National Audit Office

INSIGHT

Lessons learned: the government's use of external consultants

Cabinet Office

SESSION 2024–2026
21 NOVEMBER 2025
HC 1381

Summary

Introduction

1 Consultants are professionals who are contracted to provide advice to an organisation for a specific initiative, such as a project or programme. Consultants can provide expert insight or specialist skills that organisations require, or provide an external perspective; for example, expertise in the implementation of digital projects. Consultants can be costly, so it is important that they are used appropriately; for example, when government needs a specific set of skills it lacks, and for a defined period.

2 Cabinet Office and the Government Commercial Function, a cross-government network that supports organisations' use of commercial services, are responsible for setting the government's policy and controls on the use of consultants. Individual departments and arm's-length bodies (ALBs) are responsible for implementing government policy, managing their own use of consultants and operating internal controls around consultancy spending. Crown Commercial Service (CCS) supports the public sector to effectively procure common goods and services, including consultancy services.

3 The government does not collect data on how it uses consultants, only what it spends. As of 2022-23, central government spend on consultants was estimated by HM Treasury to be approximately £1.36 billion, but other sources suggest the figure could be significantly higher.

4 The current government has stated its aim to reduce spending on consultants. In her first speech to Parliament, the Chancellor announced her intention to stop all non-essential spending on consultancy immediately and halve the government's spend on consultants in 2025-26. In the 2024 Autumn Budget, the Chancellor reiterated those goals. Cabinet Office subsequently wrote to all departments, requiring them to ensure they had internal controls in place for consultancy spending and to follow existing government guidance for procuring consultants.

Scope

5 In this report we draw on insights from our published reports, including our good-practice guide on managing the commercial lifecycle,[1] and original fieldwork to share lessons to help the government maximise the value it achieves from its use of consultants. It focuses on:

1 National Audit Office, *Good practice guide: Managing the commercial lifecycle*, July 2021.

- how government uses external consultants;
- challenges we have identified with the government's use of consultants in our past reports; and
- lessons we have identified to improve how the government uses consultants.

6 This report sets out lessons to help departments improve how they use consultants. It is based on our analysis of the National Audit Office's (NAO's) published reports. We also carried out new fieldwork, including interviews with Cabinet Office officials, CCS, government departments, government functions, the Management Consultancies Association and many consultancy firms. We also surveyed officials from government departments and ALBs about their use of consultants. Our survey was addressed to commercial teams or those responsible for hiring consultants. Our detailed methodology can be found in Appendix One.

7 The report does not cover other services provided by consultancy firms, that are not classified as consultancy, such as the management of outsourced services. We have also produced an accompanying good-practice guide to support organisations in effectively using consultants.

How the government uses consultants

8 The government uses consultants as specialist support for a wide variety of projects and programmes. Departments we spoke to used consultants in areas including project assurance, digital transformation, project delivery, policy development, research, evaluation and scientific advice. Respondents to our survey said that they frequently used consultants for project delivery, digital transformation and change management (paragraphs 1.6, 1.7, Figures 13 and 14).

9 Departments should rigorously assess the availability of skills internally or elsewhere in the civil service before deciding to use external consultants. Consultants may be more expensive, compared with using staff with the required skills who are already employed within the civil service or where additional staff can be readily recruited on a fixed-term or permanent basis. Public bodies should start with the assumption that using their own staff will be the best use of resources (paragraph 1.4).

10 Consultants can make a valuable contribution to government initiatives, supporting the civil service by providing special skills or expertise. In our survey of officials from departments and ALBs, 86% of respondents said that consultants provided a valuable contribution to government, with 40% labelling them as extremely valuable. Consultants are less valuable when used unnecessarily, when contracts are poorly constructed or when they are not given the necessary support (paragraph 1.5 and Figure 4).

11 Consultants and civil servants increasingly work together in blended teams. While in some cases consultants work completely independently to deliver an output (such as a research report or evaluation), consultants and civil servants often now work together. Departments and consultants we spoke to told us that consultants and civil servants often form integrated teams to work on a given project. Such teams can be very effective, combining the expertise of consultants with the experience and practical knowledge of civil servants. The Health and Safety Regulator told us it had great success in using a blended team to establish the Building Safety Regulator team, motivating consultants through a shared mission (paragraphs 2.10 and 2.11).

12 Departments and ALBs can procure consultants through different routes. They can directly award contracts to a specific firm, hold open competitions, make use of CCS framework agreements, use their own departmental frameworks or use a third-party framework provider. CCS offers a range of frameworks, including one for procuring management consultants, for government bodies to use to procure common goods and services, leveraging the buying power of the whole of government. In our survey of officials from departments and ALBs, 43 officials provided responses about their use of CCS frameworks, and 39 of those said that they used CCS frameworks. Thirty of those used CCS frameworks frequently (paragraphs 1.11, 1.20 and 1.21, and Figure 5).

Challenges with the government's use of consultants

13 The government does not have a clear picture of how much is being spent on consultants or how this spending has changed over time. Inconsistent data prevent departments from understanding which consultants they use, or what skills gaps they repeatedly hire consultants to address. This makes it difficult to make decisions about how to use consultants and to monitor the government's progress against its targets to cut consultancy spending. HM Treasury receives spending data from departments that differ from departments' published accounts, private-sector commercial analysis platforms like Tussell or Oxygen Finance Insights, and spend management software used in government, such as Jaggaer Spend Analytics. This makes it difficult for HM Treasury to monitor spending reductions (paragraphs 1.30 to 1.34 and Figure 9).

14 There are multiple reasons why data are inconsistent, including use of different definitions and difficulties in classifying services that consultants deliver. Some departments do not follow the Cabinet Office's definitions. Departments may now hire a consultancy firm to provide a complete package of services, including design, management and delivery of a programme, such as a digital transformation programme. The firm could then provide consultancy, professional services and contingent labour within the same contract. This makes it difficult to isolate the amount spent. Departments sometimes struggle to report in their accounts how they allocate portions of such contracts to consultancy. As a result, government bodies may be under- or over-reporting their consultancy spending (paragraphs 1.5, 1.31 and 1.32).

15 **Cabinet Office central spending controls on consultancy were withdrawn in 2023, by the previous government, to cut the administrative burden for departments.** The government has since relied on controls that apply to all commercial contracts procured by departments. The Cabinet Office encourages departments to develop their own internal controls on consultancy spending, but departments have told us that they have taken varying approaches to establishing these controls, some more strict than others. This creates a risk that some departments are scrutinising consultancy spending less than others (paragraph 1.27 and Figure 8).

Our lessons for using consultants effectively

16 **We have identified lessons at each stage of the process of using consultants (Figure 1 overleaf).** In the next section, we outline these stages and explain why they are important.

Planning

17 **Departments should include plans for consultants in their strategic workforce plans, so they do not need to procure consultants unnecessarily or at short notice.** By properly considering the pipeline of upcoming work, and assessing the organisation's staff resources and skills, a department may be able to meet its requirements with existing staff, a new permanent staff member or contingent labour, instead of hiring a consultancy firm. In some cases, a team may be able to rely on resources elsewhere in government instead of going out to market. The Ministry of Defence, for example, asks teams that need consultancy to submit business cases to demonstrate consideration of internal staffing before deciding to use consultants (paragraphs 2.2 to 2.4).

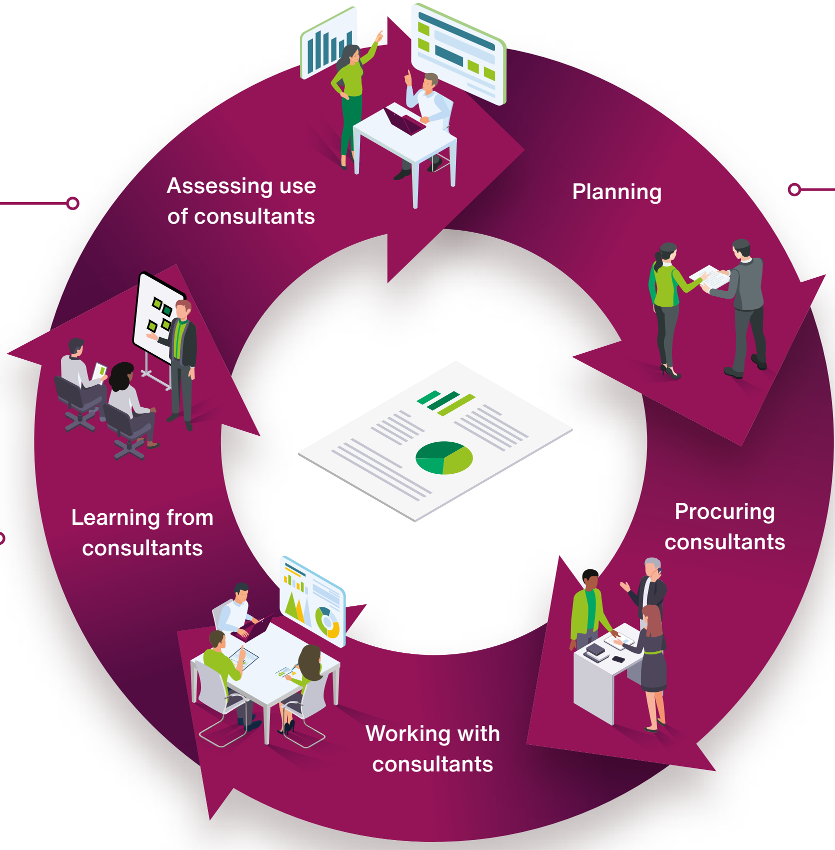
Procuring

18 **Departments need to engage with a range of consultants to get several bids and encourage innovative proposals.** Consultants have told us that engagement with the market varies across government and can be limited. If departments do not take the time to engage potential suppliers, it could dissuade consultants from putting forward a bid or hinder them from developing the best possible proposal. By properly engaging with potential suppliers, departments can better understand the possible solutions available, including (for example) new technologies. Departments shared several examples of good practice, including HM Revenue & Customs' conference for key suppliers, the Department for Energy Security & Net Zero's use of market engagement while developing a department framework, and the Department of Health & Social Care's (DHSC's) requirement that teams demonstrate market engagement before getting approvals to hire consultants (paragraphs 2.5 to 2.8).

Figure 1

The process for using consultants

Our lessons mapped against each stage of the consultants' process



Planning

1 Invest in retaining and upskilling civil servants with specialist skills in order to avoid dependence on consultants.

2 Strengthen workforce planning to ensure you have the requisite resources and, when needed, leave sufficient time to procure consultants.

Procuring consultants

3 Optimise market engagement and leverage competition to secure value when procuring consultants.

4 Strengthen the role of the organisation as an 'intelligent client', ensuring contracts are focused on outcomes and outputs rather than input.

Working with consultants

5 Define roles, responsibilities, targets and timelines clearly before signing consultancy contracts.

6 Integrate consultants carefully into blended teams to build effective collaboration and outcomes.

Learning from consultants

7 Share knowledge routinely by capturing lessons from consultants' work and spreading them across government.

Assessing use of consultants

8 Use post-project performance analyses to shape and improve future consultancy bids.

9 Collect data to understand how often you are using consultants and what you are spending on consultants.

10 Scrutinise decisions to use consultants, including use by arm's-length bodies.

11 Ensure you do not become dependent on consultants, repeatedly using external consultants for the same tasks.

- Stages
- Lessons

Source: National Audit Office analysis of our back catalogue of reports, government guidance and interviews with departments and consultants

Working together

19 Departments and consultants should agree expectations up front. It is important that there is a joint understanding of the aims of the engagement, shared values and aligned working practices, as well as agreement on timelines, key performance indicators, deliverables, knowledge transfer arrangements and support that will be available for consultants throughout the duration of the contract. Throughout the engagement, departments should monitor progress and manage the relationship. One consultancy firm told us that the Department for Business & Trade demonstrated good practice in mobilising teams, clearly establishing roles and responsibilities and holding regular meetings (paragraphs 2.9 to 2.12).

Learning

20 Knowledge transfer arrangements should be built into contracts, specifying what skills and knowledge the government seeks to develop and how they will be transferred. Civil servants need to learn enough to keep an initiative going after consultants' contracts end. In some cases, civil servants can develop their skills to such an extent that the department will not need to hire consultants to supply that skill again in the future. Knowledge transfer should not just be a transfer of documents at the end of a project but should be an active process throughout the engagement. Our previous guidance and other central government guidance have also stressed the need for departments to carry out post-project reviews, which should include the role of consultants. The Department for Environment, Food & Rural Affairs has told us that teams using the departmental framework review their experience so future teams can make better decisions (paragraphs 2.17 to 2.20).

Assessing use

21 Proportionate scrutiny and oversight can help consultancy spend deliver the best value, but in some areas this is lacking. Our past reports have highlighted that ALBs' spending does not receive as much scrutiny as that of central departments, but agencies and ALBs spend significant sums on consultants. DHSC, for example, has improved oversight on consultancy, professional services and contingent labour by gathering data centrally. It tracks spending trends in real time through a monthly report to the Minister of State for Health based on all the business cases it approves that month (paragraphs 2.13 to 2.16).