

2006 Expenditures for Consulting Services – City Divisions and Major Agencies, Boards and Commissions

Date:	May 15, 2007
To:	Government Management Committee
From:	Treasurer
Wards:	All
Reference Number:	P:\2007\Internal Services\acc\gm07010acc (AFS # 3088)

SUMMARY

The purpose of this report is to inform the Committee and Council regarding the actual expenditures incurred by the City for consulting services for the year ended December 31, 2006.

A summary of the Operating and Capital consulting expenditures for 2006 of Divisions and major Agencies, Boards and Commissions (ABCs) with 2005 comparative is included in this report.

Financial Impact

There are no financial implications arising from this report.

DECISION HISTORY

Council in its consideration of the City Auditor’s report on consulting services at its meeting of December 4-6, 2001, approved the auditor’s recommendations on consulting services. Included in these recommendations was a requirement that “All future reporting of consulting expenditures be based on actual expenditures incurred and not on the value of contracts awarded unless specifically requested by Council. In order to ensure that such reporting is accurate, all consulting costs reported to Council be reconciled to the City’s financial information system by each Department.” See staff report <http://www.toronto.ca/legdocs/2001/agendas/council/cc011204/au10rpt/cl010.pdf>

Subsequently, in a report dated May 31, 2002 from the Chief Administrative Officer entitled “Corporate Accountability Framework – Implementation Plan and Status Update on the Use of Consultants”, contained in Clause 1 of Report 6 of the Audit Committee, adopted by Council at its meeting of June 18-20, 2002, it was recommended that: “The CAO and CFO, in consultation with the City Auditor, provide an annual report commencing with the period ending December 31, 2002, on consulting expenditures that will include actual consulting expenses for the previous year and the year prior (i.e. 2002 and 2001 actuals) organized by department or local board, by the specific consulting categories, and by vendor.” See staff report

<http://www.toronto.ca/legdocs/2002/agendas/council/cc020618/au6rpt/cl001.pdf>

The same report also combined the consulting categories to five as follows: Technical; Management/Research and Development; Information Technology; External Lawyers and Planners; and Creative Communications. It also further clarified the difference between “consulting services” and “contracted professional services”, with a consultant being defined as: “any firm or individual providing expert advice/opinion on a non-recurring basis to support/assist management decision making”.

In 2006, City Council, in considering the 2005 Expenditures for Consulting Services report, adopted the recommendation for the City Manager to report on a proposed mechanism to verify the consulting expenditures incurred by ABCs. The City Manager’s report to Budget Committee contained in Clause 3, Report 8 dated February 23, 2007 reported that a review of the policies, processes and procedures of ABCs on consulting expenses had been done and concluded that “the controls are adequate and provide reasonable assurance that the amounts reported are accurate and complete”. See staff report

<http://www.toronto.ca/legdocs/mmis/2007/bu/bgrd/backgroundfile-1724.pdf>

ISSUE BACKGROUND

In accordance with the above requirements, annual reporting of consulting expenditures commenced in 2002. The report for 2005, contained in Clause 32 of the Policy and Finance Committee Report 5 was adopted by Council on June 27-29, 2006.

This report is for the year 2006.

COMMENTS

City Divisions and major ABCs have confirmed their 2006 consulting expenditure, by vendor, for each of the five categories for both the Operating and Capital Budgets. Accounting Services staff have verified and reconciled the actual and budget amounts, reported by City Divisions, to the General Ledger. Amounts reported for ABCs were confirmed by the specific ABC.

A summary of 2006 Operating and Capital consulting expenditures of City Divisions and major ABCs with 2005 comparative is presented below in Table 1 and 2 respectively. Table 1a (Operating) and 2a (Capital) provide a summary by consulting category, and Table 1b (Operating) and 2b (Capital) provide a summary by City Division and major

ABC. In addition, a summary of consulting expenses by year from 2001 to 2006 is provided in Table 3. The 2006 details, by consultant category and by vendor for each City Division and major ABC are shown in Appendix A (Operating) and Appendix B (Capital), respectively.

Table 1a
OPERATING
Consulting Expenses Summary
By Consulting Category for City Divisions and Major ABCs
(Details in Appendix A)

Category	Contract Balance			2005 Actual	%	2006	2005
	Remaining Dec 31/2006	2006 Budget	2006 Actual				
	\$ 000's (Note)	\$ 000's	\$ 000's	\$ 000's	Increase/ (Decrease)	% by category	% by category
<u>City Divisions</u>							
Technical	300.8	583.7	401.3	417.6	(3.9)	50.7	21.8
Information Technology	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Management/ R & D	107.6	1,418.8	319.9	679.5	(52.9)	40.4	35.5
Lawyers & Planners	355.7	335.3	70.9	600.2	(88.2)	8.9	31.3
Creative Communications	0.0	125.6	0.0	218.1	(100.0)	0.0	11.4
Total Divisions	764.1	2,463.4	792.1	1,915.4	(58.6)	100.0	100.0
<u>Major Agencies & Boards</u>							
Technical	277.1	212.0	138.7	77.4	79.2	5.5	3.3
Information Technology	39.0	876.7	288.9	733.9	(60.6)	11.3	31.6
Management/ R & D	190.0	865.6	713.6	529.3	34.8	28.0	22.8
Lawyers & Planners	459.7	1,512.5	1,226.8	875.0	40.2	48.1	37.6
Creative Communications	0.0	103.2	180.3	110.5	63.2	7.1	4.8
Total Agencies & Boards	965.8	3,570.0	2,548.3	2,326.1	9.6	100.0	100.0
GRAND TOTAL	1,729.9	6,033.4	3,340.4	4,241.5	(21.2)		

Note: the contract value reported is the balance remaining as at December 31, 2006, net of GST. It is the amount expected to be spent in future year(s) and is not comparable to the current year expenditure amount.

Table 1b
OPERATING
Consulting Expenses Summary
By City Divisions and Major ABCs
(Details in Appendix A)

City Divisions	Category						2006 Budget	2005 Actual	% Change	2006 Exp. As % of Services & Rents Budget
	Technical	Information Technology	Mgmt /R&D	Lawyers & Planners	Creative Commun.	2006 Actual				
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	Incr./ (Decr.)	
Citizen Centred Services "A"	31.6	0.0	185.9	0.0	0.0	217.5	1,306.9	439.2	(50.5)	0.0%
Citizen Centred Services "B" (Note)	246.0	0.0	86.4	26.1	0.0	358.5	516.0	301.1	19.1	0.1%
Internal Services	0.0	0.0	0.0	0.0	0.0	0.0	1.6	63.2	(100.0)	0.0%
City Manager	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Other City Programs	3.5	0.0	0.0	0.0	0.0	3.5	0.0	5.0	(30.0)	0.0%
Corporate Accounts - Non Program	120.2	0.0	47.6	44.8	0.0	212.6	638.9	1,106.9	(80.8)	0.4%
Total	401.3	0.0	319.9	70.9	0.0	792.1	2,463.4	1,915.4	(58.6)	0.1%
%	50.7	0.0	40.4	8.9	0.0	100.0				

Agencies\Boards\Commission	Category						2006 Budget	2005 Actual	% Change	2006 Exp. As % of Services & Rents Budget
	Technical	Information Technology	Mgmt /R&D	Lawyers & Planners	Creative Commun.	2006 Actual				
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	Incr./ (Decr.)	
Exhibition Place	0.0	0.0	27.1	0.0	0.0	27.1	110.0	51.0	(46.9)	0.1%
Heritage Toronto	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0%
Hummingbird Centre for Perf. Arts	0.0	0.0	1.5	3.7	0.0	5.2	5.0	4.8	8.3	0.1%
St. Lawrence Centre for the Arts	0.0	0.0	41.9	0.0	0.0	41.9	40.0	0.0	-	8.5%
Toronto Atmospheric Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.3	(100.0)	-
Toronto Centre for the Arts	0.0	0.0	0.0	19.7	0.0	19.7	30.6	30.6	(35.6)	2.3%
Toronto Parking Authority	0.0	0.0	0.0	0.0	100.0	100.0	30.0	30.0	233.3	0.8%
Toronto Police Services	18.7	288.9	202.1	57.5	71.9	639.1	1,352.8	876.0	(27.0)	1.3%
Toronto Police Services Board	0.0	0.0	51.6	655.6	8.4	715.6	800.8	673.7	6.2	68.7%
Toronto Public Library Board	0.0	0.0	0.0	8.6	0.0	8.6	9.0	195.4	(95.6)	0.0%
Toronto Transit Commission	118.5	0.0	239.8	442.8	0.0	801.1	982.0	428.7	86.9	1.5%
Toronto Zoo	1.5	0.0	149.6	38.9	0.0	190.0	209.8	28.6	564.3	2.3%
Total	138.7	288.9	713.6	1,226.8	180.3	2,548.3	3,570.0	2,326.1	9.6	1.4%
%	5.5	11.3	28.0	48.1	7.1	100.0				

GRAND TOTAL (Divisions & Boards)	540.0	288.9	1,033.5	1,297.7	180.3	3,340.4	6,033.4	4,241.5	(21.2)	0.3%
%	16.2	8.7	30.9	38.8	5.4	100.0				

Note: The total for Citizen Centred Services "B" includes the consulting expenses of Toronto Water: 2006 actual of \$ 0 (2005 - \$ 0), budget of \$ 22,800, and contract balance remaining of \$ 0.

As shown on Table 1a and 1b, the 2006 actual operating consulting expenditure for City Divisions decreased by \$1.1 million or 58.6%, while ABCs increased by \$0.2 million or 9.6%, compared to 2005. For both City Divisions and ABCs, the total expenditure was within the approved budget with specific over budget occurrences being offset by under spending in other City Divisions or ABCs. An explanation of the significant budget variances, by City Division and ABC is included in the detail listing in Appendix A. As in the previous year, consulting expenditures are low, being approximately 0.1% and 1.4% respectively, of the gross Purchase of Services and Rents budgets of City Divisions and major ABCs.

Table 2.a
CAPITAL
Consulting Expenses Summary
By Consulting Category for City Divisions and Major ABCs
(Details in Appendix B)

Category	Contract Balance Remaining Dec 31/2006	2006 Actual	2005 Actual	% Change	2006 Expenditures	2005 Expenditures
	\$ 000's (Note 1)	\$ 000's (Note 2)	\$ 000's	Increase/ (Decrease)	% by category	% by category
<u>City Divisions</u>						
Technical	3,592.5	3,264.1	2,212.3	47.5	75.4	87.1
Information Technology	245.8	636.1	248.3	156.2	14.7	9.8
Management/ R & D	289.2	416.2	56.4	637.9	9.6	2.2
Lawyers & Planners	391.1	14.3	23.5	(39.1)	0.3	0.9
Creative Communications	0.0	0.0	0.0	0.0	0.0	0.0
Total Divisions	4,518.6	4,330.7	2,540.5	70.5	100.0	100.0
<u>Major Agencies & Boards</u>						
Technical	4,121.5	3,483.5	4,825.4	(27.8)	63.1	74.8
Information Technology	1,574.4	755.5	903.7	(16.4)	13.7	14.0
Management/ R & D	63.7	426.7	358.1	19.2	7.7	5.5
Lawyers & Planners	59.7	850.0	356.7	138.3	15.4	5.5
Creative Communications	0.0	3.6	10.3	(65.0)	0.1	0.2
Total Agencies & Boards	5,819.3	5,519.3	6,454.2	(14.5)	100.0	100.0
GRAND TOTAL	10,337.9	9,850.0	8,994.7	9.5		

Note:

- (1) The contract value reported is the balance remaining as at December 31, 2006, net of GST. It is the amount expected to be spent in future year(s) and is not comparable to the current year expenditure amount.
- (2) The Budget amount is excluded because capital projects are budgeted on a total project basis and consulting services are not separately identified in the capital budget.

Table 2.b
CAPITAL
Consulting Expenses Summary
By City Divisions and Major ABCs
(Details in Appendix B)

City Divisions	Category						2005 Actual	% Change	2006 Exp. As % of Approved 2006 Capital Plan
	Technical	Information Technology	Mgmt /R&D	Lawyers & Planners	Creative Commun.	2006 Actual			
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	Incr./ (Decr.)	
Citizen Centred Services "A"	48.5	65.4	48.8	0.0	0.0	162.7	363.6	(55.3)	0.1%
Citizen Centred Services "B" (Note)	3,215.6	0.0	19.4	14.3	0.0	3,249.3	2,135.2	52.2	0.4%
Internal Services	0.0	570.7	348.0	0.0	0.0	918.7	41.7	2,103.1	0.6%
City Manager	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Other City Programs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Total	3,264.1	636.1	416.2	14.3	0.0	4,330.7	2,540.5	70.5	0.4%
%	75.4	14.7	9.6	0.3	0.0	100.0			

Agencies\Boards\Commission	Category						2005 Actual	% Change	2006 Exp. As % of Approved 2006 Capital Plan
	Technical	Information Technology	Mgmt /R&D	Lawyers & Planners	Creative Commun.	2006 Actual			
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	Incr./ (Decr.)	
Exhibition Place	127.1	0.0	46.8	29.5	0.0	203.4	364.1	(44.1)	1.2%
Heritage Toronto	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Hummingbird Centre for Perf. Arts	118.1	0.0	195.0	260.0	3.6	576.7	368.1	56.7	-
St. Lawrence Centre for the Arts	10.4	0.0	0.0	0.0	0.0	10.4	45.3	(77.0)	1.1%
Toronto Atmospheric Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Toronto Centre for the Arts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Toronto Parking Authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0%
Toronto Police Services	1,740.0	429.1	0.0	0.0	0.0	2,169.1	1,487.8	45.8	3.2%
Toronto Police Services Board	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Toronto Public Library Board	43.1	0.0	0.0	0.0	0.0	43.1	804.4	(94.6)	0.3%
Toronto Transit Commission	693.2	223.9	184.9	560.5	0.0	1,662.5	2,385.9	(30.3)	0.3%
Toronto Zoo	751.6	102.5	0.0	0.0	0.0	854.1	998.6	(14.5)	9.5%
Total	3,483.5	755.5	426.7	850.0	3.6	5,519.3	6,454.2	(14.5)	0.8%
%	63.1	13.7	7.7	15.4	0.1	100.0			

GRAND TOTAL (Divisions & Boards)	6,747.6	1,391.6	842.9	864.3	3.6	9,850.0	8,994.7	9.5	0.5%
%	68.5	14.1	8.6	8.8	0.0	100.0			

Note: The total for Citizen Centred Services "B" includes the consulting expenses of Toronto Water (\$000's): 2006 actual of \$1,473.4 (2005 - \$1,382.4), and contract balance remaining of \$ 2,162.2.

As shown on Table 2a and 2b, the 2006 actual capital consulting expenditure for City Divisions increased by \$ 1.8 million or 70.5% while ABCs decreased by \$0.935 million or 14.5%, compared to 2005. Increased expenditures by City Divisions are in the Technical, Information Technology and Management/Research & Development categories. The consulting expenditures are approximately 0.4% and 0.8%, respectively, of the 2006 Capital Plan of City Divisions and major ABCs.

Table 3

SUMMARY OF CONSULTING EXPENSES BY YEAR: 2001- 2006

Year	OPERATING (\$000's)			CAPITAL (\$000's)			Total Consulting Expenditures - Operating & Capital (\$000's)
	City	ABC	Total	City	ABC	Total	City & ABC
2006	792.1	2,548.3	3,340.4	4,330.7	5,519.3	9,850.0	13,190.4
2005	1,915.4	2,326.1	4,241.5	2,540.5	6,454.2	8,994.7	13,236.2
2004	1,934.6	3,605.9	5,540.5	3,933.6	6,497.1	10,430.7	15,971.2
2003	2,306.7	4,301.9	6,608.6	5,271.6	6,574.9	11,846.5	18,455.1
2002	2,411.6	2,973.1	5,384.7	4,679.4	6,239.1	10,918.5	16,303.2
2001	4,137.8	3,312.4	7,450.2	9,638.2	6,711.7	16,349.9	23,800.1

Table 3 summarizes consulting expenses from 2001 to 2006. Overall, 2006 Operating and Capital consulting expenses for City Divisions and ABCs are \$13.190 million (2005 - \$13.236 million). There is a decrease of \$45,800 or 0.3% in 2006 expenditures in comparison to 2005.

While spending on consulting expenses is subject to operational requirements and varies from year to year, several measures implemented since 2002 have resulted in reduced spending and improved control. The initial zero-based justification during the budget process, stricter guidelines on the selection of consultants, compliance with purchasing policies, the requirement to report consulting expenses annually and as a separate item on the quarterly Operating Budget Variance report, have combined to ensure that City Divisions and ABCs are maintaining control over their consulting expenditures.

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SIGNATURE

Cam Weldon
Treasurer

ATTACHMENTS

Appendix A: Details of Consulting Expenses - Operating
Appendix B - Details of Consulting Expenses - Capital