

WIRRAL COUNCIL

CABINET

13 OCTOBER 2011

SUBJECT:	BUSINESS CONSULTANCY SERVICES
WARD/S AFFECTED:	ALL
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR ADRIAN JONES
KEY DECISION?	YES

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to seek Cabinet approval to join a Merseyside collaborative contract with Matrix SCM for the provision of business consultancy services.
- 1.2 This contract incentivises the provider to approach the market on behalf of Councils who are party to it to obtain the best deal in terms of quality and price. Payment will only be made to the provider if they are able to return a saving to the Council. Based on current expenditure on consultancy services savings are estimated to be in the region of £200,000 per year. These are built in to the procurement strategy which has an aggregate target to deliver £2.7 million savings in 2011-12. Progress against this target is reported elsewhere on this agenda.

2.0 RECOMMENDATIONS

- 2.1. That the Authority becomes a party to the Merseyside collaborative contract with Matrix SCM for the provision of business consultancy services.
- 2.2. That this contract be the sole contract for the primary engagement of consultants by the Council.

3.0. REASONS FOR RECOMMENDATIONS

- 3.1 The Council does not currently have a standard corporate contract in place for the engagement of consultants. This leaves Departments exposed to the market and could result in the Council failing to meet its duty of aggregation under Public Procurement Regulations.
- 3.2 In 2010-11 expenditure which would fall under this contract was £1.8 million. Estimated savings on this would be in the region of £0.2 million. These would be paid to the Council in the form of a rebate.

3.3 Agreeing this as the 'sole contract' for the primary engagement of consultants ensures compliance with the contract and maximisation of efficiency. However, where Matrix SCM is unable to meet its obligations under the contract the Council may source business consultancy in the normal way via open tender on the chest. In all such cases it will be necessary to demonstrate that Matrix SCM is unable to provide the service.

4.0 BACKGROUND AND KEY ISSUES

4.1 The contract with Matrix SCM was awarded across a number of Merseyside authorities in April 2011 with an expiry date of 31 March 2013. There is an option to extend this for a further twelve months. The contract allows for other Merseyside Authorities to become party to it and Wirral is the only member of the Merseyside Procurement Group not yet signed up to it.

4.2 The procedures for the engagement of consultants are detailed in Part 3 of the Council Constitution and Schedule 5 and Part 4 of the Contract Procedure Rules. These require a business case to be completed prior to such engagement. The way this contract would work to ensure savings are realised and corporate governance is maintained is as follows:-

- (a) Chief Officers prepare a business case and specification for the engagement of consultants, as they are required to do now.
- (b) The appropriate executive authority is obtained (this may be under delegated powers or by Cabinet approval depending on the amount).
- (c) The Procurement Unit will commission Matrix SCM based on the specification in (a).
- (d) The Procurement Unit, in conjunction with colleagues in other Councils, will manage all aspects of the contract with Matrix SCM to ensure that the service is delivered to the required standard and that savings opportunities are maximised.
- (e) Failure to comply with these arrangements will be considered a breach of Financial and Contract Procedure Rules which may be a disciplinary matter.

4.3 The tender process sought costs for a commission fee based on a percentage of the savings achieved through each consultancy commission. The savings are calculated against contract baseline rates established across a range of disciplines that local authorities normally engage consultants on. These include business programme and project management, organisation and change management, Finance, Legal Services, Information and Communications Technology, and Human Resources. The savings the provider achieves against these market rates are split 15% as a reward to the provider and 85% paid as a rebate to the Council. If the provider is unable to achieve a price below the market rate they will not be paid.

4.4 This model of managing collaborative contracts could be applied other areas. The centralisation of contracts management is consistent with the direction set out in the Procurement Strategy endorsed by Cabinet on 2 June 2011. For this particular activity the benefits are summarised as:-

- (a) A streamlined 'one-stop-shop' approach for sourcing external consultants
- (b) Ensuring a rigorous process has been used prior to engaging consultants
- (c) Strengthened contract management controls across Merseyside Councils
- (d) A web based application to minimise back office costs
- (e) A reduction in the level of expenditure on consultants

4.5 All consultants recently used by the Council will be invited to participate in this arrangement to ensure continuity of services. Matrix SCM has a proven track record of providing this type of service and is currently engaged to provide a Merseyside-wide contract for the provision of agency workers delivering a similar level of savings to those proposed here.

5.0 RELEVANT RISKS

5.1 Procurement activity is under increasing external scrutiny to ensure it is compliant with UK Public Procurement and European Union Directives. The Council has witnessed an increasing number of challenges in this area and the costs of defence and risk of financial penalty are considerable. This contract has been let in strict accordance with these Directives and its management will benefit from a collaborative approach with other Councils.

6.0 OTHER OPTIONS CONSIDERED

6.1 Other consultancy solutions exist such as Buying Solutions and East Cheshire Purchasing Organisation. However they do not offer the managed service approach outlined in this report.

7.0 CONSULTATION

7.1 Officers in the Procurement Unit participated in the regional options appraisal, tender process and evaluation. The model has been discussed with Service Departments and agreed to be recommended to Cabinet at the Corporate Procurement Board on 31 August 2011.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

8.1 All suppliers, including those from the voluntary, community and faith groups are given a fair and equal opportunity to register with Matrix SCM to provide consultancy services. Only where it is lawful to do so will the engagement of consultants be directed to such groups or those representing minority interests.

9.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

9.1 This contract will aim to deliver savings of £200,000 based on the current usage of consultants. It will increase the controls and governance of such usage which may reduce expenditure further.

9.2 In order to maximise the benefits of the Matrix SCM web based application, authorised users will need internet access. Further ITS resources may be required to interface with the I-Procurement System to improve communications and minimise transactions.

10.0 LEGAL IMPLICATIONS

10.1 The award of this contract has adhered to UK Public Procurement Procedures, Council Financial and Contract Procedures Rules, and European Union procurement directives.

11.0 EQUALITIES IMPLICATIONS

11.1 Equality implications will be considered by the Merseyside group co-ordinating and managing this contract.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 There are no carbon reduction implications

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are no planning and community safety implications

FNCE/208/11

REPORT AUTHOR: *Mike Fowler*
Head of Support Services
telephone: (0151) 666 3525
email: mikefowler@wirral.gov.uk

APPENDICES

None

REFERENCE MATERIAL

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Cabinet: Procurement Strategy	2 June 2011