



Cynulliad Cenedlaethol Cymru **The National Assembly for Wales**

Y Pwyllgor Cyfrifon Cyhoeddus **The Public Accounts Committee**

Dydd Mawrth, 30 Ebrill 2013
Tuesday, 30 April 2013

Cynnwys **Contents**

Cyflwyniadau, Ymddiheuriadau a Dirprwyon
Introductions, Apologies and Substitutions

Cynnig o dan Reol Sefydlog Rhif 17.42 i Benderfynu Gwahardd y Cyhoedd o'r Cyfarfod
Motion under Standing Order No. 17.42 to Resolve to Exclude the Public from the Meeting

Gwaith Caffael a Rheoli Gwasanaethau Ymgynghori—Tystiolaeth gan Gyngor Caerdydd
The Procurement and Management of Consultancy Services—Evidence from Cardiff Council

Papurau i'w Nodi
Papers to Note

Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

The proceedings are recorded in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Mohammad Asghar	Ceidwadwyr Cymreig Welsh Conservatives
Jocelyn Davies	Plaid Cymru The Party of Wales
Mike Hedges	Llafur Labour
Sandy Mewies	Llafur Labour
Darren Millar	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Julie Morgan	Llafur Labour
Jenny Rathbone	Llafur Labour
Aled Roberts	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats

Eraill yn bresennol
Others in attendance

Paul Dimblebee	Swyddfa Archwilio Cymru Wales Audit Office
Jonathan House	Prif Weithredwr, Cyngor Caerdydd Chief Executive, Cardiff Council
Steve Robinson	Pennaeth Comisiynu a Caffael, Cyngor Caerdydd Head of Commissioning and Procurement, Cardiff Council
Huw Vaughan Thomas	Archwilydd Cyffredinol Cymru, Swyddfa Archwilio Cymru Auditor General for Wales, Wales Audit Office

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Dan Collier	Dirprwy Glerc Deputy Clerk
Joanest Jackson	Uwch Gynghorydd Cyfreithiol Senior Legal Adviser
Tom Jackson	Clerc Clerk

Dechreuodd y cyfarfod am 9.00 a.m.

The meeting began at 9.00 a.m.

Cyflwyniadau, Ymddiheuriadau a Dirprwyon
Introductions, Apologies and Substitutions

[1] **Darren Millar:** Good morning, everybody, and welcome to today's meeting of the Public Accounts Committee. I would like to remind everyone of the housekeeping rules. In the event of an emergency, we should follow the instructions of an usher. I welcome all Members to the meeting. I am delighted to welcome Sandy Mewies to today's meeting, as our new committee member. She has, however, served on the Public Accounts Committee in the past. I am sure that we would all wish to welcome Sandy, and we look forward to her contribution to our meetings. I also wish to thank Gwyn Price for his work on the committee in the fourth Assembly. We have not received any apologies for today's meeting.

9.00 a.m.

**Cynnig o dan Reol Sefydlog Rhif 17.42 i Benderfynu Gwahardd y Cyhoedd
o'r Cyfarfod**
**Motion under Standing Order No. 17.42 to Resolve to Exclude the Public
from the Meeting**

[2] **Darren Millar:** I move that

the committee resolves to exclude the public from the meeting for items 3, 6 and 7, in accordance with Standing Order No. 17.42(vi).

[3] I see that the committee is in agreement.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 9.01 a.m.
The public part of the meeting ended at 9.01 a.m.*

*Ailymgynullodd y pwyllgor yn gyhoeddus am 9.34 a.m.
The committee reconvened in public at 9.34 a.m.*

**Gwaith Caffael a Rheoli Gwasanaethau Ymgynghori—Tystiolaeth gan
Gyngor Caerdydd**
**The Procurement and Management of Consultancy Services—Evidence from
Cardiff Council**

[4] **Darren Millar:** We now continue with our inquiry into the procurement and management of consultancy services. We are taking evidence this morning from Cardiff Council. I welcome Jonathan House, chief executive of Cardiff Council, as well as Steve Robinson, head of commissioning and procurement at Cardiff Council.

[5] You will both have read the Auditor General for Wales's report, as well as its findings. This committee has noted the fact that some progress has been made in reducing consultancy costs in local government, which we very much welcome. Has the drive to reduce consultancy costs been part of an efficiency drive—the deliberate implementation of a policy to reduce—or has it been just because you have less cash, and the financial constraints mean that you cannot spend as generously as you have in the past?

[6] **Mr House:** Good morning, Chair. The answer is 'yes' and 'yes', and I will explain why. It is partly due to an issue of cost and the amount of money that is spent on consultants. It also depends on what you term a consultant to be and whether you have agency staff consultancy, specialist consultancy or management consultancy. For Cardiff Council, you could look at a range of figures but, for 2011-12, it was around £24 million. That is a fairly big sum of money that you want to look at and have some integrity in relation to. There is some money there that could have been gone after, and that was perhaps the first drive behind it.

[7] The second drive behind it is a management issue. Back in 2011, when I first looked at the issue with Steve, we did a review of category management in the council. We were not doing that before, and you will all be aware of the importance of category management. We put that into place; a review of professional services started and we raised awareness around it with managers. We got to a point where we were able to get into the depth and detail of where

spend was taking place, who was spending it and why it was being spent. There were some reasons for spend that were not good enough or that were not good value for money. So, on a management basis, we looked at it again and said, 'Actually, this is not necessarily the right way to go.'

[8] The third reason that we are looking at it is because 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. So, those are the three reasons behind it—money, the management issue and the political issue.

[9] **Darren Millar:** So, in terms of the trends and the cuts in spending in other areas, outside management and consultancy, have you seen those turn or decline by the same amount?

[10] **Mr House:** We have been fairly swift on the consultancy issue.

[11] **Darren Millar:** There has been a deliberate focus on that.

[12] **Mr House:** Yes. I would say that there is a deliberate focus on that, because it is money that can be had very quickly. However, it does not mean to say that management consultancy, consultancy and professional services more widely are not very valuable to an organisation. They are very valuable to an organisation, but you must have a rationale and justification for employing them, and that is where we were a bit weak.

[13] **Darren Millar:** You talked about category management, Jonathan. You seem to suggest that, depending on who is looking at a cost as it comes in, it could be assigned to a completely different category, which might run the risk of understating the real cost that is associated with this particular type of expenditure, because they have allocated to agency staff or some other area. Is that a big risk?

[14] **Mr House:** I think that you are very perceptive there, Chair. 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.

[15] **Darren Millar:** Do you know of any evidence in local government of the bean counters perhaps shuffling things into other categories in order to try to tell a good story on management consultancy?

[16] **Mr House:** I do not have any specific evidence, but I know of techniques to do it, and I know that others have discussed those techniques if they need to employ them.

[17] **Darren Millar:** So what you are saying is that it is a real risk.

[18] **Mr House:** It is certainly a real risk. For me, we need to be much more transparent about these things. As I said, employing professional services is sometimes a very good decision; you just should not hide it away.

[19] **Julie Morgan:** You said that you looked at category management and that there was

some money being spent that was not good value for money in your local authority. Could you identify what sorts of things those were?

[20] **Mr House:** Local government and all public services are having to go through significant changes at the moment. We do not necessarily have the skills for all of the change management that has to be done. We have to be very clear about this. For example, you employ a junior planner, who will become a senior planner and then a planning manager or director; they are excellent at planning, but do not necessarily have good leadership and change-management skills and the ability to transform the organisation. So, you sometimes have to bring people in to do that. In bringing those people in, are we always bringing in the right people to do it? Sometimes, it is done on a CV basis and they are paid a day rate, so they can be paid £500 to £600 a day. Are we getting value for money from those individuals, or are there people internally who could do that role with the correct training and development? We employed some of those people initially, but then we put in some training and now others within the organisation, who are paid much less, are doing that job. As I said, you sometimes need 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.

[21] **Julie Morgan:** So, that is what you are stopping.

[22] **Mr House:** Yes.

[23] **Jocelyn Davies:** You mentioned that you should have more managers with better skills who were better qualified. So, what was the shortfall and how many have you recruited to these management posts?

[24] **Mr House:** We recently advertised for 11 directors. Last year, we spent £3.6 million purely on management consultants. The current administration said, 'Okay, we want you to employ managers so that you don't have to employ that large number; how much money do you need?' We needed an extra £1.1 million of extra management on top of what we had at the moment. We have gone out and employed those people. There is, therefore, a saving that can be made. We will need some money for some management consultancy, but I think that they have saved around £1 million as a result.

[25] **Jocelyn Davies:** How many have you recruited?

[26] **Mr House:** We have recruited 11 directors.

[27] **Aled Roberts:** How many of those are new to the organisation?

[28] **Mr House:** Out of those 11, eight are new to the organisation and they are paid £120,000 each.

[29] **Jocelyn Davies:** When you went out to advert, was it easy to recruit those people?

[30] **Mr House:** Not very easy, no. A salary of £120,000 is about the going rate. Getting the right skills and the right people is not always easy. You need to look around and search far and wide. We searched within Wales and found some of the skills that we needed. We searched close by, in the west of England, and found some other skills. We have brought some other people in from Kent and other places. It is about making sure that you are paying the going rate for the job that is to be done.

[31] **Aled Roberts:** Rwyf am ofyn fy **Aled Roberts:** I will ask my question in nghwestiwn yn Gymraeg. Pa ddylanwad y Welsh. What influence has the Welsh

mae rhaglen Llywodraeth Cymru, ‘Llwyddo â Llai’, wedi’i chael ar yr adrefnu a’r ffordd rydych yn ymdrin â chaffael? Government’s ‘Managing with Less’ programme had on the reorganisation and the way that you deal with procurement?

[32] **Mr House:** We have followed some guidance from Welsh Government. We are very pleased to see this report, which has been completed by the auditor general. We welcome it because it is aligned with the sort of things that we were doing. In fact, we have delayed some of our roll out because we wanted to see all of the recommendations. 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.

[33] **Aled Roberts:** Pa mor aml mae trafodaethau’n digwydd rhwng Llywodraeth Cymru a chynghorau lleol ynglŷn â’r rhaglen hon? **Aled Roberts:** How often do discussions take place between the Welsh Government and local councils in relation to this programme?

[34] **Mr House:** The leaders of a council are the councillors; I cannot speak for them. In terms of my own involvement, I have been chairing the national procurement strategy on behalf of the Minister, Carl Sargeant. I have had quite a few discussions around it. Whether that is shared among others, I do not know.

[35] **Aled Roberts:** A yw Cymdeithas Llywodraeth Leol Cymru yn monitro sut mae’r rhaglen hon yn cael ei gweithredu o fewn cynghorau? **Aled Roberts:** Does the Welsh Local Government Association monitor how this programme is being implemented within councils?

[36] **Mr House:** I am not aware of whether it does nor not.

9.45 a.m.

[37] **Sandy Mewies:** One thing that the report says is that the quality of management information to support procurement and management of consultancy services is poor. One of the reasons they use private sector organisations is because they do not collect reliable expenditure data in a consistent way. The information coming forward now shows that they are looking at contracts. From what you are saying, perhaps more public bodies are now bringing in this resource in-house. So, what barriers do Cardiff Council, and the local government sector more broadly, face in improving the quality of management information in respect of the procurement and management of consultancy services, bearing in mind that bringing in-house and the collecting of data must be fairly new to what is going on? How are you monitoring that; how are evaluating it; and how do you know that it will work?

[38] **Mr House:** I will start by saying that before undertaking any change of policy or process in relation to this, you need to know what the problem is; you need to understand what the bottom line is, and have a good understanding of the business model that is in place at the moment. As a result of that, we undertake a quarterly analysis of our spend and are getting the right category managers in place. Category management is absolutely vital to making this happen. It is like drawing together the spend of the organisation and doing it through a professional person who is that good link into the market, and who understands the market, understands commissioning, understands the need to do something, and what you are actually looking for. So, we employed a number of fairly highly paid category managers in order to do that. We have a business change manager for each category, and we have links into the human resources department so that any skills gap can be identified fairly quickly. 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. As part of our buying responsibly initiative, we have run a full training programme for all our council officers involved in procurement. Once our new contract standing orders are agreed, we will be rolling out a passport to procurement to make sure that it is right. We need to have the analysis in place. I feel that we do have that analysis in place. It is great; you can produce as many reports, in and out, as you like. You must have the ability to do something about it, and that is where the category managers are the right people to do it. That is why I 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.

[39] **Sandy Mewies:** You have a wider role in Wales, in public procurement, so I go back again to the collecting of consistent data. One of the problems in the past, for example, was that data collected by one agency could not be matched up anywhere else. How, on a wider scale, are you going about—and it must be an ongoing process—ensuring that the data that are collected from now on will be compatible, and how are you sharing that good practice?

[40] **Mr House:** At the moment I would not trust the data from all organisations across Wales—the 72 or 73 that have signed up to this. The reason for that is because we have not had a health check 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. On a national level, we will be employing some consultants to go around and do health checks on nearly all of those organisations. We are putting Cardiff Council up first because we do not know whether we have got it right yet. We need to have a critical friend coming in and saying that. We then want to go around to see whether we are collecting those data in the right way—not just about consultants, but across all spend areas—whether the procurement processes are fit for purpose, and whether we can actually get some benefit from that. So, that piece of work will be done very quickly. I think that we will see some very quick results from that because I know that the chief executives of other organisations are keen to have these health checks done. Chief executives are not experts on procurement; they do not know whether it is right or wrong, and it is a matter of getting someone to come in to say, 'This is what you should be doing'. If we get some consistency there, that is when the country will be able to start motoring on this and getting some decent category management done.

[41] **Darren Millar:** Would you just clarify that for me? I thought that you said that you had now employed category managers to strengthen your team.

[42] **Mr House:** Yes.

[43] **Darren Millar:** However, you still want to bring in outside consultants in order that you can compare their work and make sure that it is good enough, basically.

[44] **Mr House:** I will tell you why. As I am chair of the national procurement strategy, if I want to say to people, 'Okay, we want to come in and inspect your procurement services to see how good they are', it is much better to be able to say, 'Well, I'm putting my hands up; I don't know if we're exactly right yet'. We will have someone to come in—we are not talking about a big piece of work—to ask what structures they have in place, what processes they have in place, and get a health check done very quickly. This is not a piece of work that will take a month. It will probably take less than a week.

[45] **Darren Millar:** So, Spikes Cavell is an organisation that looks across the public

sector and re-allocates expenditure into the appropriate lines to try to avoid this problem of hiding true costs. Does Cardiff Council use Spikes Cavell?

[46] **Mr Robinson:** Yes.

[47] **Darren Millar:** So, that is the company that you are talking about bringing in. Could you just clarify something? What are your category manager consultants doing that Spikes Cavell cannot, or should not, be doing for you? What is the distinction?

[48] **Mr Robinson:** Just to clarify, we have implemented a new procurement function structure within Cardiff, which is based on category management. That looks across all of our £330 million spend. One of our key category areas is keeping professional services, and consultancy falls within that. It is part of an overall structure across all of our spend. We have gone down the line in Cardiff of recruiting what we think are good quality people, but they are permanent employees of Cardiff Council and they fit within the grading structure of the council. I think that what Jon was referring to was the work of the national procurement service and how that is progressed. In terms of Cardiff, apart from if we felt that there was a very specific category where there was a justification for bringing in somebody with a very specialist knowledge of a particular market, which we thought would actually be in the interests of Cardiff, then we feel that we are very self-sufficient and the way in which we take that work forward is through working in cross-functional teams with the key stakeholders from within the business. Okay?

[49] **Darren Millar:** Okay.

[50] **Mr Robinson:** That is that, then. In terms of the national procurement service, obviously one of the challenges is information. Over the last three or four years, in Cardiff, we have put a lot of effort into improving the quality of the management information that we have to support our decisions around procurement. Even in respect of professional services, one of the key issues that we identified in a presentation to our senior leadership team in June 2012 was that we needed to 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. Part of the broader strategy that we are bringing in line in Cardiff is a new internal category structure, because, like the Welsh Government, we use SAP for all our ordering and payments. So, that is our way of capturing that information. We have acknowledged that we need to be much clearer to assist people in service areas when they are coding and allocating orders.

[51] The problem we have then is that all local authorities and other public sector organisations tend to run different category structures in their different systems, whether they use Oracle or SAP or whatever. Therefore, there is a difficulty across the whole of the Welsh public sector to get consistency in terms of how the spend is categorised. Spikes Cavell is useful on the one hand because it allows a supplier to be placed in a category, based on the Thomson Directories' classification of a supplier. Therefore, that can be done consistently across the whole of the Welsh public sector. On the other hand, it does have some limitations because each organisation can have only one classification. In Cardiff, we are able to go to a greater level of detail than you would be able to get through the Spikes Cavell work.

[52] We have to accept where we are, in that there are these different systems. So, Spikes Cavell is a good first step. I think that Jon is referring to two key pieces of work. First, there is the work of the national procurement service in relation to the categories for which it is going to be responsible, to bring those data together, to go out and meet with different organisations and to cleanse those data to try to ensure that we have an accurate baseline to start with. Also, there is the initiative that is part of the Wales procurement policy, which is about coming in and doing the procurement fitness checks that the Welsh Government will be bringing in. I

assume that an external organisation will come in and run those fitness checks on organisations, to look at not just the consultancy piece, but the procurement function and activity overall to ensure that it is fit for purpose. Cardiff Council will be one of the first organisations to go through the fitness check process.

[53] **Mike Hedges:** A lot of the management consultants actually come under accountancy, if you looked them up in a *Yellow Pages* type of directory. How do you differentiate between accountancy, consultancy and management consultancy? Also, engineering firms provide consultancy, but they are also mainly engineering firms. Let us say that a bypass was to be built in Cardiff tomorrow, around somewhere, and you brought in a company to do it. How would you differentiate between the part of the company that was building the bypass, and the part of the company providing the consultancy service in terms of design and delivery?

[54] **Mr House:** We will always need engineering consultants to deliver a bypass, a bus station or something on a similar scale. We would not necessarily differentiate between that because they come to do the design et cetera, and then a company will come in to deliver the actual work on the ground. So, we would not necessarily differentiate between that. Do you want to pick up on the other issue on accountancy, Steve?

[55] **Mr Robinson:** Yes. You are absolutely right. 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. The category is determined at the point that the contract is there and the purchase order is created. So, we try to overcome that.

[56] In terms of the different types of consultancy, one of the first things that we did was to try to identify a definition of consultancy that we thought would work on a practical level within our organisation. That is always the issue: the more grey that these things are, the more that they can be interpreted and driven in different ways. So, 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. So, we have taken the decision to create a strategy that addresses consultancy, interims, and also specialist staff. The problem that we had was that, potentially, people might try to say that it is actually one rather than the other; whereas, this way, it meant that we were able to capture and manage all of those different types of people. I think that the biggest challenge in this professional services area has been getting a definition that people on the ground, who are ordering and paying for these services, can understand.

[57] **Jocelyn Davies:** What is the consultancy value programme that you just mentioned?

[58] **Mr Robinson:** It was a programme that was initiated following the National Audit Office work. So, that was started a couple of years ago.

[59] **Jocelyn Davies:** Was it by the Welsh Government?

[60] **Mr Robinson:** No; it was not a Welsh Government programme. Once we had done the initial review and presentation to the senior leadership team, part of the role of the category manager is to go out and look for good practice, wherever it might be. We do not try

to limit ourselves to Wales, or even to the public sector. We are very keen to go out to find out what is good practice. From the initial research, we found out about the work of the National Audit Office, and also the work of the consultancy value programme. So, we had already started this work prior to the Wales Audit Office coming in.

[61] **Jocelyn Davies:** I still do not understand what the consultancy—. I am sorry if I am being a bit thick on this.

[62] **Mr Robinson:** No; that is okay.

[63] **Jocelyn Davies:** Who runs it? Where does it come from?

[64] **Mr Thomas:** I think that we can help on this, Chair.

[65] **Mr Dimblebee:** The consultancy value programme is described in the auditor general's report. It was set up by the Office of Government Commerce. It followed on from some of the National Audit Office's previous work. The detail is in box 9 on page 33 of the report.

10.00 a.m.

[66] **Darren Millar:** This was where the NAO toolkit that you refer to came in, was it?

[67] **Mr Dimblebee:** I think that they were developed in parallel; they complement each other.

[68] **Darren Millar:** Thank you for that.

[69] **Jocelyn Davies:** I want to ask you about collaboration, because you have spent a bit of time telling us about the benefits that you will get from the national procurement service. Where does your local authority currently collaborate with other organisations on the procurement and management of consultancy services? Are you able to do that?

[70] **Mr Robinson:** As the report states, collaboration is very active across the Welsh public sector. We are members of the Welsh purchasing consortium, there is the role of Value Wales and now, with the establishment of the national procurement service, we will be able to take collaboration a step further again. The fact that there is recognition of the need for a national procurement service shows that, although there is good collaboration in Wales, there is a need to take it further forward. Consultancy has never been a category that has been a key focus in the Welsh purchasing consortium, which has predominantly been based on more commodity-type areas, albeit that, over the last 12 or 18 months, the consortium has looked at more service-type contracts. For example, one of the big ones that Cardiff led on was around the provision of agency-managed service. Although that was not consultancy, it was starting to drift more into the professional services area. So, at this time, I would have to say that collaboration around consultancy is limited. However, in Cardiff, 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. However, I know from my involvement with the national procurement service that quite a significant part of its initial remit is to look to improve collaboration and also the provision of guidance and advice around the procurement of consultants.

[71] **Jocelyn Davies:** So, you cannot think of any good examples of extensive collaboration.

[72] **Mr Robinson:** No. The one example, which the report refers to, is around the legal services framework that has been put in place.

[73] **Mr House:** Chair, if I may assist further, what the Member has identified is the massive potential for this. The national procurement service will deal with around £4 billion of common repetitive spend that is carried out in Wales. This piece of collaboration across the whole of Wales is unique; it is not something that is done in England, although it has been looked at in Ireland. What the Welsh Government will be hosting is a national procurement service that can identify the best deals for the public sector in Wales, but 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 some 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. So, it is about making sure that procurement is done in a fair way so that local companies have a chance to bid.

[74] **Jocelyn Davies:** Yes, I understand that; you do not have to sell it to me. So, what savings will you in Cardiff generate through the national procurement service?

[75] **Mr House:** It is about to be set up. In fact, a consultant is being used at the moment to find the director for the organisation. What is being done at the moment is getting that unit set up. We are not putting in any savings this year, but I anticipate that we will put in savings for next year once it is up and running.

[76] **Jocelyn Davies:** Do you have an idea—

[77] **Mr House:** 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. I am keen for the Welsh Government to put its foot down on this to make sure that we get there quickly, because all local authorities are looking to make savings. It would be great if we had something to take off the bottom line quickly.

[78] **Jocelyn Davies:** Okay, you do not know where the savings will be, but fully expect them to start to be delivered next year.

[79] **Mr House:** Yes, next year.

[80] **Darren Millar:** Aled, you wanted to come in briefly.

[81] **Aled Roberts:** I am not conversant with the position in south Wales, but north Wales had a regional procurement agency that was charged by the regional partnership board to make sure that collaboration was brought forward between authorities. Is there any evidence available with regard to the level of activity on consultancy services by these regional procurement agencies? Are you able to give us any evidence, perhaps not this morning, but could you provide written evidence with regard to the efficiencies that have been achieved? Obviously, these regional partnership boards have been existence for six years, so it is rather surprising that you are not able to give us many examples of collaboration without the nirvana of the national procurement service.

[82] **Mr House:** Chair, I would be very happy to ask someone to find some written information from north Wales. I am not sure whether it has had any efficiencies in this area.

[83] **Aled Roberts:** Are there no similar organisations in south or mid Wales, region-

wise?

[84] **Mr House:** Regionally, no.

[85] **Mr Robinson:** No. Obviously, there was the north Wales procurement partnership and the work that has been done there. I am not aware that it has delivered any savings on consultancy specifically. With regard to the 16 unitary authorities that formed the Welsh purchasing consortium, as I have stated, there has been no specific work done on consultancy, but that does not mean to say that there have not been some real success stories in terms of value for money and savings that have been delivered through collaboration—just not particularly within the consultancy area. Obviously, you then have the role of Value Wales, which provides a kind of national co-ordinating role in terms of collaboration. I am happy to speak to Value Wales about that, and with the north Wales procurement partnership, just to see whether there are any specific initiatives or savings that may have been delivered through those arrangements.

[86] **Jocelyn Davies:** It would be of interest if there is a comparison between the savings and the cost of setting these things up, because none of this is free. People do not give their time for free.

[87] **Darren Millar:** It takes a lot of time and energy with all these things. If you could send us a note on that, we would appreciate it.

[88] **Julie Morgan:** The Chair referred to the consultancy self-assessment toolkit that was described by the auditor general in his report. I wondered whether you thought that that would have any benefit for local authorities in Wales.

[89] **Mr House:** Most definitely. The piece of work done by the Wales Audit Office is a good piece of work. It has many recommendations, and we agree very much with all of them, I think. So, we will be implementing something very similar to its suggestions, and certainly, in my role as national procurement service chair, I would be very keen that other organisations did the same, because there is absolutely nothing wrong with it—it is a good business case model to deliver consultancy services. I must say again that there is often a good reason to deliver this; however, sometimes we do not manage a category well, and 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. Many of these consultancies that you see on these pages are either one of the big four, or individual small organisations, or organisations operated by one man or one woman. We need to challenge to see whether we are making the right decisions, or is it a case of, ‘Oh, we know that he or she has done a good piece of work; we’ll have them over’? We need a good business case, and that is what the Wales Audit Office is asking for.

[90] **Julie Morgan:** So you are saying that, at the moment, things are too cosy.

[91] **Mr House:** They could be cosy. Could I give you a guarantee that every single consultant who is bought or paid for with Welsh taxpayers’ money is done in a professional, clear manner that delivers the best value? Absolutely not. This is what the Wales Audit Office is, very helpfully, going to help other authorities to do.

[92] **Julie Morgan:** When will you introduce the toolkit in Cardiff?

[93] **Mr House:** It is very shortly, is it not?

[94] **Mr Robinson:** Yes. Our strategy and procedural note and our business justification form—we have called it that rather than ‘business case’—are all based on the work that was done by the National Audit Office and the consultancy value programme. In fact, as I think we said, we were awaiting this report to make sure that we did not miss any real opportunities, and, to be honest, one in particular is around the assessment framework, and I am already in discussions with our internal audit to see whether that might be something. As much as my staff need to be aware that they need to ensure that good practice is followed, sometimes you need someone a little bit independent to review that as well. So, that is something that we will be looking at in Cardiff, and, obviously, one of the recommendations is about whether there is a wider, Welsh Government-led review. From my point of view, we are making sure that we have our own house in order in Cardiff so that, if we do have an external review, we feel that we are managing that effectively.

[95] **Darren Millar:** You did not give us a date. When are you implementing this toolkit?

[96] **Mr Robinson:** Right, in terms of that, our strategy—

[97] **Darren Millar:** Have you set a timeline for the implementation of this toolkit or not? Your chief executive said that he welcomed the recommendations and that all needed to be implemented.

[98] **Mr Robinson:** Our strategy is in draft and is ready now for the next stage, which John and I have spoken about, which is for me to make a presentation to our senior leadership team so that it is aware of the changes. We would be looking to implement this within the next six to eight weeks. There is no reason why we would not be able to do that.

[99] **Mr House:** It will most certainly be before the summer. As we are a member-led authority, I would also want to seek the views of Councillor Goodway and Councillor Joyce on the matter.

[100] **Darren Millar:** Of course. Oscar is next.

[101] **Mohammad Asghar:** My question is on business cases. According to the auditor general’s report, this area is dismal. I am not very happy with it, anyway. Other than issuing revised guidance, what are you doing in Cardiff Council to encourage better use of business cases in planning and in the delivery of consultancy projects?

[102] **Mr House:** I will pick that up. You quite correctly identify the issue; it is not just by having Mr Robinson in the room—he is working on this, and he is one of 18,000 staff. The most important thing is for the management within the organisation to understand this, because they are the ones that will make the decisions in the end. Category managers are gatekeepers for decision making, and so you need to change the culture in the approach taken. So, 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, and we then encourage them to follow proper procurement processes, and to follow the business justification form, to be able to ask, ‘Okay, what do we need to achieve here?’, because it is often the case that they come up with the answer before they have come up with what the problem is. We need them to identify the problem they are trying to solve, what the options are and how they would like to commission for it, and we then make sure that we have the steps in place to be able to do it properly.

[103] Again, I would say that I am very suspicious of people who say, ‘Oh, I know this person who can do this job for us for 10 grand; let’s get them in quickly’. That is not the right approach to spending public money. We need to have a proper justification process; we need to be able to say, ‘Look at what the market has got out there; look at the market across Europe’, and then ask, ‘Who can best deliver this for us?’ and get managers to make those decisions, because it is managers who will make the decisions in the end.

[104] **Darren Millar:** I am very conscious of the time. We have a few more questions to get through, and some people want to come in on this particular issue. If Members and witnesses could be brief, I would appreciate it. Did you want to come back, Oscar? I will then bring Aled in.

[105] **Mohammad Asghar:** I am done with that.

[106] **Darren Millar:** Okay, Aled is next.

[107] **Aled Roberts:** Roedd nifer ohonom yn synnu bod yr archwilydd cyffredinol wedi darganfod mai tua 12% yn unig o 93 o brosiectau llywodraeth leol i benodi ymgynghorwyr a oedd ag achos busnes cyflawn. A ydych yn synnu mai dyna’r ffigur? A yw’r ffigur i chi yng Nghyngor Caerdydd tua’r un maint? **Aled Roberts:** Many of us were surprised that the auditor general found that only 12% of 93 local government projects to appoint consultants had a full business case. Are you surprised by that figure? Is the figure for you in Cardiff Council about the same?

[108] **Mr House:** I do not have the figure to hand—Steve may be able to assist me with that. However, I can guarantee you, as I said to the Chair, that, within six to eight weeks, we will put this process in place to be able to say that all of our consultancy spend is done through a business justification case. So, as of June/July this year, we will make sure that they will all be in that situation. In the past, and certainly in the last year, we have been a lot tougher on this, and Steve can talk about the detail of that.

[109] 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. You need to treat it like you are spending your own money. You would not get a plumber in and just say, ‘Right, what do you think’, and start them straight away; you would get some quotes. You would understand what they are going to deliver. You would set out what their specifications are going to be for the work. What we need to do in this case is to ensure that we do that across the country as well. Steve, do you want to cover that last bit?

10.15 a.m.

[110] **Mr Robinson:** I probably would not expect our figures to be radically different from the overall position. It is fair to say that we have controls in place, so that, for all procurements—not just consultants—over £10,000, officers are required to produce a pre-tender report that must be signed off by procurement staff before it goes out. If there is a requirement for a single tender, then we would require a robust justification for that. Even in those cases where we believe that the justification is strong, we still expect a specification that sets out the specific requirements. Therefore, even though we have not formally had the

business case in place, many of the checks and challenges that will come through that process are already in place. What this will do is tighten that up and produce the evidence to show that those checks have been done.

[111] **Darren Millar:** Thank you. Oscar, do you wish to come in on this point?

[112] **Mohammad Asghar:** Could you give the committee examples of what you are doing in Cardiff Council to ensure that your consultancy service is effective and efficient?

[113] **Mr House:** 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.

[114] **Darren Millar:** I have a straightforward question. We had an interesting discussion with previous witnesses around the suggestion that it might be a good idea to establish a national register of expertise in the public sector, so that the public sector could consult to the public sector, as it were, and reduce costs to the taxpayer. Do you believe that that is a good idea?

[115] **Mr House:** I am not sure whether that 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.

[116] **Darren Millar:** So, if a local authority leisure centre has been built in one local authority area, and another local authority is about to build one next door, do you not believe that it would be wise for the person who has had some expertise in delivering that project in the local authority next door to be seconded to, or to work with, the other local authority to deliver a project?

[117] **Mr House:** I believe that that would be wise, but I am not sure whether it would be doable. I will say this as I see it—I can imagine that the authority that owns that expertise will not want to lose a member of staff.

[118] **Darren Millar:** It is not every day that they build a leisure centre.

[119] **Mr House:** No, it is not every day. That is why, in several specific examples, it would be a good opportunity to do that. However, for some of the wider change management that all organisations are having to do anyway, there is a shortage of good-quality managers who can do it.

[120] **Darren Millar:** Therefore, you do not believe that a national register of some sort would be helpful?

[121] **Mr House:** For specific services, it is a possibility. However, on a wider scale, I believe that it would just become a register of names. Having people on a register is fine, but getting them released from their organisations is a different matter. Therefore, if someone said, 'We want to set up a really good procurement service, and we would like Steve to come

and do it', I would say, 'No, because I need him to run and save money in Cardiff'.

[122] **Mike Hedges:** This is perhaps not just about working with a consultancy. I remember when we built the Liberty Stadium in Swansea, we went to Reading, and they said, 'The one thing that we would change, if we were starting again, would be to leave the corners open to let air come in'. We were not using them as consultants, but we were learning from what they had done. Taking your example of the leisure centre, Chair, you might not have the consultant, but, by just talking to them, they might say something similar—'If we were building the leisure centre again, we would make the swimming pool larger, or we would make the sports hall bigger, so that we could do different things in it'. Is there not a benefit to that, which is not necessarily consultancy as such, but about passing on good practice and learning from your neighbour?

[123] **Mr House:** Absolutely and definitely, yes; I completely agree with that. So, for instance, Swansea City Football Club was promoted to the premiership, and we have recently been speaking to the club about the best benefits from that and how Cardiff can do the same. That happens everywhere. So, sharing best practice is fine, but using someone and seconding them for a six-month period to do a piece of work is perhaps a different matter.

[124] **Mike Hedges:** Okay.

[125] **Darren Millar:** Jenny has the next questions.

[126] **Jenny Rathbone:** You had a clear direction from the top as to the direction of travel. My concern is that, in looking at the Wales Audit Office's report, overall, the rules say one thing but what people do is another. For example, you have a rule that you have to look at whether there is in-house expertise available before you consider going externally. However, the Wales Audit Office found no evidence of any such analysis taking place in respect of the 12 projects examined at Cardiff Council. So, are you saying that this is work in progress and you still have not got to the people at the bottom—at the coalface—who actually make these day-to-day decisions, or are you saying that this particular snapshot was not representative?

[127] **Mr House:** I would say that it was at a time and place. Previously, we have been in a place where we did not have the skills, internally, to deliver the jobs—we did not have the change-management skills in place. We have 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. So, it is a moveable feast, but we have to look in-house for expertise. As I said, it follows the political guidance given by the political administration in May.

[128] **Jenny Rathbone:** So, you are saying that if the WAO visited tomorrow, it would not find—

[129] **Mr House:** There will obviously be some programmes that are still ongoing, but, largely—how many management consultants do we have in place at the moment in the organisation, roughly, Steve?

[130] **Mr Robinson:** I can only think of one, off the top of my head.

[131] **Mr House:** We probably have a handful, instead of, as we had a year and a half ago, over 50.

[132] **Jenny Rathbone:** Looking at your broader remit as head of the national procurement

strategy, there is an awful lot of work still to be done in getting local government, health and Welsh Government to comply, even on European competition rules. Some 10% of the contracts looked at had not even complied with European regulations. I have a particular interest in how you manage treasury money. One of the issues highlighted in this report is that, although the actual contract for advising on how to manage treasury money is not very high, the risks involved are huge—as we know from the Icelandic banks' collapse, et cetera. Can you tell us how or whether that is being tightened up?

[133] **Mr House:** The leadership of the authority is keenly looking at the treasury management perspective of the organisation. There have been many more regular meetings with politicians on this. We have some experts in-house on treasury management, but, as with any organisation, we look externally across the whole of Wales. We probably do not have the strength in depth and there could well be collaboration in this aspect where we employ treasury management for Wales. Organisations could use that service in a collaborative way, because we pay a lot of money for that and the risk is very high. I would rather have that risk rest with a public sector organisation to be managed, rather than a private sector organisation. I review treasury management on a quarterly basis. Our risks are fairly well managed in what you would expect to be fairly low-risk areas.

[134] **Jenny Rathbone:** Will that be pushed through from the national procurement strategy?

[135] **Mr House:** Yes, that is right.

[136] **Darren Millar:** Thank you very much for that. If there are no further questions, that brings this part of our meeting to an end. Thank you to Jonathan House and Steve Robinson for the evidence. We look forward to receiving the note on the north Wales procurement service and any other good examples that have been found in south Wales in terms of procurement practices. Thank you.

10.24 a.m.

Papurau i'w Nodi Papers to Note

[137] **Darren Millar:** I take it that the papers have been noted.

[138] We will now go back into private session for the remainder of our meeting.

*Daeth rhan gyhoeddus y cyfarfod i ben am 10.24 a.m.
The public part of the meeting ended at 10.24 a.m.*