



1 Members' Guide ✓

Top tips for making savings through better procurement in professional services

As local government finances are squeezed during difficult economic times it will become even more important for councils to work together to save money and keep council tax down. This series of member guides provides tips on how your authority can make savings through better procurement.

Making savings on Professional services

Did you know?

Councils could save up to £280m through using agency staff and consultancy services more efficiently. Read on to find out how your council could benefit.

What are professional services?

Professional services is a collective term which includes Temporary Agency Staff and Consultancy. It is the fourth biggest external spend area in local government, after construction, adult social care and waste.

Why should it matter to members?

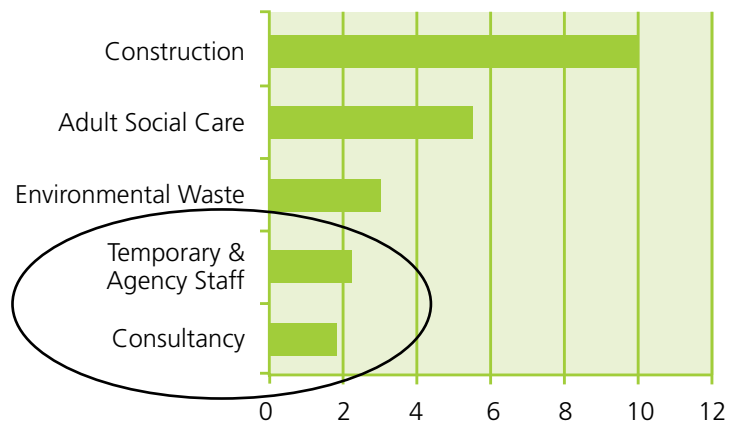
Because it is likely that greater efficiencies may be achievable in this area by learning from the best. Local authorities collectively spend £2.2bn per annum on the procurement of temporary agency staff and £1.8bn on external consultants. Saving just 1% on this could release £40m to help cut council tax or invest in other services.

Local government procurement experts believe savings could be made of £180m on temporary agency staff and £100m on consultancy by March 2011. This means a local authority could target

savings on average of up to 8% on temporary agency staff and up to 5-6% on consultancy services by March 2011. The savings achievable may be much greater depending upon the extent of savings already achieved in this area.

In these difficult economic times, reducing agency staff can provide opportunities to increase apprenticeships and other initiatives aimed at providing employment and experience to people not in education, employment or training.

Procurement Spend in Local Authorities £ billions per annum



What are the problems?

1 A council found that over 200 separate agencies were supplying it with over 1000 temporary employees costing millions of pounds. There was little or no regulation, or co-ordination across the different council departments to maintain service standards, or tackle the spiralling costs that were being met by taxpayers.

2 A council analysed the use of agency staff across its region. Its assessment was that Agency staff expenditure within its region was over £500 million per annum with low visibility or control. In some councils, agency workers accounted for up to 25% of the total workforce. This 'invisible' workforce had mushroomed as managers, hamstrung by the lengthy HR processes for recruiting permanent staff, opted for the speed and ease of recruiting temporary staff.

3 A council received proposals from a major consultancy firm to support it with its PFI (private finance initiative) programme. Unfortunately, the consultancy had neglected to remove the name of one of the many other councils to which it had submitted identical proposals. It was clear that many councils were working separately to buy the same thing and could save money by sharing information on procurement, supplier management, consultancy charging structures and contracts.



What is the Member's role?

Making change in this area requires strong member leadership. The member's role is to ask the fundamental questions:

'what are we spending on temporary agency staff and consultancy?'

'do we have a co-ordinated corporate approach to procuring and managing these contracts?'

'are we collaborating with others regionally and nationally to gain efficiencies and implement best practice?'

Depending on the answers to these questions, it may be appropriate for members to scrutinise further the procurement and contract management process, get at the facts, and follow up. Apart from the formal process of overview and scrutiny, the Leader and Cabinet may wish to make this an area for particular focus and visit other councils to benchmark performance. They will wish to take into account any potential impact on the community of amendments to large contracts such as these, e.g. in terms of employment and the role of Small and Medium Sized Enterprises (SMEs).

In summary, the member role is to demonstrate leadership, and be ready sometimes to make difficult decisions on professional services procurement.

What is best practice in this area?

Best practice involves actively managing the approach to professional services. This means having the right resources and policies within the council, and managing the relationship with suppliers and agency workers and asking:

How does the local authority go about procuring agency staff or consultants?

How does it set up, manage and exit the contract?

How is the contract managed throughout the period it is providing services?



What does 'good' look like?

Members should be asking:

- **Have** we reduced the use of consultants?
- **Have** we reduced the costs of using temporary staff and interims?
- **Have** we avoided using poorly performing suppliers?
- **Have** we improved the negotiation skills of our purchasers?
- **Are** we managing the contracts for the best service outcomes?

If the answer to these questions is '**NO**':

- **get** your scrutiny committee to investigate, and
- **contact** your Regional Improvement and Efficiency Partnership (RIEP) to find out what help is available.

Checklist

Questions members can ask to assess the capacity of their authority to procure and manage professional services professionally and efficiently

Addressing the strategic context

- ✓ **Are we working** collaboratively with others within the region and with wider public sector partners in terms of procurement, supplier management, information exchange, and joint initiatives to improve value for money and management of agency staff?
- ✓ **Have we got clear guidelines**, well communicated, as to when it is appropriate to use external consultants and agency staff?
- ✓ **Have we got clear policies** for managing agency worker and consultancy assignments?

Setting up, managing and exiting the contract

- ✓ **Has the procurement** been well executed in terms of EU and UK procurement standards?
- ✓ **Does the contract** provide clear and measurable value for money throughout its duration? This includes considerations such as the agency commission structure, the application of statutory costs such as National Insurance, and the National Minimum Wage.
- ✓ **Is over 95%** of the spend 'on contract' i.e. scheduled and known, and compliant with the contract as negotiated?
- ✓ **Is there strong governance** including senior management/director sponsorship, robust contract and supplier management and accessible relevant management information?
- ✓ **Have we got a clear exit strategy** and contingency arrangements?

Providing the service

Have we got high quality agency workers and consultants, and excellent service standards from vendors and suppliers? Do managers feel they are getting a service that meets their needs and benefits the whole authority?

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