government's guidance stating that bidders could be invited to clarify their proposals, our survey shows that only a third of the competitions used meetings for this purpose (Exhibit 9).

46. Dialogue with potential consultants before any competition is also important. Guidance permits earlier dialogue when needed because, by the tender stage, it is generally too late for consultants to suggest or develop alternative

Exhibit 8

Consultants' views on tender procedures

Some procedures reduce the quality of tenders or prevent consultants submitting tenders.



Source: Audit Scotland

approaches which could improve value for money. The guidance also says that central government must remain in control of the process and prevent any one consultancy from influencing the project specification too much.¹⁵

47. Central government can use methods such as presentations and information meetings to communicate and discuss the work required, either before inviting tenders or later in the process. However, our survey shows central government uses these approaches comparatively rarely, even for high-value projects (Exhibit 9).

Better information to set budgets is needed

48. From the outset clear specification for consultancy work is important to help central government estimate costs and ensure that bids received are affordable within the budgets set.

49. Central government does not have good information to help it set consultancy project budgets. It generally does not record or analyse information on past consultancy project costs and so project managers cannot easily use this to help set budgets. Nor does central government discuss potential budget requirements with consultants when developing project specifications.

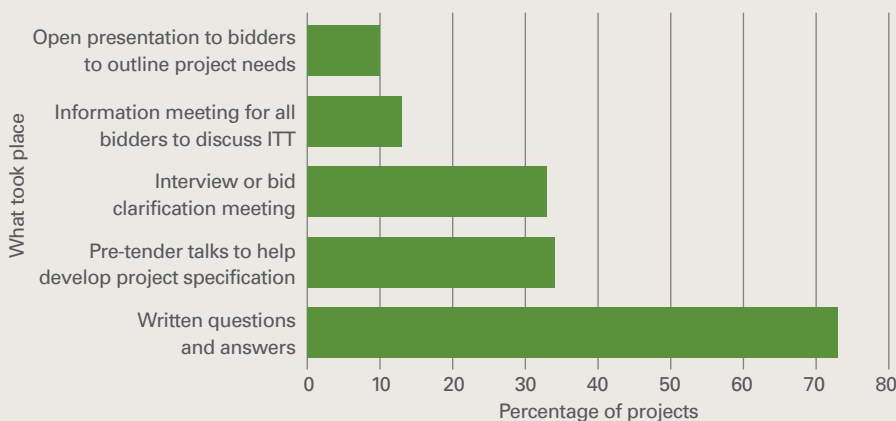
50. Setting inaccurate project budgets can have adverse consequences:

- Budgets that are unrealistically low can lead to extra procurement time and cost if the project is re-tendered or the project may not proceed at all. Re-tendering was required for one of our case study projects (Case study 4).
- Budgets that are too high could result in higher spending than is strictly necessary.

Exhibit 9

Methods used to discuss tenders

Central government mainly relies on a written question-and-answer process to provide information to consultants.



Source: Audit Scotland

Case study 4

Scottish Executive Soil Strategy tender

In May 2007, the Scottish Executive sent an invitation to tender to six consultants for a strategic environmental assessment for the Scottish Soil Strategy. It did not advertise the project because it needed a consultant urgently.

The Scottish Executive allowed only one week for submitting tenders (later extended to two weeks following complaints from bidders). Only three consultants made a bid and, on evaluation, none reached an acceptable score.

The tender results suggested the tender timetable was too short and the budget (£40,000) was too low for the work required. The Scottish Executive then reviewed the project scope and reduced it before re-tendering the contract. It received six tenders, assessed two as acceptable and awarded the contract at a cost of £35,000. Overall, the second round of tendering took three months to complete and incurred around £3,500 extra cost for staff time.

Source: Audit Scotland

51. Scottish Government guidance is not to disclose project budgets to consultants during a tender, based on the view that doing so may discourage good competition and is unnecessary if the work is specified well.

52. Under European competition law, however, public bodies should indicate estimated spend for all supplies and services tenders with a value above a specified threshold (currently £90,319). In addition, some central government bodies, such as Historic

Scotland, provide project budgets in their tender documents to allow them to receive tenders that more closely meet their needs.¹⁶

53. In our survey more than four-fifths of consultants said that lack of information on project budgets had restricted the quality of the tenders they provided (Exhibit 8, page 16).

Better procurement could make savings of £2.9 million a year

Choosing the most efficient form of competition is important

54. The work involved in – and therefore the cost of – running different types of competition varies significantly. We have estimated that for a notional project valued at £25,000 the administrative cost could vary from £1,700 to £8,600, depending on the type of competition and the level of bidder interest (Exhibit 10). Open competitions may generate a high level of interest from bidders, increasing the amount of time needed to assess the bids. For these reasons they may cost more than other types of competition.

55. With planning, central government could reduce its costs by using processes that are more efficient. For example, it could use framework agreements, restricted competitions or closed tendering, when appropriate.

56. Around nine per cent of the contracts in our survey could have used a less costly approach. Project managers could have used a pre-qualification stage more often to restrict the number of bidders or used closed tendering for low-value projects.

57. Central government could save up to £1.6 million annually if it streamlined its procedures and used the most cost-effective and appropriate procurement route, given the nature of the requirement and the potential number of suppliers (Exhibit 11).

Exhibit 10

Estimated staff cost of different competition routes for a notional project with a value of £25,000

Open competitions are likely to be more costly than other methods.

Competition type	Scenario	Staff cost to run this competition
Open competition with a high level of interest	Advertising produces a high level of interest. Subsequently 33 bidders receive the tender document and 17 submit tenders	£8,600
Open competition with a lower level of interest	Advertising results in 14 companies which receive the tender document. Eight submit tenders	£5,200
Restricted competition	Advertising produces 14 companies which complete a pre-qualification exercise. Five companies receive the tender document. Three submit tenders	£4,800
Closed tendering	Advertising is not used. A shortlist of five companies is generated and invited to tender. Three submit tenders	£3,500
Use of a framework agreement	Five companies on a framework agreement are invited to tender and four do so	£3,400
Single tender	Only one company is approached to complete the work because, for example, they are the only possible supplier	£1,700

Key assumptions:

- Staff costs are based on current internal Scottish Government costing rates at an average of £200 per day.
- Time allocations are based on estimates for competitions with this value. Time includes procurement staff and other project team members where they are involved in different stages of the competition. Bidders' costs are excluded.

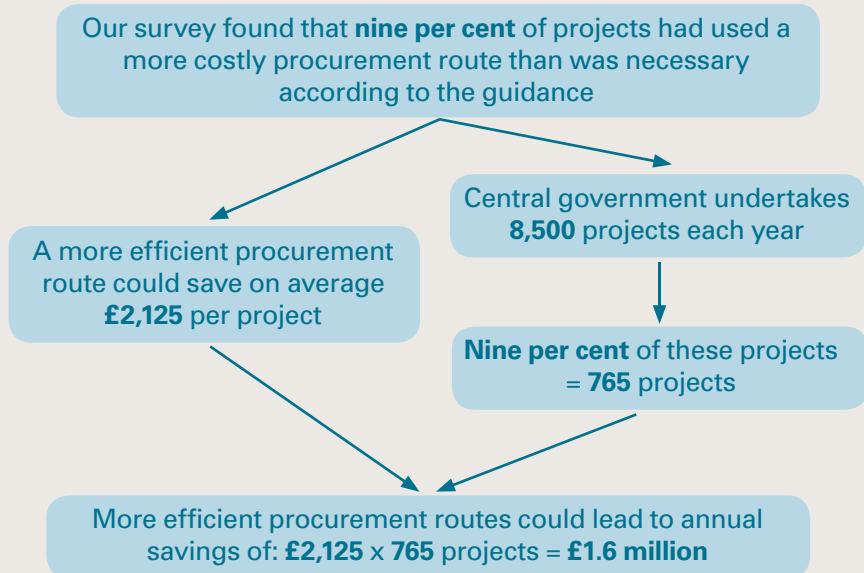
Note: Public bodies should ensure the use of single tenders is justifiable and properly controlled. We expect that the use of a single tender approach for a £25,000 contract would be very rare. Source: Audit Scotland and Scottish Procurement Directorate

58. The efficiency of competitions would also improve if supporting documentation was collected from bidders less frequently. Generally, project managers ask consultants to submit key documents such as their company accounts, insurance, equal

opportunities and health and safety policies as part of their competitions. This results in requests for similar or identical information for some consultancy competitions. Providing this information increases central government and bidders' costs.

Exhibit 11**Potential savings from more efficient procurement**

Central government could save up to £1.6 million a year by choosing more efficient procurement routes.

**Key assumptions:**

- Potential savings assume there is sufficient time to conduct pre-qualification exercises.
- Project managers can identify potential suppliers without advertising for low-value projects.

Note: We used the estimated costs of different procurement routes (Exhibit 10) to identify savings. We used these to compare the cost of the competition type actually used for each project in our survey with the cost of a simpler type of competition, where this was suitable taking into account the project value and level of bidder interest.
Source: Audit Scotland

Central government could achieve an annual saving of £170,000 in staff time if it reduced the number of requests for supporting documents by just ten per cent.¹⁷

59. Central government could develop the Public Contracts Scotland advertising portal to help reduce the number of individual requests for supporting information for tenders.¹⁸

Framework agreements can bring significant savings

60. The Scottish Government has five framework agreements in place for legal, IT and financial consultancy services. Agencies and NDPBs can also use most of these agreements (except the legal framework) and have developed some of their own framework agreements. We identified 12 framework agreements from our review, accounting for spending of around £12 million a year on consultancy services. The Scottish Government developed five, Scottish

Enterprise developed four, HIE two and Historic Scotland one (Appendix 4).

61. The Scottish Procurement Directorate is developing new framework agreements for some consultancy services (paragraph 17). It can take up to a year to develop and introduce a complex framework agreement and so the expense in developing one must be justified by the expected use.

62. Once established, framework agreements can bring savings through:

- less staff time spent procuring services
- lower project costs, from reduced daily consultancy rates. On average, consultants with a framework agreement said they would give a saving of eight per cent on normal daily rates.

63. Some framework agreements offer further discount where high levels of use of the consultant trigger a lower rate. For example, Registers of Scotland used an OGC framework agreement when looking for a management consultancy firm to support its accommodation review. The consultants selected offered a discount of up to 15 per cent on day rates depending on the number of days used.

64. Overall, we estimate that a saving of £1.3 million annually could occur if central government in Scotland increased its use of existing and new framework agreements to the 34 per cent level the National Audit Office review suggests is already achieved by central government through OGC contracts (Exhibit 12, overleaf).¹⁹ This is in addition to the estimated £1.8 million savings already made through the use of existing framework contracts.

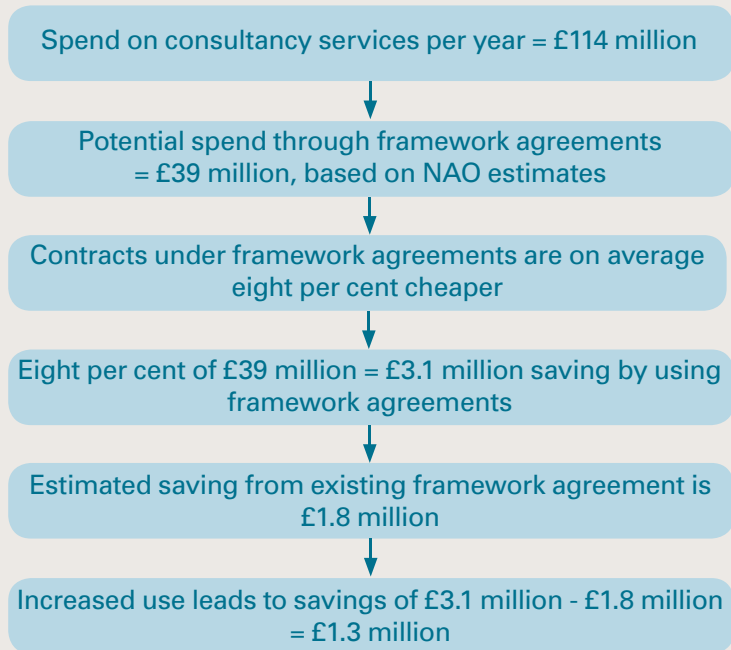
¹⁷ This assumes that it takes one hour per competition to process this information at a cost of £200 per hour. With 8,500 competitions each year, the saving is calculated as £200 x 8,500 competitions x ten per cent.

¹⁸ The Public Contracts Scotland portal is a free service which gives suppliers easy access to information on public sector business opportunities.

¹⁹ *Central Government's use of consultants*, National Audit Office, December 2006, suggests 34 per cent of total central government spend in 2005-06 on consultants went through OGC buying solutions framework agreements.

Exhibit 12

Potential savings from increased use of framework agreements
Using framework agreements more could increase savings by
£1.3 million a year.



Key assumptions:

- These savings do not take into account the cost of setting up a framework agreement.
- The savings exclude time savings when buying services under a framework contract.
- Central government is already making some savings through existing framework contracts, which we estimate to be £1.8 million.

Source: Audit Scotland

Recommendations

Central government should:

- improve the quality of its invitations to tender through better and earlier discussion with consultants about its consultancy needs
- increase the use of framework agreements where possible by ensuring that existing agreements are used and new ones developed as appropriate
- select and use the most economical procurement routes using framework agreements, restricted competitions and closed tendering approaches when appropriate
- ensure that project budgets are realistic based on discussions with consultants when developing specifications or an analysis of costs from similar completed projects.

The Scottish Government through the Scottish Procurement Directorate, Procurement Scotland and the Central Government Centre of Procurement Expertise should:

- continue to develop framework agreements for the public sector
- develop the annual supplier registration system to help simplify the bidding process for suppliers and make it available through the Public Contracts Scotland portal.

Part 4. Managing consultants

Central government could improve how it manages consultancy projects through more consistent and formal evaluation of consultants' work and learning more from them.

Key messages

- Central government could improve how it manages consultancy projects.
- Consultants' work is rarely evaluated, making it difficult to assess if consultants provide value for money and limiting the opportunities to improve consultants' work in the future.
- Consultants are often employed because they offer additional knowledge and skills, but central government bodies do not make the most of opportunities to learn from consultants.

Training on project management techniques is needed

65. Project managers should understand how consultants work and be aware of their project management responsibilities when hiring and working with consultants.²⁰ Scottish Government guidance identifies the responsibilities of those managing external consultants but offers limited explanation on how project managers should meet these responsibilities (Exhibit 13).

66. Although the project managers in our survey had made use of advice when procuring consultants, less than a quarter had used published guidance for advice on managing consultants on their current projects. Instead of published guidance, project managers more often rely on the experience of colleagues (71 per cent) or general project management training (54 per cent). Twenty-nine per cent of project managers wanted further training on aspects such as project planning and relationship management to help improve how they buy and manage consultants.

Exhibit 13

Summary of good practice on managing consultants

Project managers should ensure that consultants deliver the work on time, at the agreed price and to meet the specification for the project.

Key responsibilities identified for project managers are to:

- develop a plan to monitor progress and use it to ensure problems are resolved as quickly as possible
- ensure there is a good working relationship with the consultant
- take advantage of learning opportunities
- manage the contract to ensure that consultants remain within budget
- follow the proper procedures if changes to the project are required
- report on the outcomes of the assignment, the quality of the consultant's work and the extent to which the envisaged benefits are likely to be achieved.

Source: Adapted from The Scottish Procurement Directorate's Policy Manual

67. Project managers currently use a range of techniques to manage consultants. Widely used approaches are informal contact throughout the project; the review of documents and outputs at key project milestones; inception meetings; and regular progress reporting and review meetings (Exhibit 14). These approaches are often combined to some degree. They allow project teams to review the work submitted by consultants at key points and form an opinion on its quality.

Project costs are controlled well in most instances

68. Scottish Government guidance clearly outlines who should approve expenditure and the checks required. All the projects in our survey followed this aspect of the guidance.

69. Projects are usually authorised on a fixed-cost basis with only four per cent of projects having costs subject to agreement as the work proceeded. Central government controlled costs well and most of the projects in our

survey were completed at the cost initially tendered. Just under a tenth of projects had a contract extension and for most of these the difference in cost was within ten per cent of the original quote. However, one property consultancy project for Historic Scotland cost 40 per cent more than originally estimated and the cost of the e-health contract exceeded its initial budget by £3 million, although this was offset by savings in staff costs (Case study 3, page 10).

Evaluations of consultants' work are rarely carried out

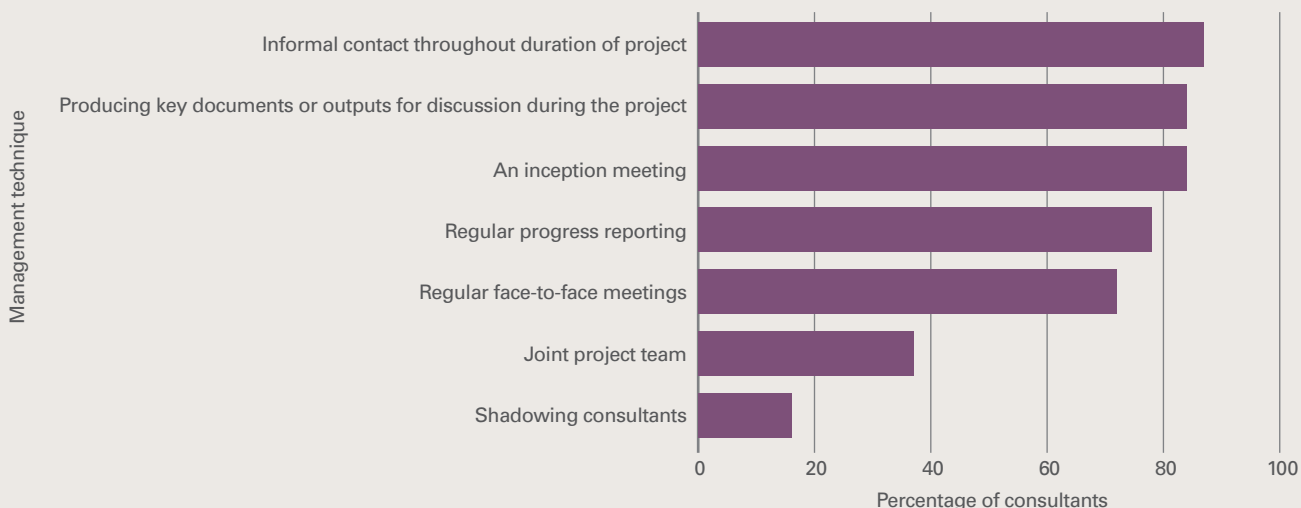
70. For all projects it is good practice to evaluate the work on completion to ensure it meets the business requirements and provides value for money. Without evaluating the work of consultants it is difficult to assess if value for money is obtained and there is limited opportunity to improve consultants' work in the future.

71. Less than half the projects in our survey were formally evaluated at the end of the project and a third of

20 For details on the challenges involved in working with consultants see the National Audit Office report; *Central Government's use of consultants: market analysis*, Fiona Czerniawska, December 2006.

Exhibit 14**Project management approaches used**

Project managers use a mix of approaches to manage consultants.



Source: Audit Scotland

the projects were not evaluated at all. For the remainder, some informal evaluation had been made as the project progressed.

72. Even when evaluations do take place:

- Consultants may not receive specific feedback on their work as assessments are often part of a wider project review.
- Only immediate work colleagues and others in the same department learn of the outcome of evaluations. The Scottish Government in particular is less likely to share the findings of evaluations across the organisation, meaning that good and poor performance goes unrecognised.

73. More consistent and formal evaluation would improve project management. HIE's advisory services contract is an example of a good evaluation process ([Case study 5](#)).

Case study 5**HIE advisory services contract 2006-2010**

Through this contract, HIE selected one supplier to offer different types of advice to its clients. HIE evaluates the performance of the supplier through feedback from external clients and internal customers (staff).

Feedback is obtained through regular meetings with the supplier and staff as well as from:

- a monthly statistical and written report from the supplier
- a quarterly staff satisfaction survey
- a monthly external client satisfaction survey.

HIE uses the statistical data to generate performance indicators, which it monitors quarterly. The performance indicators include response times and customer and staff satisfaction levels with the performance of advisers.

Source: Audit Scotland

Central government can take advantage of opportunities to learn from its consultants

74. Scottish Government guidance states that staff should take advantage of opportunities to learn new skills from consultants.

75. However, skill transfer from consultants to staff occurred in only a fifth of projects in our survey and only one in ten project managers

asked for this at the tendering stage. This may be a missed opportunity as consultants are often employed because they offer additional knowledge and skills. It is often not necessary or practical for staff to become fully proficient in a consultant's area of expertise, but acquiring some level of understanding could improve how staff implement the consultants' work or provide learning that is useful in other situations.

Case study 6

Legal Services framework – good practice example on skill transfer requirements

In the invitation to tender for this contract, the Scottish Executive stated that consultants should:

- allow two Scottish Government staff to participate in the consultants' in-house training programmes
- participate in the Scottish Government's in-house training by providing individuals to give lectures or seminars on topics
- offer a member of their staff for secondment to the Scottish Government during the period of the framework agreement.

Also, consultants were asked to make a secondment opportunity in their company available to a member of Scottish Government staff, although this was not mandatory.

As a result, legal services companies have provided five secondees to the Scottish Government and spoken at eight Scottish Government training events to date, with more involvement planned.

Source: Audit Scotland

Recommendations

Central government should:

- provide training on project management techniques and additional support to staff in project management roles
- evaluate the work of consultants more systematically and share findings from these reviews
- work closely with consultants to increase assurance on quality and make use of opportunities to learn from consultants and ensure knowledge transfer, where appropriate.

76. Almost all consultants considered that there is potential for skill transfer to occur more often. One of the barriers to achieving skill transfer is that project staff do not set aside time to allow them to work with and learn from consultants. This reduces the value obtained from employing consultants and may mean that consultants are employed for the same purpose again in the future.

77. The Scottish Government's legal services framework is an example where the tender specified skill transfer from consultants ([Case study 6](#)). Also, the Student Awards Agency for Scotland encourages consultants to work on-site whenever possible, increasing the opportunity for staff to learn from consultants.

78. Almost all project managers in our survey (95 per cent) identify good partnership working with consultants as a way of ensuring they get value for money. The benefits of partnership working include:

- greater assurance as the work of the consultant is subject to more continual review
- better understanding of the issue (for the consultant) and of the solution (for staff).

79. Project managers rarely use approaches which allow closer working with consultants to develop. For example, only 37 per cent of projects in our survey had joint project teams and only 16 per cent of projects had central government staff working with or shadowing consultants as part of the work. Central government used these approaches more often for projects with a value of £100,000 or more, but even then shadowing and joint project teams were used only half the time ([Exhibit 14, page 23](#)).

Appendix 1.

Scottish Government Procurement Information Hub

We derived our estimates of consultancy spend from the Scottish Government Procurement Information Hub. The table below lists the 39 central government bodies which contributed spending data to this database and what period this covers. In most cases the data are for financial year 2006/07, although some public bodies provided data relating to a slightly different period. Each organisation carries out some limited checks on its data before they can be accepted within the database. Procurement teams within organisations are expected to do additional checks when developing sourcing strategies for goods, services and works to ensure spending assumptions are reliable.

Central government bodies included in Scottish Government database

Contributor	Period data relate to
Scottish Government Core Directorates	April 2006 to March 2007
Scottish Enterprise	April 2006 to March 2007
Transport Scotland	April 2006 to March 2007
Scottish Court Service	April 2006 to March 2007
Highlands & Islands Enterprise	January 2007 to December 2007
Accountant in Bankruptcy	April 2006 to March 2007
Scottish Qualifications Authority	January 2006 to December 2006
Scottish Children's Reporter Administration	April 2006 to March 2007
Scottish Prison Service	April 2006 to March 2007
VisitScotland	April 2006 to March 2007
Student Awards Agency for Scotland	April 2006 to March 2007
Historic Scotland	April 2006 to March 2007
Scottish Natural Heritage	April 2006 to March 2007
Learn Direct Scotland	April 2006 to March 2007
Scottish Public Pensions Agency	April 2006 to March 2007
Scottish Legal Aid Board	April 2006 to March 2007
Scottish Committee for the Regulation of Care	January 2007 to December 2007
Scottish Funding Council	April 2006 to March 2007
Fisheries Research Services	April 2006 to March 2007
sportscotland	April 2006 to March 2007
Mental Health Tribunal for Scotland	April 2006 to March 2007
Registers of Scotland	April 2006 to March 2007
National Museums of Scotland	April 2006 to March 2007
Scottish Fisheries Protection Agency	April 2006 to March 2007

Scottish Social Services Council	January 2006 to December 2006
Office of the Scottish Charities Regulator	April 2006 to March 2007
Cairngorms National Park Authority	July 2006 to June 2007
General Teaching Council for Scotland	April 2006 to March 2007
Royal Commission on Ancient and Historic Monuments of Scotland	July 2006 to June 2007
Scottish Arts Council	April 2006 to March 2007
Scottish Agricultural Science Agency	April 2006 to March 2007
Mental Welfare Commission	April 2006 to March 2007
HM Inspectorate of Education	April 2006 to March 2007
National Archives of Scotland	April 2006 to March 2007
Scottish Screen	July 2006 to June 2007
Architecture & Design Scotland	July 2006 to June 2007
Social Work Inspection Agency	April 2006 to March 2007
Scottish Building Standards Agency	April 2006 to March 2007
Local Government Boundary Commission	April 2006 to March 2007

The Procurement Information Hub categorises public bodies' spending data according to each supplier's main business. The table below lists the types of service included within the consultancy classification we used for the study. It also shows where responsibility for developing new contracts for these services now rests.

Suppliers included within each consultancy type and responsibility assigned to the service

Consultancy classification	Business types within classification	Responsibility for developing new contracts	
		Scottish Procurement Directorate	Individual bodies
Business management	Business & management consultants	✓	
Legal services	Barristers		✓
	Legal services	To be decided	
	Solicitors	To be decided	
Human resources	Computer training	✓	
	Training centres		✓
	Training consultants	✓	
	Training services	✓	
Financial services	Accountants	To be decided	
	Actuaries		✓
	Financial services	To be decided	
	Insolvency practitioners		✓
	Investment companies		✓
	Investment consultants	To be decided	
	Financial advisers – independent	To be decided	
	Pension consultants	To be decided	
Information technology	Computer consultants	✓	
Property and estates services	Property and estate management	✓	

Note: Procurement Scotland or the Central Government Centre of Procurement Expertise may lead Scottish Procurement Directorate contracts. Responsibility for some of these procurements is still subject to endorsement.

Appendix 2.

Case study projects

We reviewed the use of consultancy services in 18 projects across six public bodies including the Scottish Government. We list these projects below. The projects cost £20 million in total and included different services, contract types and sizes.

Scottish Government	1. Strategic environmental assessment for the Scottish Soil Strategy
	2. Legal services framework (see Appendix 4)
	3. IT services frameworks (see Appendix 4)
	4. Hard-to-reach communities; consultation with hard-to-reach communities on planning legislation
	5. Landlord registration project; to deliver advice to councils on landlord registration
	6. e-health programme (see Case study 3)
Scottish Enterprise	7. Energy technology centre; provision of business development and commercialisation advice and facility management
	8. Location of Victoria and Albert museum; feasibility study of potential locations
	9. Customer management services framework (see Appendix 4)
Highlands and Islands Enterprise (HIE)	10. Business continuity review for internal audit (see Case study 2)
	11. Service users contract (see Appendix 4)
	12. Development of a DVD resource pack for community groups
Historic Scotland	13. Stirling Castle conservation and refurbishment – phase 4
	14. Quantity surveying call-off contract (see Appendix 4)
Students Awards Agency for Scotland (SAAS)	15. Team leader support for development of IT systems (see Case study 1)
	16. Customer service unit review; to review working practices within the unit
Registers of Scotland	17. Project Spirit; to review the agency's IT needs
	18. Accommodation review; assessing options for relocating the agency

Appendix 3.

Project advisory group members

Name	Organisation
Graeme Cook	Category Manager, Procurement Scotland
Peter Wood	Director, Tribal Consulting
Fiona Czerniawska	Head of Research, Management Consultancies Association
Steve Patterson	Procurement Development Manager, Scottish Procurement Directorate (SPD)
Keith Davis	Director, Efficiency Practice, National Audit Office
Paula Speirs	Director, Ernst & Young
Derek Noonan	Procurement Manager, NHS National Shared Services Scotland
Phil Martin	Procurement Director, Scottish Enterprise

Appendix 4.

Framework contracts in use by case study organisations

Contract name and contract period	Provider and services covered	For use by	Annual use (£)
Legal services (2007-2011)	Scottish Government; range of legal services	Scottish Government and agencies	£3-4 million (estimate)
Legal services (2008-2011)	Highlands and Islands Enterprise; range of legal services	Highlands and Islands Enterprise	£500,000 (estimate)
IT services (2003-2008)	Scottish Government; three separate contracts covering design development; strategy development and project management; and multi-media and web design	Scottish Government, NDPBs and agencies	£1.8 million (actual 2007/08)
Non-business-critical financial services (2006-2009)	Scottish Government; a range of non-critical financial services excluding any high-risk services and internal and external audit	Scottish Government, NDPBs and agencies	£350,000 (actual 2008/09)
Service users (2006-2010)	Highlands and Islands Enterprise; the contract covers the provision of all types of advice such as for start-up and growth, marketing, finance and employment, IT and health and safety to businesses and community organisations in the area	Highlands and Islands Enterprise	£1.7 million (actual 2007/08)
Quantity surveying	Historic Scotland; a broad range of quantity surveying work across most of Scotland	Historic Scotland	£15,000-£20,000
Marketing and customer relations services	Scottish Enterprise; a broad range of services covering areas such as events management, graphic design and direct marketing campaigns	Scottish Enterprise	£4 million (estimate)
Web services	Scottish Enterprise; a range of web services such as copywriting and development	Scottish Enterprise	£100,000 (estimate)
Customer management services framework	Scottish Enterprise; customer management support to businesses in the Grampian area	Scottish Enterprise	£100,000-£130,000 (estimate)
Information services contractor framework	Scottish Enterprise; provision of specialist project management resources for the implementation of major information services projects	Scottish Enterprise	£150,000 (estimate)

Source: Scottish Procurement Directorate, Highlands and Islands Enterprise, Scottish Enterprise and Historic Scotland

Central government's use of consultancy services

How government works

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