DFP GUIDANCE
USE OF PROFESSIONAL SERVICES INCLUDING CONSULTANTS

CONTENTS

1. INTRODUCTION

2. DEFINITIONS AND CATEGORIES OF PROFESSIONAL SERVICES

3. THE DECISION TO ENGAGE EXTERNAL PROFESSIONAL SERVICES

4. THE PROCUREMENT OF EXTERNAL PROFESSIONAL SERVICES

5. THE MANAGEMENT OF EXTERNAL CONSULTANCY

6. RECORDING OF EXTERNAL PROFESSIONAL SERVICES EXPENDITURE

7. REPORTING OF EXTERNAL CONSULTANCY EXPENDITURE

8. CAPITALISATION OF EXPENDITURE ON PROFESSIONAL SERVICES

ANNEX 1 PROCESS MAPS:

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

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFMD</td>
<td>Accountability and Financial Management Division</td>
</tr>
<tr>
<td>ALB</td>
<td>Arms Length Body</td>
</tr>
<tr>
<td>AQ</td>
<td>Assembly Question</td>
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<tr>
<td>BCS</td>
<td>Business Consultancy Service</td>
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<td>CoPE</td>
<td>Centre of Procurement Expertise</td>
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<td>CAL</td>
<td>Centre for Applied Learning</td>
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<tr>
<td>CPD</td>
<td>Central Procurement Directorate</td>
</tr>
<tr>
<td>DAC</td>
<td>Direct Award Contract (formerly known as Single Tender Action)</td>
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<tr>
<td>DFP</td>
<td>Department of Finance and Personnel</td>
</tr>
<tr>
<td>ESS</td>
<td>Enterprise Shared Services</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<td>FOI</td>
<td>Freedom of Information</td>
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<tr>
<td>MPMNI</td>
<td>Managing Public Money Northern Ireland</td>
</tr>
<tr>
<td>NAO</td>
<td>National Audit Office</td>
</tr>
<tr>
<td>NDPB</td>
<td>Non Departmental Public Body</td>
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<td>NIAO</td>
<td>Northern Ireland Audit Office</td>
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<tr>
<td>NICS</td>
<td>Northern Ireland Civil Service</td>
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<tr>
<td>NIGEAE</td>
<td>Northern Ireland Guide to Expenditure Appraisal and Evaluation</td>
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<tr>
<td>OGC</td>
<td>Office of Government Commerce</td>
</tr>
<tr>
<td>PAC</td>
<td>Public Accounts Committee</td>
</tr>
<tr>
<td>PFI</td>
<td>Private Finance Initiative</td>
</tr>
<tr>
<td>PO</td>
<td>Purchase Order</td>
</tr>
<tr>
<td>PPE</td>
<td>Post Project Evaluation</td>
</tr>
<tr>
<td>PPP</td>
<td>Public Private Partnership</td>
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<td>RBM</td>
<td>Resource Budgeting and Management</td>
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<tr>
<td>STA</td>
<td>Single Tender Action (now known as Direct Award Contract (DAC))</td>
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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), within the Cabinet Office 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. In addition the guidance provides some advice specific to external consultancy. It should also 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 Enterprise Shared Services (ESS), 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) section of the DFP website.
Figure 1: Broad Classification of Professional Services

- Professional Services [PS]
  - Consultancy Services [CS]
    - Internal Consultancy [CS-IC]
    - External Consultancy [CS-EC]
  - Other Professional Services [OPS]
    - Managed Services [OPS-MS]
    - Staff Substitution – specialist staff [OPS-SS]
    - Research [OPS-R]
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 have been 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 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 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 draw from it (e.g. the opportunity cost of diverting appropriate internal staff from their existing work onto the proposed new work may be such that it would be preferable to instead buy in the necessary short term resource – 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 proportionate 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 decision to engage external professional services, and the requirements for appropriate appraisal and approvals.

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, and in particular external consultants.

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 ESS 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 With regards to external consultancy, engagement 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 for engagement of external professional services

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 The general rule is that all external consultancy assignments, whether they are part of a larger project or not, must be appraised fully in accordance with this guidance. Thus if a project includes an element of external consultancy, then each individual consultancy assignment within the project must be appraised
separately, covering each of the ten steps listed at 3.6.4 below, with effort in proportion to the scale or complexity of the assignment.

3.4.2 If the cost of any of the individual external consultancy assignments within the project is above the delegated limit (£75k or as otherwise agreed with DFP) then it must be submitted to DFP Supply for approval, in the same way as for any free-standing external consultancy assignment.

3.4.3 Where such a submission to DFP Supply is required, departments may choose to submit the business case for the whole project, in cases for example, where the external consultancy assignment has been documented within it; or alternatively, where the total value of the project is below the relevant delegated limit, they may choose to submit a separate business case document for the external consultancy assignment alone. However, if the latter route is selected, departments should provide suitable summary information on the overall project explaining how the external consultancy contributes to it.

3.4.4 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). This applies to external consultancy assignments generally, irrespective of whether they are part of a larger project or not.

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 business cases for engagement of external professional services

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 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 resources 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 resources will be implemented and monitored.
• Any other considerations specific to the assignment.

Optimism Bias – External Consultancy assignments

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 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 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. Guidance contained in NIGEAE clarifies 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 should contact CPD/nominated CoPE for advice and information as early as possible in the planning stages. CPD/nominated 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/nominated 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 CPD/nominated CoPE 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 CPD/nominated CoPE to determine the relevant procurement requirements for a particular external professional service and shall also 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, CPD/nominated 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 CPD/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 CPD/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 for NDPBs and other ALBs) is supported locally by additional information; and
- the contract is delivered 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 (minimum recording requirements available on the AFMD website).
• 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).
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 or as otherwise agreed with DFP), 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 e.g. 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 AQs 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 i.e 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 i.e 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 ESS 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 (list of information required for returns available on AFMD website). 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 1a
Use of External Professional Services other than Consultancy

- Use Internal Resource
- Is the required skill/expertise available within the organisation or across fellow public sector organisations?
  - NO
    - Prepare a business case for authority to procure
      - Submit business case for approval to designated officer. (within delegated limits)
        - Departmental Minister to approve business case. (if applicable)
          - NO
            - Reconsider need
          - YES
            - Business case approved?
              - NO
                - Reconsider need
              - YES
                - Avail of services of Central Procurement Directorate or other CoPE
                  - Let Contract
                    - Manage & Evaluate

Use business case template (See Forum guidance)
Including consideration of existing framework contracts
Annex 1b
Use of External Consultancy

Use Internal Resource

Is the required skill/expertise available within the organisation or across fellow public sector organisations?

Prepare a business case for authority to procure

Submit business case for approval

Value less than £10k
Designated officer to approve business case (within delegated limits)

Departmental Minister to approve business case. (if applicable)

Reconsider need

Business case approved?

Avail of services of Central Procurement Directorate or other CoPE

Let Contract

Manage & Evaluate

Value £10k or above*
Designated officer to approve business case (within delegated limits)

Departmental Minister to approve business case.

DFP to approve business case (where above delegated limits)

Including consideration of existing framework contracts)

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

DF1/13/17501