

**National Assembly for Wales**  
Public Accounts Committee

# The Procurement and Management of Consultancy Services

September 2013



Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales

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## Public Accounts Committee

The Public Accounts Committee was established on 22 June 2011.

### Powers

The Committee's powers are set out in the National Assembly for Wales' Standing Orders, with its specific functions of the Committee are set out in Standing Order 18 (available at [www.assemblywales.org](http://www.assemblywales.org)). In particular, the Committee may consider reports prepared by the Auditor General for Wales on the accounts of the Welsh Government and other public bodies, and on the economy, efficiency and effectiveness with which resources were employed in the discharge of public functions.

The Committee also has specific statutory powers under the Government of Wales Act 2006 relating to the appointment of the Auditor General, his or her budget and the auditors of that office.

### Current Committee membership



**Darren Millar (Chair)**  
Welsh Conservatives  
Clwyd West



**Mohammad Asghar (Oscar)**  
Welsh Conservatives  
South Wales East



**Jocelyn Davies**  
Plaid Cymru  
South Wales East



**Mike Hedges**  
Welsh Labour  
Swansea East



**Sandy Mewies**  
Welsh Labour  
Delyn



**Julie Morgan**  
Welsh Labour  
Cardiff North



**Jenny Rathbone**  
Welsh Labour  
Cardiff Central



**Aled Roberts**  
Welsh Liberal Democrats  
North Wales

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## Foreword

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Consultants have an important role in government. When managed effectively, they can offer fresh perspectives to issues, and provide the skills to dynamically respond to emerging challenges. But an over-reliance on consultants can represent very poor value for public money, and impede an organisation from developing its own staff.

The evidence of our short inquiry, and an investigation by the Auditor General for Wales, clearly sets out that Welsh public bodies are reducing their spend on consultants. However, it is also clear that many public bodies cannot demonstrate value for money in how they plan, obtain and manage consultancy services.

Given the responsibilities of public bodies to deliver value for money, this would be concerning in any year. However, it is particularly surprising in a time of tight financial constraints.

This report contains a number of recommendations to the Welsh Government, which we believe will help to improve Wales' procurement and management of consultancy services.

We are grateful to all the witnesses who gave evidence to us, without whom we could not have completed our investigation.

## The Committee's Recommendations

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The Committee's recommendations to the Welsh Government are listed below, in the order that they appear in this Report. Please refer to the relevant pages of the report to see the supporting evidence and conclusions:

**Recommendation 1.** We recommend that the Welsh Government publishes annually a report on the impact of the National Procurement Service in improving procurement practices and generating procurement savings, to include analysis of its impact in challenging and managing demand for the use of consultancy services across the Public Sector. (Page 12)

**Recommendation 2.** We recommend that the Welsh Government considers the costs and benefits of developing an in-house capacity to cleanse and analyse data on the procurement and management of consultancy services. (Page 17)

**Recommendation 3.** We recommend that the Welsh Government works in collaboration with other public sector bodies to develop a common understanding and definition of consultancy services. (Page 19)

**Recommendation 4.** We recommend that the Welsh Government works with potential users of the National Procurement Service, and puts in place robust monitoring arrangements to ensure that the potential savings expected from the Service are delivered. (Page 23)

**Recommendation 5.** We recommend that the Welsh Government ensures that a specific objective of the National Procurement Service is to maximise the benefits of public expenditure in the private sector in Wales, as part of its broader objectives of maximising value for public money. (Page 23)

**Recommendation 6.** We recommend that the Welsh Government explores the costs and benefits of establishing a Wales Government Procurement Framework. (Page 25)

**Recommendation 7.** We recommend that the Welsh Government ensures that the National Procurement Service determines a consistent methodology to enable public bodies to analyse their performance in



procuring and managing consultancy services. We anticipate that the NAO's toolkit would be considered as part of this determination.

(Page 28)

**Recommendation 8.** We recommend that the Welsh Government ensures that the National Procurement Service develops guidance and templates to ensure that business cases exist for different procurement exercises, and are robust.

(Page 31)

**Recommendation 9.** We recommend that the Welsh Government and National Procurement Service explore the potential for developing a register of expertise within the public sector which is available for advice or secondment.

(Page 34)

**Recommendation 10.** We recommend that the Welsh Government explores options for improving the capacity and capability of public sector organisations to develop the necessary skills and resources to meet ongoing challenges. If it proves successful, this could include exploring the potential for replicating the Cardiff Academy model across Wales.

(Page 35)

**Recommendation 11.** We recommend that the Welsh Government, through the National Procurement Service, explores how it can monitor and report on the procurement practices of public bodies so that they can be better held to account.

(Page 41)

**Recommendation 12.** We recommend that the Welsh Government and other public bodies consider the potential for making attendance on contract management training a mandatory requirement for their staff before taking on responsibility for a contract. We anticipate that such training should emphasise the importance of evaluating consultants' performance as a core element in effective contract management.

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# Introduction

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## Who are we?

1. The Public Accounts Committee is a cross party committee of the National Assembly for Wales, made up of eight Members from all four political parties represented at the Assembly. The Public Accounts Committee is not part of the Welsh Government. Rather, the role of the Public Accounts Committee is to ensure that proper and thorough scrutiny is given to the Welsh Government's expenditure. In particular, we can consider reports prepared by the Auditor General for Wales on the accounts of the Welsh Government and other public bodies, and on the economy, efficiency and effectiveness with which resources were employed in the discharge of public functions.

## Why did we conduct this inquiry?

2. All public sector bodies employ staff. However, when faced with a particular challenge, an organisation may consider that it lacks the expertise within its own staff to address a particular concern, project or issue. In such circumstances, public sector organisations will sometimes temporarily contract in a consultant.

3. The Auditor General's report on *The Procurement and Management of Consultancy Services* was published on 21 February 2013. The report found that although public bodies have reduced their expenditure on consultants, from £173 million in 2007-08 to £133 million in 2010-11, they are unable to demonstrate good value for money in the planning, procurement and management of consultancy services. The extent to which public bodies exercised generally accepted standards of good practice in the various stages of procuring and managing consultants also varied considerably.

4. We considered it appropriate to conduct a short inquiry into the issues raised by the Auditor General's report.

5. We were mindful that procuring a consultant can represent an eminently sensible approach to a particular issue or challenge. This point is also made in the Auditor General's report, which states that:

“If used effectively, consultants' knowledge, skills and resources can help deliver new services and initiatives quickly

and expertly. Public bodies also use consultants when they do not have the capacity in-house to carry out work.”<sup>1</sup>

6. We considered that automatically contracting a consultant as a default response to new challenges represents poor value to the public purse. The Auditor General’s report highlights this danger:

“If public bodies do not manage consultancy services effectively, they can be an expensive way to deliver public services and opportunities to make best use of consultants’ skills and to gain new knowledge and skills might be missed.”<sup>2</sup>

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<sup>1</sup> Summary, Para 1

<sup>2</sup> Summary, Para 2

# 1. Expenditure

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7. The Auditor General's report shows that expenditure on consultancy services across the public sector reduced from £173 million in 2007-08 to £133 million in 2010-11.

## **Expenditure by the Welsh Government**

8. The Welsh Government makes proportionately far more extensive use of consultants than any other public sector body in Wales (16 per cent of total salary costs in 2010-11, compared with an average of 3.1 per cent in local government and 1.6 per cent in health). The Welsh Government's spend on consultancy services fell from £52 million (22 per cent of total salary costs) in 2007-08 to £42 million (16 per cent of total salary costs) in 2010-11.<sup>3</sup>

9. The Auditor General's report pointed to the Welsh Government's strategy to save money through its *Managing for Less* programme, which engages staff in identifying ways to reduce running costs. The report says that the Welsh Government has concentrated its efforts on making efficiency savings through reducing its use of consultants. In particular, it has more than halved its expenditure on management consultants, from £10.8 million in 2009-10 to £4.2 million in 2010-12, mainly through using existing staff instead of consultants.<sup>4</sup>

10. In a written note, the Welsh Government's Director General for Strategic Planning, Finance and Performance advised us that:

"The total savings on the identified cost headings achieved by the programme over three years totalled £25.8m. Managing with Less was a cost reduction initiative introduced by the then Permanent Secretary in response to the reduced budget allocation to Welsh Government."<sup>5</sup>

11. We welcome the savings rendered by the Welsh Government reducing its spend on consultants. We are unclear how much this is prompted by budgets being temporarily squeezed, rather than by an

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<sup>3</sup> The procurement and management of consultancy services, Wales Audit Office, Paragraph 1.7 and Figure 4 (page 19).

<sup>4</sup> The procurement and management of consultancy services, Wales Audit Office, Paragraphs 1.8 to 1.10 and Box 3 on page 20

<sup>5</sup> Procurement and Management of Consultancy Services, Director General for Strategic Planning, Finance and Performance, 13 May 2013.

ongoing emphasis on driving value for public money. In our opinion, at such time in the future when the financial climate has improved, it will remain important that value for money is delivered in the procurement of consultancy services. We note that the Welsh Government has stated that:

“we are now moving on to more effectively challenging and managing our demand for the use of consultancy services. The introduction of the National Procurement Services will drive this improvement forward.”<sup>6</sup>

12. The Welsh Government also commented that Managing for Less:

“was almost of its moment and was a cost-reduction exercise because of the pressure that was brought to bear as a consequence of the last spending review. I think that we would like to think that, going forward, there is always room to improve and to drive out better value for money.”<sup>7</sup>

### **Expenditure by the wider public sector**

13. The Auditor General’s report notes that consultancy services account for a large amount of discretionary spend across the public sector in Wales.

14. Expenditure on consultancy services across the public sector has reduced from £173 million in 2007-08 to £133 million in 2010-11. Local Government has reduced its expenditure on consultancy services by 21% (£24 million) between 2007-08 and 2010-11.<sup>8</sup> Expenditure on consultancy services in the health sector has halved, from £11 million in 2007-08 to £5.5 million in 2010-11.<sup>9</sup>

15. While we welcomed the reduction in expenditure on consultancy services, we asked NHS Shared Services why the NHS had not developed an approach to make efficiency savings, similar to the Welsh Government’s *Managing with Less* programme. NHS Shared Services responded:

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<sup>6</sup> Procurement and Management of Consultancy Services, Director General for Strategic Planning, Finance and Performance, 13 May 2013.

<sup>7</sup> RoP, Public Accounts Committee, 18 April 2013 Para 221

<sup>8</sup> The procurement and management of consultancy services, Wales Audit Office, Paras 1.4, 1.11 and Figure 3,

<sup>9</sup> The procurement and management of consultancy services, Wales Audit Office, Figure 3 on page 18 and paragraph 1.11

“I think that we have, but under two areas. The purpose of bringing shared services together has been to take that back-office support away from trusts and health boards, to allow them to focus much more on the delivery of clinical services. That has delivered significant professional savings back to the NHS, as well as efficiencies in our overall operational budget. So, at the end of this year, just in procurement, we have delivered £40 million-worth of savings... If you look at individual organisations, you will see that Cwm Taf, for example, has had a turnaround team in to critically examine all of its expenditure. It does not have a name badge, per se, but certainly each organisation has been critically looking at all of its non-pay expenditure under different initiatives.”<sup>10</sup>

16. NHS Shared Service advised us that:

“the totality of our non-pay expenditure has been under review. Therefore we are, and have been for the last few years, looking at the totality of what we are spending, looking to reduce that expenditure and critically looking at all our non-pay areas.”<sup>11</sup>

17. Going forward, we consider that the public sector as a whole should constructively challenge and manage its demand for the use of consultancy services. We note that the Welsh Government has emphasised the role of the National Procurement Service in driving improvement forward, and consider it important that delivery of improvements is effectively monitored.

**We recommend that the Welsh Government publishes annually a report on the impact of the National Procurement Service in improving procurement practices and generating procurement savings, to include analysis of its impact in challenging and managing demand for the use of consultancy services across the Public Sector.**

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<sup>10</sup> RoP, Public Accounts Committee, 18 April, Para 38

<sup>11</sup> RoP, Public Accounts Committee, 18 April, Para 28

## 2. Data

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18. The Auditor General's report states that data relating the procurement and management of consultancy services is generally poor. This includes basic expenditure data as well as other important management information that public bodies need to inform a strategic approach to procuring and managing consultancy services.<sup>12</sup>

19. The report highlights that few public bodies have a strategic approach to the procurement and management of consultants that is supported by reliable data.<sup>13</sup> We noted that this may have implications for the accuracy of data used in the Auditor General's own report.

20. The report said that there was an:

“inability of many participating public bodies to provide the necessary raw data from their financial management systems to support the Spikes Cavell data collection and analysis exercise.”<sup>14</sup>

21. The report also notes that:

“the information from Spikes Cavell only provides a broad estimate of expenditure on consultancy services. This is because the analysis is based on the main activity of the supplier and not the actual services provided. For example, if a supplier's main business activity is civil engineering, and it also provides consultancy services, any expenditure on consultancy services counts as civil engineering expenditure because that is the company's main business activity. Despite this limitation, the management information from Spikes Cavell does bring a degree of consistency for benchmarking across public bodies and sectors that is not possible from analysing and comparing management information provided individually by public bodies.”<sup>15</sup>

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<sup>12</sup> The procurement and management of consultancy services, Wales Audit Office, Paras 1.17 to 1.22

<sup>13</sup> Summary, Para 5

<sup>14</sup> Para 1.19

<sup>15</sup> Para 1.22

## Analysis and monitoring of data

22. We asked the Welsh Government if Value Wales had a role in monitoring the performance of public bodies in procuring and managing consultancy services. The Welsh Government responded that:

“A lot of the monitoring aspect of what happens sits with the Wales Audit Office and the audit functions. Our role is very much to try to drive improvement. The Minister has issued a Wales procurement policy statement. We are looking at increasing our monitoring role. That represents a slight shift in emphasis in terms of our remit, which has been very much about building capacity and encouragement, rather than acting as a checkpoint and asking, ‘Have you done this, this and this?’ We are starting to move more into that whole aspect of reporting and monitoring. So, we will see changes within that remit.”<sup>16</sup>

23. We consider that if a key part of Value Wales’ role is around improvement, then it is critical that it is able to monitor the performance of public bodies to determine if any such improvement has been achieved. We believe that a failure to evaluate and monitor improvement is an integral weakness in delivering improvement. Going forward, the Welsh Government advised us that:

“we will be able to monitor what is being done through the National Procurement Service, through good practice, and which elements of expenditure are not going through there that probably should be. That will also enhance our understanding of what is happening.”<sup>17</sup>

24. The Auditor General’s report also states that to provide consistent data, the public sector is reliant on Spikes Cavell, a private sector organisation, to cleanse and standardise the expenditure data. In written correspondence the Welsh Government’s Director General for Strategic Planning, Finance and Performance advised us that:

“The consistency and quality of available procurement related data is patchy across the public sector. Different organisations

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<sup>16</sup> RoP, Public Accounts Committee, 18 April 2013 Para 367

<sup>17</sup> RoP, Public Accounts Committee, 18 April 2013 Para 368



use different financial management systems and different coding structures. To give a consistent picture of expenditure, Spikes Cavell have been engaged on two separate occasions to undertake a detailed analysis of an extract of creditor ledger data from public bodies across Wales. This exercise analysed £3.8bn of expenditure from 32 public bodies across Wales. A total of 72,872 suppliers data was analysed, consisting of 3,703,938 invoice lines. The use of a web hosted analysis tool allows us to manipulate this large data set to understand at an organisational, sectoral or all-Wales basis issues such as:

- expenditure within local authority postcode regions;
- expenditure with Wales based suppliers;
- expenditure with SMEs;
- expenditure by category;
- common suppliers who have a high Dun and Bradstreet risk rating; and,
- suppliers who are common across a number of organisations.”<sup>18</sup>

25. We were surprised that the Welsh Government itself lacked the tools to analyse data, particularly as this was a regular – rather than unexpected – task. In response to our questions, the Welsh Government advised us that:

“everybody is not using the same e-procurement tools and we do not have that mechanism. Within the Spikes Cavell observatory, there are over 80,000 suppliers and you can imagine the amount of records. Doing that analysis is a programming function, which is why we buy it in at the moment. There is an element whereby that might need to continue. As people make more use of e-procurement tools, it will cut down our need to buy things in, so it is a mixture. We certainly do not have it today, but the more we can get people to use common systems and tools, the less we will need to buy in.”<sup>19</sup>

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<sup>18</sup> Procurement and Management of Consultancy Services, Director General for Strategic Planning, Finance and Performance, 13 May 2013.

<sup>19</sup> RoP, Public Accounts Committee, 18 April 2013 Para 279

26. The Welsh Government also advised us that:

“the benefits of going into Spikes is that you can then compare across the NHS with local authorities. There is still an element of—they probably would not call it ‘cleansing’—putting data into a common format so that they can be compared. The Welsh Government has SAP, which is equivalent to Oracle. Again, looking purely at SAP data, the quality of that would be dependent on the coding that is done. Different people call the same supplier a slightly different name; that is the sort of cleansing that we are talking about.”<sup>20</sup>

27. We asked the Welsh Government whether, going forward, it was looking to develop an ability to analyse procurement data in-house. The Welsh Government responded:

“We will always need a means of analysing the data. Obviously, the cleansing part would reduce down, but you would still want something that you could put data into and extract answers from and do the analysis.”<sup>21</sup>

28. As the National Procurement Service develops, and as it considers the information it needs to discharge its duties effectively, we consider that the Welsh Government should assess the costs and benefits of continuing to use the services of Spikes Cavell as opposed to bringing the services in-house. In written correspondence the Welsh Government’s Director General for Strategic Planning, Finance and Performance advised us that:

“The 2010-11 expenditure analysis exercise conducted by Spikes Cavell cost £282,078.”<sup>22</sup>

29. We were concerned that Spikes Cavell could be seen as holding a monopoly on this area of work, and did not offer ‘perfect’ data analysis. For example, despite the Scottish Government also using Spikes Cavell to analyse data, the Welsh Government advised us that they asked “colleagues in both Scotland and Northern Ireland and they

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<sup>20</sup> RoP, Public Accounts Committee, 18 April 2013 Para 282

<sup>21</sup> RoP, Public Accounts Committee, 18 April 2013 Para 305

<sup>22</sup> Procurement and Management of Consultancy Services, Director General for Strategic Planning, Finance and Performance, 13 May 2013.

were unable to give us... [a]... direct comparison in terms of percentage of spend as part of total staff costs.”<sup>23</sup>

30. Similarly, Cardiff Council advised us that:

“Part of the challenge, I guess, of using the Spikes Cavell model is that it will take an organisation and categorise it as one type of consultancy. It will not have the ability to differentiate between different types of consultancy delivered by the same organisation. That is one of the challenges that Wales needs to overcome, as a whole, in terms of how we can get to a more consistent approach to categorising spend. In Cardiff, we do not have that issue because we have our category structure.”<sup>24</sup>

**We recommend that the Welsh Government considers the costs and benefits of developing an in-house capacity to cleanse and analyse data on the procurement and management of consultancy services.**

### **Quality of data**

31. Cardiff Council questioned whether issues around the quality of data could be accidental or deliberate. Jon House commented that:

“In many organisations, you can hide the money wherever you want. You could hide it within agency spend or within project cost, you could outsource it and hide it in another format, or you could put it into another budget. So, would I say that we capture it completely now? I think that we probably do. Did we then? No. Would I say that all organisations in Wales or the UK capture it completely fairly? I doubt it.”<sup>25</sup>

32. We asked Jon House whether he had any evidence of specific instances of money being ‘hidden.’ He stated that he did not, but:

“I know of techniques to do it, and I know that others have discussed those techniques if they need to employ them... I would not trust the data from all organisations across Wales... The reason for that is because we have not had a health check

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<sup>23</sup> RoP, Public Accounts Committee, 18 April 2013 Para 243

<sup>24</sup> 30 April, Para 55

<sup>25</sup> RoP, Public Accounts Committee, 30 April 2013 Para 14

done on how they collect their data. So, it is just as in 2011, when I would not have trusted Cardiff Council's data—and I did not. You need to have a magnifying glass over it to understand what the category of spend is, how we define it, whether there is a common definition, how we are utilising it, and how we are commissioning it.”<sup>26</sup>

33. We were concerned by these comments. We consider it wholly inappropriate for data to be deliberately manipulated to give a false impression of a particular body's expenditure patterns, given the importance of transparency and opportunity for scrutiny of public bodies.

34. The Welsh Government noted that part of the challenge of getting accurate, consistent data on the procurement and management of consultancy services was getting a consistent definition of what 'consultancy services' actually were. The Welsh Government stated:

“One of the things that comes out of the WAO report is that one of the challenges for us in Wales, and more broadly, is to be able to find the classification and definition of consultancy on a consistent basis across the piece in order to make reasonable comparisons across other areas... the audit report gives a definition at the beginning that excludes interims, and it is those interims, where you get people not just to give advice but to do some of the activities, that are captured by Spikes—it picks up all of it—and I would suggest that that is equally of interest. So, I would not necessarily want to see that avoided, and those are the things that, as you said, hide under the description of 'project support' and 'tasks', but it is still important for an understanding of what is brought in and what is done in-house to capture some of that. However, yes, greater consistency of definition would be helpful.”<sup>27</sup>

35. Cardiff Council were similarly concerned about the need for clear definitions:

“one of the key issues that we identified in a presentation to our senior leadership team in June 2012 was that we needed to

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<sup>26</sup> RoP, Public Accounts Committee, 30 April 2013 Para 16 and 40

<sup>27</sup> RoP, Public Accounts Committee, 18 April 2013 Para 285

be much clearer on definitions—what consultancy was, how that differed from other professional services—so that we could improve the way we capture and report on that information... we have gone for the definition that came through from the work that the National Audit Office did, and the work that came through the consultancy value programme, which is slightly different to the definition within this report. However, it specifically focuses on the advice aspect of consultancy. If you take property and construction as an example, you will have the provision of advice, but you will also have people coming in and actually delivering a kind of interim or specialist role. Our strategy covers all of that.”<sup>28</sup>

**We recommend that the Welsh Government works in collaboration with other public sector bodies to develop a common understanding and definition of consultancy services.**

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<sup>28</sup> RoP, Public Accounts Committee, 30 April 2013 Para 50 and 56

### 3. Collaboration and the development of the National Procurement Service

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36. The Auditor General's report states that there is little collaboration between public bodies in procuring and managing consultancy services.<sup>29</sup> Cardiff Council agreed that while there is significant collaboration amongst the public sector on procurement, on the specific issue of consultancy services, "at this time, I would have to say that collaboration around consultancy is limited."<sup>30</sup>

37. The Auditor General's report sets out a number of potential areas for collaboration in procuring consultancy services within the public sector:

Potential Areas for Collaboration	Wales Audit Office analysis of 2010-11 expenditure
Treasury management	Contracts with 13 local government and Fire and Rescue organisations, amounting to £700,000 expenditure. Each of the 13 organisations had a separate contract with Sector Treasury Services Ltd, part of the Capita Group.
Business support services	Contracts with 42 different suppliers, amounting to £8.5 million expenditure. 22 public bodies, across all sectors, had used PricewaterhouseCoopers.
Property and construction consultancy	Although various framework agreements exist for construction consultancy, there is potential for more collaboration. 345 different suppliers, amounting to £54 million expenditure. 14 public bodies' contract with Capita, amounting to £11.5 million expenditure.
Marketing and communications	Six public bodies contracted with Euro RSCG Riley, amounting to £1.5 million expenditure.
Management consultancy	Contracts with 488 different suppliers, amounting to £46 million expenditure. 24 public bodies' contract with Capita, amounting to £5.5 million.

– Source: Wales Audit Office fieldwork and analysis of Spikes Cavell data.<sup>31</sup>

38. The Auditor General's report states that the planned National Procurement Service and Consultancy Advice Service should provide opportunities for public bodies to learn from each other and

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<sup>29</sup> The procurement and management of consultancy services, Wales Audit Office, Part 2.

<sup>30</sup> RoP, Public Accounts Committee, 30 April 2013 Para 70

<sup>31</sup> Figure 6 - Potential areas of collaboration for consultancy services

collaborate more effectively in the procurement and management of consultancy services and a range of other goods and services.<sup>32</sup>

39. The Auditor General's report notes that the National Procurement Service will be based on the principles of category management.<sup>33</sup> Jon House emphasised that he:

“would urge that the National Procurement Service employs decent category management and decent heads of procurement to be able to deliver this for Wales. If we do not, we will be had over by the market very quickly.”

40. NHS Shared Services expressed support for the development of the National Procurement Service:

“The idea of the NPS is that that organisation will take that common area of expenditure and look to do procurements that are consistent across the Welsh public sector and drive financial benefit. The Welsh Government is also keen to ensure that any economic benefit is derived from that expenditure. The business case was accepted on the assumption that there will be further financial savings that will come out of that approach.”<sup>34</sup>

41. The Welsh Government advised us that the National Procurement Service would be live and operational from November 2013:

“The Welsh Government will be the host organisation for the national procurement service, and we are currently undertaking a piece of work to plan the forward work programme and priority areas of activity for when the service goes live. The consultancy advice service will, essentially, be one of the category areas, so the NPS will work across 16 areas of what we have classed as common and repetitive spend across Wales.”<sup>35</sup>

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<sup>32</sup> The procurement and management of consultancy services, Wales Audit Office, paragraphs 2.6 to 2.7 and 2.14 to 2.16.

<sup>33</sup> The procurement and management of consultancy services, Wales Audit Office, Para 2.14

<sup>34</sup> RoP, Public Accounts Committee, 18 April 2013 Para 66

<sup>35</sup> RoP, Public Accounts Committee, 18 April 2013 Para 324

## Clarity on the costs and benefits of the National Procurement Service

42. The Auditor General's report notes that Value Wales' business case estimates that the National Procurement Service will render £1.4million to £5.6million potential savings on consultancy services.<sup>36</sup> The business case sets out that through the National Procurement Service identifying areas of common and repetitive spend across all public bodies, and then buying 20%-30% of goods and services through the shared service, there would be potential total savings of £9.2million to £24.6million.<sup>37</sup>

43. We noted the development of the National Procurement Service, and the impact that various witnesses anticipated it would have in improving the procurement and management of consultancy services. It is important that the National Procurement Service lives up to these expectations, and does not simply duplicate existing services, such those provided by the Welsh Purchasing Consortium and the North Wales Procurement Partnership. As such, clarity is important on what the costs of the Service will be, and what savings will be rendered. The Welsh Government indicated that after the first three years, it expected the Service to be self-financing:

“the Welsh Government will be the host for the National Procurement service. It will be funded in its first three years through the Welsh Government Invest-to-Save fund. After that, from year 4 onwards, it will revert to the self-financing supply and rebate model, which is similar to how the Government procurement service frameworks operate.”<sup>38</sup>

44. Cardiff Council, as an individual user of the service, appeared unwilling to estimate the savings it anticipated it would be able to generate through the service. When we asked Cardiff Council whether it had such an estimate, we were told:

“Not at the moment; we need to be careful and see what it will be able to deliver on and how quickly it can get set up.”<sup>39</sup>

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<sup>36</sup> Para 2.16

<sup>37</sup> Para 2.14 (a)

<sup>38</sup> RoP, Public Accounts Committee, 18 April 2013 Para 338

<sup>39</sup> RoP, Public Accounts Committee, 30 April 2013 Para 77



**We recommend that the Welsh Government works with potential users of the National Procurement Service, and puts in place robust monitoring arrangements to ensure that the potential savings expected from the Service are delivered.**

### **Maximising the value of public expenditure to Wales' private sector**

45. Our various witnesses appeared to suggest that the National Procurement Service would be predominantly focussed on rendering better value for money in the public sector's expenditure on consultants. While this is clearly welcome, we believe it is also important that the Service looks to maximise the benefits of Welsh public spend for the Welsh private sector, within the framework of EU procurement rules. Clearly, there will sometimes be cases where local companies in Wales could perform a service to the same (or even better) standard as a large multinational company, but may not be able to do so on price. In driving value for public money, we believe the National Procurement Service should not ignore the value of public sector expenditure to the Welsh private sector. Cardiff Council commented that it believed that in addition to identifying,

“the best deals for the public sector in Wales... [the National Procurement Service] can also protect local businesses in Wales. At the moment, what happens is that large amounts of spend go outside of Wales. I think that only around 15% of spend stays in Wales. A large amount goes outside Wales, and the role of the national procurement service will be to ensure that we get the best deal for the public sector and, therefore, the taxpayer, but also the best deal for local companies, to ensure that the local economy is driven as well.”<sup>40</sup>

**We recommend that the Welsh Government ensures that a specific objective of the National Procurement Service is to maximise the benefits of public expenditure in the private sector in Wales, as part of its broader objectives of maximising value for public money.**

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<sup>40</sup> RoP, Public Accounts Committee, 30 April 2013 Para 73

46. We noted that a number of public bodies in Wales used the UK Government's Procurement Framework. Cardiff Council advised us that:

"we use the collaborative contracts that are put in place by the Government Procurement Service, formerly the Office of Government Commerce, in buying solutions. We use those generally to run mini-tenders, so they would have already gone out to the market and shortlisted a number of organisations, and we would then look to mini-tender against those in terms of our requirements."<sup>41</sup>

47. While use of the UK Government's Procurement Framework could clearly drive value for public money, we questioned whether there was not an opportunity to develop a Wales Procurement Framework, to maximise the impact of public expenditure in Wales. The Welsh Government advised us that it used:

"the Government procurement service and professional services frameworks, but we do our own individual procurements. Last year, as an average across all of the Government procurement services—not specifically professional and consultancy services—only about 11% of our total procurement activity was drawn from UK-wide frameworks; the rest of our procurement activity was conducted by us through tendering activity."<sup>42</sup>

48. The Welsh Government also advised us that:

"We sometimes ask all bidders to talk about how they are going to work with a Welsh university to deliver something. We say that we are encouraging them to do that, and that they will get extra marks if they can show that. This is where we start to look into the supply chain, which is linked to the community benefits policy. It is the type of approach where you can look at the impact within the spend. Another opportunity would be the fact that we are looking at how you go to market. It is about going in in a way that makes it more possible for smaller

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<sup>41</sup> RoP, Public Accounts Committee, 30 April 2013 Para 70

<sup>42</sup> RoP, Public Accounts Committee, 18 April 2013 Para 328

suppliers to present ideas. Some of the work on the small business research initiative would be an example of that.”<sup>43</sup>

**We recommend that the Welsh Government explores the costs and benefits of establishing a Wales Government Procurement Framework.**

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<sup>43</sup> RoP, Public Accounts Committee, 18 April 2013 Para 433

## 4. Assessing capability

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49. The Auditor General's report sets out some good practice which public sector bodies should be following in order to get better value for money from procuring and managing consultancy services. Much of this practice is relevant not only to consultancy services but also to the procurement and contract management of all goods and services.<sup>44</sup>

50. In particular, the report states that an estimated £23 million efficiency savings could be generated if all public bodies in Wales exercised good practice in the procurement and management of consultancy services.<sup>45</sup> The report also describes a Consultancy Self-Assessment Toolkit developed by the National Audit Office (NAO), which provides a methodology to enable public bodies to analyse their performance in procuring and managing consultancy services.<sup>46</sup>

51. Several of the witnesses we spoke with in our inquiry expressed some resistance to using this toolkit. NHS Shared Services accepted that the NAO's toolkit would be a useful tool to assess the value for money and performance of a procurement involving a significant amount of money or in a complex area. However, they considered that:

“If you had spent a relatively small amount of money on an external view of something, it probably would not be appropriate... it is quite a big tool, so you need to work through the evaluation process. There is a RAG—a red, amber or green—rating against a number of aspects within the model, which would require you to work through all of the different areas of that to RAG rate it. What I am trying to say is that, if you have spent £1,000 on an external view of something, to apply that model to that £1,000 looks a bit disproportionate to me.”<sup>47</sup>

52. In subsequent written evidence, NHS Shared Services commented that:

“The toolkit is not widely used within the NHS, and this in part relates to the relatively low level of individual areas of

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<sup>44</sup> Part 3

<sup>45</sup> Paragraphs 3.3 to 3.6 and Figure 7 on page 34

<sup>46</sup> Box 8 on page 32 and Appendix 2

<sup>47</sup> RoP, Public Accounts Committee, 18 April 2013 Para 92, 104

expenditure which would not necessarily warrant the full use of the comprehensive self-assessment toolkit. There are, however, some illustrations of the principles of the model being utilised.”<sup>48</sup>

53. The Welsh Government similarly considered that while the toolkit could be of value:

“There is a range of different toolkits that you can use. I think that it is a valuable one, but there are others of equal value and I think that part of the challenge for the national procurement service is to find an appropriate toolkit for Wales, to make sure that we get the right measures in place.”<sup>49</sup>

54. The Welsh Government also stated that while it did not utilise the NAO toolkit as such “the template that our divisions use to justify their case for consultancy use mirrors the stages within that.”<sup>50</sup> In subsequent written correspondence, the Welsh Government commented that:

“the estimated £23.4 million a year savings figure (calculated at Appendix 3 of the report) was based on an analysis of the findings from site visits and related survey information relating to the seven public bodies visited by the WAO, which included the Welsh Government and was then extrapolated across the Welsh public sector. As also noted in paragraph 3.6 of the report, the efficiency savings calculator is only as reliable as the quality of the information and the judgements that form the basis of the calculation. As such, it provides only a broad indication of the scale of overall efficiency savings that might be possible. Accordingly, the WAO did not attempt to provide separate analyses for individual public bodies. However, after the site visit to Welsh Government, the WAO did use the tool to make their own assessment of Welsh Government and identified a potential for annual savings up to £7.4 million, based on annual expenditure of £42 million. The reduction in expenditure across Welsh Government on Management

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<sup>48</sup> Additional evidence provided by NHS Shared Services – Page 1

<sup>49</sup> RoP, Public Accounts Committee, 18 April 2013 Para 346

<sup>50</sup> RoP, Public Accounts Committee, 18 April 2013 Para 357

Consultancy alone between 2009-10 and 2011-12 totalled £7 million.”<sup>51</sup>

55. Looking forward, we consider it important that the national procurement service determines an appropriate, consistent toolkit for Wales to render value for money around public expenditure on consultancy services. We consider that the NAO toolkit would be a valuable option for achieving this objective, but also note the evidence of our witnesses that other toolkits exist.

**We recommend that the Welsh Government ensures that the National Procurement Service determines a consistent methodology to enable public bodies to analyse their performance in procuring and managing consultancy services. We anticipate that the NAO’s toolkit would be considered as part of this determination.**

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<sup>51</sup> Procurement and Management of Consultancy Services, Director General for Strategic Planning, Finance and Performance, 13 May 2013.

## 5. Business cases

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56. The Auditor General's report highlights the poor quality of business cases associated with procuring consultancy services in Wales. The report notes that business cases should clearly set out:

- the justification for using consultants;
- the scope of the project;
- delivery options;
- anticipated benefits;
- timing;
- reporting; and
- governance arrangements.

57. However, the report states that not only are business cases rarely used by public bodies in Wales, but where they are used, they were of variable quality.<sup>52</sup> We were particularly concerned by this, because we believe effective business cases reduce the risks identified by Jon House that:

“many organisations have consultants working for them who are either previous employees of that organisation, or other Welsh organisations, or friends of friends. That is a very dangerous place in which to be, and we need to be procuring good, professional services where the risk is shared by the consultancy company.”<sup>53</sup>

58. Our witnesses said that they believed business cases were attached to their organisations' individual procurement exercises. For example, we asked NHS Shared Services whether they were confident that 100% of procurement exercises had some form of business case or financial justification. In response, NHS Shared Services stated that:

“There will be a form of justification... everything over £5,000 that procurement is involved in ahead of the procurement will have some form of justification.”<sup>54</sup>

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<sup>52</sup> Paragraphs 3.12 to 3.19

<sup>53</sup> RoP, Public Accounts Committee, 30 April 2013 Para 89

<sup>54</sup> RoP, Public Accounts Committee, 18 April 2013 Para 142 and 148

59. Similarly, the Welsh Government stated that:

“the control mechanisms that the Welsh Government has in place for looking for a business case and justification mean that they are signed off by directors general. There are quite strong control mechanisms in place, so I would be surprised if the business case aspect and the controls were not properly dealt with within the Welsh Government.”<sup>55</sup>

60. However, our witnesses’ evidence suggested that business cases may not be particularly robust. NHS Shared Services commented that:

“there may not be a full-blown business case—that depends on the value and complexity—but there will be business-case documentation to support every one of those. So, depending on the value and complexity, it could be a simple justification on an A4 sheet, or something that follows the five-case business model that has come out of the Welsh Government.”<sup>56</sup>

61. The Welsh Government remarked that in some instances they would “not make a comment on the quality of the business case.”<sup>57</sup> Jon House rhetorically asked:

“Am I surprised that other organisations do not go through the full business case? Not really, no, because I can imagine that many of them feel under pressure to deliver pieces of work very quickly. They feel, ‘Oh, I know the person who can do this’, and they go quickly to someone who has perhaps delivered something somewhere else before. So, they have probably just gone and thought, ‘Right, this is the answer; let’s throw some money at it’. That could well be the situation—and that is not just in Wales; it is in any organisation: throw some money at it to make the problem go away. I think that a much clearer business case, and a business justification case, has to be done in every single case.”<sup>58</sup>

62. In addressing these concerns, we noted information from NHS Shared Services that:

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<sup>55</sup> RoP, Public Accounts Committee, 18 April 2013 Para 377

<sup>56</sup> RoP, Public Accounts Committee, 18 April 2013 Para 138

<sup>57</sup> RoP, Public Accounts Committee, 18 April 2013 Para 381

<sup>58</sup> RoP, Public Accounts Committee, 30 April 2013 Para 109



“NHS Wales has, through and with the Welsh Government, a standard business case template. There is further guidance forthcoming—I am not exactly sure when it is coming back out from the Welsh Government—on the production of business cases and business justification documents. So, there is a prescribed process and set of documentation that the NHS is and will be asked to complete to support that process of the creation of business cases, whether it is to seek funding or whatever the business case justification document is attempting to address.”<sup>59</sup>

63. It is unacceptable for any organisation not to have a robust business case to justify the employment of a consultant.

**We recommend that the Welsh Government ensures that the National Procurement Service develops guidance and templates to ensure that business cases exist for different procurement exercises, and are robust.**

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<sup>59</sup> RoP, Public Accounts Committee, 18 April 2013 Para 121

## 6. Resource options and workforce planning

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64. The Auditor General's report states that public bodies do not always look for internal resource options before procuring external consultants' services.<sup>60</sup> The report goes on to say that public bodies could do more, through effective workforce planning, to reduce their future dependency on consultancy services.<sup>61</sup>

65. Cardiff Council said that before looking to procure external consultants, it was vital that public bodies first look at whether they had internal resources to address particular challenges:

“we have done a great deal of training with our senior managers to make sure that they understand that, before they do any requests for any consultancy, they look in-house to see what expertise we have, and we have around 50 people in our business change units who we can draw upon for expertise. We can share and second people around the organisation—we are one of the largest organisations in Wales, so we have a good set of staff with good expertise, who we can move around to be able to do a piece of work. So, we encourage them to do that first.”<sup>62</sup>

66. The Auditor General's report describes how the Welsh Government's Solutions pool of staff has been made available for redeployment to any part of the organisation, which might have the effect of reducing the need to purchase consultancy services.<sup>63</sup> The Welsh Government said in oral evidence that:

“we are developing an organisation-wide workforce-planning approach, utilising a small taskforce of civil servants within the Welsh Government. We will be piloting that within central services over the next 12 months. We hope that that will start to identify the skills needed for a particular post and the training needed to deliver the skills in that post, and start to focus on whether we have those skills in place. It is about having a sort of red/amber/green rating, more locked on the

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<sup>60</sup> Paragraphs 3.24 to 3.26

<sup>61</sup> Paragraphs 3.27 and 3.28

<sup>62</sup> RoP, Public Accounts Committee, 30 April 2013 Para 102

<sup>63</sup> Case Study 3 on page 40

overall delivery of the plan, rather than asking, 'Have you got the right skills?'"<sup>64</sup>

67. We asked our witnesses whether- as public sector bodies- they could not also look to take people from other public bodies on secondment, in preference to contracting private consultants. NHS Shared Services noted the value of this, and advised in written correspondence:

"There are a number of examples... where NHS bodies have used secondments / sharing of staff to effectively reduce their dependency on consultancy staff... [for example] NHS Wales Informatics Service (NWIS) acquired technical skills for a product specialist on Integration Services – ordinarily this requires specific skills sets which in the past have required Consultants. ABMU offered a secondment at a Band 7 for 2 years – normal Consultancy rates are circa £450 per day for these skill sets (equates to £112k per annum). Top band 7 circa £40k. Potential estimated saving of £72k per annum."<sup>65</sup>

68. However, NHS Shared Services stated that their ability to second people in this fashion was limited, because:

"What we do not have is a reservoir of what organisations have in terms of available skills and what resource capability and capacity may exist."<sup>66</sup>

69. Based on this comment, we asked the Welsh Government whether it could develop some sort of national register of professionals or expertise within the public sector in Wales. In response, the Welsh Government commented that:

"We will do whatever we can to make that a more effective way of using our existing experience in the public sector, rather than drawing down consultancy; we will work on anybody's ideas... There are some examples of it happening: the Legal Services shared-services approach is an attempt to do that. There are discussions going on in particular functions, through

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<sup>64</sup> RoP, Public Accounts Committee, 18 April 2013 Para 262

<sup>65</sup> Additional Information for Public Accounts Committee Inquiry, NHS Shared Services.

<sup>66</sup> RoP, Public Accounts Committee, 18 April 2013 Para 158

some of the Simpson work, particularly looking at transport, technical services and trading standards. There are areas where it is happening, but I would not suggest that they have solved the problem yet.”<sup>67</sup>

70. However, Cardiff Council expressed concern as to whether the idea of a national register:

“is workable. There will often be experts in many different organisations, but they are valued because they work hard in their own organisation; I would be surprised if they wanted to be exported to another organisation. I believe that it could happen in several specific examples, but, on a more global and greater scale, I believe that you would struggle to see people seconding people around different organisations in Wales—I believe that that would be a challenge for them.”<sup>68</sup>

71. We recognise Cardiff Council’s concern that a register of professionals or expertise would need to take account of whether their host organisations were willing to release them. We consider that there would be benefit in the Welsh Government exploring this idea further, either to develop a national database of expertise, or to form select databases for specific skill sets.

**We recommend that the Welsh Government and National Procurement Service explore the potential for developing a register of expertise within the public sector which is available for advice or secondment.**

72. We also recognise that- even with the development of such a database- there will inevitably be situations where initially there are no accessible resource options for addressing a particular challenge within the public sector. In such circumstances it is entirely appropriate that consultancy services are contracted. However, if there is an ongoing need for addressing a particular challenge, public bodies need to consider whether there is greater value for money in being dependent on consultants in the long-term, or developing internal expertise to address the issue. Notably, Cardiff Council told us that there is:

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<sup>67</sup> RoP, Public Accounts Committee, 18 April 2013 Para 256-257

<sup>68</sup> RoP, Public Accounts Committee, 30 April 2013 Para 115

“sometimes need [for] an injection of pace, but you cannot let it stay too long. The biggest concern for me is when consultants who are interim managers come in for two, three or four months but end up staying for two, three or four years.”

73. To address this issue, we noted that Cardiff Council had:

“recently put the Cardiff Academy in place, which has developed those skills, and we now have 50 people within the organisation who can do those jobs. So, if we were to go out right now for those projects, we would go to the Academy and we would probably satisfy ourselves at 80% or 90% of the people we could get internally. Previously, when that has been done, we have not been in that place.”<sup>69</sup>

74. In subsequent written correspondence, Cardiff Council detailed that it had:

“launched the Cardiff Academy in 2011 to bring together all generic Learning & Development activity across the Council into a single and integrated framework. The Cardiff Academy delivers policy and skill related training as well as courses leading to nationally recognised qualifications. It also develops leadership skills across the Council and takes the lead in the development of business skills. This approach provides the platform through which the Council builds capability and capacity for new ways of working managing and nurturing its talent... There is potential for this model to be replicated across Wales. This would enable the Welsh public sector to evidence that they are improving the capability and skills of their workforces whilst delivering savings both in the reduced costs of providing the training but also in reducing the requirement to employ consultants to help deliver change.”<sup>70</sup>

**We recommend that the Welsh Government explores options for improving the capacity and capability of public sector organisations to develop the necessary skills and resources to meet ongoing challenges. If it proves successful, this could include**

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<sup>69</sup> RoP, Public Accounts Committee, 30 April 2013 Para 127

<sup>70</sup> Correspondence from Steve Robinson, Operating Manager Commissioning and Procurement, Cardiff County Council: The Procurement and Management of Consultancy Services, Committee Meeting 30 April 2013.

**exploring the potential for replicating the Cardiff Academy model across Wales.**

## 7. Procurement practices

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75. The Auditor General's report highlights that only 20% of public bodies said that they have a specific strategy for procuring and managing consultancy services. Moreover, in many cases where strategies were said to exist, the report considered that they amounted to little more than guidance or a policy on how to purchase consultancy services, rather than a strategic approach to the procurement and management of consultancy services.

76. The report notes that even when guidance and policies existed, they were sometimes outdated,<sup>71</sup> or parts of the organisation were not aware of them.<sup>72</sup> The report also says that guidance wasn't always adhered to:

“We found a clear preference amongst public bodies for using fixed price contracts, but many admitted that there were occasions when time and materials contracts had to be used, particularly where the project specification was not clear enough.”<sup>73</sup>

77. The Auditor General's report found some undesirable practices in procuring consultancy services in public bodies. These included a failure to use qualified or experienced procurement professionals, not complying with procurement rules, use of single tender action and senior managers overriding procurement guidance.<sup>74</sup> The Auditor General's investigators found:

“three examples of where senior managers overrode their organisation's internal procurement guidance and standing orders to secure the use of consultants.”<sup>75</sup>

78. The report also highlights the risk and problems of single tender action.<sup>76</sup> The report states that there was a particular prevalence of single tender action in the two health boards visited by the Wales

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<sup>71</sup> Para 1.15

<sup>72</sup> Para 1.16

<sup>73</sup> Summary, Para 21

<sup>74</sup> Paragraphs 3.29 to 3.49

<sup>75</sup> Para 3.44

<sup>76</sup> Paragraphs 3.40 to 3.43

Audit Office,<sup>77</sup> and provides an example of the Chief Executive of Cwm Taf Health Board overriding internal procurement guidance and standing orders to directly employ a consultant.<sup>78</sup>

79. Several of our witnesses expressed confidence in their procurement practices. For example, NHS Shared Services considered that:

“our processes are being standardised across everything that we do. We have a term that we use from our systems of ‘common operating model’, so there is a common way of doing things, and we have standard processes and procedures that are being adapted and rolled out across the NHS.”<sup>79</sup>

80. NHS Shared Services noted that these common systems were audited<sup>80</sup> and considered that:

“the NHS is much more harmonious in terms of our standard approaches, but you will have differences depending on what bit of procurement that you are doing.”<sup>81</sup>

81. Cardiff Council appeared similarly confident about its procurement practices, stating that:

“We have agreed that all procurements in excess of £10,000 must be signed off, at a minimum, by the operational manager. Single-tender actions can only be signed off by the head of commissioning and procurement, and that is something above £150,000. The new business justification forum recommends single-tender sign-off at corporate director level.”

82. By contrast, in oral evidence Welsh Government officials acknowledged concerns “over looking back into the reasons for some of the departures,”<sup>82</sup> within the Welsh Government. These concerns existed despite the Welsh Government edict that:

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<sup>77</sup> Paragraph 3.42

<sup>78</sup> paragraph 3.45

<sup>79</sup> RoP, Public Accounts Committee, 18 April 2013 Para 42

<sup>80</sup> RoP, Public Accounts Committee, 18 April 2013 Para 44

<sup>81</sup> RoP, Public Accounts Committee, 18 April 2013 Para 48

<sup>82</sup> RoP, Public Accounts Committee, 18 April 2013 Para 381



“expenditure on management consultancy of any value, requires approval by the Director General prior to the expense being incurred.”<sup>83</sup>

83. Given that the Welsh Government’s acknowledged there was room for improvement in its own procurement processes, we consider that other public sector bodies may be in danger of complacency on this issue. In making this comment, we recognise that there will be occasions when a departure from normal practice and procedure is appropriate. Welsh Government officials noted that:

“There are some issues that an organisation or a Minister may think is so important that getting them fixed as quickly as possible is almost like an overriding drive. An example of that, which you may not agree with, is that, last year, we had the Programme for International Student Assessment results and there was a need to respond very quickly to that. The Minister wanted to call in particular specialists, and you are then in that single departure, need-to-do-it quickly situation, versus ‘Well, actually, we also need to look at what the options are’.”<sup>84</sup>

84. However, in such circumstances we consider it vital that there is robust justification for single tender action.

85. Our fear of a potential complacency amongst public sector bodies is coupled with a concern that the Welsh Government- which ultimately holds the purse strings for public sector financing across Wales- does not appear willing to use any form of ‘stick’ to improve procurement practices. While the Welsh Government had clearly provided guidance on how procurement ‘should be done’ it did not appear to have any method for enforcement. Alison Standfast, the Deputy Director of Procurement Value Wales, informed us that:

“procurement practices are a lot better now than they were perhaps 10 years ago. I will just lead with that. The key issue for having the right procurement practices is a degree of control that an organisation has over what it does. That is not in my gift. We can say how it should be done, we can start to assess whether people are following that, and we can highlight

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<sup>83</sup> Procurement and Management of Consultancy Services, Director General for Strategic Planning, Finance and Performance, 13 May 2013.

<sup>84</sup> RoP, Public Accounts Committee, 18 April 2013 Para 419

issues. As we already know, through McClelland, we have a fair idea of which organisations we want to target in order to grow that capacity and control. Procurement decisions, ultimately, are decisions for each individual organisation.”<sup>85</sup>

86. We challenged Ms Standfast on this position, with one of our Members commenting:

“I am thinking of the collapse of Icelandic banks and the way in which local government was caught out by what seemed to be too good to be true, and which turned out to be exactly that. You may not be responsible, but the Welsh Government must have a huge interest in ensuring that that sort of thing does not happen again.”<sup>86</sup>

87. Indeed, Cardiff Council implied that there was a need for some form of ‘enforcement action’ by the Welsh Government to ensure its various guidance documents were actually utilised.

“We have developed a draft category strategy, procedural note and business justification for consultancy, interim and specialist staff, based on the work done by the National Audit Office and the consultancy value programme. The Welsh Government has done a very useful piece of work. I would be interested to know how the Welsh Government will enforce it across other local authorities.”<sup>87</sup>

88. In response to our concerns, Ms Standfast commented that the National Procurement Service:

“will put a spotlight on performance to a greater extent, and that will help in the drive towards eliminating bad practice. It would be unreasonable to say that it will fully eliminate this. A lot of this is to do with the responsibility that an organisation has to run itself properly.”<sup>88</sup>

89. While we note the role of the National Procurement Service in ‘putting a spotlight’ on performance, we were disappointed that the

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<sup>85</sup> RoP, Public Accounts Committee, 18 April 2013 Para 414

<sup>86</sup> RoP, Public Accounts Committee, 18 April 2013 Para 415

<sup>87</sup> RoP, Public Accounts Committee, 30 April 2013 Para 32

<sup>88</sup> RoP, Public Accounts Committee, 18 April 2013 Para 426

Welsh Government could not evidence its methodology for systematically challenging and addressing poor procurement practices.

90. NHS Shared Services also indicated that they lacked authority to enforce effective procurement practices on Health Boards.

“Ultimately, procurement decisions and governance arrangements are the responsibility of each health board or trust. That does not fall within our remit. However, we have a number of local teams, which Adele heads up, which give regular advice and work with officers within health boards and trusts in order to try to ensure that the procurement is done appropriately. We are there to offer support; we cannot force them to do something that they do not want to do.”<sup>89</sup>

91. NHS Shared Services stated that:

“we have no power to stop a health board or trust from doing something that it decides that it wants to do that may contravene procurement rules or EU rules. We have no power to stop them doing that. There is no power within our shared services governance structure that gives us that authority... The standing financial instructions, which the Welsh Government has agreed and given to NHS Wales, are consistent, but they allow chief executives and directors of finance to circumvent the standing orders if they deem that there is a reason so to do.”<sup>90</sup>

**We recommend that the Welsh Government, through the National Procurement Service, explores how it can monitor and report on the procurement practices of public bodies so that they can be better held to account.**

92. We note that in the absence of active challenge from the Welsh Government, the strength of political leadership within a public body becomes very important. Different political leaders will be responsible for establishing and scrutinising the overarching frameworks of procurement practice. Evidence from Cardiff Council illustrated the importance of political leadership on this issue:

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<sup>89</sup> RoP, Public Accounts Committee, 18 April 2013 Para 179

<sup>90</sup> RoP, Public Accounts Committee, 18 April 2013 Para 187 and 189

“the administration that came in in 2012 took a different view on senior management and consultancy. The previous administration had wanted a slim senior management, bringing in consultancy to deal with particular issues at particular times. The current administration wants to employ managers who are fit to do the job, are paid the right money and are able to provide advice without necessarily going externally to source that advice. Both of those models are fair, and both work; it is just a different political view on what they wanted to do... The administration very quickly came in and said, ‘We do not want to employ consultants’. That was a fairly big steer. Therefore, we stripped out the level of consultancy that we had used in the past, and we focused on getting managers in place who were paid employees of the organisation. We now only use consultants where there is a specific skill that we do not have in-house—and that we cannot identify in-house—and that we cannot get elsewhere and could not get from another local authority. Sometimes, we use the WLGA for interim consultancy support, and we will use it in several cases. Therefore, we look to keep it within the public sector, before we go out to the private sector.”<sup>91</sup>

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<sup>91</sup> RoP, Public Accounts Committee, 30 April 2013 Para 113

## 8. Contract management

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93. The Auditor General's report states that the standards of contract management in public bodies are variable, that there is little performance management, skills transfer is often overlooked and little routine evaluation of the benefits of consultancy services projects takes place.<sup>92</sup>

94. The report provides details of the Welsh Government's contract management training which has been running since April 2011.<sup>93</sup> In oral evidence the Welsh Government's Kerry Wilson advised us that:

"The current contract management offering is available, over and above the numbers quoted in the report: an additional 46 officers have gone through that training up until the end of last December. We deliver a lower-level procurement awareness programme to internal Welsh Government staff. The procurement fitness health checks that were mentioned earlier, which will be undertaken across organisations across Wales in the coming year, will result in the identification of an improvement plan, which will cover skills and capacity. That means that once we have the improvement plans, the role then is to match the needs identified in the improvement plan with the training that is available to fill those gaps and satisfy those needs."<sup>94</sup>

95. However, the report also suggests that few other public bodies formally assessed staff experience and capability in managing contracts or provided contract management training.<sup>95</sup> NHS Shared Services acknowledged that:

"Contract management is variable, to be honest, and there are some contracts that require better management than others and some that potentially do not. It comes back to the definition of 'contract management'. I do not think that we have had enough resource, historically, going into contract

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<sup>92</sup> Paras 3.50- 3.64

<sup>93</sup> Case Study 9 on page 50

<sup>94</sup> RoP, Public Accounts Committee, 18 April 2013 Para 436

<sup>95</sup> paragraph 3.53

management in some areas. That is something with which we could probably do more.”<sup>96</sup>

96. Contrary to the requirements of the Welsh Government’s own internal guidance, the Wales Audit Office’s report found no evidence that evaluation of consultants’ performance, to demonstrate value for money and learn lessons for the future, is routinely carried out by Welsh Government officials.<sup>97</sup> We asked Welsh Government officials whether it would be helpful if training around contract management was a mandatory requirement for contract managers. Kerry Wilson from the Welsh Government told us:

“I think that it would be helpful. I would like to see a stronger definition of what skills are required for a role that undertakes procurement. We have to recognise that in a lot of instances, procurement will not be the whole of somebody’s job. Obviously, there are a number of those roles, but in a lot of instances, particularly where organisations have devolved procurement activity, somebody is doing it as a bit of their day job. So, we need to be careful to be proportionate as to the amount of training that they realistically need. However, contract management is a particular requirement, because, often, you will find that the procurement of something is done by somebody with a qualification or with experience, but then the contract management is handed over to an official who is dealing with that particular thing on a day-to-day basis but who will not have been involved in the procurement. Contract management training is particularly important.”<sup>98</sup>

**We recommend that the Welsh Government and other public bodies consider the potential for making attendance on contract management training a mandatory requirement for their staff before taking on responsibility for a contract. We anticipate that such training should emphasise the importance of evaluating consultants’ performance as a core element in effective contract management.**

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<sup>96</sup> RoP, Public Accounts Committee, 18 April 2013 Para 212

<sup>97</sup> Paragraph 3.63

<sup>98</sup> RoP, Public Accounts Committee, 18 April 2013 Para 440

## Witnesses

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The following witnesses provided oral evidence to the Committee on the dates noted below.

*5 March 2013*

### **Wales Audit Office**

Huw Vaughan Thomas	Auditor General for Wales
Paul Dimblebee	Group Director
Jeremy Morgan	Performance Specialist

*18 April 2013*

### **NHS Shared Services Partnerships**

Neil Frow	Director
Mark Roscrow	Assistant Director Procurement Services
Adele Cahill	Project Lead, NHS Shared Services Partnership

### **Welsh Government**

Michael Hearty	Director General - Strategic Planning, Finance & Performance
Alison Standfast	Deputy Director, Procurement Value Wales

*30 April 2013*

### **Cardiff Council**

Jonathan House	Chief Executive, Cardiff Council
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## List of written evidence

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The following people and organisations provided written evidence to the Committee.

*Wales Audit Office*

Huw Vaughan Thomas

*Reference*

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