
CONSULTANCY SUPPORT

**Responsible Cabinet Member(s) -Councillor Don Bristow,
Resource Management Portfolio**

Responsible Director(s) - John Buxton, Director of Development and Environment

Purpose of Report

1. To outline the way in which Development and Environment propose to improve the efficiency in the use of external support in order to provide the best service for delivering the Council's capital and other building works programme.

Background

2. The Development and Environment department has, for many years, employed consultants to provide support to its core staff in managing a large and diverse workload. This workload not only includes the Departments' own revenue and capital programme but also projects that have been initiated by all other Departments.
3. Consultants are mainly provided to support Consultancy Division and Development and Regeneration Division where Architects, Engineers, Planners, Surveyors and other professionals are regularly appointed to provide additional and specialist support on highway designs, construction projects, regeneration schemes and to general planning and development matters. This helps to provide diversity and a much wider pool of expertise than can ever be achieved from relying totally on directly employed staff.
4. Since April 2002, the Consultancy Division alone has administered a total works programme (including Revenue and Capital) in excess of £40 million. During the past financial year 2003/04, the cost of administering the programme was £1,360,000 in respect of in-house resources (including £267,000 for agencies) and over £700,000 for consultants.

Information and Analysis

5. A Scoping exercise has been carried out across the Department to assess the overall scale of the construction related programme and to provide an estimate of the amount of additional technical and professional support needed over the next 3 years. This scoping includes those schemes which originate from other Departments but which are administered by Development and Environment Department. The results of this exercise may be summarised thus:-

Division/Section	Estimated Value of the Maximum Consultancy Support Needed (£)		
	2004/05	2005/06	2006/07
Consultancy (Building Services)	£650,000	£650,000	£650,000
Consultancy (Highways)	£150,000	£300,000	£200,000
Development and Regeneration	£400,000	£450,000	£500,000

6. **Appendices 1a** and **1b** provide supplementary information about the support which is needed by describing 1 year typical spends for Highway Services and Building Design Services within the Consultancy Division.
7. The Department has procured numerous external consultancies over the years and has amassed a lot of experience in this regard. The scale of this procurement is illustrated in **Appendix 2**. However, individual procurements can be very time consuming, sometimes causing delays to projects, and costly from an administrative point of view. There could also be a loss of opportunity here from an economy of scale perspective.
8. Account should also be taken of the recommendations of the Egan Report – ‘Rethinking Construction’ which was produced for the Deputy Prime Minister on the scope for improving the quality and efficiency of UK construction. The report calls for (amongst other things) ‘integrated processes and teams to drive change’ and ‘the replacement of competitive tendering with long term relationships based on clear measures of performance’.
9. It is stressed that what is proposed in this report is not change to our existing practice in the use of in-house staff and consultants, it is purely a proposal to rationalise and improve the procurement of the consultant’s services.
10. Changes that have already been made by other Local Authorities, locally and nationally, and the arrangements which they have now put in place, are useful for comparison purposes. In this regard, relevant officers from the Department have consulted closely with colleagues at Stockton Borough Council who are a Beacon Council in relation to Rethinking Construction and have published a very useful toolkit on the subject. Stockton’s Technical Service Department trialed a partnership agreement for one year and, following the success of this, they have now entered into a longer term framework agreement with a well established professional services company covering almost all of their Professional and Technical Services.
11. The main advantages to the Development and Environment Department taking a longer term partnership approach are:-
 - (a) Having a partner at hand to help deal with additional workload (schemes, projects, etc) will save invaluable time and reduce the risk of delays when compared to processing individual contracts.
 - (b) Administrative costs associated with individual tendering processes will be saved.

- (c) With emphasis on partnerships as opposed to contracts, the arrangement will not be formed on the basis of a traditional adversarial contract, this is much more likely to ensure that effective delivery of service is provided.
 - (d) Potential to learn and benefit from areas where partner has greater knowledge, expertise and experience.
12. Additionally, the department will continue to benefit from the use of consultancy support. This may be summarised on the basis that consultants can:-
- (a) Cover peaks by importing staff from other offices.
 - (b) Deal with intensive periods providing large numbers of staff.
 - (c) Deal with work at short notice.
 - (d) Provide access to a greater breadth of experience and knowledge.
 - (e) Provide specialists where required.
 - (f) Relieve pressure/stress in permanent staff.
13. In contrast, expansion of permanent staff can be:-
- (a) Expensive in respect of recruitment (often fails in the current job market).
 - (b) Expensive and painful in respect of redundancy (where the work tails off).
14. There may be concern that the use of consultants could be costly in comparison to carrying out the work in house. Often, initial comparison of the consultant's charging rate with the basic salary cost of in-house staff does lead to this view but there are other factors to consider. Mention has already been made about the costs of recruitment and redundancy – these are significant and total turnover cost can typically equate to an annual salary. There is also the issue of overheads and on-costs. **Appendix 3** provides an illustrative comparison between in-house and consultant's charging rates for a Senior Engineer/Architect and this indicates that the difference can be quite small. It is also worth noting here that managers at Stockton had indicated that their partners rates were very similar to their own. Taking all factors into account, it is considered that employing consultants for additional support can still represent value for money when compared to the in-house option.

Outcome of Consultation

Consultation with the Unions/ Staff

15. Following meetings with Unison representatives on 6 May and 18 May 2004 a written response has been received from Unison which made a number of comments. These are summarised as follows:-
- (a) Whilst the official position of Unison is to promote in-house provision and to oppose in principle partnership agreements, it recognises that the Department does deal with a wide range of consultants and views the rationalisation as common sense.

- (b) There are concerns that the partnership approach could lead to creeping privatisation but it welcomed the assurance given that consultants will cover only additional work and that the core of in-house staff will remain. Unison would like to see some additional posts particularly in Highways and for some trainee posts to be established.
- (c) Existing agency staff should be given the opportunity of becoming employees in the Department.
- (d) Some staff/trade union involvement is sought in choosing suitable partner(s). Unison are concerned about maintaining quality and would like to see some guarantee of quality included within the documentation. Concern is also expressed about the consultants' ability to provide the whole range of expertise and what checks will be in place for sub-contracting.
- (e) Unison point out that there are hidden costs to the Council in using consultants e.g. in respect of briefing, liaison, supervision and snagging and that these should be taken into account.

16. The management side of the Department have considered these comments and believe that they are all fair and reasonable. It acknowledges the Union's official position but welcomes their view that the rationalisation of existing processes/arrangements should lead to simplification and hopefully some savings in efficiency and savings. The concerns which Unison have regarding staff structures, creation of trainee posts and status of existing agency staff are being addressed and where possible, appropriate amendments will be made. In respect of Unison seeking clauses to be included in documentation to control quality, sub-contracting etc. and for staff/trade union to be involved in the selection process, consultation will continue with a view to agreeing suitable clauses and an appropriate selection panel.

Proposal

- 17. It is believed that the best way of continuing to procure additional professional and technical support is via a Partnership Framework Agreement and it is planned to have this in place by October 2004. It is not intended to increase the amount of work that is put out to consultants; all that is proposed is to rationalise and make more efficient the process of outsourcing work and the provision of specialist advice.
- 18. As a first step to rationalising our current procurement of professional services it will be necessary for Cabinet to approve this proposal and then an advertisement can be placed in OJEU seeking expressions of interest from companies or organisations wishing to enter into a framework partnership with the Department. The notice will describe the main features of the contract as follows:-

Contract Type	- Framework Agreement
Procedure	- Restricted
Contract Period	- 3 years with facility to increase to 5 years by agreement.

Services included:-

Architecture
 Quantity Surveying
 Development Consultants
 Mechanical Engineering
 Electrical Engineering
 Building Surveying
 Surveying (Retail, Rating & General)
 Highways & Transportation
 Highway Design
 Structural Design
 Traffic Management
 Transport Policy
 Planning
 Building Control
 Road Safety
 Highways Maintenance
 Surveying (Topographical, Land etc.)
 Landscape Design
 Urban Design
 Environmental Impact Assessment
 Archaeology
 Ecological Services
 Contamination Survey/Analysis

Options

- Single bid or multi bids

Award Criteria

- Most economically advantageous in terms of Price, Quality, Experience and Local Knowledge.

19. The partners workload will not be guaranteed and it will not be necessary to route all additional work for the defined services through the framework arrangement. Indeed it may be appropriate in some situations to carry out a separate tendering exercise in order to procure a specialist or to obtain the best benefit to the Council.
20. The remaining part of the process will be quite complex and must satisfy the Council's Constitution Procedure Rules and EU regulations. Member involvement will be important and necessary. The process will need to be carefully mapped onto a Project Plan and be properly project managed. The main steps and indicative timetable to the overall process will be as follows:-

Action/Milestone	Indicative Date	Comment(s)
<ul style="list-style-type: none"> <i>Cabinet approval to rationalise the current arrangements for the appointment and use of consultants by D&E</i> 	<i>8 June 2004</i>	
<ul style="list-style-type: none"> <i>Advertise OJEU Notice seeking expressions of interest</i> 	<i>21 June 2004</i>	<i>Following Cabinet approval. Period of 37 days allowed for responses</i>

Action/Milestone	Indicative Date	Comment(s)
<ul style="list-style-type: none"> Issue Pre-qualification Questionnaire to companies/organisations expressing an interest 	From 21 June 2004 – 29 July 2004	Must be completed and returned by 5 August 2004
<ul style="list-style-type: none"> <i>Closing date for responses to OJEU Notice</i> <i>Closing date for return of questionnaire</i> 	<p>29 July 2004</p> <p>5 August 2004</p>	
<ul style="list-style-type: none"> Analysis of questionnaires and production of report to Tendering Panel recommending shortlisting of companies/organisations 	From 5 August 2005 to 19 August 2004	Analysis by departmental staff with support from Finance and HASW.
<ul style="list-style-type: none"> <i>Report to Tendering Panel</i> 	19 August 2004	<i>Panel to decide or endorse shortlist.</i>
<ul style="list-style-type: none"> Following endorsement/decision by Tender Panel issue Contract Documents to shortlisted companies/organisations 	20 August 2004	
<ul style="list-style-type: none"> Tender Period 	From 20 August 2004 to 30 September 2004	Allowing 40 days in accordance with EU Regulations.
<ul style="list-style-type: none"> <i>Closing date for return of Tenders and Tender opening by Tendering Panel.</i> 	1 October 2004	
<ul style="list-style-type: none"> Evaluation of Tenders and production of report to Tender Panel recommending award/seeking decision regarding Award of Contract 	From 1 October 2004 to 15 October 2004	Evaluation by departmental management with support where appropriate. To include interviewing to assess 'partner fit'.
<ul style="list-style-type: none"> <i>Award of Contract by Tendering Panel</i> 	15 October 2004	
<ul style="list-style-type: none"> Partnership working commences 	From 25 October 2004	

21. The framework agreement envisaged will be based around the following documents:

Form of Tender
Specification

Conditions of Contract
Costings
Performance Bond
Tendering Certificate
Tender Evaluation Model
Memorandum of Understanding

22. In general, the costings will be the fee levels in percentage terms which the consultant proposes to charge for the various types and stages of projects, together with schedules identifying the hourly rates of the professions to be employed, expenses and on-costs.
23. The Tender Evaluation Model will provide a means by which tenders will be assessed and will be designed to identify the most economically advantageous tender. As mentioned earlier, the tender will not only be based on cost/price but will also take into account Quality, Experience and Local Knowledge. The weightings of these components and the methods of assessing them will need to be determined and be transparent within the Tender Evaluation model. Furthermore, it is now usual practice that shortlisted companies are required to make a formal presentation and be questioned as part of the tendering procedure. This will allow the Council/Department to ensure that the company has understood its requirements and that the actual personnel involved will fit in with the in-house resources and deliver what they say they will.
24. The Memorandum of Understanding will be important to establish the nature of the partnership. This will include methods of managing and monitoring projects to ensure that agreed objectives are being met, that targets are being reached, and that projects are delivered on time and within budget. The memorandum will place an emphasis on 'partnership' as opposed to 'contract' with a view to making the arrangement a sound and mutually beneficial relationship.

Legal Implications

25. This report has been considered by the Borough Solicitor for legal implications in accordance with the Council's approved procedures. There are no issues which the Borough Solicitor considers need to be brought to the specific attention of Members, other than those highlighted in the report.

Section 17 of the Crime and Disorder Act 1998

26. The contents of this report have been considered in the context of the requirements placed on the Council by Section 17 of the Crime and Disorder Act 1998, namely, the duty on the Council to exercise its functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area. It is not considered that the contents of this report have any such effect.

Council Policy Framework

27. The issues contained within this report do not represent change to Council policy or the Council's policy framework

Decision Deadline

28. For the purpose of the 'call-in' procedure this does not represent an urgent matter

Key Decisions

29. This matter is considered to represent a Key Decision on the basis that it affects the delivery of Council services across the Borough.

Recommendation

30. It is recommended that Members approve Development and Environment's Plans to rationalise its consultancy support by entering into a framework partnerships agreement(s).

Reasons

31. The recommendations are supported on the basis that the proposal not only represents a rationalisation and improvement of existing arrangements but moves them in line with established best practice.

John Buxton
Director of Development and Environment

Background Papers

No Background papers were used in the preparation of this report.

Dennis Watson : Extension 2914
Jh

HIGHWAYS DIVISION – 1 YEAR TYPICAL SPEND

APPENDIX 1a

Area of Work	Work Detail	Approx Value £	In House/Agency Consultancy	Fees Paid Out		
				Agency £	Consultant £	Other £
Road Design	DETC 2 Corridors of Cert 5 Small Schemes: juncts/road improv., traffic signals etc.	] 5.0m]]]]	In house/Consultants In house In house/Newcastle City	50,000	95,000	5,000
Bridge Design	6 Bridge Strengthening 4 Small Bridge Mntce Structural Eng inc. Bldg. Control, Surveys etc.	300,000 10,000	] In house/Consultant		] 70,000]]	
Traffic Mngt/ Road Safety	20 Schemes Residents Parking TROs, Street Names, Adoptions, Searches Road Safety & School Xs.	300,000 50,000	] In house/Consultant In house		] 30,000]]	
Highway Maintenance	Planned:- 10 major schemes 10 medium schemes 40 small schemes Operational:- Mntce of Highways co-ord. of roadworks etc.	1.0m 750,000 600,000 250,000	] In house/Agency]]] In house	80,000*		
		£8,260,000		£130,000	£200,000	£5,000

NB: 1. Above figures exclude Street Lighting and Winter Maintenance
2. * Includes additional 40k of support

Total Fees Paid Out	£335,000
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BUILDING SERVICES DIVISION – 1 YEAR TYPICAL SPEND

APPENDIX 1b

				Commission Fees %		
Area of Work	Work Detail	Approx Value £m	In House/ Commissioned Out	Architectural £	M & E £	Structures £
Building Services	Large Scheme A	3.5	] Commissioned out	200,000 (3%)	250,000	100,00
	Large Scheme B	2.0	] except for			
	Large Scheme C	1.0	] consultation/project management			
	50 Small Schemes	5.0] 20% Commissioned out	100,000 (10%)		
		£11.5m		£300,000	£250,000	£100,000

Total Commission Fees	£650,000
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APPENDIX 2

CONSULTANT	SERVICE PROVIDED
Consultancy Division White Young Green Bullens WSP Scott Dougherty Ian Farmer Newcastle Cityworks Vaisala CJP Data Collection Ltd Chris Brittain Consultancy EDS ROCH CMT DEWJOC Billingham George Browne Smith Baker Niven and Niven Ian Carswell Associates Davies Tindale Black and Veatch Ferguson McIlveen Atkins Hewertson Jenkinson Harrison Johnson Cundall Johnson Operon Iddison Dodd BES Simpson Reeves Edwin Trotter	Structural Engineering, Planning Supervisor, M & E Design Structural Engineering, Highway Design Highway Design, Traffic Management, M & E Design Geotechnical Services Geotechnical Services Traffic Signal Design Winter Maintenance Services Road Safety Traffic Management Services Highway Condition Services Highway Condition Services Street Lighting Inventory Street Lighting Condition Surveys and Analyses Street Lighting Condition Surveys and Analyses Architectural Design Structural Design Architectural Design Architectural Design M & E Design M & E Design M & E Design Architectural Design CCTV Design M & E Design Architectural Design Civils Design M & E Design QS M & E Design M & E Design Architectural Design

<p>Cundall Johnson and Partners Development and Regeneration Bullen Consultants Donaldsons Cundall Johnson and Partners LLB Wardell Armstrong Gillespies/Faber Maunsell EDAW (Buchanan and Partners) Gillespies Ferguson McIlveen Landscape Architects</p> <p>WSP WSP WSP WSP SDG Groundwork Scott Doherty GeoQuest Harrison and Johnson (Surveyors) IPF</p>	<p>Faverdale East BP (consulting engineers, road design and tender preparation)</p> <p>Darlington Gateway Feasibility Study Extension to Faverdale 2001/02 Darlington Gateway Faverdale East Business Park 2002/03 Faverdale East Business Park – various relating to Environmental Statement 2002/03 Faverdale East Business Park – Environmental Masterplan 2003/04 Town Centre Pedestrian Heart Town Centre Area Study Town Centre Pedestrian Heart Gateway Project (Rail Bridges) Reclamation Schemes Landscape Assessments Station Interchange APR 2003 STDT Pateley Moor Crescent Homezone Station Interchange Feasibility Study Surveying Geophysical Survey Design and advice on works for DDA compliance in public buildings Condition surveys to satisfy AMP requirements</p>
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COST COMPARISONS – IN-HOUSE STAFF/AGENCY/CONSULTANT**E.G - SENIOR ENGINEER/ARCHITECT****In-House**

Say Sc POD (2 nd pt)	£26,640
Add 26% for NI/ERC	£6,930
Total Pay	£33,570 per annum

No of weeks per year	52
Deduct for A/L, Public Holidays	7
Chargeable Weeks	45

No of hours worked/week	37
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Basic Rate/chargeable hour = 33570/45/37	£20.16 per hour
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But we need to add overheads, calculated at 85% to cover such things as management and admin support, corporate support (Legal, IT, HR, etc), accommodation costs, staff training expenses, transport costs, computer licenses, equipment, stationary, etc.

Total Rate/chargeable hour = 20.16 x 1.85	£37.30 per hour
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Consultant

Typical rate paid to Consultant (this is only paid for productive output)	£33.12 per hour
Basic rate/chargeable hour:	£33.12 per hour*

* Please note that this is only one example of a consultants charging rate within the current arrangements. It should be appreciated that rates do vary (upwards and downwards) depending on market conditions.