

Yr Adran Cynllunio Strategol, Cyllid a Pherfformiad
Department for Strategic Planning, Finance and Performance

Cyfarwyddwr Cyffredinol • Director General



Llywodraeth Cymru
Welsh Government

Mr Darren Millar AM
Chair, Public Accounts Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

13 May 2013

Dear Mr Millar

Procurement & Management of Consultancy Services

Following my appearance at the meeting of the Public Accounts Committee on 18 April, supported by Alison Standfast and Kerry Wilson, I give below the additional information which your Committee requested.

Action points for response:

1. A note on approval controls and the delegation to procurement consultants

Each Directorate within Welsh Government has in place an approval framework which sets out the arrangements in place for decisions relating to administrative costs, including the engagement of consultants. The framework sets out:

- which decisions need to be taken at Director General (DG) level;
- which will need to be signed off by the DG for People, Places and Corporate Services once departmental DGs have approved them; and,
- which decisions can be delegated by DGs, either to their resourcing panels or to individual Directors, Deputy Directors or Heads of Branch

Within the framework, each DG decides the exact arrangements for delegated decision making in their areas and makes this explicit by issuing letters of delegation to their managers.

Across all Directorates, expenditure on management consultancy of any value, requires approval by the Director General prior to the expense being incurred.

2. An update on savings made by the Managing for Less programme

A breakdown of the three year outturn and year on year reductions achieved as a result of the Managing with Less programme is attached at *Annex A*.

The total savings on the identified cost headings achieved by the programme over three years totalled £25.8m.

Managing with Less was a cost reduction initiative introduced by the then Permanent Secretary in response to the reduced budget allocation to Welsh Government and was relevant at the time.

As I stated in my evidence to committee we are now moving on to more effectively challenging and managing our demand for the use of consultancy services. The introduction of the National Procurement Services will drive this improvement forward.

3. Further information on costs associated with services provided by Spikes Cavell

The 2010-11 expenditure analysis exercise conducted by Spikes Cavell cost £282,078.

4. Further detail on the consistency and quality of all procurement related data across the public sector, including the methodology (i.e. the fields and requisite characters analysed)

The consistency and quality of available procurement related data is patchy across the public sector. Different organisations use different financial management systems and different coding structures.

To give a consistent picture of expenditure, Spikes Cavell have been engaged on two separate occasions to undertake a detailed analysis of an extract of creditor ledger data from public bodies across Wales.

This exercise analysed £3.8bn of expenditure from 32 public bodies across Wales. A total of 72,872 suppliers data was analysed, consisting of 3,703,938 invoice lines.

The use of a web hosted analysis tool allows us to manipulate this large data set to understand at an organisational, sectoral or all-Wales basis issues such as:

- expenditure within local authority postcode regions;
- expenditure with Wales based suppliers;
- expenditure with SMEs;
- expenditure by category;
- common suppliers who have a high Dun and Bradstreet risk rating; and,
- suppliers who are common across a number of organisations.

5. The value of tendering exercises made through the Government Procurement Service.

In the financial year 2012-13, information recorded at a corporate level on procurement activity over £25k shows that the Welsh Government spend of £2.5m was awarded to suppliers through frameworks let by the Government Procurement Service.

6. Further information comparing the National Audit Office Consultancy Self-Assessment toolkit to the system currently used by the Welsh Government.

According to paragraph 3.6 and Appendix 2 of the Auditor General's report, the estimated £23.4 million a year savings figure (calculated at Appendix 3 of the report) was based on an analysis of the findings from site visits and related survey information relating to the seven public bodies visited by the WAO, which included the Welsh Government and was then extrapolated across the Welsh public sector.

As also noted in paragraph 3.6 of the report, the efficiency savings calculator is only as reliable as the quality of the information and the judgements that form the basis of the calculation. As such, it provides only a broad indication of the scale of overall efficiency savings that might be possible. Accordingly, the WAO did not attempt to provide separate analyses for individual public bodies.

However, after the site visit to Welsh Government, the WAO did use the tool to make their own assessment of Welsh Government and identified a potential for annual savings up to £7.4 million, based on annual expenditure of £42 million.

The reduction in expenditure across Welsh Government on Management Consultancy alone between 2009-10 and 2011-12 totalled £7 million.

Yours sincerely



Michael Hearty

cc Jane Hutt AM, Minister for Finance & Leader of the House
Jeff Andrews, Specialist Policy Adviser

Managing with Less 3 Year Outturn

Totals £	2009-10			2010-11			2011-12		
	Admin	Programme	Total	Admin	Programme	Total	Admin	Programme	Total
Management Consultancy	10,129,055	1,074,897	11,203,952	4,559,051	821,163	5,380,214	3,885,616	234,206	4,119,822
Non Permanent Staff	11,084,932	8,251,043	19,335,975	8,639,947	8,420,858	17,060,805	6,893,257	7,345,419	14,238,676
Allowances	1,431,458	151,379	1,582,837	1,197,824	133,482	1,331,306	866,523	178,520	1,045,043
Overtime	914,468	246,006	1,160,474	634,291	64,232	698,523	220,999	450,453	671,452
Travel & Subsistence	7,440,153	1,731,924	9,172,077	4,682,988	1,930,469	6,613,457	3,958,346	2,475,789	6,434,135
Stationery and ICT	3,002,906	2,747,936	5,750,842	1,099,599	555,063	1,654,662	867,394	382,970	1,250,364
Printing	236,246	2,655,091	2,891,337	171,942	1,497,160	1,669,102	86,570	1,263,148	1,349,718
Meetings & Hospitality	875,215	3,145,101	4,020,316	335,415	962,770	1,298,185	60,553	74,157	134,710
Total	35,114,433	20,003,377	55,117,810	21,321,057	14,385,197	35,706,254	16,839,258	12,404,662	29,243,920