

# CHESHIRE EAST COUNCIL

## Cabinet

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<b>Date of Meeting:</b>	14 <sup>th</sup> June 2016
<b>Report of:</b>	Chief Operating Officer – Peter Bates
<b>Subject/Title:</b>	Managed Provision of Consultancy
<b>Portfolio Holder:</b>	Cllr Paul Findlow, Portfolio Holder for Corporate Policy and Legal Services

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### 1. Report Summary

- 1.1 The purpose of this report is to seek approval to award a new contract to NEPRO Limited for the provision of a Vendor Neutral Managed Service to source and provide consultancy requirements/services where appropriate over the next 4 years.
- 1.2 What is a vendor neutral service? This contract will work in a similar way to the Comensura contract. NEPRO will act as the independent broker for the procurement of specialist professional services working with accredited suppliers and will manage the end to end process of appointment.
- 1.3 The North East Procurement Organisation (NEPO) procured a new single source Neutral Vendor contract for the supply of Specialist Professional Services by way of a robust OJEU process. The framework agreement was awarded to NEPRO Ltd on 1<sup>st</sup> December 2015. All AGMA authorities are able to utilise this framework. Cheshire East Council is an Associate Member of NEPO
- 1.4 On 27<sup>th</sup> January 2016, MGB approved the award of contract to NEPRO Ltd for a pilot period e.g. six month period with an option to extend for six months in order to obtain proof of concept. There is no fee/cost in entering into a contract with NEPRO Ltd, however, they are managing consultancy spend on the Council's behalf, so it was agreed to obtain cabinet approval before rolling out this solution more widely and incurring consultancy expenditure above £1million. The current committed spend through the contract is £675,000.
- 1.5 The NEPRO contract has already had some significant benefits which include:
  1. Increased compliance by ensuring business cases are completed for new consultancy requirements focussing on the key activities and outputs rather than simply obtaining day rates and approved by the Head of Service and Finance.

2. Reduction and on-going mitigation regarding the number of WARNs for consultancy. Only one approved so far for 2016/17.
3. £130,000 saving for the three projects awarded against a budget of £520,000 (25%).
4. Positive user feedback from the services who have procured using NEPRO.
5. Efficiency savings in time and resources. Projects are able to be procured within 2 weeks rather than the average time of 3 months plus.

## **2. Recommendation**

That Cabinet

- 2.1. Approve the award of and entering into a call off contract under the framework agreement to NEPRO Ltd for a period of 3 years with an option to extend for 12 months (maximum period of 4 years).
- 2.2. Delegate authority to the Director of Legal Services to enter into the necessary legal documentation to appoint a partner and all incidental legal agreements.

## **3. Other Options Considered**

- 3.1. Frameworks – there is a vast range of different multi-disciplined frameworks for consultancy, e.g. ESPO (Eastern Shires Purchasing Organisation) frameworks, CCS (Crown Commercial Service) frameworks etc. Whilst these frameworks alleviate the need to advertise the requirement in Europe they normally still require a great deal of resource in tendering with all the capable suppliers on that framework.
- 3.2. There is a YPO (Yorkshire Purchasing Organisation) framework recently awarded for a vendor neutral solution which is with Reed. This is still fairly new and is the first solution that Reed has won. They are also still developing their on-line system.
- 3.3. Cheshire East is able to conduct its own quotations and tenders for specific consultancy requirements where required, however, a vendor neutral solution would be far simpler, quicker and easier for all concerned.

## **4. Reasons for Recommendation**

- 4.1 It is evident that whilst there can be an element of demand management e.g. Recruitment Watch or similar to reduce spending on specialist professional services (SPS) there is still a need to source such work, particularly with projects such as local plan, HS2 etc, with such professionals bringing a wealth of expert advice, knowledge and capability which may not be available in-house or would be expensive and/or inappropriate to retain on a permanent basis.
- 4.2 Spend data has not proved easy to ascertain in full confidence with the current coding structure. There are numerous account codes which stem

from LGR and services are not always coding their expenditure correctly. The new ERP system will address this but in the meantime the current coding structure applies.

It is felt that the most accurate report to use to obtain consultancy spend is a report using the consultancy proclass code for each financial year.

This report shows that the estimated annual spend within Cheshire East Council over this period is:

2013-2014 approximately £4.2 million

2014-2015 approximately £6 million

2015-2016 approximately £5 million

2016 – to date £168,319

Some of this expenditure will be using various compliant contracts e.g. there are numerous individual contracts that have been procured in the past for specific consultancy requirements. There is also an internal compliant Assets/Property Consultancy framework which has an annual expenditure of between £300k to £500k.

4.3 The procurement team are also continually dealing with requests for WARN's e.g. waiver to competition and/or recording of non adherences for consultants. (WARNs).

- The total amount of WARN's for Consultancy in 2014 - 2015 was 40 totalling Circa £2.4 million
- The total amount of WARN's for Consultancy in 2015 - 2016 was 19 totalling Circa £1.8 million
- The total amount of WARN's for Consultancy in 2016 – 2017 to date is 1, totalling £6,500. This illustrates that the NEPRO contract has already had a significant positive impact.

4.4 There are 3 recognised models of Service provider sub contracts (SPS) available and identifiable;

- Multi-disciplined professional service and /or consultancy organisations that offer a wide range of specialisations at strategic, operational and tactical levels of service delivery and organisational with a global presence.
- SMEs specialising in a particular market sector or field of expertise.
- Stand-alone or Sole Trader agencies focused on specialist and technical consultancy and professional advice around a particular field, function or industry.

4.5 NEPRO Limited act as a single point interface between Cheshire East Council and the supply base and offers many benefits, for example:

- Reduction in overall spend as result of an explicit demand management process and system. (NEPRO aim to shave between 10-20% from each project budget).
- Reduction or elimination of instances of scope creep in the work due to be completed.
- Reduction or elimination of non-compliant spend via an OJEU Compliant procurement route which allows for direct award or mini-competitions (hence reduction / elimination of consultancy WARN's).
- Realisation of cashable savings from a competitive procurement process.
- A reduction in administrative processes, supported for instance by channelling activity via a central web based application.
- Improved transparency, reporting and audit of all activity associated with professional and consultancy services.
- Mitigation of IR 35 related tax risks.
- Reduction or elimination of payment for non-performance.
- Efficiency savings through the reduction of transactional activity resulting in the volume of invoices and processes being minimised as contact and contracts sits with one vendor.
- When rolling out the on-line solution, this will use a single monthly invoice paid to the neutral vendor who is then responsible for fee distribution. Improved capacity in procurement as the need to utilise traditional procurement methods is reduced allowing increased focus on key priorities.

4.6 NEPRO supports market led outcome based pricing, relying on well-defined briefs with outcomes, aims, objectives, deliverables and milestones formulated. NEPRO leads the implementation of processes and controls that will encourage a shift in attitude as to how, why and where the Council utilises Specialist Professionals.

4.7 **Transaction Costs** - The transactional nature of the service will be **cost neutral**. NEPRO will charge suppliers a 5% levy on the value of transactions.

4.8 **Savings** – prior to the pilot exercise no savings were easily quantifiable from the various consultancy procurements with many of them being new requirements. When using NEPRO, they identify the target budget with the service and aim to reduce the estimated expenditure by at least 10%. All project costs and savings are now recorded and monitored and we have full transparency of costs/savings by project, service etc.

## Case Studies:

- i) Durham County Council implemented this solution in 2014. In 14/15 they had 132 projects going through the NEPRO system with a total cost of £4.4 million. The savings they achieved for this period was £431k (9.73%).
- ii) Cumbria County Council implemented this solution in May 2014 for a 6 month pilot. Over £640,000 of work has been placed via NEPRO in this time creating savings of £89,980 (14%).

Based on a potential expenditure of £5m for 15/16, if a 10% saving was achieved for Cheshire East Council, this could result in savings up to £500k.

- 4.9 Pilot Project – The current pilot period started 1<sup>st</sup> March 2016. Appendix 1 identifies the completed projects that have been procured through NEPRO to date also illustrating the costs and savings so far.

There are 8 projects commenced with NEPRO so far with an overall estimated value of £675,000. There are 3 projects that have been finalised and awarded to date. The estimated value of these 3 projects was £520,000. The actual cost is circa £390,000, therefore a saving of £130,000 which equates to 25%.

Whilst only able to report savings on a few projects currently, this represents a significant financial saving.

On top of the financial saving this pilot project has proved that there are vast savings in time and resource. The projects are able to be procured quickly and efficiently, saving time for both services and procurement. It is feasible for these projects to be commenced and awarded within 2 weeks as opposed to 3 months plus under normal procurement routes.

## 5. Background/Chronology

- 5.1 Consultancy services has been recognised as an area where potential efficiencies could be levered. There is a Task and Finish Group who have been reviewing expenditure on temporary resource. Some of this is to do with agency staff and there is ongoing work which HR Strategy is leading on in this regard.
- 5.2 The other element of this group was to review expenditure on 'Consultancy'. A key recommendation is that the Council reviews and considers new procurement routes.
- 5.3 The task and finish group identified a number of issues, challenges and barriers, particularly in the area of consultants and specialist contractors:
  - Lack of Control e.g. consultants, interims being appointed without going through proper checks, e.g. Checking bona fide company, insurance, DBS checks, H&S checks.

- Recruitment Watch – following a report on temporary staff and an MGB discussion in October, it was agreed that this process should be reviewed but will remain in place for now.
- Lack of planning within services leading to urgent demands, which are then used to justify non-compliance.
- Too many account codes, mis-coding, which makes it difficult to identify what the expenditure is for and to ascertain whether the council has achieved best value. *Finance is reviewing coding structures to be in line with new ERP system.*
- Risk for the Council regarding employment and legislative issues e.g. Insurances, IR35 Tax.
- Increasing number of FOI requests around temporary workforce usage, which can be difficult to respond to due to the lack of compliance and confusion of the data.

## **6. Wards Affected and Local Ward Members**

- 6.1. No impact on any specific wards and Local Ward Members

## **7. Implications of Recommendation**

### **7.1. Policy Implications**

Four key drivers will underpin the procurement process to put in place a new contract for the supply of consultants which will deliver a cost effective and quality solution for the Council:

- **To secure value for money** - without compromising on the quality of the Consultants supplied.
- **To ensure business continuity in a compliant manner** - through an efficient and simple process. This will reduce the number of waivers for consultants.
- **To provide an “easy to do business with” solution** – for managers to use
- **To enhance social value** – providing a platform whereby local providers and SME’s can have the opportunity of securing business with the Council in a streamlined manner and maximising the opportunity for residents to secure employment.

### **7.2. Legal Implications**

- 7.2.1 The North East Procurement Organisation (NEPO) has procured a new single source Neutral Vendor framework agreement for the supply of

Specialist Professional Services. A Framework agreement is an “umbrella” agreement that sets out the terms (particularly relating to price, quality and quantity) under which individual contracts (call-offs) can be made throughout the period of the agreement. It enables contracting authorities to meet its need for a service, supply of goods or works for a set period of time in order to obviate the need to undertake a wide competitive process in relation to each individual procurement. A framework agreement set up in accordance with the Public Contract Regulations 2015 is normally for a maximum four year period and available to a number of contracting authorities so long as those authorities are sufficiently identified in the original OJEU notice. As an Associate Member of NEPO the Council is named and therefore is able to utilise this framework and enter in to a call off contract with NEPRO Ltd. This ensures compliance with the Council’s own Contract Procedure Rules and the Public Contract Regulations 2015.

- 7.2.2 The Council should seek to ensure that best value is achieved. The report refers to the cost neutral transaction costs, the market led outcome based pricing and the continuous improvement requirement in the call off contract.

### **7.3. Financial Implications**

- 7.3.1 There is no fee or cost in entering into this contract, although the company will be managing the Council’s overall consultancy spend which is expected to be in the region of £20m over the period of the contract.
- 7.3.2 It is noted that significant savings are potentially achievable given the Council’s current spend and similar exercises in other councils, and that the contract should provide additional benefits such as the subsequent reduction in non-compliant spend and related resources i.e. completion of waiver to competition/recording non adherence forms.
- 7.3.3 The proposed new arrangement should lead to increased clarity of costs in this area whilst also offering/ensuring value for money.

### **7.4 Equality Implications**

- 7.4.1 None

### **7.5 Rural Community Implications**

- 7.5.1 None

### **7.6 Human Resources Implications**

- 7.6.1 Ensuring a smooth transition from the current off line system to the new contract and on-line system is essential. During implementation

and launch of the new consultancy contract, hiring managers who regularly use Consultancys will be trained on the suppliers ICT platform. This will ensure that Consultants can be selected for new assignments and paid promptly.

## **7.7 Public Health Implications**

7.7.1 None

## **7.8 Other Implications (Please Specify)**

7.8.1 None

## **8 Risk Management**

- 8.1 All projects are closely monitored throughout the contracted period to ensure that the Council continues to obtain and maximise value for money and consistent levels of service. A requirement of the contract is for continuous improvement throughout the term of the contract to ensure that best value is achieved.
- 8.2 To enhance visibility and control over the usage of Consultants, management information reports will be requested from NEPRO Ltd to assist with the monitoring of, for example, type of consultancy, costs, savings by project, directorate and service.

## **9 Access to Information/Bibliography**

- 9.1 Further information about the NEPRO Consultancy Framework can be found at: <http://nepro.org.uk/>

## **10 Contact Information**

Contact details for this report are as follows:-

**Name:** Lianne Halliday

**Designation:** Procurement Manager

**Tel. No.:** 01270 685766

**Email:** [lianne.halliday@cheshireeast.gov.uk](mailto:lianne.halliday@cheshireeast.gov.uk)