

From: [Magill, Aaron](#)
To: [Goodman, Adrian](#)
Subject: FW: Revised Guidance on the Use of Professional Services
Date: 18 May 2012 15:59:03
Attachments: [PAAB FD\(DFP\) 07 12 letter to FDs re revised guidance on Use of Professional Services - 20 April 2012.DOC](#)
[PAAB Final version of UoPS Guidance - 29 March 2012.DOC](#)
[PAAB Forum Guidance.DOC](#)

Adrian,

Please see attached as discussed to be stored in TRIM.

Thanks,

Aaron

Aaron Magill

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Please consider the environment - do you really need to print this e-mail?

From: Magill, Aaron

Sent: 25 April 2012 16:09

To: Brankin, Bernie; Rodgers, Philip; Hinds, John; McGarrity, Ciaran; McCausland, Fiona; Pinkerton, Mark; McKeown, Bernard; Fleming, Lorraine; Jackson, Angela; Pauley, Alberta; Stevenson, Bill; Young, Michael; EPDAdmin; 'Tourism Policy Email'; Telecoms Policy E-mail (DETI); O'Cleary, Renee; Dolaghan, Paul; Clydesdale, Alison; Martin, Olivia; McCutcheon, Joanne; Hughes, Peter; Frazer, Fred; Davis, Gwen; Neth_Energy; McMahon, Aidan; Tomlinson, Amanda; Francey, David; Livingstone, David; Cunningham, Dennis; Williamson, Sandy; McCleave, Assumpta; Nesbitt, Reginald W; Conliffe, David; Dolan, Elaine; Hawthorne, Jill; Coyne, Terence; Cardwell, Mark; Hamilton, Maeve; Carr, Paul; 'europeansupportunit@detini.gov.uk'; Cunningham, Patrick; Aiken, Glynis; McCune, David; Livingston, Joe; Crook, Pip; Martin, Alison; 'Donna Magee'; 'Nicola Murray'; 'Phil Taylor'; 'Charles McMurray'; 'Ian Maxwell'; 'brian.dolaghan@investni.com'; 'katrina.odowd@investni.com'; 'smpmailbox@investni.com'; 'gerard.mcnally@investni.com'; Rogers, Suzanne; Trimble, Beverly; 'nitbfinance@nitb.com'

Cc: Lamont, Alan; Kerr, Jackie; Cooper, Trevor; Thompson, Mike; Hutchinson, Graeme; Hepper, Fiona; Brush, Paul; Baxter, Clare; Murphy, Shane; McFarlane, Iain; 'Antoinette McKeown'; Keyes, Jim; Thomson, David; Sterling, David; 'Invest NI'; 'alastair.hamilton@investni.com'; Pyper, Alistair; McFadden, Eoin; Parkhill, Laura; Crothers, Amanda; Dunbar, Conor; Jackson, Angela; Forsythe, Trevor; Rose, Paul; Blaney, Eamonn; White, John; McAllister, Sam; Thompson, Sandra; Harris, Michael; Chowney, Alan; McAllister, Irene; Malcolm, Nicola; Loughrin, Garvin; Colhoun, Elizabeth; Hasson, Joe; Gawley, Leslie; Loughan, Jim; Connolly, Jackie; Curley, Michael; McStravick, Kathleen; McWilliams, Margaret; Donnelly, Carol; Ryan, Damien; Warnock, Beverley; Winter, Andrew; Hanna, Patrick; McCarter, Noreen; Anderson, Ruth; Stevenson, Valerie; Haughan, Anthony; 'etopping@consumercouncil.org.uk'; Long, Louise

Subject: FW: Revised Guidance on the Use of Professional Services

Please see below FD (DFP) 07/12 attaching revised guidance on the use of professional services, and in particular, external consultants. The guidance

adopts the umbrella term professional services to cover both **consultancy** and **other professional services**.

The guidance is effective from 1st April 2012 and applies to departments, agencies, NDPBs and other sponsored bodies. This replaces guidance on the use of external consultants found in FD (DFP) 04/09.

The guidance is set out in two separate documents;

1: The main guidance setting out the principles and procedures on the use of professional services and

2: Supplementary Consultancy Co-ordinator Forum Guidance designed to assist with the implementation of the main guidance, which includes: -

- 1 Account NI Codes
- 2 Business Case Template
- 3 Business Case checklist
- 4 PPE Template
- 5 When to complete various stages of PPEs
- 6 Appendix to issue with requests for expenditure information
- 7 Detailed information to be recorded by departments
- 8 Information to be sought by DFP for annual returns
- 9 DFP Supply IMS proforma for annual returns
- 10 List of CoPEs
- 11 List of Contacts (for Finance Branch use only)
- 12 Links to relevant guidance
- 13 Categories of Professional Services

I would be grateful if you would circulate FD (DFP) 07/12, along with the revised guidance, widely within your area of business.

This guidance should also be forwarded to TIL and ITI.

Any queries about this guidance should be directed to myself 02890 529518 or Adrian Goodman 02890 529643

This guidance is also available on the AFMDNI Website (links provided below).

http://www.afmdni.gov.uk/pubs/FD/fd_dfp0712.DOC
http://www.afmdni.gov.uk/pubs/FD/fd_dfp0712att.DOC

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FD (DFP) 07/12

20 April 2012

Dear Finance Director

GUIDANCE ON THE USE OF PROFESSIONAL SERVICES

Purpose of this letter

1. Attached to this letter is the revised guidance on the use of professional services, and in particular, external consultants. The guidance adopts the umbrella term professional services to cover both consultancy and other professional services.
2. The principles outlined in the guidance are effective from 1 April 2012 and apply to all departments, agencies, NDPBs and other sponsored bodies.
3. This replaces the current guidance on the use of external consultants found in FD(DFP) 04/09, and further clarification issued under cover of FD(DFP) 21/09 and FD(DFP) 22/09, which are now cancelled. The guidance is also fully reflective of FD(DFP)11/10 and FD(DFP) 15/11 (relating respectively to classification of costs on capital projects and use of optimism bias). This guidance is available on the AFMD website.

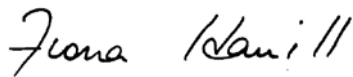
Background

3. DFP has undertaken a review of the 2009 guidance on use of external consultants to assess its practical implementation and address any issues that had arisen. This revised version of the guidance provides further clarification on the definitions and categories to be used, together with wider guidance on the recording and reporting of expenditure on all professional services.
4. Throughout the review there has been extensive consultation with departments, via consultancy co-ordinators, as well as within DFP (Central Procurement Directorate, Delivery and Innovation Division, Account NI and Central Finance Group).

Action to be taken

5. The use of professional services is an important part of running any large public organisation and consultants can provide specific skills which are not available within an organisation, or which are not needed on a permanent basis.
6. The decision to use consultants, or any external professional service, must be fully justified, the procurement properly conducted, the assignments managed and the costs recorded. This guidance is intended to aid these processes.
7. Departments should ensure that it is immediately disseminated across all business areas, including agencies, NDPBs and sponsored bodies.
8. Any queries from departments relating to this guidance should be addressed in the first instance to the appropriate DFP Supply Officer. In the case of sponsored bodies, any queries should initially be directed to the sponsor department.

Yours sincerely



FIONA HAMILL
Treasury Officer of Accounts

DFP GUIDANCE

USE OF PROFESSIONAL SERVICES INCLUDING CONSULTANTS

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ANNEX 1 PROCESS MAPS:

- a. Use of External Professional Services other than Consultancy
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GLOSSARY OF TERMS/ABBREVIATIONS

AFMD	Accountability and Financial Management Division
ALB	Arms Length Body
AQ	Assembly Question
BCS	Business Consultancy Service
CoPE	Centre of Procurement Expertise
CAL	Centre for Applied Learning
CPD	Central Procurement Directorate
DAC	Direct Award Contract (formerly known as Single Tender Action)
DFP	Department of Finance and Personnel
EU	European Union
FOI	Freedom of Information
ISID	Information Strategy and Innovation Division
MPMNI	Managing Public Money Northern Ireland
NAO	National Audit Office
NDPB	Non Departmental Public Body
NISRA	Northern Ireland Statistics & Research Agency
NIAO	Northern Ireland Audit Office
NICS	Northern Ireland Civil Service
NIGEAE	Northern Ireland Guide to Expenditure Appraisal and Evaluation
OGC	Office of Government Commerce
PAC	Public Accounts Committee
PFI	Private Finance Initiative
PO	Purchase Order
PPE	Post Project Evaluation
PPP	Public Private Partnership
RBM	Resource Budgeting and Management
STA	Single Tender Action (now known as Direct Award Contract)

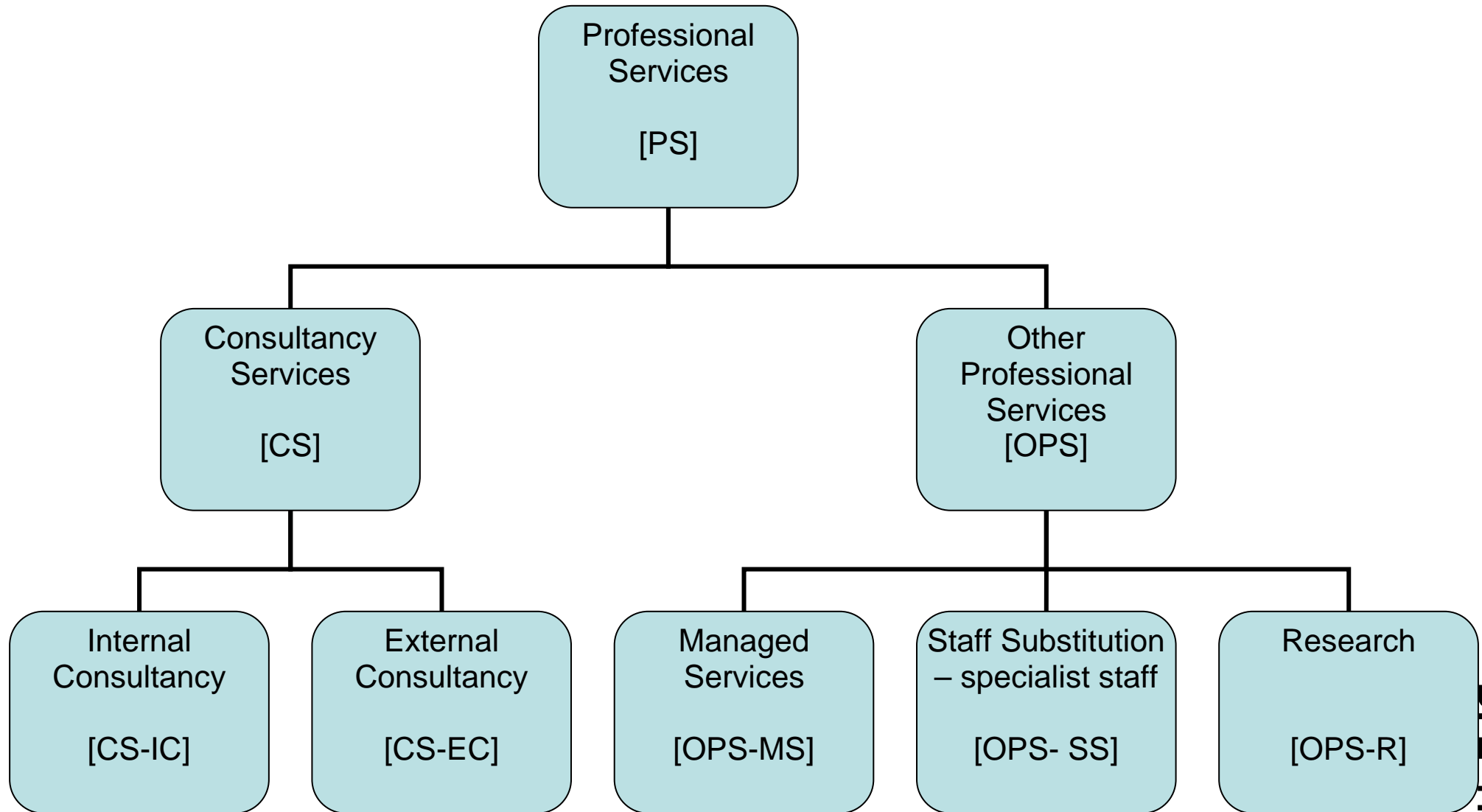
1. INTRODUCTION

- 1.1 The Department of Finance and Personnel (DFP) issued guidance on the engagement of consultants in March 2009. This guidance, which provided clarification of the definitions to be used when recording and reporting expenditure on consultants also reflected developments in Whitehall departments and was drawn up in consultation with Northern Ireland departments.
- 1.2 DFP initiated a review of the 2009 guidance in early 2011 to assess the practical implementation of the guidance and address any implementation issues that have arisen. The cross-departmental Consultancy Coordinator Forum has contributed very significantly to this review.
- 1.3 This revised version of the guidance provides further clarification on the definitions and categories to be used, together with wider guidance on the recording and reporting of expenditure on **all professional services**. As illustrated in Figure 1 below, this guidance adopts the umbrella term professional services to cover both consultancy and other professional services. Definitions used in this guide are derived from the Office of Government Commerce (OGC) and the Professional Services Forum, in consultation with NI departments.
- 1.4 The guidance is intended to help departments, and their sponsored bodies, identify and classify the varying forms of professional services but it cannot substitute for the local and more detailed business knowledge of the nature of any given assignment and the context in which it is being carried out. The guidance provides some advice specific to external consultancy. It should be noted that the guidance and rules contained in Managing Public Money Northern Ireland (MPMNI), the Northern Ireland Guide to Expenditure Appraisal and Evaluation (NIGEAE) and CPD Procurement Guidance Notes apply when employing all categories of external professional services. Information on internal consultancy services provided by Business

Consultancy Service (BCS), within Information Strategy and Innovation Division (ISID), can be found on their webpage.

- 1.5 High level process maps (for “Use of External Professional Services other than Consultancy” and for “Use of External Consultancy”, respectively) illustrating the main processes, from the identification of the need for an assignment through to its completion, are provided at **Annex 1**.
- 1.6 If a department is in doubt about how a particular assignment should be classified (i.e. as external consultancy or other professional services), they should contact their DFP Supply Officer in the first instance. Sponsored bodies should route any such queries initially through their sponsor department.
- 1.7 This guidance applies to all Northern Ireland Civil Service (NICS) departments, agencies, non departmental public bodies (NDPBs) and all other sponsored bodies and comes into effect from 1 April 2012. It does not have retrospective application.
- 1.8 This guidance is available on the Accountability and Financial Management Division (AFMD) website.

Figure 1: Broad Classification of Professional Services



2. DEFINITIONS AND CATEGORIES OF PROFESSIONAL SERVICES

Key Principle 1

There should be a common understanding of the different categories of external professional services, especially what constitutes external consultancy.

This chapter considers the range of professional services used and provides advice and guidance on the following:

- The distinction between consultancy and ‘other’ professional services
- The definitions of internal and external consultancy
- The use of other professional services
- Staff substitution
- Research

2.1 What are “Professional Services”?

2.1.1 Professional Services can be defined as unique, infrequent, or technical functions performed by external providers or by specialist internal sources of expertise, and can be sub-divided into two broad categories namely:

- a) **Consultancy Services:** ad hoc consulting requirements to provide **advice** and **identify options**; and
- b) **Other Professional Services:** related to the **routine business** of a department, steady state operations and the **implementation** of advice or options identified by consultants.

This distinction is useful when it comes to reporting expenditure on the use of professional services, and in particular, external consultancy services. Separate

codes should be set up specifically for each category of professional services i.e. both consultancy and other professional services, to enable clear and consistent reporting of expenditure information. Organisations using Account NI have access to a suitable range of codes (accessible on the AFMD website) and other bodies should ensure that equivalent expenditure coding arrangements are in place.

2.2 Correctly classifying expenditure

2.2.1 It is important to remember that external providers can be employed not just to deliver consultancy, but also to deliver a range of other professional services and that definitions should be applied to the services being procured, not the label attaching to the provider. Providers typically market themselves under a variety of names including consultants, professional advisers, systems integrators, interim managers, contractors and outsourced service providers, any one of which may provide services that include consultancy, system delivery, staffing cover etc. It is important therefore to be clear about what is being purchased since providers in these categories can offer a package of services combining several different types of work. The nature of the service being provided will determine the classification/category and treatment thereof of each element of the service.

2.2.2 When deciding to classify expenditure on professional services between consultancy services and other professional services it is important that departments and their sponsored bodies take account of the context, or specific circumstances, in which the expenditure is being considered. Where the resources are being provided for a limited period of time to carry out a specific, finite or one-off task or project that could not be deemed to constitute “business-as-usual”, then it should be classified as consultancy – otherwise it would be classified as other professional services. The key point is that this distinction will be **context-dependent**.

2.2.3 For instance, in the wider public sector consultancy services are often associated with major capital projects. However within certain departments, whose key functions include the delivery of infrastructure programs, the development and

delivery of major capital works is at the heart of core business delivery and therefore it is important that such organisations clearly identify those instances where external professional services are accessed as part of steady state operations and when they are used to support ad-hoc projects.

2.2.4 In general, expenditure on:

- advice/support on governance matters,
- on the preparation of business cases, or;
- any other work associated with achieving expenditure approval.

would not normally be defined as part of the delivery of the product/service and should be treated as consultancy. However, as discussed in paragraph 2.6.2, in instances where steady state operations conflict with this position, it is for the department to provide a justification for the divergent treatment.

2.2.5 Hence, whilst the principles of separately identifying consultancy and other professional services can be summarised readily, it is important for departments to develop and document their own policy. In so doing they should draw upon the principles set out in this guidance, so as to ensure that the distinction between consultancy services and other professional services by a department is rational and defensible. Departments should seek and formally agree similar departures with their sponsor bodies.

2.3 Recording and reporting consultancy services

2.3.1 Consultants can be used to provide skills and expertise not available from existing staff, or when necessary they can provide an independent assessment of a particular function, situation or project.

2.3.2 Consultancy services can be divided into:

- Internal consultancy
- External consultancy

2.4 Internal consultancy

2.4.1 Internal Consultancy is defined as a service provided by one department or sponsored body to another e.g. by DFP's Business Consultancy Service (BCS). Information on the services provided by BCS can be found on their webpage. Before approaching the external market consideration should always be given to the potential services available from the many and varied other sources of internal professional services.

2.5 External Consultancy Services

2.5.1 External Consultancy is defined as :

*“The provision to management of objective **advice** relating to strategy, structure, management or operations of an organisation, in pursuit of its purposes and objectives. Such advice will be provided outside the ‘business-as-usual’ environment when in-house skills are not available and will be time-limited. Consultancy may include the identification of options with recommendations, or assistance with (but not the delivery of) the implementation of solutions.”*

Consultancy will generally be a specific, finite or “one-off” task or project which provides advice and/or identifies options.

2.5.2 External consultancy services are expected to either provide additional skills or expertise which are not available within the organization and are engaged to carry out activities such as investigating problems, providing analysis or advice, or assisting with the development of new systems, new structures or new capabilities within the organisation. They can also be called upon when an independent (i.e. outside government) assessment of a particular function, situation or project is required.

2.6 Other Professional Services

2.6.1 **Other professional services**, is an umbrella term used to describe any external resources used in a 'business-as-usual' environment to carry out a routine part or core function of a department, they can be further classified into:

- Managed services;
- Staff substitution - specialists; and
- Research

Managed Services

2.6.2 Managed Services describes external resources used to carry out a routine part or core function of a department for a specific duration in a steady state/business as usual or implementation context: for example Roads Service engagement of external resources in maintaining and constructing roads would be considered as managed services within the wider arena of other professional services. In such cases, a deliberate decision will often have been taken that although there is an ongoing need to undertake work in a particular area, the private sector or other external resources are best placed to deliver the work - for example, design of capital projects such as hospitals or roads. These ongoing services, which could be delivered by in house teams if it were decided to develop the internal capacity, are classified as managed services. Note that this rationale must be applied carefully: the circumstances will vary from case to case and in novel cases or where, even after consideration, there remains significant doubt about the classification, departments should contact their DFP Supply Officer in the first instance. Sponsored bodies should route any such queries initially through their sponsor department.

2.6.3 It is important that managed services are distinguished from other contracted out/outsourced arrangements providing routine services such as security, catering, cleaning, waste management etc which are **not** considered to be other professional services. Separate account codes for contracted out services

should be used and it is important that organizations provide clear advice to their business areas on the use of these codes.

2.7 Staff Substitution

2.7.1 Staff substitution refers broadly to occasions where outside staff are engaged on a temporary basis to cover particular roles for a variety of reasons. Due to the differing nature of these roles, and the reasons for their engagement, only certain staff engaged on this basis will be considered to constitute other professional services.

2.7.2 In general staff substitution can be disaggregated into three sub-categories:

- Specialists;
- Interims; and
- Admin and clerical.

It is only those classed as specialists who are likely to be considered to be within the scope of other professional services.

2.7.3 Specialists normally occupy middle to senior grades. They discharge functional or senior positions within the organisational structure as part of the “business-as-usual” environment and ideally are engaged on a short term basis. They may be used to provide expertise that does not exist in-house, but they may also be engaged when specialist knowledge or expertise does exist internally, but where it would prove inefficient and impractical to use (e.g. the cost of diverting appropriate internal staff to perform the task would outweigh the benefits of assigning the task internally – as may be determined through a normal business case option appraisal process).

2.7.4 Specialists typically provide services in business areas such as finance, HR, IT, legal, logistics, marketing, medical, procurement, estates or in technical disciplines (including engineering). In some instances, their role may include a

degree of organisational involvement (e.g. managing staff, representation at meetings). Such specialists are not generally provided through an agency.

2.7.5 Specialists are used to provide additional resource, skills and expertise, not to cover vacancies etc. Such staff are considered to be providing a Professional Service and should be included under Other Professional Services as staff substitution.

2.7.6 Although interims and admin and clerical staff are also temporary, they are not normally regarded as providing a professional service and should **not** therefore be classified as staff substitution under the specific expenditure category of other professional services. Further details on Interims and Admin and Clerical staff are provided below to aid departments and their sponsored bodies when judging how to categorise temporary staff.

2.7.7 **Interims** are normally middle to senior grade staff working in an organisation. However, distinct from specialists (see above), they are concerned with the fulfillment of a particular professional, functional or senior management role within the organisational structure that would constitute “business-as-usual” activity, or providing cover for an ongoing role. Other than in exceptional circumstances they would be engaged on a short term basis that:

- may involve providing cover (e.g. for a vacancy, holiday or sickness) or additional resource (e.g. for a new team until someone is recruited, or a seasonal peak in workload);
- may include Professional Interim Staff (e.g. senior qualified professionals in areas such as legal, finance, audit, HR etc) and Interim Managers (including up to the most senior levels of the organisation); and
- is likely to include a degree of organisational involvement (eg managing staff, representation at meetings).

Interims would typically be engaged through an agency but in some cases can be engaged directly. Such staff would **not** be included under Other Professional Services.

2.7.8 Admin and Clerical staff are normally lower grade individuals who are filling an existing role within the organisational structure on a short term basis, They:

- are normally engaged on an ad hoc or temporary basis to fulfill requirements within established posts;
- involve providing cover (eg for a vacancy, holiday or sickness) or short term additional resource (eg for a seasonal peak in workload); and
- may be undertaking operational or professional roles.

Admin and Clerical staff would typically be engaged through an agency but in some cases can be engaged directly. These staff should **not** be included under Other Professional Services.

2.8 Research

2.8.1 Research that focuses upon the routine business of the organisation (even where provided by the research arm of an external consultancy firm) is not regarded as external consultancy, but rather as other professional services. This will include where research is a core business function of an organisation in terms of meeting its objectives. This should be clearly distinguished from an external consultancy assignment that entails some research, for example, into the internal workings of the organisation in order to propose a new staffing structure, which would form part of the external consultancy contract.

2.8.2 Further guidance on what constitutes research should be sought from your finance team, examples of research activities include:

- (a) activities aimed at obtaining new knowledge;
- (b) the search for, evaluation and final selection of, applications of research findings or other knowledge;

- (c) the search for alternatives for materials, devices, products, processes, systems or services; and
- (d) the formulation, design, evaluation and final selection of possible alternatives for new or improved materials, devices, products, processes, systems or services.

3. THE DECISION TO ENGAGE EXTERNAL PROFESSIONAL SERVICES

Key Principle 2

External Professional Services should be engaged only after a business case has been prepared and full consideration has taken place, including consideration of the appropriate use of in-house capacity.

This chapter considers the range of professional services used and provides advice and guidance on the following:

3.1 Deciding to engage external professional services

- 3.1.1 Any decision to commit public resources carries with it a clear responsibility to demonstrate value for money and regularity. It is essential therefore that departments ensure that proper procurement, management, recording and reporting is applied to all expenditure and in particular, given the specific Assembly and wider public interest, to any expenditure on external professional services.
- 3.1.2 Before reaching a decision to engage consultants, or any provider of external professional services, departments must be satisfied that there is a justifiable reason for doing so. The tangible and intangible benefits to accrue to the organisation should be recorded and compared against the likely cost in a business case. The fundamental principle is that external professional services should be engaged only when it is necessary and will provide value for money.
- 3.1.3 In cases where existing staff would normally be expected to have the skills to carry out the assignment i.e. internal consultancy units, departmental IT staff, economists, accountants, design/construction professionals etc., then the

department must, in the first instance, establish whether it has the capability and capacity to carry out the assignment before it seeks external support.

3.1.4 In the case of a proposed consultancy assignment concerning issues related to business change, be that a change in policy, structure, governance, processes or service delivery, NICS core departments and executive agencies must contact BCS, within ISID to establish whether it has the capability and capacity to undertake the assignment. Similarly, all **sponsored bodies should first look at the internal capacity within their own organisation (or across appropriate shared service organisations) before looking outwards.**

3.1.5 **If a decision is taken to use external professional services, the business case must document that the in-house alternatives have been fully explored and explain why the use of any available internal resources is not appropriate.**

3.1.6 Where this process reveals a gap in the skills or expertise that staff would normally be expected to have, business areas should ensure that the gap is identified in staff Personal Development Plans and reflected in Training Plans. Where appropriate, the Centre for Applied Learning (CAL) or other approved training providers should be approached to develop and offer training to address the gap.

3.1.7 Engagement of external consultants may be appropriate when:

- internal capacity is unavailable to undertake a new area of work (“non-business as usual”);
- independence/objectivity is required and cannot be provided within the NICS (e.g. by departmental Internal Audit, BCS etc);
- specialist knowledge or expertise is unavailable internally, or;
- there is a direction to do so arising from legislation or Government policy.

3.2 Consulting with Trade Union

3.2.1 Before commissioning consultancy work on any assignment which may impact on the organisational structure and/or staffing, the organisation concerned should notify the relevant Trade Union representatives.

3.3 The need for a business case

3.3.1 As with any expenditure proposal, the principles of economic appraisal must be applied to any decision to engage external professional services. A proportionate business case should be completed for every external professional services contract as it would be for any other type of expenditure.

3.3.2 Where engagement of external professional services takes place as part of a business as usual operations then that decision to use external professional services should be routinely re-evaluated on a regular basis (as soon as circumstances change materially and in any event preferably annually).

3.3.3 In circumstances where there are a number of related professional services contracts, for example in one business area or in relation to a specific project, it is more appropriate to appraise an ongoing programme of assignments, rather than each individual assignment, especially in cases where they are numerous, individually low in value or similar in nature. If in doubt, sponsored bodies should obtain advice on this point from their sponsor department. Departments should refer to *The Northern Ireland Guide to Expenditure Appraisal and Evaluation (NIGEAE), 2009* available on the DFP website and seek advice from their DFP Supply team as appropriate.

3.4 Consultancy as an element of a bigger project

3.4.1 If the business case for a project includes an element of external consultancy, then a separate business case for this consultancy element is not automatically required. The overall project business case will, however, be expected to fully

document all the options that have been considered (including the use of internal resources where appropriate) and to illustrate that external consultancy resources provide the best value for money. If the cost of the proposed external consultancy element of the overall project is above the delegated limit (£75k or as otherwise agreed with DFP) the project business case must be submitted to DFP Supply for approval, even if the total value of the project, to which they will be contributing, is below the delegated limit. For this reason departments may choose to prepare and submit a separate business case for the engagement of external consultancy resources which is then referenced in (or referenced to – depending on the sequence of preparation) the main business case. It must also be borne in mind that, following the Executive decision during the Budget 2010 process, and as detailed further below, all individual external consultancy assignments of £10,000 or more in value must be approved by the relevant Minister. (Individual Ministers may set any lower level that they see fit).

3.5 Using consultants to write a business case

3.5.1 In instances where External Consultancy Services are required to write a business case for a future project, a business case is required for this consultancy assignment with appropriate approvals, prior to their engagement.

3.6 Developing the business case

3.6.1 Centres of Procurement Expertise (CoPEs) can be a valuable source of information and advice and can be approached to help estimate or validate costs for inclusion in business cases.

3.6.2 The business case is used to obtain management commitment and approval for investment in the engagement of external professional services, through a clearly presented rationale for the requirement. It provides a framework for planning and management of the external professional service required, and the actual outputs and deliverables of the engagement will be monitored against the business case.

3.6.3 The business case ensures that proposals:-

- are supported by a robust case for change via *the Strategic case*
- optimises value for money via *the Economic case*
- are commercially viable via *the Commercial case*;
- are financially affordable via *the Financial case*; and
- can be delivered successfully via *the Management case*.

The level of detail provided within the business case should be proportionate to the value and complexity of the assignment.

3.6.4 Business cases should therefore set out in detail, proportionate to the proposed assignment:

- The purpose of the assignment.
- A reasoned assessment of the alternatives to external resources, and particularly the justification for using external consultants. Where it is decided not to use internal consultants a full explanation must be provided for this decision.
- The immediate and long-term outputs and benefits expected from the External Consultancy resources, when they are likely to accrue and how they will be measured.
- The proposed project management arrangements, including management of deliverables, expectations and risks.
- The means by which skills/expertise will be transferred to 'in-house' staff and/or internal consultants if appropriate. If not appropriate, the business case should state the reasons why it is not appropriate.
- The proposed division of work between the external consultants and any 'in-house' staff and/or internal consultants who will be assisting them.
- The expected costs of both the external and the 'in-house' effort.
- The performance review arrangements.
- How the results of the External Consultancy will be implemented and monitored.
- Any other considerations specific to the assignment.

Optimism Bias

3.6.5 The concept of Optimism Bias was introduced by HM Treasury to redress the tendency for appraisers to be overly optimistic about the costs, benefits and duration of projects. A framework was subsequently developed to help appraisers quantify the level of optimism and adjust the costs, benefits and duration of the projects accordingly. This framework was based on evidence gathered from construction, engineering, equipment and outsourcing projects. The level of Optimism Bias present in External Consultancy assignments was not examined and the framework is therefore not relevant to external consultancy cases. As a result, DFP does not expect to see this framework being applied when preparing such cases. They should simply contain the best estimates of the cost of the proposed external consultancy assignment.

Business Case Template

3.6.6 A business case template and checklist are available on the AFMD website. The checklist should be used to assess if the information contained within the Business Case provides the agreed standard of assurance expected by DFP.

3.7 Approval of External Consultancy expenditure

3.7.1 The expenditure associated with engagement of external consultants is subject to specific delegated limits. Departments must abide by these limits and fulfill any associated conditions before a contract is awarded.

Ministerial approval

3.7.2 As part of the Budget 2010 settlement the Executive agreed a threshold for ministerial approval of £10,000 for individual external consultancy proposals. Departments must therefore seek ministerial approval for all external consultancy assignments, be they in the department, its agencies or NDPBs, that are expected to exceed this threshold. Individual departments are at liberty to establish a lower level than this should ministers wish.

DFP approval

- 3.7.3 Each department must abide by the delegated limit set out in DFP guidance on Delegations, and available on the AFMD website, namely that each separate engagement of external consultants by departments, or their agencies and NDPBs, expected to cost over £75,000 (or as otherwise advised by DFP) must have prior DFP approval. All external consultancy business cases submitted to DFP must have the approval of the departmental accounting officer and confirmation of ministerial approval before they will be considered. Only in exceptional circumstances and where it is satisfied that such approval is justified, will DFP consider granting retrospective approval.
- 3.7.4 Once granted, DFP approval remains conditional upon:
- the assignment being commenced within 24 months of approval;
 - there being no substantial changes to the scope/scale of the assignment as described in the business case.
- 3.7.5 In the event of either of these conditions no longer applying, a fresh DFP approval will be required. Where a cost overrun, contract variation, change control or extension would take the assignment value over £75,000 (or the agreed delegated limit if different) DFP approval will be required for the entire assignment.
- 3.7.6 Such DFP approval should be sought by submitting a revised business case or an addendum to the original business case seeking approval for the entire proposed expenditure. It should cover the ten steps of the economic appraisal (as per guidance in NIGEAE, available on the DFP website) and should demonstrate that the choice of preferred option remains the best value for money. A DFP business case proforma is available and can be used as the template for a business case being submitted to DFP. In addition all business cases submitted to DFP for approval should be accompanied by a completed DFP Integrated Monitoring System (IMS) proforma.

3.7.7 DFP consideration of requests for revised approval will take account of factors including:

- whether DFP Supply was approached on the earliest indication that compliance with one or more of the above two conditions (para. 3,7.4) was in doubt, and;
- whether adherence to correct appraisal procedure can be demonstrated.

3.7.8 Should the request for DFP Supply approval be declined, these factors, along with any other mitigating circumstances, will be taken into account when determining the extent of the irregular spend. If DFP approval is not obtained, **all** of the expenditure incurred **may** be deemed to be irregular.

Departmental approval for sponsor bodies

3.7.9 Each department will have agreed delegated limits agreed with its sponsor bodies above which they must seek approval before engaging external consultants.

3.8 Cost disaggregation

3.8.1 Departments should note that the thresholds above apply to the total cost of individual external consultancy assignments, irrespective of the time taken to complete the assignment. Assignments should **not** be split into parts where this would be designed primarily so as to escape approval requirements. Also, FD(DFP)14/11 draws attention to amendments to NIGEAE guidance which clarify the importance of identifying total cost consequences and emphasises that mutually dependent expenditures must be appraised together.

3.9 Knowledge and Skills Transfer

3.9.1 External consultants should be engaged on a temporary basis, for a finite period, with a view to transferring, when appropriate and to the greatest extent possible, their knowledge and skills to in-house staff, thereby providing for internal staff

development and reducing future need to engage external consultants. Departments/sponsored bodies should identify the gap in knowledge and assess the potential for skills transfer. This should then be built into the scope of the assignment along with the impact of the skills transfer and the outcomes to be achieved. Departments should bear in mind the need to make internal staff available to work alongside consultants to facilitate this skills and knowledge transfer. Where skills transfer is not considered feasible the rationale for this decision must be clearly documented in the business case.

3.9.2 Frequently the very reason that external consultants are engaged in the first place is that a considered decision has been taken that the particular skills required are such that use of consultants is the preferred option, both now and in the foreseeable future. Obviously in such cases, knowledge and skills transfer is not an issue to be further pursued but the rationale for this must be recorded in the business case.

3.9.3 However, where skills transfer is achievable it must be built into the criteria and assessment process at tendering stage as a key element, and parameters put in place to measure it e.g. details of previous cases of knowledge transfer and the impact thereof. This can then be included in the contract if appropriate.

3.10 Value for Money

3.10.1 The National Audit Office (NAO) has developed a web-based toolkit for the use of consultants which provides a framework for reviewing the extent to which an organisation is achieving value for money from its use of consultants by diagnosing areas of weakness and how and where improvements can be made, using examples to show good practice. The toolkit is available on the NAO website.

3.10.2 In addition account must be taken of relevant Central Procurement Directorate (CPD) advice and guidance, available on the CPD website.

4. THE PROCUREMENT OF EXTERNAL PROFESSIONAL SERVICES

Key Principle 3

Appropriate procurement advice should be sought from a Centre of Procurement Expertise in respect of any proposed assignment for external professional services.

4.1 CoPE Involvement in Procurement

4.1.1 Once a department/organisation is convinced of the need to engage external professional services, it must contact a nominated CoPE for advice and information as early as possible in the planning stages. CoPEs can assist departments in the procurement of these services to ensure a collaborative approach is taken across the NICS and seek to avoid duplication. Departments that do not have access to nominated CoPEs should refer to CPD. Sponsored bodies of departments that do not have their own nominated CoPE should seek advice through their sponsor department in the first instance.

4.1.2 Departments wishing to use an external consultancy framework let by OGC should first consult CPD, or other nominated CoPE, who will advise whether it is appropriate to do so.

4.2 Central Procurement Directorate's (CPD's) contracting arrangements for External Professional Services

4.2.1 Departments should contact and liaise with CPD/their CoPE(s) for all external professional services procurement. With the introduction of the eSourcingNI portal CPD has reduced the use of Framework Agreements and runs separate competitions for a number of external professional services.

4.2.2 Where services are required outside the above arrangements departments should consult with their CoPE/CPD on the appropriate sourcing strategy.

4.2.3 CPD/the nominated CoPE will manage the procurement process and contractual matters, including:

- deciding if EU legislation applies to planned expenditure on external professional services;
- inserting appropriate notices in the Official Journal of the European Union or local press;
- inviting tenders and facilitating the evaluation of bids;
- agreeing contracts between a department and the providers employed; and
- all contract variations, change controls and extensions

4.2.4 CPD/nominated CoPEs will have undertaken security/vetting checks where appropriate on all personnel offered within an external professional services assignment. If departments use direct award contracts (formerly known as single tender actions), without CPD/CoPE involvement, they should undertake their own checks, adhering to Procurement Guidance on award of contracts without competition, available on the CPD website.

4.3 Procuring

4.3.1 Departments and their sponsored bodies should refer to a CoPE to determine the relevant procurement requirements for a particular external professional service and shall take account of relevant Procurement Guidance notes when considering the procurement of professional services. A decision by a department, or one of its sponsored bodies, to award a contract for external consultancy without competition (Direct Award Contract (DAC) must, in all cases irrespective of value, have the prior approval of the departmental Accounting Officer, (usually the Permanent Secretary). In the case of a proposed Direct Award Contract for other external professional services, the approval of the relevant body's accounting officer is required. Where the Accounting Officer has

delegated responsibility for the approval of DACs, that approval shall be in accordance with the delegated limits. Accounting Officers should ensure that a list of all DACs is retained for consideration by the Departmental Board and Departmental Audit Committee.

4.3.2 Requests seeking departmental Accounting Officer approval of DACs should incorporate Head of Procurement advice, and legal advice where appropriate, together with consideration of the circumstances and an assessment of the risks involved. However, the final decision remains with the relevant departmental Accounting Officer. In addition, CoPEs will be able to advise departments when very low value assignments can be procured directly by departments. Procurements outside a Framework arrangement should be in accordance with Procurement Control Limits set out in relevant CPD Guidance, available on the CPD website, or such other Procurement Control Limits that may be in place in specific organisations.

4.3.3 It is worth noting that the following circumstances are not regarded as DACs and therefore do not require Accounting Officer approval:

- contracts awarded under a framework agreement, when the framework agreement was subject to competition and the Terms and Conditions used to establish the framework are being used to award contracts
- contract variations when a mechanism for managing variations is included in the contract which has been established by competition and the variations do not amount to a material change to the original competition.
- extensions or options which are provided for in a contract, provided that the contract has been established by competition and the extensions or options do not amount to a material change to the original competition.

4.3.4 Any variation or contract change, including contract extensions, should not take place without consultation with CPD or other nominated CoPE, unless these

changes are very minor in cost, time and substance. Full consultation with the nominated CoPE is necessary to ensure that the proposed variation/extension is within the scope of the contract. It will also ensure that both parties to the contract are clear on the terms and conditions associated with the proposed variation/extension, should these differ from that of the original contract. Should a contract variation or extension breach the accepted criteria (as may be advised by nominated CoPEs) then it would fall to be classified as a Direct Award Contract in its own right, and hence bring with it the associated approval implications.

4.5 Engagement of Former Public Servants

- 4.5.1 The use of former public servants is not precluded as it can, in certain instances, offer the best value for money means of achieving a given task or objective. However, any such decision should be informed by the normal business case justification and approval process, proportionate to the scale of the project. Any subsequent appointment should be made in the context of the procedures set out in this guidance.
- 4.5.2 In all cases where it is intended to award a contract for external consultants without competition (including those involving former public servants) the relevant departmental Accounting Officer, normally the Permanent Secretary, must grant prior approval. In addition, as with any engagement of external professional service providers, departments will wish to ensure that there is appropriate professional indemnity in place.
- 4.5.3 In engaging any former public servants it should be made clear to them that they should be aware of any implications that their appointment may have on present or future pension entitlements. To this end the organisation engaging the individual(s) concerned should seek to advise them of any impact on their pension of accepting such an appointment.

4.5.4 In the case of departments, It is also the responsibility of each department to notify Civil Service Pensions (CSP) if they re-employ a retired civil servant with a pension in payment from the PCSPS(NI) (DEOs 27/07 and 32/07 refer). If the individual is to be appointed is in receipt of a PCSPS(NI) pension the Department must routinely notify CSP of the appointment and the terms on which it has been made (ie as a consultant, on re-employment as an employee) having firstly obtained legal advice on whether or not the member is now, in substance, an employee.

5. THE MANAGEMENT OF EXTERNAL CONSULTANCY

Key Principle 4

Once appointed, external consultancy assignments need to be carefully and actively managed and where appropriate, steps taken to ensure knowledge transfer takes place.

While this section deals specifically with the management of external consultancy, it would be good practice to also apply this guidance to the management of all professional services.

5.1 General Responsibilities

5.1.1 Departments, and where applicable their sponsored bodies, must ensure that:

- all external consultancy assignments are supported by a contract let by the nominated CoPE;
- all contracts must be recorded on Account NI (or equivalent financial system for NDPBs and other ALBs) and all associated procurement processes complied with;
- in addition, information held on Account NI (or equivalent financial system or NDPBs and other ALBs) is supported locally by additional information; and
- the contract is performed in line with Terms and Conditions and agreed outputs.

5.1.2 It will also be the responsibility of respective Finance Directors to satisfy themselves that arrangements are in place that will ensure their organisation:

- Obtains all appropriate approvals.
- Has in place financial resources to complete each assignment.
- Monitors expenditure and performance of all External Consultancy assignments (including any extensions made to contracts - information on project overruns and guidance on extensions can be found in the procurement guidance note on Contract Management - Procedures and Principles, accessible on the CPD website).
- Establish a management system (including a database) for all External Consultancy which can provide information not captured on Account NI (or equivalent financial systems in sponsored bodies), to answer Assembly Questions, ad hoc queries and provide DFP with the required returns (see minimum recording requirements below).
- Avoid overlapping or duplication of consultancy work across the Northern Ireland public sector through the sharing of information with their CoPE and other departments, particularly for 'significant' consultancies.
- Promote competitive tendering.

5.2 Management and Evaluation

5.2.1 The Finance Director in each department should also be satisfied that arrangements are in place that will ensure, across the department and its sponsored bodies, that External Consultancy assignments are properly managed, including:

- Appointment of a Departmental Consultancy Coordinator as a central point of contact within the department and with DFP. This individual will be the main contact for the Consultancy Forum and for the required returns to DFP exercise (see Section 7).
- Appointment of an individual (or team of people as appropriate) with responsibility for managing each assignment (organisations may wish to nominate Contract Managers for projects costing over the EU threshold). It

is important that staff managing contracts ensure that conflicts of interest or potential conflicts, including acceptance of gifts and hospitality are brought to the attention of senior management so that they can be managed in a transparent manner.

- Regular liaison with the consultant to fulfill information requirements and resolve problems.
- Interim milestones/targets are agreed and monitored for the duration of the contract.
- A formal action plan has been drawn up for implementation.

5.2.2 Post-Project Evaluations (PPE) should be completed for all assignments to ensure that the objectives of the assignment have been met and lessons learned. A post project evaluation template is available on the AFMD website. If a number of consultancy assignments have been commissioned within the same broad area, e.g. to provide similar projects within a programme, consideration should be given to the benefits of assessing a number of consultancy assignments as a group, rather than individually. This approach should be agreed with the relevant DFP Supply Officer.

5.2.3 As with all appraisals, PPEs should be proportionate to the expenditure and nature of the exercise. To ensure PPEs provide meaningful information it is good practice to have independent involvement (i.e. from outside the business area). All PPEs in relation to assignments that required DFP approval (in the case of external consultancy, expenditure over £75k), should be copied to DFP Supply if required as a condition of DFP approval. DFP will also undertake test drilling exercises for assignments that are within departmental delegated limits.

5.2.4 PPEs must be used to promote good practice and the results should be shared widely across the public sector to ensure that key lessons are identified and disseminated. Accordingly, lessons from PPEs should be shared internally with relevant colleagues, their nominated CoPE and with other departments across

the NICS. This is particularly important in the event of unsatisfactory supplier performance, impacting upon achievement of expected outputs and, ultimately, value for money. CPD can provide current advice in this area.

5.3 External Consultancy Recording Requirements

5.3.1 External Consultancy expenditure tends to come under intense scrutiny. It is essential therefore, that departments and their associated bodies retain an audit trail of all key documentation relating to individual external consultancy assignments. This includes:

- business cases and approvals;
- tendering documentation;
- signed contracts;
- project planning and performance management information; and
- post project evaluations.

5.3.2 Departments must also ensure that adequate systems are in place for themselves, their executive agencies, NDPBs and other sponsored bodies to record details of the nature, relevant approvals, costs, timing and evaluation of all external consultancy assignments.

5.3.3 The systems should also separately distinguish departmental expenditure from that of executive agencies, NDPBs and all other sponsored bodies.

6. RECORDING OF EXTERNAL PROFESSIONAL SERVICES AND EXPENDITURE

Key Principle 5

Classification of expenditure as external professional services should be on the same basis as classification of in-house expenditure.

- 6.1 The classification being referred to here is between Resource (commonly still referred to as “programme”) and Administration. The classification of spending on external professional services, including external consultancy, should be on the same basis as the classification of in-house expenditure (ie either within Civil Service departments or within sponsored bodies as applicable).
- 6.2 Only where the service is contributing directly to front-line services should expenditure be treated as ‘Resource’, with DFP agreement. Each department should agree a framework with DFP Supply for assignments contributing directly to front-line services.
- 6.3 It is important that all External Consultancy expenditure in Account NI and Departmental Resource Accounts is reconciled with the information recorded in the annual returns to DFP (see Section 7) and agrees with the budgetary outturn information on the DFP Resource Budget Management (RBM) database. Departments must use the official purchase order (PO) process in Account NI when engaging external consultants to ensure that, where the relevant contract data is held by Account NI, it can be linked to the PO transaction for reporting purposes. Otherwise departments will have to compile this information separately. Departments should refer to the Account NI guidelines on “Reporting on External Consultancy” available on the Account NI portal. This guidance explains the purchasing process which should be used to facilitate the capture of specific external consultancy information available at the procurement stage and

the account codes to which the external consultancy relates. Ultimately this management information is a departmental responsibility and a comprehensive report through Account NI will be dependent on the detail and quality of information provided by the departments at the procurement stage. Any gaps in information not recorded on Account NI must be recorded on departmental systems. Reporting requirements are set out in Section 7.

6.4 Organisations not using Account NI should ensure that their systems capture and record all expenditure on Professional Services and that it is classified properly both:

- between Internal Consultancy, External Consultancy and Other Professional Services, including Managed Services, Staff Substitution and Research, **and**;
- between resource and administration.

Whether or not organisations are using Account NI Internal Audit should be in a position to give assurance to the Accounting Officer that the proper purchasing process is being used and information recorded. In addition to asking for an internal audit opinion, assurance should also be requested explicitly in statements of assurance from management.

6.5 All expenditure should record the actual cost to Government i.e. VAT should be excluded where it is recoverable.

6.6 Care should be taken to ensure that there is consistent recording of expenditure where fees and expenses are charged separately from the main body of work i.e. they should be regarded as part of the overall professional services cost.

6.7 Where an assignment covers both External Consultancy and Other Professional Services, it is the procuring organisation's responsibility to split invoices and ensure that the appropriate amounts are recorded in line with the relevant

classifications. Organisations should ensure that they will be able to provide information on e.g. Internal Consultancy and the constituents of Other Professional Services for Assembly Questions (AQs) and Freedom of Information (FOI) requests.

7. REPORTING OF EXTERNAL CONSULTANCY EXPENDITURE

Key Principle 6

There should be comprehensive and consistent reporting of expenditure, especially to elected representatives, on the basis of standard definitions.

This section refers specifically to External Consultancy expenditure. However, departments/sponsored bodies must be able to provide expenditure information on all categories of Professional Services.

- 7.1 External Consultancy expenditure, by its nature, tends to come under more scrutiny than many other areas of public spending. Consequently, it is important that there is consistent reporting of External Consultancy expenditure especially in response to AOs and the provision of information to the Assembly and Northern Ireland Audit Office (NIAO). The overriding principle is that departments must answer the question as asked.
- 7.2 Generally, in response to requests for expenditure information, **departments should only provide information in respect of the core department and executive agencies, and not NDPBs or other sponsored bodies** unless specifically asked for. If in doubt advice should be sought from DFP's Public Audit and Accountability Branch (PAAB).
- 7.3 The most commonly asked questions, along with DFP advice on their interpretation, would be as follows:
- a. Expenditure on 'consultancy': this would include all expenditure classified as internal and external consultancy. It would **not** include Other Professional Services ie Managed Services, Staff Substitution (Specialist) or Research.

- b. Expenditure on 'external consultancy': this would include all expenditure classified as external consultancy. It would **not** include Internal Consultancy or Other Professional Services ie Managed Services, Staff Substitution (Specialist) or Research.
 - c. Expenditure on 'management consultants': as with a. above, this would include all expenditure classified as internal and external consultancy in respect of the relevant categories ie Strategy and Organisation and Change Management.
 - d. "Payments to consultancy firms": this would include all payments to consultancy firms, including expenditure as applicable on External Consultancy and on Other Professional Services i.e. Managed Services, Staff Substitution (Specialist) or Research.
- 7.4 All departments must use the Account NI system for reporting expenditure on external professional services. Departments should ensure that their sponsored bodies have systems in place to report expenditure on a basis consistent with that applying to departments, using the definitions contained in this document.

Annual Consultancy Plans

- 7.5 At the start of each financial year, it would be good practice for departments to produce a plan setting out known and expected consultancy assignments to include the nature of the work to be undertaken, the estimated total cost and the timing of the assignment. These plans should form part of Departments' overall Procurement Plans. They should be shared with CPD/other relevant CoPEs and BCS in ISID so that all parties may consider opportunities to aggregate, share resources to ensure more projects are carried out in-house, or bundle out to competition thereby obtaining better value for money. Plans should be updated in the event of material changes to timings or priorities and the above parties notified accordingly.

Returns on Use of External Consultants

- 7.6 DFP gave a commitment to PAC that it would commission returns from departments in order to monitor compliance with the guidance and produce a compliance report. The report provides an overview of the extent and nature of external consultancy expenditure throughout NI departments and the wider public sector. Returns will be commissioned by DFP Supply and should be completed on the external consultancy database. Additional information may be sought each year depending on the analysis of previous returns.
- 7.7 DFP will seek an assurance that the information provided by departments in these returns has been reconciled with departmental accounting systems/Account NI and is consistent with Departmental Resource Accounts and the budgetary outturn information on DFP's Resource Budgeting and Management (RBM) database. Departmental Accounting Officers should ensure that the information provided to DFP in the annual external consultancy returns is accurate and complete and provided on a timely basis.
- 7.8 DFP will analyse the returns and will carry out test drilling exercises to cover external consultancy assignments under delegated limits and therefore not forwarded directly to DFP for approval. The Annual Return will also be used to review procurement issues, such as the use of Direct Award Contracts. DFP will summarise its findings in the annual compliance report so that best practice can be shared and lessons learned.

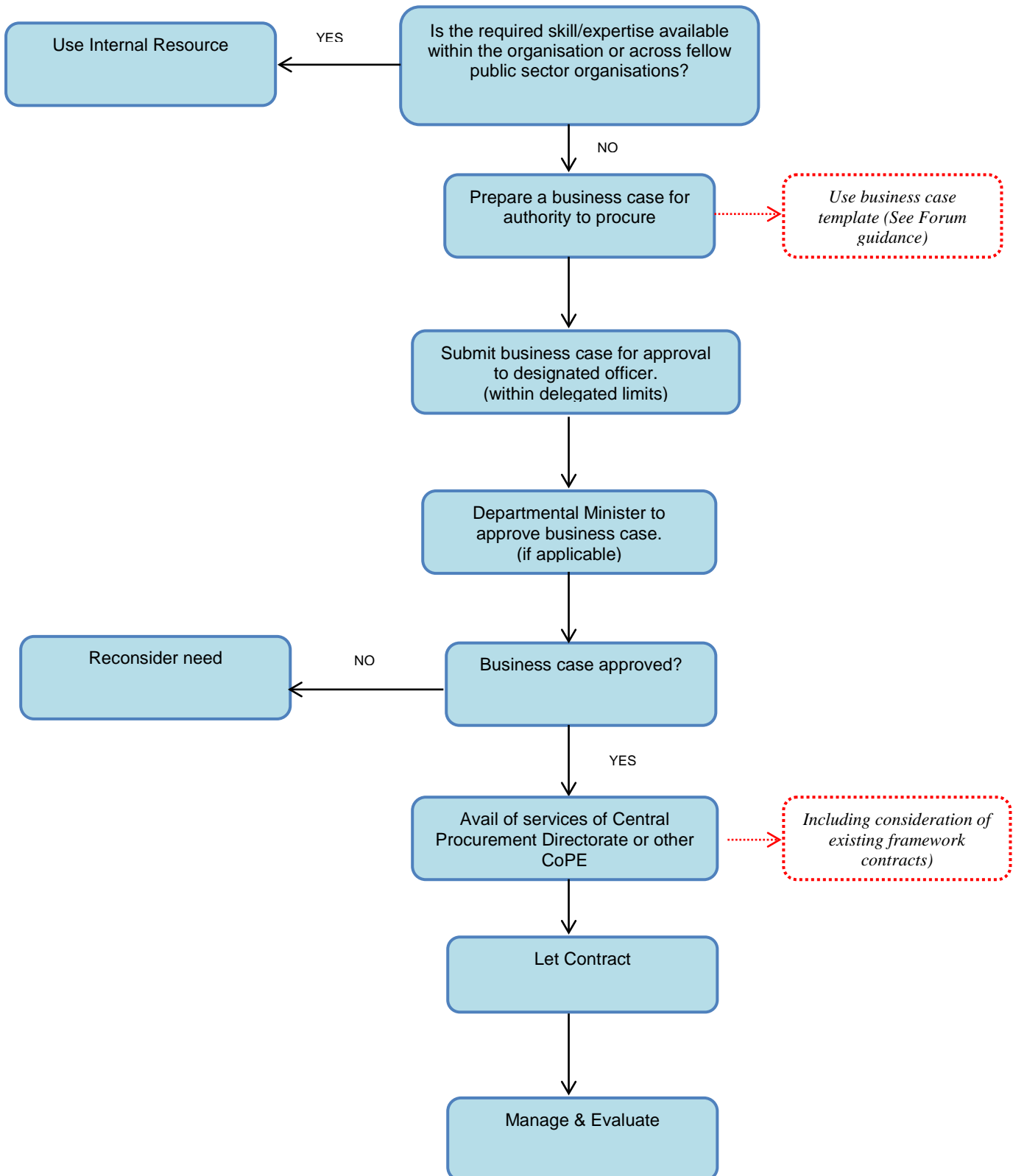
8. CAPITALISATION OF EXPENDITURE ON PROFESSIONAL SERVICES

Key Principle 7

Where expenditure on external professional services is to be capitalised, departments/sponsored bodies must ensure that this course of action is justified and that such expenditure can still be captured and reported as part of overall external professional services expenditure.

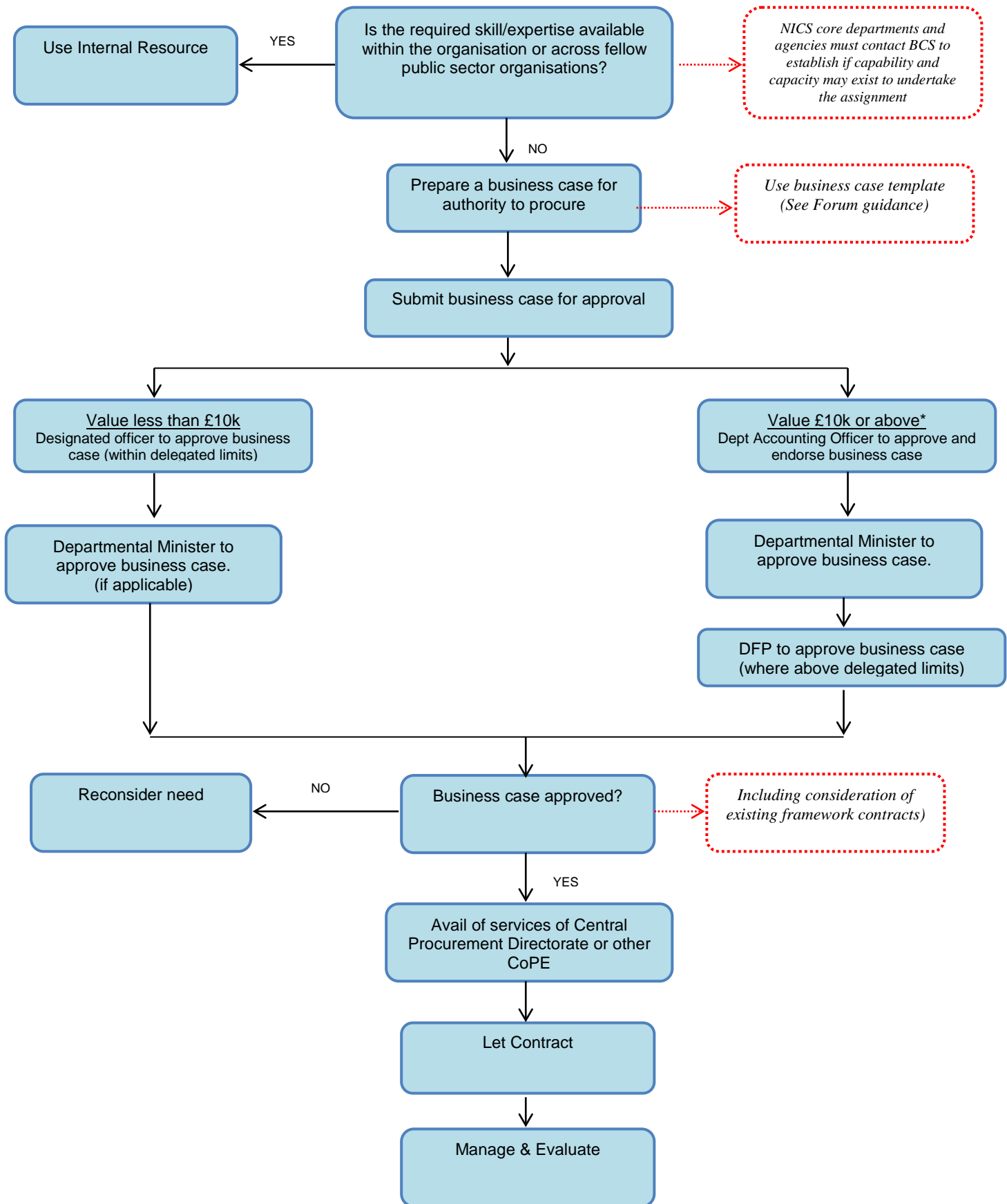
- 8.1 When budgeting for capital expenditure, departments and their sponsored bodies should consistently follow agreed accounting policies when deciding which costs of a project can and should be capitalised. Every decision to capitalise expenditure on external professional services must be clearly justified and capable of withstanding rigorous challenge.
- 8.2 When external professional services are used for the development and delivery of a constructed asset – road, hospital, school, infrastructure asset etc - in a manner that is considered “business-as-usual”, the engagement of said professional would be recognised as normal business practice, the expenditure should be treated as managed service and not external consultancy. Such expenditure in relation to capital assets is normally charged to the project and capitalised as part of the project costs. For expenditure to be capitalised, the recognition criteria are as apply under the relevant financial reporting standards.
- 8.3 Where a department or sponsored body capitalises consultancy as part of a constructed fixed asset, the costs must still be captured for the purposes of reporting consultancy expenditure. Departments/sponsored bodies should put appropriate measures in place to ensure that such expenditure can be recorded and reported as part of overall expenditure on consultants.
- 8.4 In respect of those bodies using AccountNI, the rationale for recording capital expenditure on constructed fixed assets is that they should initially be coded to

the Operating Cost Statement, with an offset to the Balance Sheet. This will enable capitalised consultancy expenditure to be reported appropriately for both budgetary purposes and for the Resource Accounts. Further guidance on the above accounting treatment recommended by AccountNI as part of their common rationale can be accessed via the AccountNI portal and should be discussed with departmental Retained Finance as appropriate.

Annex 1aUse of External Professional Services other than Consultancy

Annex 1b

Use of External Consultancy



*Executive decision to set Ministerial approval threshold at £10,000 for external consultancy

1: Account NI Codes

2: Business Case Template

3: Business Case checklist

4: PPE Template

5: When to complete various stages of PPEs

6: Appendix to issue with requests for expenditure information

7: Detailed information to be recorded by departments

8: Information to be sought by DFP for annual returns

9: DFP Supply IMS proforma for annual returns

10: List of CoPEs

11: List of Contacts

12: Links to relevant guidance

13: Categories of Professional Services

These are also available on the AFMD website as individual documents.

1: LIST OF PROFESSIONAL SERVICES ACCOUNT NI CODES

INTERNAL CONSULTANCY CODES

Admin

C3400	Consultancy Costs
34081	A - Consultancy - Internal

Programme

C5400	Consultancy Costs
54081	P - Consultancy - Internal

EXTERNAL CONSULTANCY CODES

Admin

00	C34	Consultancy Costs
	34001	A - Consultancy Advice - Strategy
	34002	A - Consultancy Advice - Finance
	34003	A - Consultancy Advice - Organisation & Change Management
	34004	A - Consultancy Advice - Information Technology / Systems
	34005	A - Consultancy Advice - Property & Construction
	34006	A - Consultancy Advice - Procurement
	34007	A - Consultancy Advice - Legal Services
	34008	A - Consultancy Advice - Marketing & Communication
	34009	A - Consultancy Advice - Human Resource, Education & Training
	34011	A - Consultancy Advice - Programme & Project Management
	34012	A - Consultancy Advice - Technical
	34051	A - Consultancy - Design, Development and Implementation

Programme

C54	
00	Consultancy Costs
54001	P - Consultancy Advice - Strategy
54002	P - Consultancy Advice - Finance
54003	P - Consultancy Advice - Organisation & Change Management
54004	P - Consultancy Advice - Information Technology / Systems
54005	P - Consultancy Advice - Property & Construction
54006	P - Consultancy Advice - Procurement
54007	P - Consultancy Advice - Legal Services
54008	P - Consultancy Advice - Marketing & Communication
54009	P - Consultancy Advice - Human Resource, Education & Training
54011	P - Consultancy Advice - Programme & Project Management
54012	P - Consultancy Advice - Technical
54051	P - Consultancy - Design, Development and Implementation

OTHER PROFESSIONAL SERVICES CODES

Admin

C3410	Managed Services
34101	A - Managed Services - Strategy
34102	A - Managed Services - Finance
34103	A - Managed Services - Organisation & Change Management
34104	A - Managed Services - Information Technology / Systems
34105	A - Managed Services - Property & Construction
34106	A - Managed Services - Procurement
34107	A - Managed Services - Legal Services
34108	A - Managed Services - Marketing & Communication
34109	A - Managed Services - Human Resource, Education & Training
34111	A - Managed Services - Programme & Project Management
34112	A - Managed Services - Technical
34113	A - Managed Services - Contract Management
34151	A - Managed Services – Design, Development and Implementation

Programme

C5410	Managed Services
54101	P - Managed Services - Strategy
54102	P - Managed Services - Finance
54103	P - Managed Services - Organisation & Change Management
54104	P - Managed Services - Information Technology / Systems
54105	P - Managed Services - Property & Construction
54106	P - Managed Services - Procurement
54107	P - Managed Services - Legal Services
54108	P - Managed Services - Marketing & Communication
54109	P - Managed Services - Human Resource, Education & Training
54111	P - Managed Services - Programme & Project Management
54112	P - Managed Services - Technical
54113	P - Managed Services - Contract Management
54151	P - Managed Services – Design, Development and Implementation

OTHER PROFESSIONAL SERVICES CODES: STAFF SUBSTITUTION

Admin

3000 **C** **Wages and Salaries**

30043 A - Specialists

Programme

C5000 **Wages and Salaries**

50043 P - Specialists

FOR CLARIFICATION

When coding staff substitution costs which are not considered to be external professional services, ie Admin & Clerical and Interims, the following codes should be used:

Admin

3000	C	Wages and Salaries
30041		A - Admin & Clerical Agency Staff
30042		A - Interims

Programme

50041		P - Admin & Clerical Agency Staff
50042		P - Interims

RESEARCH – ALREADY EXIST

Admin

C3520	Other Operating Costs
35210	A - Third Party Research
35400	A - Research (to be used for Internal Research Costs)

Programme

C5520	Other Operating Costs
55210	P - Third Party Research and Surveys
55211	P – Research (to be used for Internal Research Costs)

2: BUSINESS CASE TEMPLATE FOR PROPOSAL TO ENGAGE AN EXTERNAL RESOURCE

Project Title:

Prepared By: Date:

Approved By:
(Director)

Signed: Date:

Section 1: Need for the assignment

This section should address the following:

- Background –Purpose of the assignment
- Strategic/policy context
- What is the need for the assignment?
- What is the scope of the assignment, i.e. tasks anticipated to provide desired outcomes?
- Timing of assignment – when is the information required and is there any possibility of deferring the assignment?
- Description of previous similar consultancy assignments, including an analysis of past expenditures (corresponding evaluations must also be appended)

Section 2: Benefits & Their Timing

This section should address the following:

- What are the projected outputs from the assignment?
- What are the expected benefits to be delivered from the assignment and give an indication of when they are likely to accrue?
- What are the implications of the assignment not going ahead?

Section 3: Assessment of Alternative Options

A full range of options for delivering the assignment should be assessed, including the following:

- Complete assignment using in-house resources
- Partial completion of assignment using in-house resources. While it may be accepted that resource constraints/skills shortages will not allow the full assignment to be completed in-house, the option of using in-house resources to produce an interim output supplemented by consultancy input should be assessed. In addition, the option to relax the time constraint to allow more of the outputs to be achieved by in-house resources albeit over a longer timescale should be assessed.
- Use of internal Consultancy, for example, BCS, departmental economists, statisticians, etc.

- Staff substitution, for example, short-term/medium term secondment of industry expert(s).
- Use of External consultants – What is the rationale behind using external consultants as opposed to the alternatives considered?

For assignments which could be carried out by BCS the business case must reflect discussions with BCS and the rational for choosing to use external resources instead.

Section 4: Expected Deliverables

Please provide details on the deliverables expected from consultancy. If available, a copy of the draft terms of reference for the proposed consultancy should be attached.

Section 5: Skills Transfer

- Outline the potential for skills transfer?
- What arrangements have been put into place to facilitate the transfer of skills from the consultants to departmental staff to the extent that this is a benefit of the consultancy?
- If skills transfer is not deemed appropriate detail the rationale for this decision
- When is it anticipated that knowledge and skills delivered by the consultancy will be transferred to internal staff?
- What are the implications of skills transfer for future consultancy support?

Section 6: Proposed Division of Work

This section should provide details on the proposed division of work between the external consultant and in-house staff. The following issues should be addressed:

- What in –house support will be given to the consultants e.g. technical/specialist inputs, accommodation, photocopying and typing services etc?
- Provide indicative estimates of the expected number of consultancy days by consultancy grade.
- Provide indicative estimates of the expected number of in-house staff days by staff grade.

Section 7: Expected Costs of the assignment

External Consultancy Costs

- What is the expected cost of the external consultants' input to the assignment? Information derived from section 6 should be used alongside estimated consultancy rates to derive an estimate of the cost.
- Costs should be provided on a nominal basis.
- Affordability should be addressed, i.e. is budget provision available?

In-House Costs

- What are the estimated in-house support costs for the assignment? Information derived from section 6 should be used alongside staff rates to derive an estimate of the cost. Costs should be provided on a nominal basis.

Total Cost

=

£

Section 8: Project Management/ Performance Review Arrangements

This section should address the following:

- What are the proposed project management arrangements, including details of monitoring officers, draft reports, Steering Groups etc?
- Proposed arrangements for on-going monitoring of consultancy performance and expected deliverables. The project managers should ensure that appropriate mechanisms are in place for influencing performance at interim stages;
- Identify person/persons responsible for managing/delivering skills transfer.
- What are the performance review arrangements for the assignment, e.g. the quality assurance employed from Departmental specialists?
- Skills transfer it should be pro-actively managed and monitored like any other consultancy benefit.

Section 9: Implementation and Evaluation Plan

This section should provide details on the following:

- How will the results of the consultancy be implemented?
 - Proposed arrangements for evaluating the outputs delivered by the consultancy assignment. This should include information on who is the responsible officer for ensuring the evaluation takes place and also information on when it is proposed to carry out the evaluation. Whilst ideally the evaluation should be independent of the project promoters, in most instances, evaluations should be carried out by internal resources, i.e. in-house staff or internal consultancy.
-

3: CONSULTANCY BUSINESS CASE CHECKLIST

Consultancy Business Case Checklist				
Title	Name of SRO			
Requirement <i>[a brief summary including purpose; terms of reference; context of work; expected benefits and deliverables.]</i>				
Is this a contract extension?	<i>[yes or no]</i>			
Duration				
Value (£) per year, and total value <i>(years are illustrative only – additional years may be required for some projects)</i>	Year 1	Year 2	Year 3	Total
	Confirmed? <i>[insert tick/ cross]</i>	Para. no/ page? <i>[insert from Business Case]</i>		
Is the strategic case clear and strong?	<i>[yes or no]</i>			
Is VFM being optimised including consideration of existing framework agreements?	<i>[yes or no]</i>			
Is there a robust cost/ benefit analysis?	<i>[yes or no]</i>			
Has the procurement strategy and sourcing option been signed off by the Head of Procurement of the relevant CoPE as being compliant with NI procurement policy, as well as providing the most appropriate VFM solution?	<i>[yes or no]</i>			
Have other possible sources of expertise been checked and ruled out ie in-house, secondment, etc?	<i>[yes or no]</i>			
For assignments which could be carried out by BCS does the business case reflect discussions with BCS and the rational for choosing to use external resources instead?	<i>[yes or no]</i>			
Is the budget identified and secured / approved by Finance Director?	<i>[yes or no]</i>			
Is the deliverability confirmed? Is the level of risk acceptable?	<i>[yes or no]</i>			
Skills transfer considered / included in contract?	<i>[yes or no]</i>			
IPR assignment considered / included in contract?	<i>[yes or no]</i>			
Is exit strategy clear?	<i>[yes or no]</i>			
Departmental AO Approval (if applicable)	Date			
Ministerial Approval (if applicable)	Date			
DFP Approval (if applicable)	Date			

4: POST PROJECT EVALUATION TEMPLATE

POST PROJECT EVALUATION

Title of Consultancy Assignment:

Name of Consultant Appointed:

Date of Completion of Assignment

Cost of Consultancy:

Prepared By:

Approved By:

Signed:

Signed:

Date:

Date:

Section 1: Background

Provide a brief description of the assignment including:

- What was the purpose of the assignment?
- What was the need for the assignment?
- Who was the appointed consultant and when were they appointed?

Section 2: Assessment of Costs

This section should provide a comparison of the actual costs of the external consultancy with the agreed contract value.

Where there is a variation (upwards or downwards) between agreed contract value and actual costs DFP must be informed. In cases where the actual cost exceeds the cost approved by DFP an explanation must also be provided.

Initial Approval Cost

Contract Award Cost

Actual Cost

Percentage variation between Contract Award cost and actual cost.

%

Explanation of variation in costs

Section 3: Assessment of Deliverables

This section should provide detail on what was delivered by the consultants. The extent to which projected deliverables, as outlined in the Terms of Reference, were met by the consultants, and the quality should be assessed.

Section 4: Assessment of Benefits

This section should provide detail on the benefits provided by the consultancy assignment. For example:

- Were the deliverables achieved within the timescale specified in the contract?
- Reasons for any delays and the impact on expected benefits should be explained.
- Was the consultancy assignment used for the purpose originally intended?
- How were the outputs delivered by the assignment used?

Section 5: Division of Work

This section should provide details of the division of work between in-house staff and the consultants. Evidence should be provided of whether the in-house assistance provided matched what was in the business case.

Section 6: Skills Transfer

- What mechanisms were put in place to allow the transfer of skills and knowledge to happen?
- Assess the extent to which transfer of skill and knowledge to in-house staff has taken place and what impact has this had on in-house capability?
- Has the need for future consultancy support diminished as a result of skills transfer?

Section 7: Assessment of Project Management Arrangements

This section should provide an assessment of the project management arrangements. For example:

- Were the monitoring arrangements put in place to manage the consultant's satisfactory?
- Was there an opportunity to influence performance interim stages?
- Was the project managed effectively?

Section 8: Conclusions and Recommendations

Conclusions

Provide a summary of what value was added by this assignment and assess whether, on balance, value for money was achieved.

Recommendations

Provide a summary of the lessons learnt and provide details on how and to whom these will be disseminated.

5: WHEN TO COMPLETE VARIOUS STAGES OF POST PROJECT EVALUATIONS (PPEs)

For projects entailing the use of external professional services there should normally be two separate (albeit related) PPEs (sometimes referred to as Post Project Reviews (PPRs)) carried out.

Firstly an evaluation of the performance of the external professional service provider should be conducted – did they come in on time, on cost, and did they deliver what they were supposed to?

Secondly the overall project PPE should evaluate the success of the entire project.

In addition, a review of the internal management of the overall project should be carried out (sometimes referred to as Project Evaluation Review (PER)). It is not normally considered obligatory to share this review with DFP.

The timing of these evaluations and whether, for example, the PPE to evaluate the performance of the external professional service provider could be carried out in tandem with the PER for the overall project, will be dependent on the nature of the project. Further information on PPEs can be found in the NI Guide to Expenditure Appraisal and Evaluation (NIGEAE).

6: APPENDIX TO ISSUE WITH RESPONSES FOR EXPENDITURE INFORMATION - AQS, FOI Requests Etc.

Consultancy services are commissioned only where the required expertise cannot be provided in-house, the requirement is for a finite period of time, and the expenditure demonstrates value for money.

The range and scope of services provided by the NICS is very broad and it should be noted that figures on external consultants can include expenditure on a number of different types of consultants including:

- Advice
- Finance
- Organisation & Change Management
- IT/IS
- Property and Construction
- Procurement
- Legal Services
- Marketing and Communication
- Human Resource, Training & Education
- Programme & Project Management
- Technical

Requests for information on consultancy expenditure are often asked in different ways, for example:

- how much has been spent on **internal & external consultants**, in each of the last three years.
- how much has been spent in each of the last five years on (i) **private consultancy firms** and (ii) events organisers.
- to detail the amount paid to **external consultants** by each Department in each of the last three financial years.
- how much has been **spent on consultancy** in each of the last five years.
- how much has been **paid to consultancy firms**.

These are all **different questions**, and therefore the **answers will provide different expenditure figures** because departments seek to provide the information the actual question has asked for. For that reason expenditure figures provided in response to different requests for information may vary considerably based on the wording of the request. For instance payments to consultancy firms is likely to be much greater than expenditure on consultancy, as consultancy firms may provide services much wider than 'consultants' as defined in the DFP guidance.

In addition, when seeking to compare expenditure information over period of time, or compare figures from year to year, readers should be aware that there have been two material changes in how this information has been presented in recent years.

1. Until February 2008, the definition of 'department' referred to the core department only – excluded agencies and NDPBs. Machinery of Government Division advised in February 2008 that a 'department' should be interpreted as the core department and its agencies – still excludes NDPBs. Responses to requests for information asked prior to February 2008 and after are therefore not comparable.
2. In response to PAC recommendations contained in their report on the Use of Consultants published on 7 February 2008, guidance on the Use of Consultants was reviewed and new guidance implemented from 2009/10 onwards. It should be noted that figures prepared from 2009/10 onwards have been prepared on a different basis and are therefore not directly comparable.

This Annex should be attached to any responses for expenditure information on External Consultants

7: DETAILED INFORMATION TO BE RECORDED BY DEPARTMENTS

Departments must ensure that adequate systems are in place for themselves, their executive agencies, NDPBs and other sponsored bodies for recording details of all external consultancy contracts.

As a minimum, departments must record the following information:

- Project titles;
- Name of consultants;
- Nature of work involved;
- Consultancy category;
- Expenditure classification;
- Dates of business case approval (Departmental, Ministerial & DFP as appropriate);
- Date contract awarded;
- Project start and completion dates;
- Date PPE completed and shared;
- Contract award costs including extensions if any;
- Total contract expenditure upon completion;
- Contract duration (expected and actual);
- Whether procured via CoPE framework or single tender action;
- Whether an extension to an existing contract.
- Total departmental external consultancy expenditure (including agencies, NDPBs and other sponsored bodies); and
- Whether or not suppliers met their terms of reference.

8: INFORMATION WHICH WILL BE SOUGHT IN DFP ANNUAL RETURNS ON EXTERNAL CONSULTANCY

The information to be sought by DFP for their Annual returns on External Consultancy will include:

- Project title;
- Name of consultant;
- Consultancy category;
- Expenditure classification;
- Dates of business case approval;
- Date contract awarded;
- Date PPE due and whether completed;
- Contract value;
- Expenditure in reporting year;
- Contract duration;
- Estimated expenditure in future years (for ongoing projects if applicable);
- Whether procured via CoPE framework or single tender action;
- Whether this is an extension to an existing contract.

9: DFP SUPPLY PROFORMA FOR CONSULTANCY BUSINESS CASE

DFP Supply Proforma for Consultancy Business Case

1. Name of Department:	<input type="text"/>			
2. Name of Agency (if applicable):	<input type="text"/>			
3. Name of NDPB (if applicable):	<input type="text"/>			
4. Project Title:	<input type="text"/>			
5. Is this case a resubmission?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
6. Ref. Number:	<input type="text"/>			
7. Contact Details:	Job Title			
	Branch			
	Address			
	Postcode			
	Tel. No.			
8. Is the Case:	Standard	<input type="checkbox"/>	Novel	<input type="checkbox"/>
	Contentious	<input type="checkbox"/>	Setting a Precedent?	<input type="checkbox"/>

Please check box as appropriate

9. Costs outlined in Business Case: (Includes internal costs)	Capital Cost	£	<input type="text"/>
	Resource Cost	£	<input type="text"/>
	TOTAL	£	<input type="text"/>
10. Estimated Project Start Date:	<input type="text"/> / <input type="text"/> / 20		
11. Estimated Project Completion Date:	<input type="text"/> / <input type="text"/> 20		
12. Evaluation due date:	<input type="text"/> / <input type="text"/> /20		
13. Please state the job title of and/or name of body responsible for completing the PER/PPR/PPE:	<input type="text"/>		

I am content with the regularity, propriety and value for money of this Business Case.

Signed: on behalf of the Departmental Accounting Officer

Date:

FOR SUPPLY USE ONLY

Date received in Supply:	<input type="text"/> / <input type="text"/> / 20
Trim Ref Number:	<input type="text"/>
Case entered on IMS:	Signed
	Date

10: NORTHERN IRELAND CENTRES OF PROCUREMENT EXPERTISE (CoPEs)

Central Procurement Directorate

DFP
Clare House
303 Airport Road West
BELFAST
BT3 9ED
(028) 90816200

Procurement and Logistics Services (previously Central Services Agency)

77 Boucher Crescent
BELFAST
BT12 6HU
(028) 90667799

NI Water

Westland House
Old Westland Road
BELFAST
BT14 6TE
(028) 90354826

DHSSPS Health Estates

Castle Buildings
Stormont Estate
Dundonald
BELFAST
BT16 1US
(028) 90522891

NI Housing Executive

2 Adelaide Street
BELFAST
BT2 8PB
(028) 90318889

Education & Library Boards

SELB (inc all ELBs)
3 Charlesmount Place
The Mall
ARMAGH
BT61 9AX
(028) 37512286

Roads Service

DRD
Clarence Court
10-18 Adelaide Street
BELFAST
BT2 8GB
(028) 90541144

Translink

3 Milewater Road
BELFAST
BT3 9BG
(028) 90354057

11: LIST OF KEY CONTACTS (For Finance Branch Only)**DFP Contacts**

Business Area	Name	Contact Number
CPD	Roy Bell	028 90816209 (76209)
	Gabriel Lynch	028 90816312 (76312)
BCS	Helen Campbell	028 90816070 (76070)
Supply Central	Angela Millar	028 9127717 (69017)
AFMD	John McGinnity	028 91277687 (69087)
	Julie Sewell	028 91858276 (68276)
Supply Officers	Tom Flynn (DEL & DE)	028 91858266 (68266)
	Bruce Vickers (DFP & DSD)	028 91858201 (68201)
	Michelle Scott (DARD & OFMDFM)	028 91858089 (68089)
	Barry Armstrong (DRD & DOE)	028 91858004 (68004)
	Brenda Shearer (DOJ, PPS, AOC, NIA & NIAO)	028 91858286 (68286)
	Stuart Stevenson (DETI, DCAL & NIAUR)	028 91277646 (69046)
	Robbie Saulters (DHSSPS & FSA)	028 91858237 (68237)

Departmental Co-ordinators

Department	Name	Contact Number
DARD	Tom Rodgers	028 90524212 (24212)
DCAL	Michael O'Dowd	028 90515081 (75081)
DE	Jenny McIlwain	028 91279596 (59596)
DEL	Jacqueline Kelly	028 90 257611 (57611)
DETI	Adrian Goodman	028 90529643 (29643)
DOE	Kieran McMahon	028 90540708 (40708)
DFP	Colm Doran	028 91858169 (68169)
DHSSPS	Linda Greenlees	028 90765647 (89647)
DRD	Garry White	028 90540206 (40206)
DSD	Karen Montgomery	028 90829528 (38528)
OFMDFM	Leanne McCullough	028 90520199 (20199)
DOJ	William Millar	028 90412795

12: LINKS TO OTHER RELEVANT GUIDANCE

Procurement Guidance Note 01/05 - Procurement Value for Money and Efficiency Measurement

http://www.dfpni.gov.uk/index/procurement-2/cpd/cpd_publications/content_-_cpd_-_policy_-_procurement_guidance_notes/content_-_cpd_procurement_guidance_notes_pgn_01_-_05.htm

Procurement Guidance note 03/10 – Procurement Control Limits

http://www.dfpni.gov.uk/index/procurement-2/cpd/cpd-policy-and-legislation/content_-_cpd_-_policy_-_procurement_guidance_notes/content_-_cpd_procurement_guidance_notes_pgn_03_-_10/pgn-03-10-26012011.pdf

Procurement Guidance note 01/12 – Contract Management – Principles and Procedures

http://www.dfpni.gov.uk/index/procurement-2/cpd/cpd-policy-and-legislation/content_-_cpd_-_policy_-_procurement_guidance_notes/pgn_01_12.htm

Procurement Guidance note 03/11 – Award of Contracts without a Competition

http://www.dfpni.gov.uk/aedf1_-_of_contracts_without_a_competition_word_version_of_document_to_be_published_on_the_website_on_24th_november_.pdf

The Northern Ireland Guide to Expenditure Appraisal and Evaluation

<http://www.dfpni.gov.uk/eag>

National Audit Office (NAO) toolkit

http://www.nao.org.uk/nao/efficiency/consultancy_toolkit/

DAO(DFP) 06/05 Departmental Delegations/Requirements for DFP Approval

<http://www.afmdni.gov.uk/pubs/DAOs/dao0605v2.doc>

<http://www.afmdni.gov.uk/pubs/DAOs/dao0605attv2.doc>

Business Consultancy Service Webpage

<http://www.dfpni.gov.uk/index/technology-and-innovation/information-strategy-and-innovation-division/did-delivery/did-business-consultancy.htm>

Consolidated budgeting guidance:

http://www.hm-treasury.gov.uk/d/consolidated_budgeting_guidance201011.pdf

13: CATEGORIES OF PROFESSIONAL SERVICES

As indicated in section 2 of the DFP guidance *“Use of Professional Services Including Consultants”*, Professional Services can be sub-divided between Consultancy Services and Other Professional Services. This document offers further guidance as to which category a given assignment should usually fall into.

EXTERNAL CONSULTANCY SERVICES

External consultancy services encompass both advice as laid out below and certain aspects of design and development for both ICT and non-ICT projects.

Advice (developmental - treated as external consultancy)

The provision of objective advice to management may be required to support the leadership, management or operation of an organisation in pursuit of its purposes and objectives. Such assistance will be provided outside the **‘business-as-usual’** environment when in-house skills are not available and will be time-limited. Services may include the identification of options with recommendations, or assistance with the implementation of solutions and specialised legal/planning advice eg Private Finance Initiative (PFI)/PPP contracts. While it generally does not include system delivery, in certain circumstances it may so include as laid out below, under *“Design and Development”*

The *“Advice”* category is further broken into 11 sub-categories which should be used to define more precisely the nature of the advice provided.

i. Strategy

“The provision of objective advice and assistance relating to corporate strategies, appraising business structures, Value for Money reviews, business performance measurement, management services, product design, and process and production management.”

ii. Finance

“The provision of objective advice and assistance relating to corporate financing structures, accountancy, control mechanisms and systems”.

- **Strategic Finance:** “Providing specialist services and support in the form of financial, legal, insurance advice to develop a PPP/PFI.”
- **Operational Finance:** “Advice on risk management and internal control systems including audit arrangements. Advice on commercial viability of, grant recipients, suppliers and partners; solvency checks; external audit of companies or transactions.”

iii. Organisation & Change Management

“Provision to management of objective advice and assistance relating to the strategy, structure management and operations of an organisation in pursuit of its purposes and objectives e.g. long range planning, re-organisation of structures, rationalisation of services, general business appraisal of the organisation”.

iv. IT/IS

“The provision of objective advice and assistance relating to IT/IS systems and concepts, including strategic studies and development of specific projects. Defining information needs computer feasibility studies and making computer hardware evaluations. Including consultancy related to e-business.”

v. Property and Construction

“Provision of specialist advice relating to the design, planning and construction, tenure, holding and disposal strategies. This can also include the advice and services provided by a range of construction professionals.”

vi. Procurement

“The provision of objective advice and assistance when establishing procurement strategies.”

vii. Legal Services

“The provision of external specialist legal advice and opinion in connection with the policy formulation and strategy development particularly on commercial and contractual matters.”

viii. Marketing & Communication

“The provision of objective advice, assistance and support in the development of publicising and the promotion of the department’s Business Support programmes, including advice on design, programme branding, media handling, and advertising.”

For example:

- an external supplier contracted to provide strategic analysis to develop a communications strategy is consultancy.
- Implementation by external suppliers of the practical elements arising from a communications strategy, such as an advertising agency, PR company, digital communications supplier or graphic designer, is considered to be a managed service.
- The work carried out by an advertising agency to develop and deliver an advertising campaign in response to a brief provided by a department is a managed service. The service would include detailed campaign planning, the development of creative concepts, media planning and buying and account management.

ix. Human Resource, Training & Education

“The provision of objective advice and assistance in the formulation of recruitment, retention, manpower planning and HR strategies, and advice and assistance relating to the development of training and education strategies.”

x. Programme & Project Management

"The provision of advice relating to ongoing programmes and one-off projects. Support in assessing, managing and or mitigating the potential risks involved in a specific initiative; work to ensure expected benefits of a project are realised".

xi. Technical

"The provision of applied technical knowledge". To aid understanding, it can be sub-divided:

- **Project Support** - "Project based activities including technical consultancy, concept, development and In-service support activities".
- **Engineering and Technical Support** - "Task based support including Post Design Services, repair, calibration, analysis testing and integration."

Design and development (including system delivery)

If an assignment involves the provision of advice on the implementation of the system it should be treated as external consultancy. For example this may include: -

- Assistance in project management;
- Advice on the production of system requirements;
- Advice on implementation, testing and training strategies;
- Advice on the development of off-line procedures to ensure compatibility with ICT systems;
- Advice on data verification;
- Advice on system testing, training and roll-out plans;
- Advice on procurement and contractual arrangement.

If an assignment involves technical ICT work to develop or install the system, then this should be treated as service provision i.e. not external consultancy. For example this may include: -

- The installation and set-up of the software;
- Software coding
- Report writing
- Data migration;
- The development of customisations and interfaces;
- Hardware set-up and performance;
- Database administration services;
- The provisions of 'back-up', and business contingency arrangements;
- Software and operating system support;
- Network and connectivity services.

System delivery may also be applied in areas other than ICT, most notably property and construction and specialist technical services (engineers, architects and surveyors).