



National Audit Office

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## **Report**

by the Comptroller  
and Auditor General

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## **Cross-government**

# Departments' use of consultants to support preparations for EU Exit

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Cross-government

# Departments' use of consultants to support preparations for EU Exit

Report by the Comptroller and Auditor General

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to be printed on 6 June 2019

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National Audit Act 1983 for presentation to the House of  
Commons in accordance with Section 9 of the Act

Sir Amyas Morse KCB  
Comptroller and Auditor General of the National Audit Office  
from June 2009 – May 2019

30 May 2019

Departments have been undertaking work to prepare for the UK's exit from the European Union (EU Exit). In doing so they have drawn on the services of consultants. This investigation examines departments' use of consultants in their work to prepare for exiting the EU.

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### **Investigations**

We conduct investigations to establish the underlying facts in circumstances where concerns have been raised with us, or in response to intelligence that we have gathered through our wider work.

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The National Audit Office study team consisted of:  
Iain Forrester, Emily Little,  
Daisy McLachlan, Jonny Mood,  
Sarah Pearcey and George Robinson,  
under the direction of Peter Gray.

This report can be found on the  
National Audit Office website at  
[www.nao.org.uk](http://www.nao.org.uk)

For further information about the  
National Audit Office please contact:

National Audit Office  
Press Office  
157–197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

Tel: 020 7798 7400

Enquiries: [www.nao.org.uk/contact-us](http://www.nao.org.uk/contact-us)

Website: [www.nao.org.uk](http://www.nao.org.uk)

Twitter: @NAOorguk

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## Key facts

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**£97m**

the minimum expenditure by departments on EU Exit consultancy up to April 2019

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**119 days**

the average time it took departments to publish the basic details about EU Exit-related consultancy contracts after they were awarded; guidance is to publish within 90 calendar days

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**43%**

the proportion of engagements for EU Exit consultancy organised by the Cabinet Office which have been renewed at least once

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- 5** organisations account for most EU Exit consultancy organised by the Cabinet Office. These are: Cabinet Office; Home Office; Border Delivery Group; Department of Health & Social Care; and Department for Environment, Food & Rural Affairs
- 6** consultancy firms have received 96% (by value) of the EU Exit consultancy work organised by the Cabinet Office. These are: Deloitte; PA Consulting; PricewaterhouseCoopers; Ernst & Young; Bain & Company; and Boston Consulting Group
- 3 months or less** the length of time for which most engagements (68%) for EU Exit consultancy run
- £1 million** the threshold for the value of consultancy contracts above which departments must seek Cabinet Office approval

# What this investigation is about

**1** Departments use consultants in many of their day-to-day activities. Consultants can provide specialist, flexible support to help departments achieve their objectives. Whether departments need to use consultancy services is influenced by the type of projects departments are undertaking, the type of expertise required, and the skills and people available within the department.

**2** Although departments are responsible for how they use consultants, the centre of government has a role in overseeing and supporting this type of expenditure. Since 2010, the Cabinet Office has operated controls on the use of consultants within central government to reduce spending and to challenge organisations to only use consultants where necessary.

**3** Departments have been undertaking work to prepare for the UK's exit from the European Union (EU Exit). In doing so, they have drawn on the services of consultants. This investigation examines the extent to which departments have used consultants in their work to prepare for exiting the EU. It covers:

- the role of the centre of government in overseeing departments' use of consultancy services and overall expenditure on consultancy (Part One);
- the arrangements the Cabinet Office has put in place to help departments access consultants for EU Exit work (Part Two); and
- departments' expenditure on EU Exit consultancy and what the consultants have been used for (Part Three).

**4** This investigation has been prepared following a request by the Committee of Public Accounts for further briefing on the amounts spent on consultancy services by departments and other bodies at the centre of government to prepare for EU Exit. This investigation does not consider the value for money of the expenditure on consultancy services, or the spending on consultants by non-departmental public bodies, agencies or local authorities. This investigation is based on a review of data held by Cabinet Office and a selection of departments. We reviewed data covering the period from the EU referendum in summer 2016 to April 2019. We conducted our work between March and April 2019. We describe our approach in Appendix One.

# Summary

## Key findings

Overall expenditure by departments on consultancy

**1 The Cabinet Office is responsible for improving the efficiency of spending on consultancy across government.** Although departments are responsible for how they use consultants, the centre of government has a role in overseeing and supporting this type of expenditure. The Cabinet Office is responsible for operating a spending control that departments must follow when using consultants, which was designed to reduce spending on consultants and challenge departments to only use consultants when necessary. Departments have to obtain approval from the Cabinet Office for contracts over specified spending thresholds. The Crown Commercial Service, an arm's-length body of the Cabinet Office, helps departments procure consultancy services (paragraphs 1.3 to 1.8).

**2 Overall spending on consultancy services has increased since 2015-16 but limitations in the data used by the Cabinet Office inhibit its ability to fully understand recent trends.** The distinction between consultancy expenditure and spending on other professional services, such as support in delivering projects, is not always clear when expenditure is categorised by departments. Analysis undertaken by the Cabinet Office of all invoices across departments shows a different picture to that reported by departments. For 2017-18, Cabinet Office analysis of invoices categorised as 'consultancy' showed overall expenditure of £1.5 billion and included elements of spending on other professional services. In 2015-16 the figure was £0.5 billion. The figures reported in departments' annual reports for consultancy costs totalled £332 million for 2017-18, compared with £134 million for 2015-16. Cabinet Office informed us that it was working to understand the difference between the data sets and was planning to review trends in departments' spending on consultancy and other professional services (paragraphs 1.9 to 1.11).

Cabinet Office's support to departments requiring consultancy services for EU Exit work

**3 Preparing for the UK's exit from the EU has been a significant challenge for departments and has required skills that are in short supply.** Government has long-standing skill shortages in areas required for EU Exit, such as project delivery and commercial skills. In summer 2016, following the EU referendum, 12 of the then 17 main departments had identified a 'considerable' or 'significant' impact to their capability in policy, operational and specialist skill areas (paragraph 2.3).



**4 In early 2018, Cabinet Office identified that departments required support to access the consultancy services needed for EU Exit work.** The Cabinet Office put in place a process designed to allow departments to access a range of consultancy support more quickly and with less effort than other procurement routes. This process gives departments access to strategic consultancy to support the development of their strategy and processes for EU Exit and to provide specialist information or advice to enable decision-making. Departments that want to use this arrangement submit a bid to Cabinet Office, which assesses the request and decides which consultancy firm should be used. Departments do not need to use this process and can continue to procure consultancy services without Cabinet Office support (paragraph 2.4 to 2.12).

#### Expenditure by departments on EU Exit consultancy

**5 By April 2019, departments had spent at least £97 million on EU Exit consultancy.** The Cabinet Office holds information on departments' use of its support to access consultancy services for EU Exit work, but this does not represent all expenditure. Cabinet Office information shows that £65 million had been spent or agreed to be spent on consultancy services in support of preparations for EU Exit from April 2018 to April 2019. We reviewed data held by a sample of four departments and by the Crown Commercial Service and found an additional £32 million in EU Exit consultancy expenditure. This largely relates to contracts entered into before Cabinet Office began offering support to departments requiring consultancy support, and contracts with consultancy firms that departments are not able to access through the Cabinet Office arrangement. The amounts spent by departments before April 2018 are particularly uncertain as Cabinet Office had little oversight of this type of expenditure before it put in place its arrangement for accessing consultancy services (paragraphs 3.2 to 3.8).

**6 Departments have used consultants for EU Exit activities to fill specific skills gaps and to meet immediate staffing needs.** Around one quarter of the consultancy services accessed through the Cabinet Office provided project and programme management support. EU Exit has increased the demand for these skills, which were already in short supply before the referendum on exiting the EU. Consultants have also been used for departments' planning and development work, in some cases where the time available has constrained departments' ability to recruit or train civil servants to carry out that work. Almost one third of the support accessed through the Cabinet Office relates to developing departments' preparations, and in particular planning for if the UK left the EU without a deal. Examples of the preparatory work undertaken include: in the Department for Environment, Food & Rural Affairs consultants have been used to support processes to ensure that UK businesses were informed and equipped to deal with changes in how goods might be imported or exported if the UK left the EU without a deal, and to help design and develop a new statutory body to carry out functions and services relating to the environment which were carried out by the EU. In the Department of Health & Social Care, consultants have been used to conduct research into healthcare systems and markets in EU member states (paragraphs 3.9 to 3.11).

**7 Six consultancy firms have received 96% of EU Exit work under the Cabinet Office arrangements.**

The Cabinet Office contracted with nine consultancy firms to provide services to departments for the first year of the call-off arrangement. Six of these firms were primary suppliers, to which the Cabinet Office allocated most of the work, by value: Deloitte (22%); PA Consulting (19%); PricewaterhouseCoopers (18%); Ernst & Young (15%); Bain & Company (11%); and Boston Consulting Group (10%). Most individual pieces of work with consultants (68%) ran for less than three months, but departments have regularly extended these; 43% of engagements with consultants have been extended at least once. There was a peak in extensions in April 2019, following the extensions of Article 50 and the changes in the date when the UK is expected to leave the EU. Departments continue to prepare for EU Exit and total spending on consultancy support will rise (Figure 7, paragraphs 3.12 to 3.14).

**8 Departments have not met the standards of transparency expected by government when publishing details of contracts for EU Exit consultancy.**

In December 2017, the Crown Commercial Service issued guidance to encourage greater transparency in government procurement.<sup>1</sup> It recommended that departments publish basic information about the award of contracts within 90 calendar days. We found that it has taken on average 119 days for basic details of EU Exit consultancy contracts to be published, compared with 82 days for all consultancy contracts. In our review of contracts for EU Exit consultancy we found that some had not been published as recommended and all that had been published were significantly redacted (paragraphs 3.15 to 3.19).

<sup>1</sup> Responsibility for transparency has moved to the Government Commercial Function since August 2018.