



National Audit Office

Report

by the Comptroller
and Auditor General

Cross-government

Departments' use of consultants to support preparations for EU Exit

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Departments' use of consultants to support preparations for EU Exit

Report by the Comptroller and Auditor General

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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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Key facts

£97m

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

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

43%

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

- 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.¹ 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).

¹ Responsibility for transparency has moved to the Government Commercial Function since August 2018.

Part One

The role of the centre of government

1.1 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 has put in place controls on departments' use of consultants and oversees the network of commercial specialists within government.

1.2 This part sets out:

- why departments use consultants;
- the role of the centre of government; and
- overall expenditure on consultancy.

Why departments use consultants

1.3 The work of government departments is labour-intensive. The 18 main departments spent around £18 billion on permanent staff in 2017-18. Departments also use consultants in addition to their permanent staff.

1.4 Consultants can provide specialist skills that departments require. The Cabinet Office defines consultancy as “the provision to management of objective advice relating to strategy, structure, the management or operations of an organisation, in pursuit of its purpose and objectives. Such advice is provided outside the ‘business as usual’ environment when in-house skills are not available and will be time-limited.” In practice, the distinction between consultancy and other professional services or temporary staff support is not always clear. Use of consultants is typically expected to be short-term and in the longer term internal resourcing can be more cost-effective (**Figure 1** overleaf).

Figure 1

Advantages of the short-term use of consultants and the longer-term solutions departments may adopt

Consultants can be a flexible and cost-effective part of an organisation's workforce in the short term

Potential advantages of consultants in the short term

Consultants have specialist skills and experience that departments are unable to recruit, develop or retain cost-effectively.

How departments can develop longer-term approaches

Identify where it is more effective to build and maintain skills in-house:

- develop a strategy for recruiting and improving the skills of existing staff to meet future needs;
- transfer suppliers' skills to staff;
- draw on support from specialist areas of expertise in government – called 'functions'; and
- borrow staff from other departments.

Consultants can provide an external and more objective viewpoint.

Manage without consultants:

- rely on the civil service's core values, which include objectivity and impartiality; and
- use staff on loan from other bodies.

Source: Comptroller and Auditor General, *Use of consultants and temporary staff*, Session 2015-16, HC 603, National Audit Office, January 2016, Figure 1

The role of the centre of government

1.5 Departments are responsible for securing value for money from the services they buy, such as consultancy. In doing so, departments are assisted by bodies at the centre of government, which set rules that departments must follow and offer support and guidance. The roles of the key bodies involved in departments' use of consultancy services are set out in **Figure 2**.

1.6 In 2010, the Cabinet Office put in place a spending control on departments' use of consultants. Contracts above a specified threshold require Cabinet Office approval. The intention was to reduce spending and challenge departments to only use consultants when necessary. The initial spending control threshold was set at £20,000 where new contracts were expected to exceed nine months, and where existing contracts for more than £20,000 were to be extended beyond nine months, or where the expenditure was on procurement-related consultancy.

Figure 2**The role of the centre of government in improving departments' use of consultants****The centre of government has oversight of departments' use of consultants****Cabinet Office**

One of the Cabinet Office's main objectives is to "ensure the delivery of the finest public services by attracting and developing the best public servants and leading a number of cross-government efficiency programmes."¹

This role includes setting policy and controls to improve the efficiency of spending on consultancy across government. This is largely carried out through one of the Cabinet Office's cross-government functions (Government Commercial Function) and one of its arm's-length bodies (Crown Commercial Service).

Government Commercial Function (GCF)

GCF is part of the Cabinet Office and has two main roles in supporting departments' use of consultants.

- Spending controls: GCF assesses departments' plans for the use of consultants where the expenditure is above the spending thresholds set by Cabinet Office.² Departments must set out information including the expected length and value of the contract, and why they need to use consultants.
- Support to departments: GCF is one of 11 'functions' through which government is seeking to develop and provide the specialist capability it requires. GCF is a cross-government network of staff with commercial expertise and aims to develop the knowledge and skills that are needed for government's commercial work. Many of these staff are employed directly by departments, but there are central teams that offer specialist support for departments in areas such as complex transactions. The complex transactions team also reviews departments' plans submitted under the spending controls.

Crown Commercial Service (CCS)

CCS is an arm's-length body of the Cabinet Office. Its main role in supporting departments' use of consultants is through the service it provides to help the public sector procure goods and services. CCS seeks to use the aggregated buying power of customers with similar requirements to gain better terms from suppliers.

CCS has established several 'frameworks' that departments can use to seek bids from suppliers for specific work. These are intended to allow departments to access support quickly and in a way that complies with procurement regulations.

The frameworks are agreements with a range of suppliers that enable departments to contract for services without running full tendering exercises. The frameworks each describe a common public sector requirement and contain a list of suppliers which have been evaluated as capable of delivering those requirements. The frameworks may be broken down into parts by the type of service offered.

Notes

- 1 Cabinet Office, *Cabinet Office single departmental plan*, updated 23 May 2018, objective 3, available at: www.gov.uk/government/publications/cabinet-office-single-departmental-plan/cabinet-office-single-departmental-plan--2.
- 2 The current Cabinet Office spending control threshold includes all consultancy expenditure where a single transaction is £1 million or above. Decision-making on transactions below £1 million is delegated to departments.

Source: National Audit Office analysis of publicly available information about Cabinet Office, Government Commercial Function and Crown Commercial Service

1.7 The Cabinet Office changed the spending control during 2017-18 after finding that it was not working as intended and captured less than 80% of total spend.

This was because:

- contracts with a high value may be for less than nine months and not fall within the spending control; and
- the nine-month threshold may have encouraged 'gaming' by departments, which could ensure contracts lasted less than nine months to avoid the spending control.

1.8 The Cabinet Office changed the spending control to include all consultancy expenditure where a single transaction is £1 million or above, irrespective of the contract length. Decision-making on transactions below £1 million is delegated to departments. The Cabinet Office and HM Treasury first wrote to departments to notify them of changes in December 2017, at that point applying those changes solely to EU Exit consultancy. From April 2018, the Cabinet Office applied equivalent changes to the spending control covering all consultancy spending, not just spending on EU Exit consultancy. The change is intended to give the Cabinet Office better oversight of key high-value contracts. It intends to review the operation of the new control in 2019.

Overall expenditure on consultancy

1.9 The Cabinet Office holds data on overall expenditure on consultancy costs. It uses information drawn from an analysis of departments' invoices for work which departments have categorised as consultancy. The distinction between consultancy expenditure and that on other professional services is not always clear, and departments apply different interpretations of the definition. Cabinet Office has identified that the data includes elements of other professional services, such as temporary staff or support in delivering projects. We have previously reported on consultancy expenditure using this data source and Cabinet Office has responded to questions in parliament on consultancy expenditure by providing data from this source. These data show that between 2015-16 and 2017-18, overall spending trebled in real terms from £513 million to £1,545 million (**Figure 3**). Overall figures for 2018-19 are not yet available.

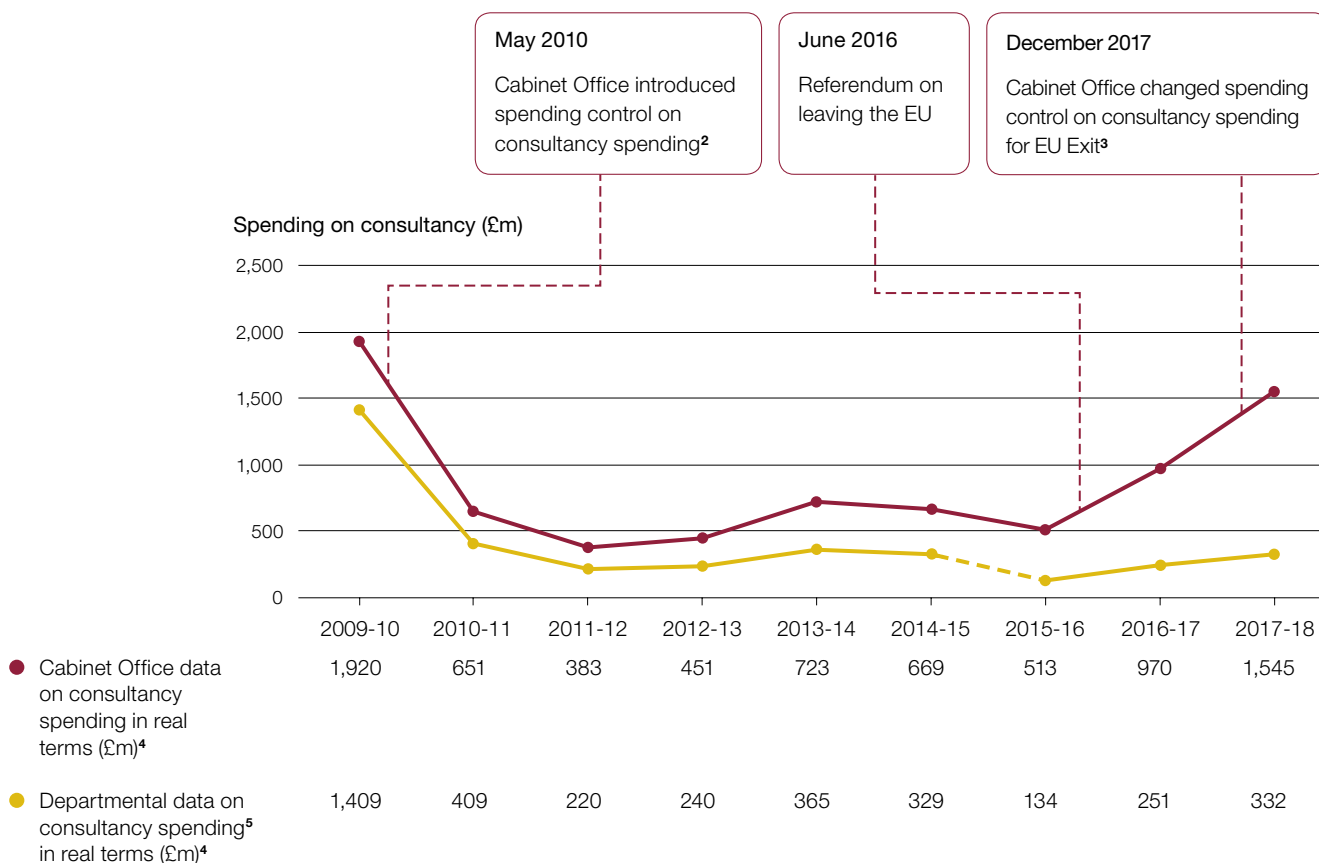
1.10 The overall figures reported by individual departments are lower than those held by Cabinet Office. As we reported in 2016, departments' reporting is not consistent between different departments or across different years, and it is not easy to identify consultancy expenditure on departments' financial information systems. The figures reported in departments' annual reports for consultancy costs totalled £332 million for 2017-18, compared with £128 million for 2015-16 (Figure 3).

1.11 Cabinet Office informed us that it was working to understand the difference between the different data sets and was planning to review why its data showed an increase in departments' spending on consultancy. EU Exit is likely to have had both direct and indirect impacts on overall expenditure but is not likely to be the only factor contributing to the increase. For example, consultancy services have been used extensively to support large infrastructure projects not associated with EU Exit preparations.

Figure 3

Departments' expenditure on consultancy, 2009-10 to 2017-18

Spending on all types of consultancy has increased over the past three years¹



Notes

- 1 A complete figure for 2018-19 is not yet available.
- 2 The spending control introduced in 2010 was set at £20,000 where new or extended contracts were expected to exceed nine months.
- 3 The spending control amended in December 2017 was set at £1 million irrespective of contract length.
- 4 We present past spending values in 2017-18 real terms, adjusted using the GDP deflator.
- 5 Departments' data until 2014-15 are based on monthly returns which were since discontinued. The final three years of departments' data are based on numbers from departments' annual reports.

Source: National Audit Office analysis of Cabinet Office and departmental data

Part Two

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

2.1 The centre of government has put in place processes to provide support and advice to departments to help them in their preparations for the UK's exit from the European Union. This includes support with recruiting staff, using existing capability and capacity within government, and accessing consultancy services.

2.2 This part sets out:

- the Cabinet Office's arrangements for departments to access consultancy services for EU Exit work;
- the consultancy firms included in the call-off arrangement; and
- how the Cabinet Office put in place contracts with consultancy firms.

The introduction of arrangements for accessing consultancy services

2.3 Preparing for EU Exit has been a significant challenge for departments.² Departments have had to plan for the people and skills they would need. 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.³ Government also has long-standing skills shortages in areas required for EU Exit, such as project delivery and commercial skills.

2.4 In early 2018, the Cabinet Office identified that departments required support to access the consultancy services they needed to deliver EU Exit work. Cabinet Office and departments were concerned that they would not be able to make sufficient progress in their EU Exit work because of difficulties in securing the required expertise. Departments required support in areas such as strategic planning and programme management.

² See further, Comptroller and Auditor General, *Implementing the UK's exit from the European Union – the Department for Exiting the European Union and the centre of government*, Session 2017–2019, HC 593, National Audit Office, November 2017.

³ See further, Comptroller and Auditor General, *Implementing the UK's exit from the European Union – people and skills: the role of the centre of government*, Session 2017–2019, HC 626, National Audit Office, December 2017.

2.5 The Cabinet Office encourages departments to use framework agreements put in place by the Crown Commercial Service. These are intended to allow departments to access support quickly and in a way that complies with procurement regulations. Each framework describes a common public sector requirement and contains a list of suppliers that the Crown Commercial Service has evaluated as capable of delivering those requirements. Departments can buy services through the framework at a pre-agreed price and quality, without having to run a full procurement exercise.⁴

2.6 The consultancy framework available in 2018 had parts which covered specific services, such as finance and infrastructure, but did not include general management consultancy services that could be used by departments for their EU Exit work. The Cabinet Office therefore put in place a call-off arrangement with consultancy firms to provide departments with EU Exit services. Departments can use this arrangement to access consultancy support for EU Exit activities.

2.7 Departments using the call-off arrangement must submit a bid to Cabinet Office. Cabinet Office assesses the bid and decides which supplier should be used. It pays the suppliers and then re-charges those costs to the relevant department. Departments can only access the support under the call-off arrangement if:

- the activities for which support is requested are related to EU Exit, either directly, or by implication;
- departments have exhausted other ways of filling the resource gap, such as direct recruitment or using staff available from other departments; and
- the request satisfies the department's internal governance processes and has financial approval.

2.8 The Cabinet Office expects departments to use the EU Exit call-off arrangement in preference to other ways of engaging consultants. It has promoted the benefits of the arrangement to departments.

- Speed: reduced deployment times of one or two weeks on average, with some engagements being resourced within days.
- Less effort: reduced procurement time and effort for departments to specify and engage support.
- Range of support: the different arrangements and rates can support all stages of work through strategy, design, mobilisation and delivery.
- Improved performance and connections: central oversight of department needs, supplier relationships and delivery.
- Lower cost than other Crown Commercial Service procurement frameworks.

⁴ See further, Comptroller and Auditor General, *Crown Commercial Service*, Session 2016-17, HC 786, National Audit Office, January 2017.

Consultancy firms included within the call-off arrangement

2.9 The Cabinet Office has split the call-off arrangement into different types of work; it refers to these as 'lots'. There are different consultancy firms within each lot, split into primary and secondary suppliers. Secondary suppliers have the opportunity to receive work should the primary suppliers be unable to meet the requirements of a given assignment. In total, the Cabinet Office has contracted with 19 consultancy firms. The total value of contracts within the call-off arrangement is £240 million but the Cabinet Office does not expect that all of this will be used. Contracts run between April 2018 and February 2020. Descriptions of the lots and the providers within them are shown in **Figure 4**. The contracts with suppliers include non-disclosure agreements. The consultancy firms must clear all public references to their role in the call-off arrangement with Cabinet Office.

How Cabinet Office put in place the arrangement

2.10 In April 2018, the Cabinet Office used an existing Crown Commercial Service framework to run a competition for the supply of EU Exit consultancy services to departments. For lots 1 and 2 of its arrangement (Figure 4), the Cabinet Office ran the competition using a part of the framework designed for departments to access consultancy services relating to health and community issues.

2.11 This approach allowed the Cabinet Office to run a competition with the largest number of providers – 50 – compared with the other parts of the framework, none of which covered general consultancy services. However, it did mean that the competition was run with consultancy firms that had been selected to offer health and community services, rather than because they were well placed to provide general consultancy services relevant to EU Exit. Some providers did not bid to supply EU Exit services because they did not think that they were suited to the arrangement's requirements. This approach could have excluded consultancy firms that could have provided EU Exit services but had either not bid for, or were not selected to provide, health and community services. Cabinet Office did not seek legal advice or conduct a commercial assessment of the risks attached to their approach.

2.12 During 2018, the Crown Commercial Service established a new framework agreement that includes general business consultancy services. The Cabinet Office has used this framework agreement for a subsequent competition (lot 3, see Figure 4). EU Exit consultancy services fall within the scope of services in this new framework.

Figure 4 Cabinet Office's EU Exit call-off arrangement¹

This figure shows the types of work undertaken under the call-off arrangement, the values and dates of contracts, and the suppliers providing the service

Description	Contract values and dates	How many times the lot has been used ²	Suppliers ³
Lot 1 Thinking and shaping. Strategic support to assist departments with strategic consultancy in defining programmes.	£180 million (£105 million for the first year and £75 million for the second) – covering both lots 1 and 2. Contracts run from April 2018 to April 2020. The contracts for lots 1 and 2 were originally for one year from April 2018, with an option to extend on the same terms for another year. This option has been taken up. In addition, contracts with six primary suppliers for £10 million each for the first year were varied in March 2019 to increase the value in each case to £15 million.	Lot 1 has been used 18 times.	Primary Bain & Company Boston Consulting Group Secondary McKinsey & Company
Lot 2 Shaping and delivering. Strategic programme management consultancy services for EU Exit programmes.	The contracts for lots 1 and 2 were originally for one year from April 2018, with an option to extend on the same terms for another year. This option has been taken up. In addition, contracts with six primary suppliers for £10 million each for the first year were varied in March 2019 to increase the value in each case to £15 million.	Lot 2 has been used 131 times.	Primary Deloitte Ernst & Young (EY) PA Consulting PricewaterhouseCoopers (PwC) Secondary Accenture Mott MacDonald
Lot 3 Delivering. Mobilise, manage and deliver.	£60 million Contracts run from February 2019 to February 2020. These contracts can be extended.	Lot 3 has been used twice.	Primary Bramble Hub Harmonic Methods Consulting North Highland Prederi PwC Reed Professional Services RedQuadrant Secondary Capgemini Deloitte Finyx KPMG

Notes

- The Cabinet Office call-off arrangement is a service that departments and government bodies can use to access consultancy support for EU Exit activities.
- This figure uses Cabinet Office data on uses of its call-off arrangement to April 2019. Cabinet Office's data for the call-off arrangement contain a further six engagements in addition to the above that used the same central funding source but were arranged directly with other suppliers. For example, some external resourcing to support the Cabinet Office's specialist functions.
- Suppliers were selected as either primary or secondary suppliers. Secondary suppliers have the opportunity to receive work should the primary suppliers be unable to meet the requirements of a given assignment. Information on expenditure through the Cabinet Office arrangement by consultancy firm is available at Figure 7 of this report.

Part Three

Departments' expenditure on EU Exit consultancy

3.1 This part sets out:

- departments' expenditure on consultancy for EU Exit work;
- how departments have used consultants; and
- the transparency of departments' EU Exit consultancy contracts.

Expenditure on EU Exit consultancy

3.2 By April 2019, departments had spent or agreed to spend £65 million on consultancy services for EU Exit work using the Cabinet Office's arrangement. However, this figure does not represent the total expenditure on consultancy services to support EU Exit. Departments do not need to use the Cabinet Office arrangement. In addition, departments were using consultants on EU Exit preparations before May 2018, when the Cabinet Office arrangement first became available.

3.3 The Cabinet Office collects information on the use of consultants for those contracts passed to it by departments for approval within the spending control, but this information also does not provide a complete picture. Expenditure that does not fall within the spending control does not need Cabinet Office approval (paragraphs 1.6 to 1.8). In addition, it is not always easy to identify from the descriptions provided by departments which contracts might include elements of spending on EU Exit preparations.

3.4 To gain a fuller picture of spending within individual departments, we reviewed EU Exit consultancy expenditure in a sample of four departments.⁵ We also reviewed information held by the Crown Commercial Service on use of its frameworks outside the specific Cabinet Office EU Exit call-off arrangement. This identified additional expenditure of £32 million (see **Figure 5**). Even then, what constitutes EU Exit consultancy and what is included in this information is not clear cut. For example, the Home Office informed us that its ongoing project to transform its passport service was adapted to take EU Exit into account, but the work involved and costs of doing so were not distinguishable from the existing costs of the project. As such, these costs are not included in the Home Office's figures for EU Exit-related expenditure on consultancy services.

⁵ The four departments are the: Department for Exiting the European Union; Department for Environment, Food & Rural Affairs; Department of Health & Social Care; and Home Office.

Figure 5

EU Exit consultancy expenditure identified in our case studies that did not use the Cabinet Office call-off arrangement

We identified £32 million of expenditure

Department	Expenditure ¹ (£m)	Types of work this expenditure covered	Why this expenditure was not covered by the Cabinet Office arrangement
Department for Environment, Food & Rural Affairs ²	19	Strategic, project management and specialist support for management of the Department's portfolio of work.	The work began before the arrangement was set up. One low-value contract is with a supplier that is not on the arrangement.
Department for Exiting the European Union	4	Project management and specialist support for coordination of EU Exit.	The work began before the arrangement was set up.
Department of Health & Social Care	3	Initial scoping work and programme design, particularly on medicines supply chains.	Some work began before the arrangement was set up. One contract was procured on the same terms as the arrangement but was managed outside it.
Home Office	3	Expert support on communications and on commercial analysis of the Department's operations.	Some work began before the arrangement was set up. One contract is with a supplier that is not on the arrangement.
Crown Commercial Service	2	Project management and expert support.	The work began before the arrangement was set up and is partially with suppliers which are not on the arrangement.
Total³	32		

Notes

- 1 Expenditure covers the period from the EU referendum (June 2016) to March 2019, except for data from the Department for Environment, Food & Rural Affairs and the Department of Health & Social Care, which run to February 2019. These case studies covered all spending control approvals relating to EU Exit identified by Government Commercial Function.
- 2 The figure for the Department for Environment, Food & Rural Affairs does not include expenditure on consultancy in its arm's-length bodies, except where this work was funded by the department.
- 3 Figures do not sum due to rounding.

Source: National Audit Office analysis of departmental data

3.5 The £32 million we identified largely relates to contracts entered into before the Cabinet Office began offering support to departments to access consultancy. There are also some contracts with consultancy firms that departments are not able to access through the Cabinet Office arrangement. In most cases, departments told us they had entered into these contracts to access specialist skills not available from suppliers on the Cabinet Office arrangement. At least 80% of this £32 million of expenditure did not go through Cabinet Office's consultancy spending control.

3.6 Adding the £65 million expenditure through the Cabinet Office arrangement to the £32 million identified in our sample brings the total identified expenditure to £97 million. The actual figure will be higher, as the expenditure identified in our sample cannot be reliably extrapolated to estimate a total figure.

3.7 Although Cabinet Office information on the use of its call-off arrangement does not present a complete picture of departments' use of consultancy for EU Exit preparations, it is the best available data held by the centre of government. We use this information throughout the remainder of the report. **Figure 6** shows amounts spent or agreed to spend through this arrangement by organisation. Five organisations account for 76% of this figure. **Figure 7** (on page 22) shows this figure by the consultancy firm providing the support. Based on the value of work approved to date, the six consultancy firms chosen as primary suppliers for lots 1 and 2 of the call-off arrangement have provided 96% of consultancy through this arrangement.

3.8 Preparations for EU Exit are ongoing, and the Cabinet Office is continuing its consultancy support arrangements for departments into 2020. The total potential value of Cabinet Office's EU Exit consultancy support arrangements is £240 million (Figure 4). The amount that departments spend on EU Exit consultancy in 2019-20 and beyond will depend on how much consultancy support is requested and approved through Cabinet Office arrangements, and how much departments choose to spend on consultants through other routes.

How departments have used consultants

3.9 This section sets out:

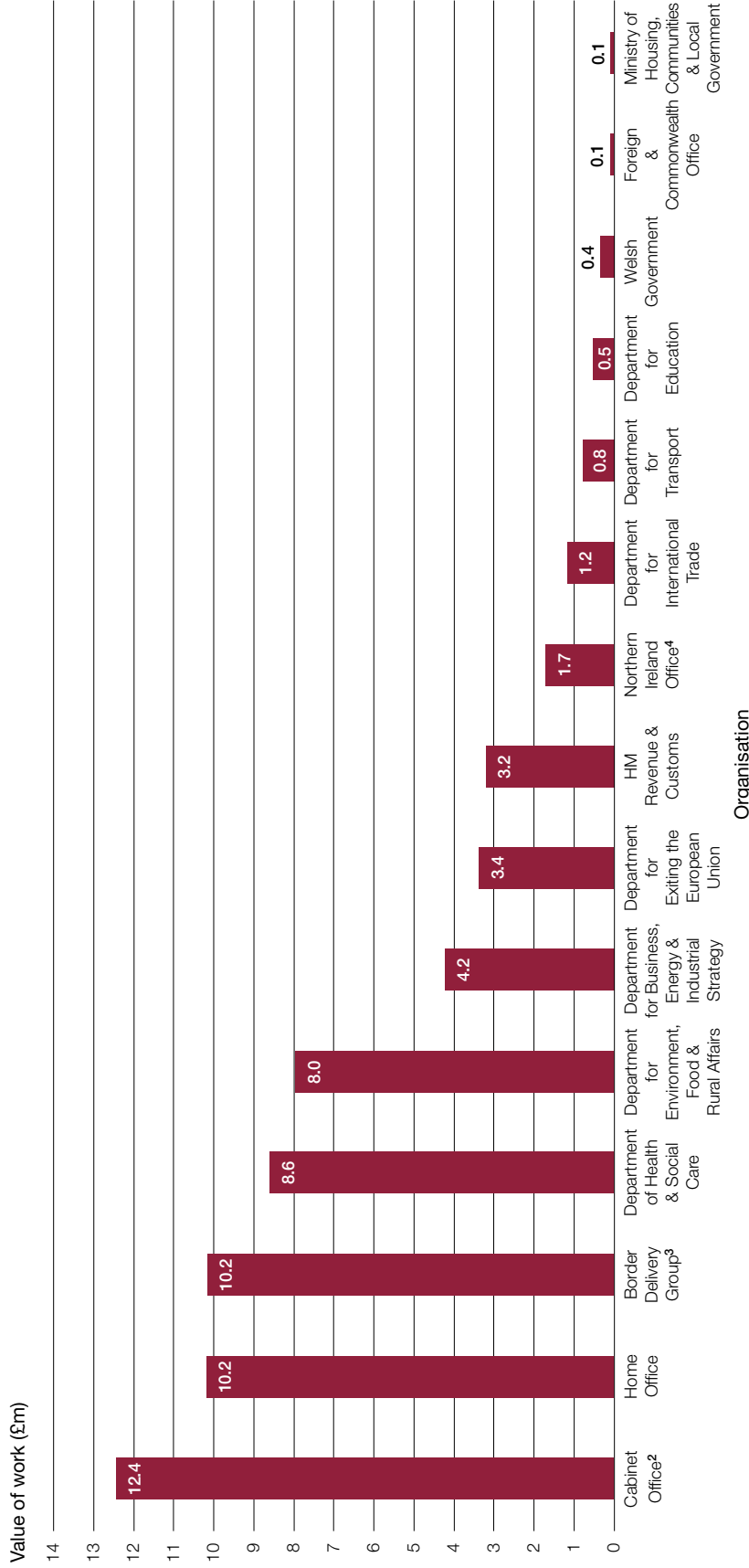
- the work departments have used consultants for; and
- the length of consultancy engagements and when they started.

The type of work that departments have used consultants for

3.10 Departments have used consultants on a range of EU Exit activities. These have typically involved work to support the development of departments' strategy and processes for EU Exit and to provide specialist information or advice to enable decision-making. In some cases consultants have been used where the time available has constrained departments' ability to recruit or train civil servants to carry out that work. **Figure 8** on page 23 gives examples of this work.

Figure 6
Use of the Cabinet Office's call-off arrangement by organisation

Five organisations account for around three quarters of the amount spent or agreed to spend on work through the Cabinet Office's arrangement to April 2019¹



Notes

- This figure uses Cabinet Office data on uses of its consultancy call-off arrangement and shows amounts spent or agreed to spend, up to April 2019. The data may not align fully with other departments' definitions of consultancy or match to departments' own data. The data do not include the additional expenditure we identified in our sample of four departments (see Figure 5). Across government, £18.2 million was spent by the centre of government on work carried out in other organisations. This expenditure is included within the amounts for the organisations where the work was carried out.
- The Cabinet Office expenditure includes £10.1 million that was used by its functions to support other government departments. These functions aim to provide specialist expertise required by government and include, for example, the Infrastructure and Projects Authority, Government Commercial Function and Government Digital Service.
- The Border Delivery Group is a cross-government team created in response to EU Exit and is hosted by HM Revenue & Customs (HMRC). It reports jointly to the Chief Executive of HMRC and the Second Permanent Secretary of the Home Office. It is responsible for scoping, planning, coordinating and ensuring the delivery of necessary change plans to ensure the border works effectively after EU Exit. Border Delivery Group's use of consultants has supported its work preparing for a no-deal exit.
- In the absence of a Northern Ireland Executive, planning for a no-deal EU Exit was taken forward between the Northern Ireland Office and the Northern Ireland Civil Service as a single programme, overseen through a joint Northern Ireland EU Exit Preparedness Board, chaired by the Northern Ireland Office Permanent Secretary and the Head of the Northern Ireland Civil Service.

Source: National Audit Office analysis of Cabinet Office data

Figure 7

Cabinet Office data on use of its call-off arrangement by consultancy firm

Six consultancy firms have provided 96% of work to date (by amounts spent or agreed to spend) to April 2019¹

Consultancy firm ²	Total payments received or agreed for EU Exit consultancy work (£m)	Percentage (%)
Deloitte	14.3	22
PA Consulting	12.5	19
PricewaterhouseCoopers (PwC)	11.8	18
Ernst & Young (EY)	9.8	15
Bain & Company	7.1	11
Boston Consulting Group (BCG)	6.8	10
Other ³	2.4	4
Total⁴	64.8	100

Notes

- 1 This figure uses Cabinet Office data and does not include the additional expenditure we identified in our sample of four departments.
- 2 The six firms named are the six firms selected as primary suppliers for lots 1 and 2 of the call-off arrangement.
- 3 'Other' includes use of consultancy firms: where the supplier is not recorded in the data (£1.52 million); Mott MacDonald (£0.69 million); Methods Consulting (£0.16 million); and Reed Professional Services (£0.04 million).
- 4 Figures do not sum due to rounding.

Source: National Audit Office analysis of Cabinet Office data

Figure 8**Examples of EU Exit consultancy work****Departments have used consultants to support the development of strategy and processes, to provide specialist information or advice, and to support specific activities****Support to develop strategy and processes**

The Department for Environment, Food & Rural Affairs (Defra) used Boston Consulting Group during 2018 to review the scope, prioritisation and accountabilities of its EU Exit programme, and to ensure that Defra's EU Exit portfolio captured the full range and depth of its EU Exit work. Consultancy support also helped boost Defra's programme and project management capacity and capability, to accelerate progress on its high priority and complex projects.

The Department for Exiting the European Union (DExEU) used PricewaterhouseCoopers (PwC) from August to September 2016 to set up its project management systems, and Boston Consulting Group from December 2017 until at least March 2019 to support DExEU's cross-government coordination of EU Exit activities.

The Department of Health & Social Care (DHSC) used Deloitte from May 2018 until at least March 2019 to provide programme management support for its work in ensuring the supply of medical devices in case the UK leaves the EU without a deal.

Defra used PA Consulting from November 2018 to support scoping work to establish a new statutory Office for Environmental Protection, using expertise of working with other regulators. The work helped to set out how the organisation should look to the public and those it investigates, and helped to develop the organisation structure, policies and business process mapping before the Office comes into action.

Providing specialist information or advice for decision-making

The Department for Transport took advice from Deloitte and Mott MacDonald in its procurement of additional freight capacity in 2018. It received advice on the financial quality of the bids made by ferry companies from Deloitte, and technical advice on the bids from Mott MacDonald.

The Home Office has used Ernst & Young from January 2018 to support its commercial portfolio office to analyse the commercial impact of EU Exit, including examining the Department's supply chains to identify where its own operations depend on supplies from the EU.

The Border Delivery Group has used Bain & Company between August 2018 and February 2019 to support the group's engagement with industry, particularly the food industry and car manufacturing, to understand the impact a no-deal exit would have on them.¹

DExEU used PA Consulting between June 2018 and October 2018 to provide project and programme management support to its 'Institutions and Member States' team.

Support in undertaking specific activities

The Home Office has used PwC from August 2018 to design and deliver communications about the EU Exit settlement scheme for EU nationals living in the UK.

DHSC used PA Consulting between August 2018 and January 2019 to develop country profiles on EU member states to support its work on future reciprocal healthcare arrangements between the UK and the EU.

The Cabinet Office used PwC between June 2018 and June 2019 to provide support services to the team within Cabinet Office that supports departments to deliver their EU Exit work.

The Cabinet Office used Deloitte from December 2018 until at least March 2019 to provide additional expertise in resilience planning across government.

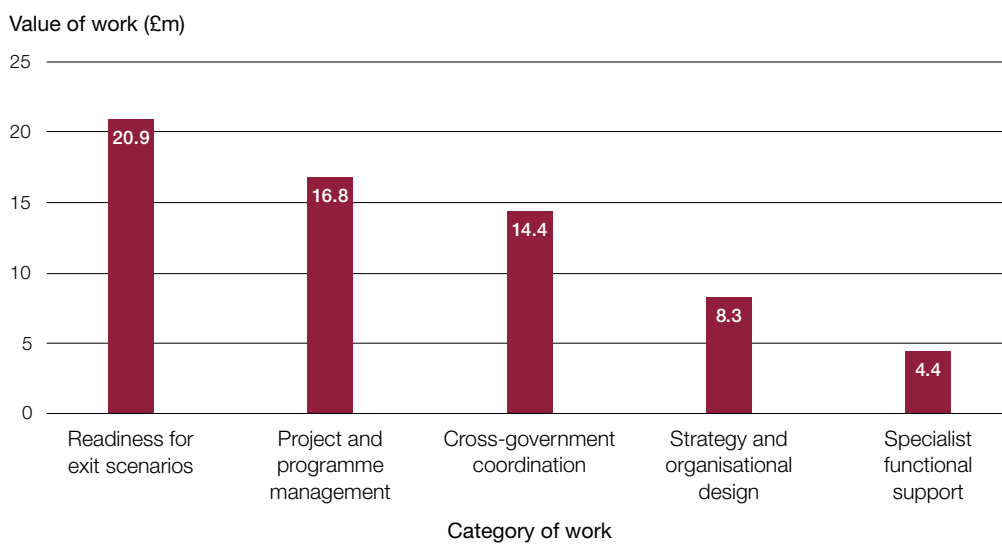
Note

¹ The Border Delivery Group is a cross-government oversight group created in response to EU Exit. The group is responsible for border planning and is located within HM Revenue & Customs (HMRC). It reports jointly to the Chief Executive of HMRC and the Second Permanent Secretary of the Home Office.

3.11 The Cabinet Office holds information on the types of work that consultants have been used for under the call-off arrangement. We have grouped these into five categories and show the spending within them in **Figure 9**. There are no firm boundaries between these categories and some pieces of work in each category may also have included elements of others. The largest categories relate to project and programme management, preparations for the UK to leave the EU in various scenarios, and cross-government coordination. There are long-standing skills gaps in the civil service in project and programme management.⁶

Figure 9
EU Exit consultancy by category of work using Cabinet Office data

More than half of the consultancy through the call-off arrangement falls into the categories of readiness for exit scenarios and project and programme management¹



Category	Description
Readiness for exit scenarios	Support for work required to ensure government is ready at the point at which the UK leaves the EU, including planning for the UK leaving with a deal or with no deal.
Project and programme management	Advice, resourcing and external assurance in support of the project management offices set up in departments to manage their EU Exit work.
Cross-government coordination	Skills and resourcing to support the centre of government in providing specialist support and oversight to departments.
Strategy and organisational design	Support in setting up plans and structures at an organisational level, including designing how services may operate in the future and setting out options for carrying out work.
Specialist functional support	Skills to support work in areas where government is developing cross-government expertise such as commercial and digital.

Note

1 Cabinet Office data include 16 types of work. We have grouped these into five categories. Data are to April 2019. This figure uses Cabinet Office data and does not include the additional expenditure we identified in our sample of four departments.

Source: National Audit Office analysis of Cabinet Office data

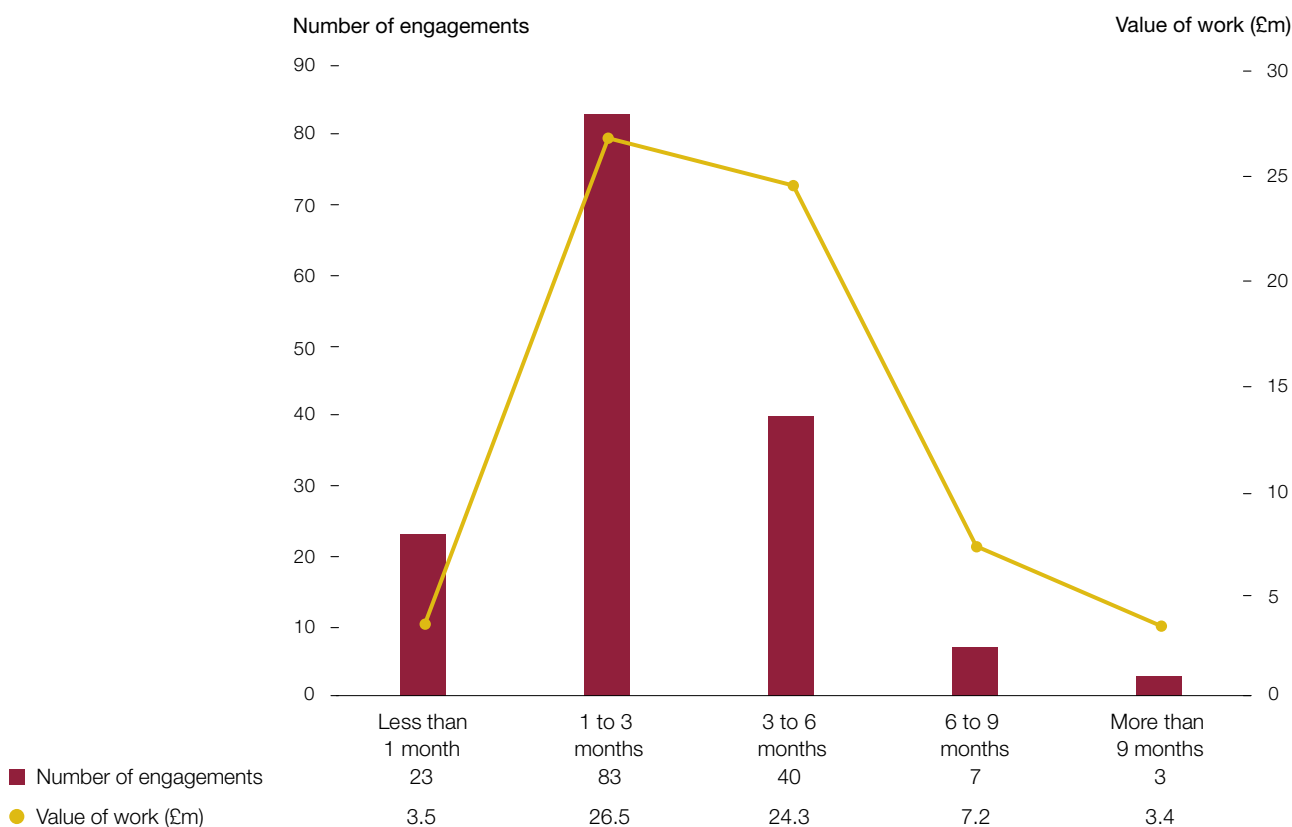
6 See further, Comptroller and Auditor General, *Capability in the Civil Service*, Session 2016-17, HC 919, National Audit Office, March 2017.

The length and timing of consultancy engagements

3.12 The Cabinet Office refers to a department's use of the call-off arrangement as an 'engagement'. Most of the engagements with consultancy firms are for short periods of time. Of the 157 engagements Cabinet Office holds data on, 68% are for less than three months. **Figure 10** shows the length and value of consultancy engagements.

Figure 10
Cabinet Office data on length and value of EU Exit consultancy engagements

Most engagements are less than three months in length¹



Note

¹ This figure uses Cabinet Office data and does not include the expenditure we identified in our sample of four departments. To April 2019 the EU Exit call-off arrangement had been used 157 times. There is one non-standard engagement which does not have a contract length; the total value of this contract is £0.03 million. The analysis in this figure has been performed based on a 30-day month.

Source: National Audit Office analysis of Cabinet Office data

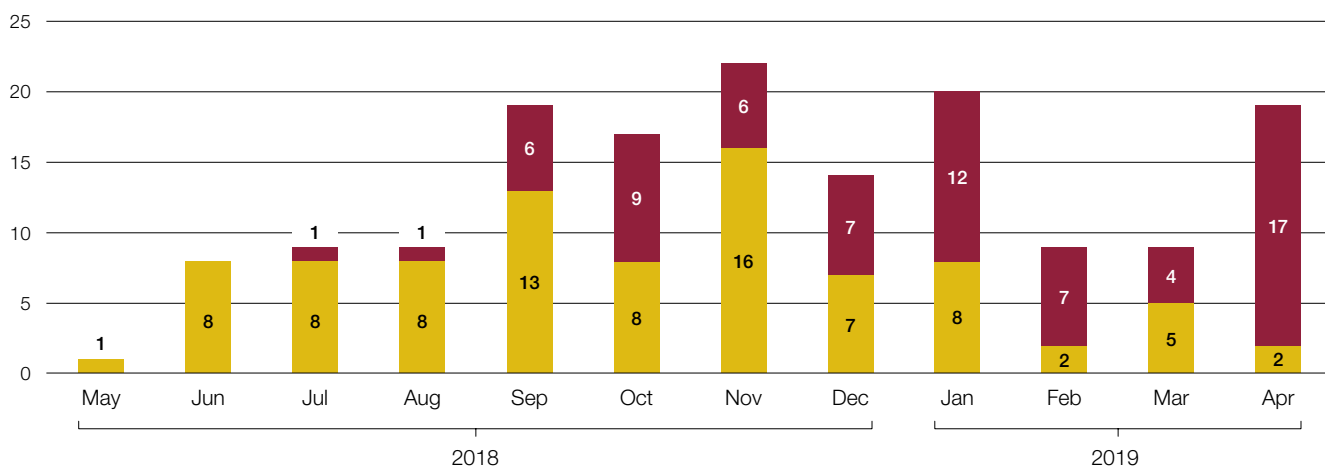
3.13 Although individual engagements tend to be short, departments have frequently extended them. We identified that 43% of engagements were extended and half of these were extended more than once. For example, a contract that Cabinet Office holds with PA Consulting for programme management support of its digital work has been extended three times.

3.14 During summer 2018, no-deal preparations were stepped up across government. There was a subsequent peak in new consultancy engagements during autumn 2018, which corresponded with the increased focus on no-deal planning (**Figure 11**). Departments have regularly extended their engagements with consultants, but there was a peak in extensions during April 2019; 19 engagements began in April 2019, 17 of which were extensions. This peak was largely driven by departments re-engaging consultants because of the extensions of Article 50 and the changes to the date when the UK is expected to leave the EU.

Figure 11
Cabinet Office data on EU Exit consultancy engagements by start or extension date

New EU Exit consultancy engagements peaked in autumn 2018 and extensions peaked in April 2019¹

Number of engagements



- Number of extensions to existing engagements
- Number of new engagements

Note

¹ This figure uses Cabinet Office data and does not include the additional expenditure we identified in our sample of four departments. The start date for one engagement is not recorded.

Source: National Audit Office analysis of Cabinet Office data

The transparency of departments' EU Exit consultancy contracts

3.15 In December 2017, the Crown Commercial Service issued guidance to encourage greater transparency in government procurement.⁷ As a minimum, departments are required to comply with the Public Contracts Regulations 2015, for example by publishing information about the award of contracts within a reasonable time. The Crown Commercial Service has recommended that this is done no later than 90 calendar days after the contract is awarded.

3.16 We have analysed the time taken by departments to publish contract award notices where the value of the award was more than £1 million. We reviewed around 10,000 contracts, covering all types of procurement, to identify the length of time taken for departments to publish the basic details about contracts after they were awarded. We found the average time taken was:

- 95 days for all contracts;
- 82 days for consultancy contracts; and
- 119 days for EU Exit consultancy contracts we have identified.⁸

3.17 The Cabinet Office took 237 days to publish details of the contracts awarded to the nine suppliers to provide services under lot 1 and lot 2 of its call-off arrangement. In May 2019, the Cabinet Office published details of the extensions of the contracts for lot 1 and lot 2 and details of the new contracts for lot 3 of the arrangement. It published these details 42 and 71 days after the contracts' respective award dates.

3.18 In addition to the legislative requirements to publish information, government has committed to publishing contract documents in full. Crown Commercial Service guidance sets out that departments are expected to publish contracts in full, although redaction is permitted in line with exemptions that are set out by the Freedom of Information Act. In our review of contracts for EU Exit consultancy we found that some had not been published, and all that had been published were significantly redacted. Government is not required to publish details of individual engagements under the call-off arrangement.

3.19 There is no requirement for departments to publish information where consultancy firms have offered their services for free. For example, the Department for Exiting the European Union (DExEU) received free consultancy from four firms during 2016-17. One of these, McKinsey, won further work from DExEU in 2017 worth £2 million. DExEU has also hosted nine secondees from consultancy firms, for periods of between six weeks and 16 months.

⁷ Responsibility for transparency has moved to the Government Commercial Function since August 2018.

⁸ These calculations are based on contracts published between 1 April 2015 and 14 May 2019.

Appendix One

Our approach and evidence base

Scope

1 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 sets out the facts relating to:

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

2 We examined the period from the EU referendum in June 2016 to the end of our fieldwork in April 2019.

3 We have not considered: the value for money of the expenditure; spending on consultants by non-departmental public bodies, agencies and local authorities; or the cost to the civil service of back-filling posts left vacant by moving permanent staff onto EU Exit work.

Methods

Interviews

4 We conducted semi-structured interviews with staff at the Cabinet Office, Crown Commercial Service and the Government Commercial Function.

5 We also conducted semi-structured interviews with four departments: the Department for Exiting the EU; the Department for Environment, Food & Rural Affairs; the Department of Health & Social Care; and the Home Office.

Document review

6 We reviewed key documents including:

- procurement strategies for the Cabinet Office call-off arrangement;
- Cabinet Office guidance to departments on using the EU Exit consultancy call-off arrangement;
- Cabinet Office recommendations for the reform of consultancy spending controls;
- Cabinet Office reporting on trends in spending on professional services; and
- Crown Commercial Service guidance on transparency.

Data analysis

7 We analysed data on cross-government consultancy expenditure provided by Cabinet Office and Crown Commercial Service, and publicly available information from government's Contracts Finder website. Using Cabinet Office data, we were able to analyse:

- the trend in overall consultancy expenditure over time;
- EU Exit consultancy expenditure by department;
- EU Exit consultancy expenditure by consultancy firm;
- the length and value of EU Exit consultancy engagements; and
- EU Exit consultancy engagements by start and extension date.

8 We also analysed EU Exit consultancy expenditure by category of work. Cabinet Office data include 16 overlapping types of work. We summarised these into five categories. There are no firm boundaries between these categories and some pieces of work in each category may also have included elements of others.

9 We used publicly available data and Cabinet Office data to examine how long it took departments to publish contract award notices. We extracted information from government's Contracts Finder database on all contracts of more than £1 million in value from 1 April 2015 to 14 May 2019 and used the information on publication date and contract award date to work out the average gap between the two. We then matched the information to public and Cabinet Office information on consultancy contracts up to 14 May 2019 to do the same analysis for consultancy contracts. We used a combination of matching to information from departments and assessing project names to produce a list of EU Exit-related consultancy contracts within that set for the same analysis.

Case study departments

10 To test the completeness of the Cabinet Office information we selected four departments and requested data on their EU Exit consultancy spending to date. We selected the departments based on: where our earlier work on EU Exit had identified examples of consulting; where information held by Cabinet Office indicated they were among the departments most highly impacted by EU Exit; and where publicly available data on contracts indicated they were using consultancy support.⁹ We used these data to identify expenditure not captured by the Cabinet Office. The case study departments are:

- the Department for Exiting the EU (DExEU);
- the Department for Environment, Food & Rural Affairs (Defra);
- the Department of Health & Social Care (DHSC); and
- the Home Office.

11 We also reviewed Crown Commercial Service data on departments' use of its frameworks to procure consultants between 2016-17 and 2018-19. Using the descriptions in the Crown Commercial Service information, we were able to identify some EU Exit consultancy spending. However, not all EU Exit consultancy expenditure will be clearly identifiable from descriptions in these data and our identified figure is likely to understate total expenditure on consultancy to support EU Exit preparations.

12 We matched the data from Crown Commercial Service to the information from our case study departments and Cabinet Office. Where the same expenditure was identifiable in the different sources we eliminated it, to ensure it was not counted more than once in the overall figure. This process identified around £32 million of expenditure that was not otherwise captured in Cabinet Office data (Figure 5).

13 We found that, while much of the expenditure in our case study departments was identifiable from Cabinet Office and Crown Commercial Service information, departments had spent money on consultants outside these frameworks where they had decided that another procurement route best served their needs; for example, to procure services from consultancy firms that departments are not able to access through the Cabinet Office arrangement. As we sampled four of the 18 major departments there may be similar expenditure outside Cabinet Office and Crown Commercial Service in the other 14 that we have not identified. Our estimate of £32 million therefore does not represent the total additional expenditure on EU Exit consultancy. However, it indicates that Cabinet Office data do not provide a full picture of consultancy expenditure on EU Exit preparations.

14 We have not included this additional expenditure in the data analysed in Figures 6, 7, 9, 10 and 11 of this report. This is because these additional data are not in a consistent format to allow for similar analysis to Cabinet Office data used in these figures, and as a sample of data it would distort the picture when data are presented across departments.

⁹ Our reports on EU Exit are available at: www.nao.org.uk/search/pi_area/exiting-the-eu/type/report

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