



PWYLLGOR ADNODDAU CYNALIADWY SUSTAINABLE RESOURCES COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	20 December 2022
TEITL YR ADRODDIAD: TITLE OF REPORT:	Financial Procedures
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas, Director of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	Huw Thomas, Director of Finance

Pwrpas yr Adroddiad (dewiswch fel yn addas)

Purpose of the Report (select as appropriate)

Ar Gyfer Penderfyniad/For Decision

ADRODDIAD SCAA

SBAR REPORT

Sefyllfa / Situation

Each year, planned reviews are undertaken of the financial procedures operated by Hywel Dda University Health Board (HDdUHB). The procedures, which set out the main financial system controls, are reviewed in terms of:

- Relevance
- Best practice
- Audit recommendations
- System change
- Health Board policy

A proposal for review was presented to the Audit and Risk Assurance Committee in February 2022.

From time to time, procedures are revised outside of the agreed review period, to ensure they are operating as intended.

The Use of Consultancy procedure has been revised and is presented for approval by the Sustainable Resources Committee.

Cefndir / Background

Following an Internal Audit review recommendation, the Use of Consultancy procedure was approved in October 2021. The aim of the procedure is to ensure that consultancy is only used in appropriate circumstances and that due diligence is undertaken before approval of any contracts.

Asesiad / Assessment

In the past few months it has become clear that there may be some unintended consequences from the way that the procedure is used. With the current definition, this has led to more

services falling under the banner of consultancy; including many that should be classed as professional services.

As a result, the procedure has been reviewed and revised to:

- Provide a clearer definition to distinguish between consultancy and professional services
- Include a flowchart of the process that needs to be followed if the proposed expenditure does meet the criteria for consultancy

The proposed changes have been discussed with Internal Audit and are included within the policy, attached at Appendix 1.

Argymhelliad / Recommendation

The Sustainable Resources Committee is requested to approve the following procedure:

- 1049: Use of Consultancy

Amcanion: (rhaid cwblhau) Objectives: (must be completed)	
Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:	5.7 Review and approve financial procedure on behalf of the Health Board.
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	Not Applicable
Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	7. Staff and Resources
Amcanion Strategol y BIP: UHB Strategic Objectives:	All Strategic Objectives are applicable
Amcanion Cynllunio Planning Objectives	6K_22 workforce, clinical service and financial sustainability
Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Objectives Annual Report 2018-2019	10. Not Applicable

Gwybodaeth Ychwanegol:
Further Information:

Ar sail tystiolaeth: Evidence Base:	Previous procedures, internal audit report recommendations, standing financial instructions
Rhestr Termiau: Glossary of Terms:	Included within the body of the report
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Adnoddau Cynaliadwy: Parties / Committees consulted prior to Sustainable Resources Committee:	Director of Finance Board Secretary Internal Audit

Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	Financial implications are inherent within the report
Ansawdd / Gofal Claf: Quality / Patient Care:	Not Applicable
Gweithlu: Workforce:	Not Applicable
Risg: Risk:	Not Applicable
Cyfreithiol: Legal:	Not Applicable
Enw Da: Reputational:	Financial procedures are required to ensure good governance and sound financial control
Gyfrinachedd: Privacy:	Not Applicable
Cydraddoldeb: Equality:	<p>EQIA has been undertaken with no negative impacts on those with protected characteristics</p> <p>Changes to the majority of financial policies and procedures to date have been assessed as having a low relevance to equality duties and have been mainly in relation to systems and responsibilities with no direct or indirect impact on individuals in relation to equality, diversity or human rights.</p> <p>Where policies and procedures have a more direct impact on patients, staff and service users in relation to their protected characteristics, e.g. those addressing the handling of patient's monies, etc, more detailed EqIAs have been undertaken and are published alongside the relevant document.</p>



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Hywel Dda
University Health Board

USE OF CONSULTANCY

Procedure Number:	1049	Supersedes:		Classification	Financial
Version No:	Date of EqlA:	Approved by:	Date Approved:	Date made active:	Review Date:
1	18-11-21	Sustainable Resources Committee	28-10-21	11-11-21	28-10-24
2					

Brief Summary of Document:	This document provides details of the process to be followed when considering using the services of management consultants.
Scope	Hywel Dda University Health Board wide

To be read in conjunction with:	Standing Orders. Standing Financial Instructions. Other Financial Procedures. Counter Fraud, Bribery and Corruption Policy.
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Owning group	Finance Team
Executive Lead	Huw Thomas, Director of Finance

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Reviews and updates		
Version no:	Summary of Amendments:	Date Approved:
1	New Procedure	28-10-2021
2	Clarified definition of consultancy and included flowchart for assurance and approval process to be followed	

FRAUD, BRIBERY AND CORRUPTION

All staff are required to comply with the Health Boards policies and procedures and apply best practice in order to prevent Fraud, Bribery and Corruption. Staff should be made aware of their own responsibilities in protecting the Health Board from these crimes.

All staff have a duty to notify the Local Counter Fraud Department of any suspected fraud or inappropriate actions and are protected by the [AW Raising Concerns \(Whistleblowing\) Policy](#). Anyone who suspects fraud or has any concerns reference Fraud Bribery and Corruption can make a referral by contacting the Counter Fraud Department by either of the following methods:

- Telephoning the office on 01267 248627
- Emailing HDUHB.CounterFraudTeam.HDD@wales.nhs.uk ,
- Making an online referral at <https://reportfraud.cfa.nhs.uk> or
- Making an anonymous referral by telephoning Crimestoppers on 0800 028 40 60.

Staff should refer to the Counter Fraud, Bribery and Corruption Policy for further information.

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1 INTRODUCTION

This procedure details the guidelines set for the application and approval process for use of Consultancy services within Hywel Dda University Health Board (HDdUHB).

2 SCOPE

The procedure is applicable across the whole of Hywel Dda University Health Board (HDdUHB). It applies to all employees and Independent Members. The term “employees” includes all those who have a contract of employment or honorary contract with the HDdUHB, including volunteers and bank workers.

3 AIM OF PROCEDURE

The aim of this document is to ensure that there is a clear procedure and guidelines set for the use of Consultancy within Hywel Dda University Health Board (HDdUHB). This is to minimise the risk of incurring expenditure inappropriately and ensuring best value for money is achieved.

This procedure should be read in conjunction with the “Procurement of goods and services” section of the Health Board’s Standing Financial Instructions (SFIs), other relevant financial procedures including the Purchase to Pay procedure (1054).

4 OBJECTIVES

The aim will be achieved by outlining the:

- Principles around definition of consultancy and when the Health Board would use Consultancy
- Procedure to follow when the decision has been made to use Consultancy
- Delegated limits for Consultancy spend
- Reporting mechanism for Consultancy spend
- Review of outcomes

5 ROLES AND RESPONSIBILITIES

Any Manager using Consultancy needs to undertake the actions outlined in Section 6-7 of this document. Approval needs to follow delegated limits which is outlined in section 7.2. The manager, with support from Procurement, will need to ensure there is a post project review as outlined in section 7.4.

6 PRINCIPLES

6.1 Definition

- Consultancy seeks to fill a knowledge gap. It is defined as **the provision to management of objective advice relating to strategy, structure, management or operations of an organisation**. It will usually be related to business change or transformation. Such advice will be provided outside the 'business-as-usual' environment when in-house skills are not available and will be time-limited. The consultants delivering the service will operate outside of the client organisation's structure and staffing establishment, with payment based on the delivery of a defined service or output.

Consultancy often includes the identification of options with recommendations, or assistance with the implementation of solutions but typically not the delivery of business as usual activity (eg advising on legal risk or technical matters). Such contracts should usually be categorised as professional services, rather than consultancy services

The limits and processes set out in this procedure relate to **Consultancy services**. The use of professional services falls under the standard guidelines for non-pay expenditure set out in Purchase to Pay procedure (1054).

Areas where the need for Consultancy may arise, together with definition of Consultancy and Professional services, as identified by the Government guidance of 'Consultancy and Professional Services spend control' is included in Appendix 1.

6.2 Why appoint Consultants?

Typically, there are 3 main reasons why you may want to use consultants:

- the expertise the consultant offers
- their independent viewpoint
- the resources they provide

6.2.1 Alternatives

There are alternatives to using consultants and these should be tested before the commencement of any appointments process. These can be best summarised as follows:

- Use your own personnel:** quite often over-looked but there may be capacity within the organisation in its broadest sense who could undertake an assignment particularly if an independent view is not required. This could be supplemented with some additional training but could be beneficial to the organisation and to the development of the individual.
- Secondments:** the requirement may be suited to a short-term secondment opportunity through an individual[s] with some specific experience.
- University/Colleges:** college placements might be a lower cost solution
- Recruitment Agencies:** although sometimes costly the rates for appointing through an employment agency are invariably more cost effective than consultancy rates. There are however factors to consider such as term of employment and termination fees.

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Before commencing with a consultancy arrangement, a full options appraisal should be carried out and the decision to proceed, if this is the chosen option, signed off by the senior responsible officer.

6.2.2 When not to use Consultants

Consultants should always be appointed for the right reasons particularly when the costs can sometimes be prohibitive. Consultants should not be used in some of the following circumstances:

- There is no clarity on what is required, they need to have a specific set of tasks and deliverables otherwise the potential for wasting money is significant
- Previous use of consultants has not yielded benefits expected. This will flag up issues with approach and involvement.
- Requiring consultants to perform tasks which are dependent upon factors and decisions outside their control
- Buying their name to give some credibility to a flawed or unfeasible project
- Using them as scapegoats to take the blame for unpopular actions
- Imagining they are miracle workers who can solve all organisational problems
- Believing they can save you the time and trouble of defining policies and objectives

6.2.3 Making the Case

Serious consideration should be given to appointing consultants in the first place and some thoughtful analysis up front is always good practice. Such information analysis might include:

- The purpose and scope of the work
- The results and outputs expected
- The proposed contract basis
- Estimated cost of the work
- Benefits to be derived and likelihood of being achieved
- Propose management arrangements for managing the work
- Assessment of the alternatives to the use of consultants
- An indication of any implementation consequences of the consultants' work
- Assess and declare any conflicts of interest, including any association with interested parties.

7 PROCEDURE TO FOLLOW WHEN CONSIDERING CONSULTANCY

7.1 Procurement process

Procurement rules must be followed when considering Consultancy. You will need to contact the local Procurement department in the first instance to gain advice whether selection can be made from an existing Framework.

The following table summarises the minimum thresholds for quotes and competitive tendering arrangements. The total value of the contract over its entire period is the qualifying sum that should be applied (except in specific circumstances relating to aggregation and contracts of an indeterminate duration) as set out in EU Directives and UK Regulations.

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Contract value (excluding VAT)	Minimum Competition*
< £5,000	At discretion of DoF
£5,000 - £25,000	3 written quotations
£25,000 – OJEU threshold	4 tenders
Above OJEU threshold	5 tenders
Contracts above £1m	WG approval required

*subject to the existence of suitable suppliers

7.2 Approval limits

Approval requirements for consultancy expenditure are set within the Health Board Scheme of Delegation and somewhat differ to general non-pay expenditure:

	Consultancy	General Non-Pay
Executive Directors	≤ £25,000	≤ £100,000
Chief Executive / Director of Finance	≤ £25,000	≤ £500,000
CEO & DoF	-	>£500,000 ≤ £1,000,000
CEO & Executive Team	>£25,000 ≤ £1,000,000	>£500,000 ≤ £1,000,000
Board (following CEO/ET approval)	>£25,000 ≤ £1,000,000	>£1,000,000
Welsh Government	>£1,000,000	>£1,000,000

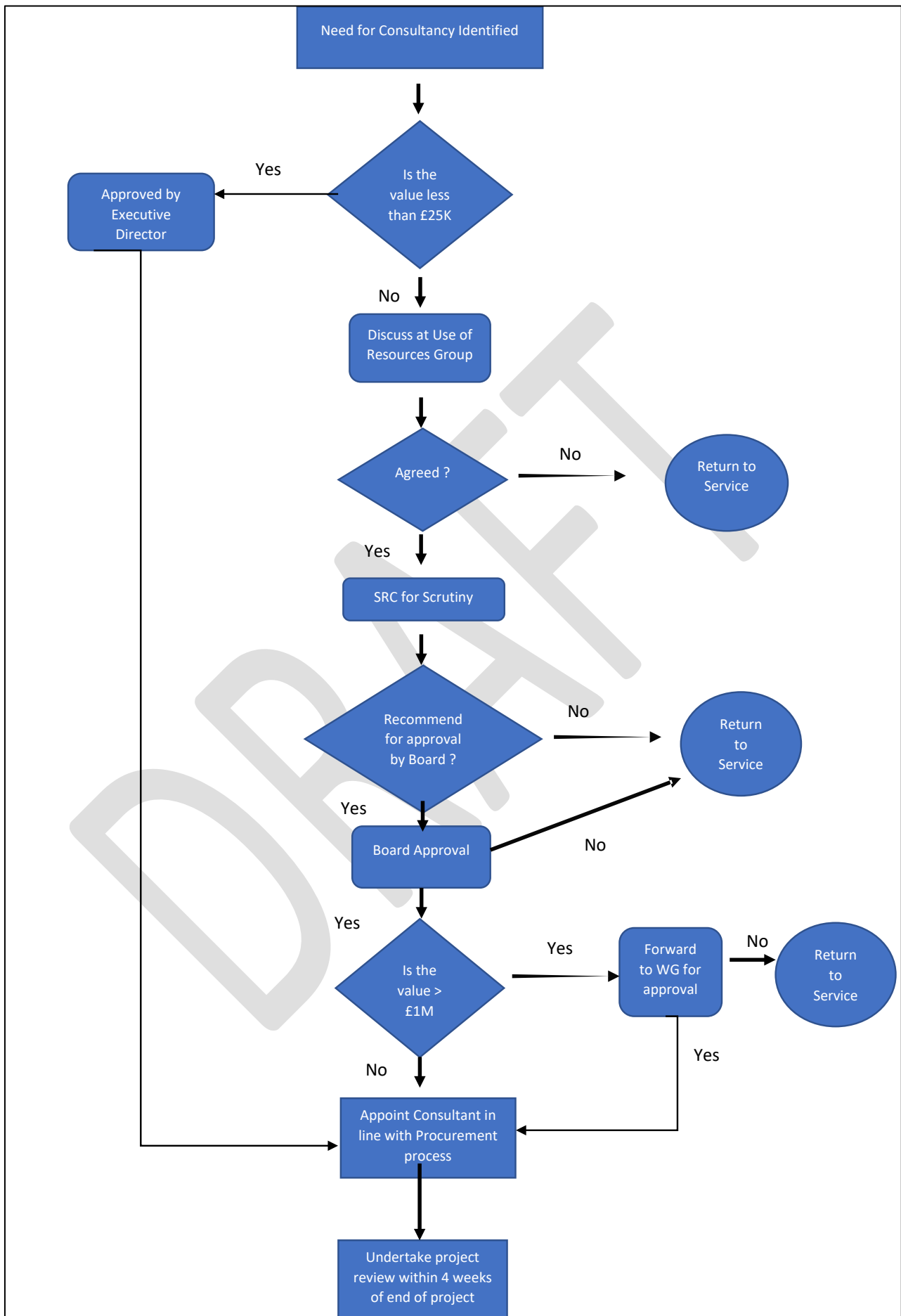
Each Executive Director can approve Consultancy up to £25,000. Anything over £25,000 needs approval by the Board. The first step is agreement by the CEO and Executive Team, this is discharged by the Use of Resources Group.

In addition, scrutiny in the use of consultancy is undertaken by the Sustainable Resources Committee (SRC), prior to consideration for approval by the Board.

The flowchart sets out the correct process to be followed.

Managers requesting the use of consultancy should plan ahead and be aware of the timescale required for approval before they can engage a consultant:

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USE OF CONSULTANCY

Please check that this is the most up to date version of this written control document
 Paper copies of this document should be kept to a minimum and checks made with the electronic version to ensure that the printed version is the most recent

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7.3 Reporting

Consultancy spend is reported annually as a matter of course through the Statutory Annual Accounts, in addition Procurement will maintain a central record of consultancy engagements which will be reported through the Finance Assurance report at the Audit and Risk Assurance (ARAC) Committee.

7.4 Monitoring, Post review and value for money

Once the assignment is completed it is also good practice to have an exit meeting to identify issues, lessons learnt, were objectives met, what aspects were good and which bad or can be done better. This should be recorded and kept as a reference point for any future assignments with that supplier

The project lead should ensure this is completed within 4 weeks of the end of the assignment and made available to Finance/Procurement to be reported at the next SRC meeting. The project lead should use the Post project evaluation template provided by Procurement.

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APPENDIX 1

Definition of Consultancy and Professional Services

Extract from the Gov.co.uk website 'Consultancy and professional services spend controls'

Consultancy services

These are services:

- that provide advice to fill a knowledge gap. This can be to identify options and recommendations, or advice to assist with implementing solutions; it will usually be related to business change or transformation, so will be time-limited
- where the individuals (consultants) delivering the service (output) will operate outside of the client organisation's structure and staffing establishment
- where payment is based on the delivery of a defined service (output). This may require a team of consultants working for an extended period of time, or could require a single consultant whose fee will be calculated based on the time taken to deliver the output
- that should not involve the individuals (consultants) working in a Business as Usual environment (eg advising on legal risk or technical matters). Such contracts should usually be categorised as professional services, rather than consultancy services

Professional Services

These are services:

- that are not defined as consultancy
- that are not purely or mostly advisory (unless the advice is part of a formal report that is required to undertake business as usual activities eg a legal opinion or technical report)
- where the individuals delivering the service (output) will operate outside the client organisation's structure and staffing establishment
- where payment is generally based on the delivery of defined outputs or outcomes (eg task and finish work)
- that, as with consultancy, deliver a service (output) that may require a team working for an extended period of time, or may be provided by an individual whose fee will be calculated based on the time taken to deliver the service
- that are often delivered in a BAU environment but may relate to the delivery of a project or programme. They can be responsible for a non-BAU output (eg legal advisers recruited to provide advice on a specific issue)
- that seek to fill gaps to assist the procuring organisation to deliver or implement an operational service, including those that are BAU. As such, professional services should not be purely (or mostly) advisory and contracts should be defined according to the delivery of outputs and deliverables rather than the number of days of effort utilised
- where for the purposes of the control there is no need for individuals to demonstrate any specific skills, qualifications or experience
- where contractors can be paid according to time worked or for delivery of a defined output or service. This can include Managed Services (MS)

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Areas where consultancy/professional services may be required

Strategy and Organisation and Change Management are likely to be consultancy but reference to the definitions should be made on a case by case basis when deciding which process to follow and advice sought from Procurement if there is any doubt.

Strategy

The provision of strategic objective advice including advice relating to corporate strategies, appraising business structures, Value for Money reviews, business performance measurement, management services, product or service design, and process and production management.

Organisation and Change Management

Provision of objective advice relating to the strategy, structure management and operations of an organisation in pursuit of its purposes and objectives. Advice related to long range planning, organisation restructure, rationalisation of services, and general business appraisal of organisations.

Finance/Audit

The provision of objective finance advice including advice relating to corporate financing structures, accountancy, control mechanisms and systems. This includes both strategic and operational finance.

Information Technology/Information Systems

The provision of objective IT/IS advice including that relating to IT/IS systems and concepts, strategic IT/IS studies and development of specific IT/IS projects. Also includes advice related to defining information needs, computer feasibility studies, making computer hardware evaluations and to e-business.

Legal

The provision of external legal advice and opinion including advice insofar as it relates to the policy formulation and strategy development particularly on commercial and contractual matters.

Property & Construction

Provision of specialist advice relating to property services and estates including portfolio management, design, planning and construction, tenure, holding and disposal strategies.

Human Resources

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

Technical

The provision of technical advice including the provision of technical studies, prototyping and technical demonstrators, concept development, project and task based technical advice.

Marketing & Communications

The provision of objective marketing and communications advice including advice on the development of publicising and the promotion of the Department's Business Support programmes, including advice on design, programme branding, media handling, and advertising.

Procurement

The provision of objective procurement advice including advice in establishing procurement strategies.

Project and Programme Management (PPM)

The provision of advice relating to ongoing programmes and one-off projects. Advisory support in assessing, managing and/or mitigating the potential risks involved in a specific initiative; work to ensure benefits realisation.