

Report to: **Audit, Best Value and Community Services Scrutiny Committee**

Date: **9 November 2011**

By: **Director of Corporate Resources**

Title of report: **Update on use of consultants in East Sussex County Council**

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 current position on the 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 were updated on progress on 4 March 2011 and this report reflects the latest position on the actions being taken by officers as follows:

- improvements in the accuracy 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 a preferred supplier list for consultants
- additional information and analysis arising from a regional spend analysis exercise

2. Internal Audit Review

2.1 Internal Audit has also carried out a follow up review of recommendation made in 2008 and 2010 and this is summarised in the Quarter 2 Internal Audit Progress Report elsewhere on this agenda. The review concluded that there was **substantial assurance** over the use of consultants but recommended that:

- Efforts continue to improve the accuracy of coding for consultancy spend on SAP
- Evidence of competitive quotes or tenders must be obtained for all spend over £5,000 (for 2 out of a sample of 15 purchase orders evidence of seeking 3 quotations was not retained)
- Awareness of the Consultants Toolkit be improved
- The local PSL for consultants should be reviewed

3. Coding of spend

3.1 Action has been taken via Finance and Resources Group and their departmental finance teams to challenge and improve the coding of consultancy costs on SAP, however there is room for further improvement. We are continuing to explore approaches to improve our analysis of spend data from SAP as part of the corporate review of procurement. The use of the Spikes Cavell vendor based analysis is proving useful, but does not provide a complete answer due to the complexities of categorising consultancy vendors.

4. Intranet Toolkit

4.1 A comprehensive corporate toolkit guiding managers on the use of consultants was approved by the Chief Officers Management Team and then launched in September 2010. The toolkit was publicised widely at its launch, and the site was well visited. However, the recent internal audit report found that some managers were still not aware of its existence so further publicity is being considered.

5. Procurement arrangements

5.1 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. However initial analysis indicates that the PSL has been of limited use / benefit.

5.2 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).

5.3 The South East 7 Commodity Procurement Workstream has identified a number of options for improving procurement of consultancy for example, Kent is in the process of recruiting a specific procurement post to implement and manage the procurement of all consultancy and has found that running a number of formal mini-competitions for consultancy within existing frameworks, rather than calling off at the published framework rates, has achieved savings against published rates of between 5% and 15%. The latter best practice will be shared through Procurement Steering Group, and the former will be considered as part of the corporate review of procurement.

6. Analysis of spend

6.1 Based on coding in SAP the table below gives an overview of revenue spend coded to consultancy for 2010/11 (using our CSO thresholds)

	Over £50k	£5k - £50k	Under £5k	Total
Value of spend (£)	£1.902m	£2.108m	£0.449m	£4.459m
Value of spend (%)	42.7%	47.3%	10.0%	100.0%
Number of vendors	19	133	469	621
% of vendors	3.1%	21.4%	75.5%	100.0%

6.2 The comparative figures for 2009/10 are total spend of £5.9m with 684 vendors (NB these figures have been revised since the March 2011 report). Further analysis of the top 30 vendors, with spend totalling £2.361m, indicates that:

- Spend with 3 vendors totalling £0.270m had been miscoded
- 9 vendors with spend of £1.047m had long term contracts with the Council for provision of services covering property design consultancy and other property services covered by framework contracts, insurance brokerage, actuarial services and management of the concessionary fares scheme
- 17 vendors with spend of £1.005m appeared to be providing one off / ad hoc consultancy or related services – these vendors ranged from national or regional consultancy firms to sole traders
- If the results of the analysis of the top 30 vendors are applied to the total revenue spend coded to consultants then spend on ad hoc / one off consultancy would be estimated at c £1.9m

7. Conclusion

7.1 Progress has been made in all those areas highlighted by Members:

- Whilst acknowledging that data on consultancy spend needs further work to ensure it is more robust, revenue spend coded to consultants has fallen significantly from 2009/10 to 2010/11

- The estimated spend on ad hoc / one off consultancy remains low at below 1% of our total procurement spend;
- The consultants toolkit has improved awareness of how best to use consultants but further work is required to ensure that all managers are aware of it
- Finance teams have sought to improve the accuracy of coding but further work is required.
- The corporate review of procurement will consider broader improvements to our procurement spend data and its analysis
- Best practice in the use of consultants identified through the SE7 will be shared across the procurement community
- The recent internal audit review has given a substantial assurance opinion on the use of consultants.

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BACKGROUND DOCUMENTS

None