Scottish Government
Riaghaltas na h-Alba
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Consultancy Procedures

Version 1.7 (20 March 2017)

This replaces all previous versions

Documentation Control

This guidance is owned and maintained by the Scottish Government's Procurement and Commercial Directorate, enquiries should be addressed to scottishprocurement@gov.scot

	Effective Date	Changes Made
Version 1.0	Effective from 8th Dec 2008	Endorsed by the Scottish Government Strategic Board
Version 1.1	Effective from 13th Mar 2009	1. Small clarification on definition of IT Consultancy scope (Part 2, Table 1) 2. Addition of footnote on Social Research DPA (Part 4, Table 3)
Version 1.2	Effective from 24 Apr 2009	1. Financial Reporting Requirements added (Part 3, Para 21, 22 and 23) 2. Post Project Review Template added (Annex B)
Version 1.3	Effective from 14th Oct 2010	General Revision in light of: 1. The Public Service Reform (Scotland) Act 2010 2. General update to clarify terms, names etc.
Version 1.4	Effective from 30th Sept 2011	1. Ministerial portfolio changes and approval controls for Executive Agencies, Non Departmental Public Bodies and Non Ministerial Departments 2. General update to clarify terms, names etc.
Version 1.5	Effective from 21st Sept 2012	1. Ministerial portfolio changes
Version 1.6	Effective from 23 Jan 2013	1. Enquiry contact details updated
Version 1.7	Effective from 20 Mar 2017	1. Update to reflect Ministerial portfolio changes and removal of approvals controls for Non Departmental Public Bodies 2. Update to flowchart (Annex B)

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Part 1: Scope

1. These procedures are mandatory for the Scottish Government (SG) and should be regarded as a useful benchmark for good practice by all organisations. The approval controls to buy consultancy services are mandatory for the SG, Executive Agencies and Non Ministerial Departments.

Part 2: Introduction

2. It is essential that whenever the SG spends public money it does so in a manner that ensures value for money (vfm). When consultants are necessary, they need to be used sparingly, appropriately and effectively. Therefore the SG must ensure that consultants are only used when:

- The work cannot be carried out internally, i.e. we are sure that the required knowledge and expertise is not available in-house or from some other source from which the SG can draw;
- Management is determined to take action to bring about change and demonstrate commitment to act upon the outputs;
- They can bring relevant knowledge and have proven experience which will add value to the SG objectives; and
- The number of consultants must not exceed in-house capacity to manage them effectively.

These procedures:

- Clarify when consultancy applies;
- Confirm the approval levels required when buying consultancy services;
- Sets out the procurement and financial processes;
- Identify audit and Freedom of Information (FoI) requirements; and
- Explain the processes for acquiring and managing consultancy services.

Part 3: Consultancy Procedures

3. These procedures were written in discussion with organisations from across the Scottish public sector and are intended to help ensure accurate and consistent recording of expenditure, as well as providing best practice. Under the Public Services Reform (Scotland) Act 2010, one of the duties is to publish details of annual expenditure on external consultancy, adhering to these procedures will enable the SG to meet this legal requirement.

4. Annex A details the main professional services that are classified as consultancy services for the purposes of these procedures. It is the advice contained in the Annex in conjunction with the tests provided in paragraph 5 that determines if the procedure set out in this guidance applies to the service you wish to buy. Critically, the procedures apply to the service being bought, not the supplier or person providing them. If any doubt exists on whether the procedures apply or not enquiries should be addressed to scottishprocurement@gov.scot.

The 'Three Part Test'

5. It is Annex A in conjunction with all of the Three Part Test that determines whether a service is defined as consultancy. The three tests are:

1. There must be an on-going exchange of intellectual or professional information concerning the planning and/or delivery of the project or objectives between the SG and the supplier; and

2. The commission/contract ends at the completion of an agreed output(s) rather than the end of a set period of time (subject to the required project timescales); and

3. The day-to-day task management remains with the supplier. However, a regular reporting arrangement should be agreed with the SG contact to ensure that progress is recorded, that issues/risks are identified early, and that resolutions are agreed and delivered, where necessary.

Part 4: Approval controls to buy consultancy services

6. The approval controls to buy consultancy services for the SG are detailed in the Table 1, Executive Agencies (EAs) in Table 2, and Non Ministerial Departments (NMDs) in Table 3.

Table 1: SG consultancy approval controls

All procurements must be conducted by staff with Delegated Purchasing Authority (DPA).

Projected Expenditure (excl VAT)	Approval Levels
Below £10,000	Expenditure must be approved at Deputy Director level.
Between £10,000 and £50,000	Expenditure must be approved at Director General level.
£50,000 and above	Submissions for approval must be endorsed by the relevant Director General . Expenditure must be approved by the Cabinet Secretary for Finance and Constitution.

Table 2: Executive Agencies Consultancy Approval Controls

Projected Expenditure (excl VAT)	Approval Levels
Between £10,000 and £50,000	Expenditure must be approved at Chief Executive level.
£50,000 and above	Submissions for approval must be endorsed by the Chief Executive. Expenditure must be approved by the Cabinet Secretary for Finance and Constitution.

Table 3: Non Ministerial Departments Consultancy Approval Controls

Projected Expenditure (excl VAT)	Approval Levels
All expenditure	Required to have robust local arrangements for approval of consultancy spending in place.

7. Business areas must consider the **maximum value of expenditure over the entire period** of the consultancy requirement/contract that will be **paid to a supplier** to ensure the appropriate level of approval is sought.

8. If there is a variation to the contract which will cause costs to exceed the level initially approved, further approval will need to be sought at the appropriate level before agreeing that the additional work can go ahead.

9. Ministerial submissions to the Cabinet Secretary must contain the following information on the front page:

- The start and end date of the contract;
- The total anticipated value of the contract (excluding VAT) from conception to completion i.e over the entire contract duration; and
- The preferred procurement route, for example using a national framework agreement or competitive tendering.

10. A checklist for business cases to accompany Ministerial submissions is available at Annex C.

11. In exceptional circumstances it may be appropriate to award a contract for goods, services and works without following a genuine and effective competition. This procedure is known as Non Competitive Action (NCA). A member of staff with Delegated Purchasing Authority (DPA) known as a Delegated Purchasing Officer (DPO) must be consulted about any proposal to award a contract under NCA procedures. Once you have explored your requirement with a DPO the application for NCA application form will need to be completed. NCA will only be approved when a genuine business need exists which outweighs the need to complete the requirement. All evidence in support of NCA must stand up to scrutiny or challenge by potential supplier.

Part 5: Procurement requirements

12. Within the SG, **DPA** is the permission given to a member of staff which allows them to enter into a legally binding contract on behalf of the Scottish Ministers with a supplier of goods, services and works, including the purchase of consultancy or professional services. It is different and separate from Budgetary Authority. Further information on DPA can be found on Scottish Government Procurement Policy Manual.

Note: DPA must not to be confused with Budgetary or Financial Authority.

13. The procurement process requires that suppliers must disclose in their quote/tender documentation whether they, or a consultant proposed to work on the contract, have ever been an employee of the SG within the last 2 years.

Note: Where this is the case the consultant concerned must obtain Business Appointments Approval, which is dealt with by Human Resources (HR) Shared Service Centre (0131 244 8500). HR retains a register of those ex-staff who have applied for approval through the business appointment rules and will consider new applications and/or review existing records to assess whether approval ought to be sought before the consultant can start work.

14. Where an application for approval has not been made the consultant should request a Business Appointment Form from HR Shared Service Centre (0131 244 8500). Where an application has already been made the DPO should check with HR whether approval has been granted and whether any relevant conditions apply.

15. A supplier quoting/tendering to provide services must not be disqualified on the basis of a consultant having been employed by the SG in the last 2 years. However, the consultant concerned may be excluded from the project concerned should the business appointments approval be refused or approved with specified conditions.

16. The Procurement Reform (Scotland) Act 2014 requires all contracts for goods and services with a value of £50,000 or more, and all contracts for works with a value of £2,000,000 or more, to be published in the organisation's contract register. Further information on what a contract register must contain can be found in section 35 of the Act.

17. Effective management of consultancy requires management of all aspects of the relationship between the consultants and the SG. This will ensure delivery of a cost effective service which meets the contractual agreement i.e. the work required is completed on time, within budget and to specification. The Procurement Journey provides a step-by-step guide to buying goods, services and works, including effective contract management.

18. On completion of the assignment/contract, the DPO must formally sign it off and confirm in writing that they are satisfied that the consultants have properly fulfilled their responsibilities before final payments are approved. The DPO must also complete a project report for senior management, covering the conduct of the assignment and consultants, the quality of the work they provided and the and analysis and recommendations made, the extent to which the envisaged benefits/objectives are likely to be achieved, any additional benefits derived, and the total costs of the contract. A post project review template is available at Annex D.

Part 6: Financial reporting requirements

19. Section 31(1) and (2) of the Public Services Reform (Scotland) Act 2010 require public bodies to publish a statement of any external consultancy expenditure they have incurred during that financial year as soon as is reasonably practicable after the end of each financial year.

20. It is essential that the SG is able to track expenditure on consultancy through its finance system (SEAS). Therefore when raising the necessary purchase order on the purchasing system (EASEbuy), **the correct account must be applied when entering the financial tracking details**.

21. The correct code will be dependent on the nature of the consultancy spend, but only one of the following can be used:

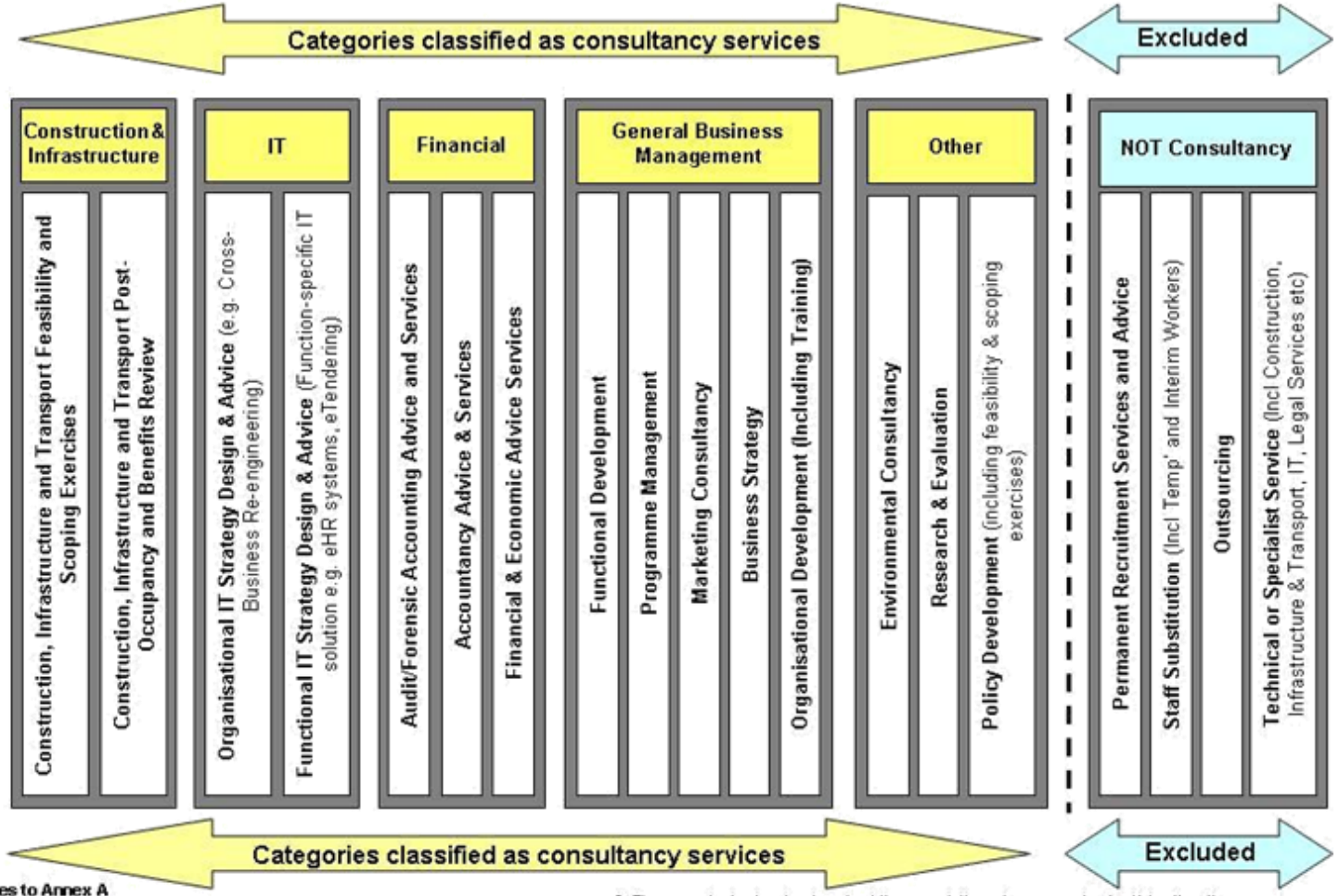
- For spend from the Administration Budget use account number **40100905**

- For spend from Programme Budgets use account number **60149905**
- For spend on Capital Projects use account **10070095**

It is essential that the correct account codes are used to:

- Provide accurate reports on consultancy expenditure within the Scottish Government; and
- Enable the SG to respond quickly and accurately to requests through Ministerial Correspondence, Parliamentary Questions (PQs) and FOI.

Annex A: Consultancy Categories and Three Part Test



Notes to Annex A

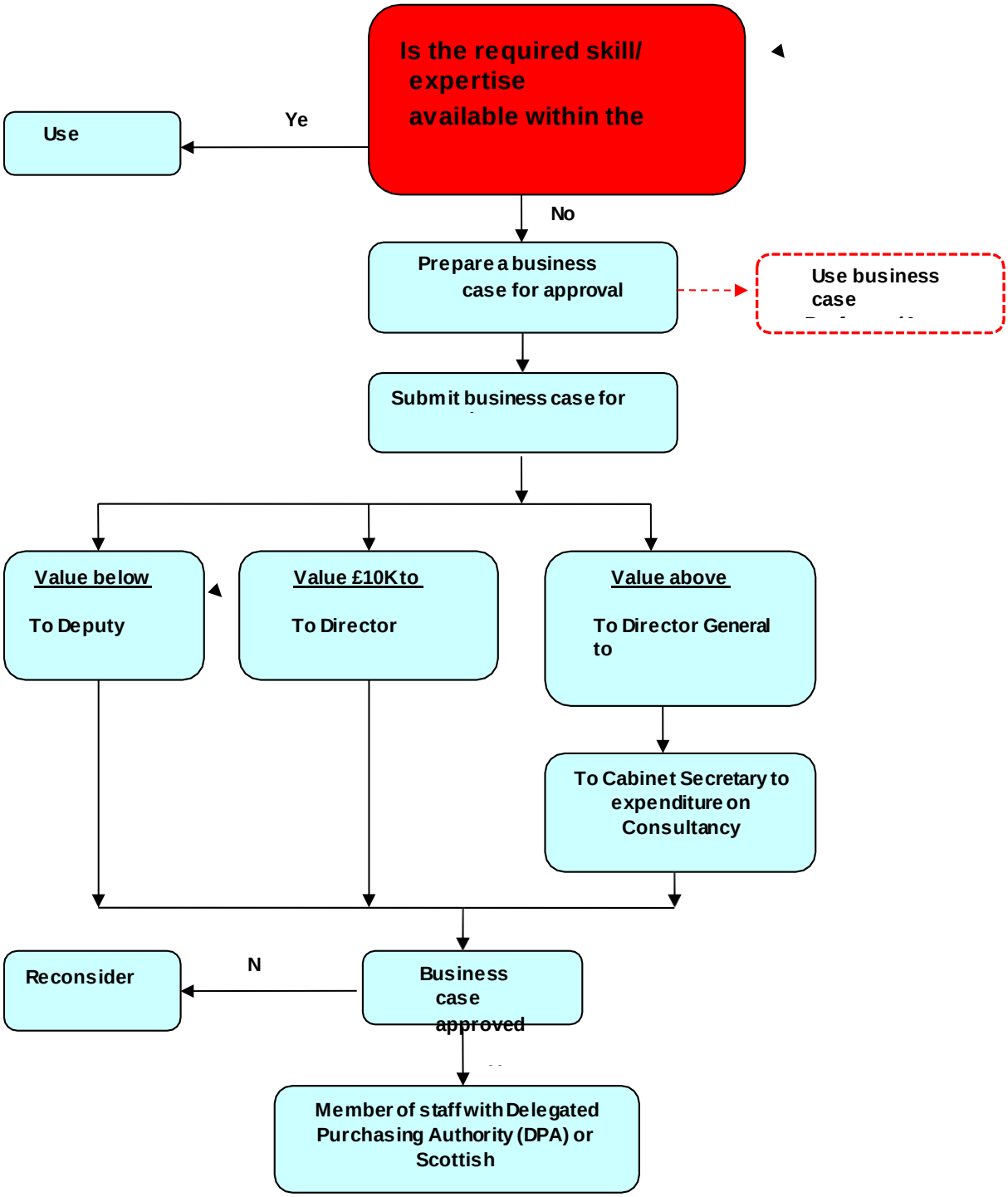
It is Annex A in conjunction with all of the Three Part Test that determines whether a service is defined as consultancy. The three tests are:

1. There must be an ongoing exchange of intellectual or professional information concerning the planning and/or delivery of the project or objectives between the Scottish Government and the supplier; and

2. The commission/contract ends at the completion of an agreed output(s) rather than the end of a set period of time (subject to the required project timescales); and

3. The day-to-day task management remains with the supplier. However, a regular reporting arrangement should be agreed with the Scottish Government contact to ensure that progress is recorded, that issues/risks are identified early, and that resolutions are agreed and delivered, where necessary.

Annex B: Process to Buy Consultancy Services



Annex C - Pro Forma Business Case Checklist

Business Case Checklist				
Title:	Name of Senior Responsible Owner/Deputy Director:			
Details on the alternatives other than consultancy that have been considered i.e. in-house, secondment etc.?				
Requirement a brief summary including: • purpose of the project/assignment; • terms of reference; • expected benefits and when they are likely to be delivered; • name of the sufficiently senior, experienced and competent project manager assigned to the project; • internal resources required to support the project are available or committed; • proposed division of work between the consultant and the in-house staff; • expected outcome or deliverables; and • how the eventual consultants recommendations with be considered and implemented				
Duration:				
Value (£) per year, and total value of both the consultant and in-house costs *(years are illustrative only – additional years may be required for some projects)*	**This financial year**	**Year 2**	**Year 3**	**Total**
Is the budget identified and secured?	Yes ☐ No☐			
Is the level of risk acceptable?	Yes ☐ No☐			
Has the business case been approved by the appropriate approver based on the total contract value?	Yes ☐ No☐			
Skills transfer considered?	**Provide details here:**			
Intellectual Property Rights assignment considered?	Yes ☐ No☐			
Will there be a clear exit strategy?	**Provide details here:**			

Deputy Director approval	Yes ☐No☐	Date:
Director General approval	Yes ☐No☐	Date:
Cabinet Secretary approval	Yes ☐No☐	Date:

Annex D - Post-Project Review Template

What is this document for?

In order to ensure that the SG buys consultancy services as effectively as possible, it is necessary to take every opportunity to further refine and improve our processes. This template provides a minimum set of considerations for gathering "lessons learned" from every consultancy purchase we make. For major investments, users should refer to the Scottish Public Finance Manual (Major Investment section) and the Client Guide to Construction Projects.

This template is as important to due diligence as the original justification or Business Case and its completion should involve senior staff from the project team. The template has two parts. The first relates to the project as a whole, including, but not limited to those tasks performed by the consultants. The second part relates only to the consultants' performance.

How will it be used?

Business areas should use this document, alongside the original Business Case (or other type of justification) to inform their understanding of the reasons they buy consultancy and the factors that contribute to project success, project failure or any variation in predicted spend, timelines or resources. Business Cases and Post-Project Reviews will also be used to support reviews of the types of external resource we purchase, to seek alternatives (like recruiting those types of skills that we buy regularly) and to review and continue to improve the SG's use of consultants.

Who should be involved in the review?

The number of people involved in the review will depend on the scale of the project but should involve at least the people listed in the table below. For small projects, one individual may fulfil several of the roles listed.

Individual	Description	Minimum Role During the Review
Senior Responsible Owner	The most senior individual in the Directorate who had ultimate responsibility for the project.	To sign-off the completed review
Project Manager	The staff member that was responsible for monitoring the consultants activity.	Present throughout the review
Impacted Staff	Any staff member whose work or position is affected by the project itself and/or by its recommendations	Input to questions regarding communication, lessons learned and what would be done differently next time.
External Stakeholders	Any external individual or organisation that is affected by the project itself and/or by its recommendations	To provide input to questions regarding communication and lessons learned

Annex D - Post-Project Review Template

Post-Project Review Template - Part One – General Project Review			
Project Name		**Directorate**	
Name of Project Manager		**Name of Senior Responsible Owner**	
Cost Centre Number		**Purchase Order Number**	
Project Cost agreed with the supplier at initial Engagement (*corporate document management system i.e eRDM reference*)		**Total expenditure paid to supplier by end of engagement, including expenses (*detail separately a forecast of any expenditure yet to be paid*).**	
Estimated project completion date at initial engagement		**Actual project completion date**	
Please state any Expected Efficiency Savings delivered or secured by the project (£)		**Expected Return on Investment – ROI (*Efficiency saving divided by actual cost*)**	
Actual project duration			
Please state the reasons for any delay in project completion			
Please state the original objectives (*refer to Business Case*)			
Were the original objectives met? (*if "No", please detail in comments*)	☐ Yes ☐ No	Comments:	

Were any additional benefits delivered?	☐ Yes ☐ No	
Please describe the additional benefits.		
Might other business areas benefit from the outputs of this work? (*Please detail the top two business areas in the Comments field*)	☐ Yes ☐ No	Comments:

Did the engagement recommend what was already suspected or planned? (*If "Yes", please use the Comments field to state why the work was still necessary*)	☐ Yes ☐ No	Comments:
Will the project recommendations be implemented? (*If "No", please explain why not in the Comments field*)	☐ Yes ☐ No	Comments:
What were the key critical success factors that enabled this project to be a success, or the lack of which resulted in project failure?		
What are the key lessons you would take on board if repeating this exercise?		

Annex D - Post-Project Review Template

Post-Project Review Template - Part Two – Consultant Performance Review						
How effective was communication?	Between Staff & Consultants	☐ Very Good ☐ Good ☐ Satisfactory ☐ Poor ☐ Very Poor ☐ N/A	Between Consultants and External Stakeholders	☐ Very Good ☐ Good ☐ Satisfactory ☐ Poor ☐ Very Poor ☐ N/A	Between Staff and External Stakeholders	☐ Very Good ☐ Good ☐ Satisfactory ☐ Poor ☐ Very Poor ☐ N/A

Were any changes to specification, project timescales and/or total cost authorised through an agreed change protocol. (*If "Yes", please explain key rationale*)	☐ Yes ☐ No	Comments:
Will internal staff now be able to carry out this work in the future? (*If "No", please explain why the necessary skills were not transferred to "in-house" staff*).	☐ Yes ☐ No	Comments:
Did the consultants deliver against their original brief as set-out in the Statement of Requirements? *(If "No" please explain what was not delivered and why)*	☐ Yes ☐ No	Comments:
Overall, please rate the services purchased. (*If less than "Good", please explain in the comments field*)	☐ Very Good ☐ Good ☐ Satisfactory ☐ Poor ☐ Very Poor	Comments:

Project Team Sign-Offs Senior Staff involved in the project should indicate their endorsement of this review document by placing their signatures in the spaces provided below			
Name of Senior Responsible Owner		**Signature of Senior Responsible Owner**	
Project Manager		**Signature of Project Manager**	
Additional Signatories			