

Report to: **Audit and Best Value Scrutiny Committee**

Date: **4 March 2011**

By: **Deputy Chief Executive and Director of Corporate Resources**

Title of report: **Use of Consultants – Update**

Purpose of report: **To update the Committee on progress on improvements in the Council's use of consultants**

RECOMMENDATION: The Committee is recommended to note the action taken in relation to use of consultants.

1 Background

1.1 A report on the use of consultants was presented to a Scrutiny Review Board in July 2010 and the main issues subsequently reported to this Committee on 1 September 2010. Members requested an update at a future meeting on the actions being taken by officers as follows:

- improvements in the consistency of coding of spend on consultancy within the SAP system;
- the launch of an intranet toolkit for managers which aimed to provide guidance for managers especially on the consideration of alternatives to using external consultants; management of consultants; knowledge transfer; and compliance with proper procurement practice;
- the development of better procurement arrangements for consultants
- additional information and analysis arising from a regional spend analysis exercise

1.2 The review board accepted that there were circumstances when the use of external consultants was justifiable, for example where it:

- Contributed expertise and scarce specialist skills that the Council would not be able to maintain on its payroll;
- Allowed the Council to access resources and capacity when it needs them, sometimes at short notice;
- Can be deployed for specific periods as they are needed;
- Avoided the need to commit to a permanent appointment where funding is short term / insecure.

2 Coding of spend

2.1 Action has been taken via Finance Management Team and their departmental finance teams to challenge and improve the coding of consultancy costs on SAP and this will be part of an ongoing process. Our current focus is on using a combination of data from SAP and from the Spikes Cavell Data Observatory (see below) along with the Authority's contracts register to improve our understanding of spend on (true) consultants.

3 Intranet Toolkit

3.1 A comprehensive corporate toolkit guiding managers on the use of consultants was approved by COMT and then launched in September 2010. The toolkit drew on a report issued by the National Audit Office and its content is summarised in Appendix A. The launch included publicity via COMT brief and the intranet news pages and the toolkit received 347 hits in the first six weeks following its launch and since then has received approximately 100 hits per month. We

are currently working on some further publicity to reinforce the importance of the toolkit to managers. The toolkit can be found via the following link:

<http://intranet.escc.gov.uk/helping/projectmanagement/consultant/Pages/main.aspx>

4 Procurement arrangements

4.1 A preferred supplier list (PSL) for consultancy work under £50,000 was established following extensive analysis of spend patterns and consultation with departments regarding their future requirements. This list covered the following areas and included 19 suppliers:

- Estates and Property Professional Services
- Financial Services
- ICT Services
- Organisational Consultancy

4.2 The use of the PSL in the current year has been limited and appears to indicate that requirements for consultancy are less consistent and more difficult to predict than had been expected. A decision will be taken in the next financial year as to whether to continue to maintain a local PSL.

4.3 In addition to the PSL, managers have been advised to use existing frameworks for consultancy services for example those managed by OGC Buying Solutions and Eastern Shires Purchasing Organisation (ESPO). We are currently investigating the extent to which these frameworks have been used.

4.4 Under the aegis of the SE7 group of authorities, officers have recently begun to review spend on commodity goods and services in order to identify areas where there is scope of delivering savings through collaborative procurement. Consultancy services is included within this initial review.

5 Analysis of spend

5.1 We are currently analysing information from both SAP and the Spikes Cavell Data Observatory. The latter categorises spend by vendor type rather than by financial coding, however the analysis of consultancy spend has proved more complex than we had initially expected, again due to inconsistencies in classification.

5.2 Based on procurement coding in SAP the table below gives an overview of spend for 2009/10 (using our CSO thresholds)

	Over £50k	£5k - £50k	Under £5k	Total
Value of spend (£)	£1.685m	£1.998m	£0.360m	£4.043m
Value of spend (%)	41.7%	49.4%	8.9%	100.0%
Number of vendors	20	126	264	410
% of vendors	4.9%	30.8%	64.5%	100.0%

5.3 In overall terms from the work completed so far it appears that total spend on ad hoc consultancy does not exceed that figure of £4m p.a. previously reported. Analysis of spend on consultants from SAP (using both financial and procurement coding) based on the period April – December 2010 does indicate that spend has reduced, potentially by as much as, between 20 –

30% compared to 2009/10. Given the current financial climate and consequent pressure on budgets, it seems likely that that trend will continue in 2011/12.

5.4 We are currently conducting some more detailed investigation into the top 30 vendors (who account for over 50% of the listed spend) to ascertain the nature of work they have carried out and, where the vendor is on a framework, whether a competitive rate was obtained. We are also considering taking a small sample of consultancy contracts let since the toolkit was launched to assess the extent to which the toolkit guidance was followed.

6 Conclusion

6.1 Progress has been made in all those areas highlighted by members:

- spend analysis indicates that spend on ad hoc consultancy remains low at no more than £4m (approx 1% of our total procurement spend);
- initial indications are that spend on consultants has fallen by 20-30% in 2010/11 and this is expected to continue further in 2011/12
- the consultants toolkit has received over 500 hits in the 3 ½ months since its launch
- Finance teams have sought to improve the consistency of coding
- Use of the PSL has been disappointing, but SE7 are considering whether there are further opportunities for collaboration on use of consultants beyond the existing OGC BS and ESPO frameworks
- Further analysis of spend with the top 30 vendors is being carried out and will inform our future approach to use of consultants.

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Local Member: All

BACKGROUND DOCUMENTS

None

Consultant toolkit

We are changing the way we use external consultants to ensure we:

- make the best use of our resources
- improve value for money.

Given the financial challenge that the Council faces in the next 4 years and the intensive central government and media scrutiny over money spent on consultants in the public sector, it is particularly important that we consider carefully when and how we appoint consultants and how we get best value from them.

The toolkit is for anyone who is considering using an external consultant either as part of a larger project, or to complete a piece of work.

The toolkit will:

- explain the alternative options to engaging an external consultant
- set out the procurement process you should follow
- provide examples and templates of documents used in the process.

If you are managing a project and you think you need an external consultant, you may need to use the other toolkits below to help you develop a business case and manage the project:

- Project management toolkit
- Business case toolkit

Useful contacts

- Personnel and Training – Patricia Seath
- Procurement – Stephanie Saunders

If you need any financial advice, please contact your departmental finance officer.

Stage one – considering resource options

Suggestions for other cost effective ways to fill your resource gap.

Stage two – tender, award, contract

Guidance on the process of hiring an external consultant.

Stage three – delivery and skills transfer

Monitoring the work done by external consultants, and retaining skills and knowledge within your team.

Stage four – post contract evaluation

Analysing and sharing the information you have gathered.