



House of Commons
Committee of Public Accounts

Central government's use of consultants

Thirty-first Report of Session 2006–07

*Report, together with formal minutes, oral and
written evidence*

*Ordered by The House of Commons
to be printed 4 June 2007*

HC 309
Published on 19 June 2007
by authority of the House of Commons
London: The Stationery Office Limited
£11.00

The Committee of Public Accounts

The Committee of Public Accounts is appointed by the House of Commons to examine “the accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure, and of such other accounts laid before Parliament as the committee may think fit” (Standing Order No 148).

Current membership

Mr Richard Bacon MP (*Conservative, South Norfolk*)
Annette Brooke MP (*Liberal Democrat, Mid Dorset and Poole North*)
Chris Bryant MP (*Labour, Rhondda*)
Greg Clark MP (*Conservative, Tunbridge Wells*)
Rt Hon David Curry MP (*Conservative, Skipton and Ripon*)
Mr Ian Davidson MP (*Labour, Glasgow South West*)
Mr Philip Dunne MP (*Conservative, Ludlow*)
Mr John Healey MP (*Labour, Wentworth*)
Mr Edward Leigh MP (*Conservative, Gainsborough*) (Chairman)
Ian Lucas MP (*Labour, Wrexham*)
Mr Austin Mitchell MP (*Labour, Great Grimsby*)
Dr John Pugh MP (*Liberal Democrat, Southport*)
Rt Hon Don Touhig MP (*Labour, Islwyn*)
Rt Hon Alan Williams MP (*Labour, Swansea West*)
Mr Iain Wright MP (*Labour, Hartlepool*)
Derek Wyatt MP (*Labour, Sittingbourne and Sheppey*)

The following were also Members of the Committee during the period of the inquiry:

Helen Goodman MP (*Labour, Bishop Auckland*)
Mr Sadiq Khan MP (*Labour, Tooting*)
Sarah McCarthy-Fry MP (*Labour, Portsmouth North*)

Powers

Powers of the Committee of Public Accounts are set out in House of Commons Standing Orders, principally in SO No 148. These are available on the Internet via www.parliament.uk.

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at <http://www.parliament.uk/pac>. A list of Reports of the Committee in the present Session is at the back of this volume.

Committee staff

The current staff of the Committee is Mark Etherton (Clerk), Philip Jones (Committee Assistant), Emma Sawyer (Committee Assistant), Pam Morris (Secretary), Anna Browning (Secretary), and Alex Paterson (Media Officer).

Contacts

All correspondence should be addressed to the Clerk, Committee of Public Accounts, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 5708; the Committee’s email address is pubaccom@parliament.uk.

Contents

Report	<i>Page</i>
Summary	3
Conclusions and recommendations	5
1 The failure to implement good practice	9
2 The lack of information on the use of consultants	11
3 Using internal staff instead of consultants	13
4 Being an astute customer	15
Annex: Key terms used in the Report	17
Formal Minutes	18
Witnesses	19
List of written evidence	19
List of Reports from the Committee of Public Accounts Session 2006–07	20

Summary

In 2005-06 the public sector in England spent approximately £2.8 billion on consultants, with central government accounting for £1.8 billion. Aside from the scale of expenditure on consultants, they are routinely used on key government initiatives such as the Identity programme at the Home Office and the Capability Review programme at the Cabinet Office.

In the past three years spending on consultants has risen by a third, from £2.1 billion in 2003-04 to £2.8 billion in 2005-06, largely due to increases in spending by the NHS. Only two departments have shown a consistent decrease in their spending on consultants over the period. Central government is repeatedly using consultants for core skills, including project and programme management and IT, and is increasingly turning to a select list of suppliers.

Central government has made some progress in implementing previous recommendations and good practice in using consultants but much more can be done to improve value for money. In particular, departments are making good use of framework agreements and qualified procurement staff are regularly involved in the buying process. However, areas where departments require significant improvement are: collection and use of management information; the assessment of whether internal resources could be used instead of consultants; controls on awarding contracts by single tender; completing and sharing post-project performance reviews; actively engaging with and managing the relationships with key consultancy suppliers; and planning for and carrying out the transfer of skills from consultants to internal staff.

Consultants, when used appropriately, can provide considerable benefits for clients. There are examples where consultants have added real value and enabled departments to make improvements they would not have achieved otherwise. For example, the Ministry of Defence is saving on its procurement, having used consultants to help implement a new approach and develop its internal procurement capability. Nevertheless these benefits will only be secured if departments are much smarter in their use of consultants and more commercially astute in how they procure them. Getting a better grip on the use of consultants would lead to efficiency gains of more than £500 million a year.

On the basis of a Report by the Comptroller and Auditor General,¹ we took evidence from the Office of Government Commerce (OGC) on six main issues: using internal resources instead of consultants; the poor quality of information on the use of consultants; gaining a better understanding of suppliers; getting better deals by using different payment methods and making more use of competitive tendering; the effectiveness of OGC's good practice work; and OGC's own use of consultants.

Key terms used in this Report are listed in the **Annex**.

1 C&AG's Report, *Central Government's use of consultants*, HC (2006-07) 128

Conclusions and recommendations

- 1. Only half of the recommendations in the Committee's 2002 Report, *Better value for money from professional services*, have been properly implemented.** Lack of progress has meant the government is still not achieving good value for money from the £1.8 billion spent on consultants. OGC initially worked with departments but in 2003 left departments to implement the Committee's recommendations themselves, despite its own review showing that progress was still required. Departments should develop early action plans for implementing the recommendations from this Report, assigning responsibility for implementation to a senior official. OGC should use its new programme of procurement capability reviews to determine whether departments are getting a better grip on how they use consultants.
- 2. Departments and OGC do not routinely know how much money is spent on consultants.** Without such information departments cannot be sure whether value for money is achieved. Departments need to have comprehensive reliable data on consultancy expenditure, including the types of service provided and the suppliers used. This data should be used to assess whether the benefits obtained are justified by the costs, and whether the best prices are secured where a consultant has considerable on-going business. OGC should use the information to determine whether collectively government is making best use of its buying power to get competitive prices.
- 3. Consultants are often used when in-house staff have the necessary skills and are less expensive.** Internal staff can provide better value for money than using external suppliers, for example if the requirement is long-term or generalist. Departments should always routinely consider whether they have the skills in-house before turning to external consultants. If consultants are the only option departments need to define from the outset the added value they expect to receive.
- 4. Departments do not routinely assess the value of the work they receive from consultants.** Project specifications agreed with consultants and contractually binding should set out the intended benefits which should whenever practicable be defined in a way that is capable of measurement. Post project evaluations which capture the lessons learned and assess the performance of suppliers should be routinely used. Higher value assignments should be assessed as part of Gateway 5—Benefits Realisation.
- 5. The capability of departments to be intelligent customers is weakened by insufficient sharing of information on consultants' performance.** A consultant may not perform well for one department but still be employed by another, charge a significantly higher price for the same service, or redesign a similar process from scratch which they have successfully implemented elsewhere in the public sector. To minimise these risks departments need reliable and easily accessible market intelligence on the use of consultants and their performance. OGC, working with departments, needs to develop communication channels such as on-line customer forums to make it easier for departments to share information and experience.

6. **40% of clients consider they have used consultants when it was not necessary.**² A feature of both the public and private sector is a tendency sometimes to use consultants for inappropriate reasons. At worst these can include, for example, employing them as a means for deflecting blame for failure should a project under-perform. The reasons for employing consultants need to be clearly articulated and transparent in rigorous business cases, which should be subject to independent challenge such as peer or professional review to test their validity.
7. **For the last three years the most frequently purchased consultancy was IT and project management skills, accounting for 54% of government's total expenditure on consultants.** Consistently relying on consultants for basic skills is expensive and repeated use suggests poor value for money. Departments need to identify where core skill gaps exist in relation to medium to long term programme requirements, determine the most cost effective division of work between internal and external resources and plan their recruitment and training accordingly.
8. **Departments do not regularly plan for, or achieve, the transfer of skills from consultants to their staff to build internal capabilities.** Three of the five departments examined by the Comptroller and Auditor General had made only limited progress in transferring skills which would reduce the need to rely on consultants in the future. Departments should identify where there are opportunities for skills transfer through for example, consultants providing training; making skills transfer a specific requirement of the contract with appropriate financial and non-financial incentives; and having in-house staff work alongside consultants either formally in joint teams or informally as observers.
9. **Some consultant charges lack transparency, making it difficult to verify that all costs are justified.** Consultancy contracts need to be clear about the basis on which departments will be charged for costs such as travel and subsistence, fees and other expenses, and how they will be reimbursed for rebates firms may obtain for travel and accommodation, and for time not worked or where lower graded staff are used. Departments' finance teams need to be more vigilant in checking the appropriateness of expenses which consultants charge.
10. **Only 1% of consulting projects use incentivised contracts and much work is still paid for on a time and materials basis.** Departments, where practicable, should base payment to suppliers on what they produce through fixed price or incentivised contracts, instead of based on the amount of time they spend working which carries the risk of being open ended. Key to using these payment types is having well-defined outputs and outcomes when engaging consultants.
11. **Departments are appointing some consultants through single tender, which puts value for money at risk.** Single tender reduces the potential to secure competitive prices and get a broader range of approaches. Departments should reduce the amount of contracts awarded by single tender by routinely involving procurement staff in the buying process to provide commercial expertise and making use of

2 Public and private sector clients as reported in *Perceptions of consultancy in 2005* (MCA,2005).

framework agreements which provide for competition while generally reducing procurement costs and securing better prices.

- 12. Central government spends over £100 million with each of its top four suppliers, yet does not take full advantage of that spending power.** In its new more strategic role OGC should work with public bodies to identify key information and then aggregate this information to provide a pan-government view. OGC should also co-ordinate cross-government meetings to help government act as a single customer to its key consultants and in particular use its buying power to secure the best deals for the taxpayer.

1 The failure to implement good practice

1. Consultants, when used correctly and in the appropriate circumstances, can help clients achieve things that clients do not have the capacity or capability to do themselves. Organisations use consultants for three primary reasons: 1) People: for additional resources or specialist skills; 2) Process: for knowledge on how to approach a task; 3) Perspective: to provide an objective or independent view or new and innovative thinking.³

2. In 2005–06 the public sector in England spent approximately £2.8 billion on consultants with central government accounting for £1.8 billion. Aside from the scale of spend on consultants, they are routinely used on key government initiatives such as the Identity programme at the Home Office and the Capability Review programme at the Cabinet Office. There have been several high-profile value for money reviews of the government's use of consultants; in particular done by the Efficiency Unit within the Cabinet Office in 1994, the C&AG in 2001, and this Committee in 2002.

3. There has been limited progress against the recommendations made in the Committee's 2002 Report, *Better value for money from professional service*.⁴ Similarly, many of the recommendations from the 1994 Report from the Cabinet Office's Efficiency Unit remain unfulfilled.⁵ The 1994 Report identified the need to transfer skills from consultants to civil servants, for example, but three of the five case study departments reviewed by the C&AG have made minimal or patchy progress and the others only 'some' progress.⁶ **Figure 1** lists the recommendations from the 2002 Report which departments and OGC have made inadequate progress in implementing.⁷

4. The C&AG's Report sets out how annual efficiency gains of 30% (equivalent to more than £500 million a year) could be achieved within three years if departments were to implement a number of good practice recommendations.⁸

3 C&AG's Report, para 1.6, Figure 5

4 Qq 32–33

5 Qq 102, 104, 106

6 Q 106

7 C&AG's Report, Figure 2, Figure 12; Qq 108, 134–137

8 C&AG's Report, para 6

Figure 1 – PAC recommendations not adequately taken up by departments and OGC
Departments
Departments to improve the quality of information on spend on professional services
Departments to assess how best to divide work between internal and external staff
Departments to reduce the number of contracts awarded by single tender
Departments to share consulting contract information, in particular volume, value, services, and suppliers with other departments and across their own department to help identify opportunities for collaborative purchasing
OGC
OGC stopped working with departments to implement their action plans in 2003, despite further progress being required ⁹
OGC stopped collecting information on the spend on consultants across government in 2003
OGC distributed guidance on the use of single tender procurements, however did not track its application
OGC does not share information about the performance of consultants among departments

Source: National Audit Office

2 The lack of information on the use of consultants

5. In the past three years spending on consultants has risen by a third, from £2.1 billion in 2003-04 to £2.8 billion in 2005-06, largely due to increases in spending by the NHS.¹⁰ Only two departments have shown a consistent decrease in their spending on consultants over the period (the Department for Trade and Industry and the Department for Work and Pensions).¹¹

6. Departments do not routinely collect information such as types of services purchased and procurement route used.¹² OGC has collected information on consultancy spending in the past as part of an exercise looking at government expenditure. This activity was stopped in 2003, however, as the information received from departments was inconsistent and incomplete, diminishing the value of the exercise.¹³

7. OGC issued a definition of consultancy in February 2006¹⁴ and the Treasury issued guidance on classifying consulting expenditure in November 2006 to facilitate aggregation and comparison. Without this key information on the use of consultants, departments, and OGC across government, cannot make informed decisions on their use.

8. Departments, and OGC across government, do not regularly assess the value of the work of consultants.¹⁵ There are significant challenges in assessing value for money from consulting projects. For example, it can be hard to identify useful measures that are suitable for all types of projects and attributing cause and effect is not always easy, even where performance has improved. Departments can nonetheless assess consultants' performance against what they were set out to do in the business case and requirements specification.

9. Business cases and requirements specifications are necessary to explain, justify, and make clear the role and expectations of the consultants before they are hired. Post project evaluations that capture lessons learned and assess the performance of consultants are not consistently carried out nor shared throughout the organisation.¹⁶ Furthermore, OGC does not share this information across government.

10. The nature of the consulting market creates substantial challenges for managers who are seeking to hire or work with consultants. Clients find it difficult to differentiate between consulting firms and to assess whether they are getting value for money. The relationship between client and consultant is a balancing act. On the one hand, clients value objectivity and perspective from their consultants which requires the consultants to remain 'outside' of the organisation, yet on the other hand, clients need consultants to show ownership and

10 C&AG's Report, para 2.2

11 C&AG's Report, para 2.4

12 C&AG's Report, para 2.12; Qq 8, 88

13 C&AG's Report, Figure 12; Qq 9, 10

14 C&AG's Report, para 3.5

15 C&AG's Report, para 3, 2.17, 2.18; Qq 51, 73–74, 123

16 C&AG's Report, para 4; Qq 91, 114–115

accountability to implement their work, which requires consultants to work within the organisation, potentially for long periods of time.

11. The way a consulting firm is structured and how its consultants are incentivised can focus on the needs of the supplier rather than those of the client.¹⁷ It can be difficult for clients to select the correct consultant, decide how consultants will work alongside internal staff, and have effective negotiations. All of these challenges make it more important for departments to work together. However, departments have not done so and do not regularly learn from each others' experience to improve their use of consultants.¹⁸ Departments do not share information about the performance of consultants, contract information, general market intelligence, and lessons learned about the procurement and management of consultants across departments or even within the department.¹⁹

17 C&AG's Report, para 1.8

18 Qq 49, 144

19 C&AG's Report, Figure 2, Figure 12

3 Using internal staff instead of consultants

12. While it will sometimes be the case that departments need to purchase specific expertise from consulting firms, more generalist requirements can often be met more cost-effectively by internal resources. The Ministry of Defence, for example, can supply internal consultancy staff for half the cost of external consultants.²⁰ Public bodies do not have adequate mechanisms or information to find appropriately skilled internal staff (from within the organisation or from other public bodies), nor to understand the costs of internal staff, or make firm commitments to resource these posts on time.²¹ Without this information they are turning to consultants.²² It is important to maintain accountability for work programmes, which is at risk if key programme roles are not held by internal staff.

13. Departments do not have an adequate understanding of their medium to long term requirements upon which to base their recruitment and training plans, as well as their use of consultants.²³ Recruitment of full-time personnel and training of existing personnel can provide better value for money than continued use of consultants. The same skills are being purchased again and again from consultants. For the past three years, for example, IT and project and programme management skills have consistently been the top two consultancy skills purchased.²⁴

14. Departments need to be clear why it is that they need to use consultants. 40% of clients acknowledge they have used consultants when it was not necessary.²⁵ In some cases, particularly when an independent view is required, consultants can be the most appropriate resource option. Consultants can however be used for inappropriate reasons, such as to re-assign blame, to compensate for the perceived poor quality of civil service management, to substitute for civil servants who have been made redundant, and to delay implementation of policy.²⁶ Internal staff can feel threatened or pushed aside by consultants if the Department fails to communicate the reason for their use.

15. The reason for using consultants will affect how they are used. For example, if consultants are brought in to implement an IT system that the department will maintain in the long-term, it is appropriate to have mixed project teams with clients and consultants working side by side and to put an emphasis on transferring skills from the consultants to the client team. However, this approach will not be appropriate if consultants are brought in to provide an independent perspective.

16. Departments do not adequately identify opportunities for skills transfer from consultants to their own staff to increase internal capabilities.²⁷ Although the transfer of

20 C&AG's Report, para 4; Q 71

21 C&AG's Report, Figure 2

22 Qq 26–30, 89

23 Q 84

24 C&AG's Report, para 2.8; Q 72

25 Public and private sector clients as reported in *Perceptions of consultancy in 2005* (MCA,2005)

26 Qq 77–79, 124, 127–133, 140

27 Qq 52, 92

skills is often encouraged in departmental guidance, it is not consistently carried out by project teams. Three departments were rated as having made little or patchy progress for achieving skills transfer and the other two as made only 'some' progress in the C&AG's Report.²⁸

4 Being an astute customer

17. Consultants' charges can be complicated; in particular, aspects such as the relocation of staff, use of flat rate expenses, and travel rebates which require close monitoring to ensure they are in line with departmental policies and contracts.²⁹

18. Departments do not actively engage with or manage the relationships with key consultancy suppliers to better understand how they work. Most departments are not aware of all the consultancy projects that are done by their key consultancies within their department. Departments rarely identify their key consultants or have regular, open communications to discuss pricing strategies, the capabilities of their suppliers, or their performance. Discussions often take place at project level, but departments rarely act as a single, joined-up customer when dealing with their consultancy suppliers. In some cases, suppliers are better informed about the consultancy work done at a department than the department itself.³⁰

19. There was an increase in the value of central government business for the top 15 suppliers in 2004 and again in 2005.³¹ At the time of the C&AG's Report, estimations suggested that small and medium sized firms accounted for less than half of the consultancy spend in central government, despite often being better placed than larger firms to provide specific expertise.³² Between 2003 and 2005, central government reduced its total spend on consultants, indicating that the top 15 suppliers have increased their share of the central government consulting market.³³ OGC makes available to departments financial, contract and strategy information on some consulting suppliers, however of these, only one is in the top five and only four are in the top 10.³⁴

20. In 2003 OGC identified use of incentivised contracts as an area to improve.³⁵ But still only 1% of central government consulting contracts are paid this way. Time and materials remains a common form of payment.³⁶ Incentive and fixed price payment mechanisms can help control costs and formalise the joint objectives between clients and consultants. The different payment options require a strong understanding of the project's objectives, outputs, outcomes, risks, and approach. For example, in fixed price arrangements, public bodies need to be clear on how to deal with changes in scope; in incentivised ones, they may need to incorporate potential price variations into their financial planning.

21. Departments do not have adequate controls on awarding contracts by single tender which means departments do not get the benefits of competition such as better prices and a

29 C&AG's Report, para 1.9; Qq 1, 62, 110–111

30 C&AG's Report, para 3.2; Q 104

31 Qq 7, 65

32 C&AG's Report, para 2.11

33 C&AG's Report, para 2.10

34 C&AG's Report, para 3.4

35 *Ibid*

36 C&AG's Report, para 2.15, 2.16; Qq 63, 68–70

broader range of ideas.³⁷ Of the C&AG's case study departments, four rated as having only made 'some' progress and one as minimal or patchy progress in this category.³⁸

22. It is important for departments to create the right environment to make a consultancy project a success and to invest in getting their staff fully engaged with consultancy projects.³⁹ Projects may fail to deliver the expected benefits when there is little incentive for departmental staff to make the project a success.⁴⁰ Fewer than half of central government organisations consult with the responsible senior manager involved in the consulting projects on their satisfaction with the consultants, and only 64% collect this information from project staff.⁴¹

37 Q 90

38 C&AG's Report, Figure 2

39 C&AG's Report, Supporting Paper I, Para 4

40 C&AG's Report, Supporting Paper I, Para 2

41 C&AG's Report, Para 2.18

Annex: Key terms used in the Report

Consulting: Work is defined as ‘consulting’ if it has two characteristics. First, individuals or companies are engaged to work on specific projects that are outside the client’s business as usual, and there is an end point for their involvement. Second, responsibility for the final outcome of the project (for example achieving cost savings or improving quality of service) largely rests with the client. As such, consulting is distinct from ‘outsourcing’ or ‘staff substitution’.

Framework agreement: A framework agreement is a general term for agreements with suppliers which set out terms and conditions and standard prices under which specific purchases can be made throughout the term of the agreement.

Fixed price: Refers to contracts whereby the supplier receives payment based on a fixed price agreed at the project outset.

Flat rate expenses: Refers to expenses that are charged at a set amount per period or as a percentage of fees, without matching or validation against actual expenses incurred.

Incentivised contracts: Refers to contracts where a proportion of the payment is based upon their performance. For example payment may be linked to delivery of products against an expected timeline throughout the project or linked to the time taken to complete the project.

Time and materials: Refers to contracts whereby payment is based on the time worked rather than on the production of specific output.

Formal Minutes

Monday 4 June 2007

Mr Edward Leigh, in the Chair

Mr Richard Bacon
Mr Ian Davidson
Mr Philip Dunne
Mr Sadiq Khan

Mr Austin Mitchell
Mr Alan Williams
Mr Don Touhig
Derek Wyatt

Draft Report

Draft Report (Central government's use of consultants), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 22 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Thirty-first Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned until Wednesday 6 June at 3.30 pm.]

Witnesses

Tuesday 6 February 2007

Mr John Oughton, Chief Executive, Office of Government Commerce.

Ev 1

List of written evidence

Office of Government Commerce

Ev 19

List of Reports from the Committee of Public Accounts Session 2006–07

First Report	Tsunami: Provision of support for humanitarian assistance	HC 25 (Cm 7018)
Second Report	Improving literacy and numeracy in schools (Northern Ireland)	HC 108 (Cm 7035)
Third Report	Collections Management in the National Museums and Galleries of Northern Ireland	HC 109 (Cm 7035)
Fourth Report	Gas distribution networks: Ofgem's role in their sale, restructuring and future regulation	HC 110 (Cm 7019)
Fifth Report	Postcomm and the quality of mail services	HC 111 (Cm 7018)
Sixth Report	Gaining and retaining a job: the Department for Work and Pensions support for disabled people	HC 112 (Cm 7019)
Seventh Report	Department for Work and Pensions: Using leaflets to communicate with the public about services and entitlements	HC 133 (Cm 7020)
Eighth Report	Tackling Child Obesity—First Steps	HC 157 (Cm 7020)
Ninth Report	The Paddington Health Campus Scheme	HC 244 (Cm 7076)
Tenth Report	Fines Collection	HC 245 (Cm 7020)
Eleventh Report	Supporting Small Business	HC 262 (Cm 7076)
Twelfth Report	Excess Votes 2005–06	HC 346
Thirteenth Report	Smarter Food Procurement in the Public Sector	HC 357 (Cm 7077)
Fourteenth Report	Ministry of Defence: Delivering digital tactical communications through the Bowman CIP Programme	HC 358 (Cm 7077)
Fifteenth Report	The termination of the PFI contract for the National Physical Laboratory	HC 359 (Cm 7077)
Sixteenth Report	The Provision of Out-of-Hours Care in England	HC 360 (Cm 7077)
Seventeenth Report	Financial Management of the NHS	HC 361 (Cm 7077)
Eighteenth Report	DFID: Working with Non-Governmental and other Civil Society Organisations to promote development	HC 64 (Cm 7077)
Nineteenth Report	A Foot on the Ladder: Low Cost Home Ownership Assistance	HC 134 (Cm 7077)
Twentieth Report	Department of Health: The National Programme for IT in the NHS	HC 390
Twenty-first Report	Progress in Combat Identification	HC 486
Twenty-second Report	Tax credits	HC 487
Twenty-third Report	The office accommodation of the Department for Culture, Media and Sport and its sponsored bodies	HC 488
Twenty-fourth Report	Ofwat: Meeting the demand for water	HC 286
Twenty-fifth Report	Update on PFI debt refinancing and the PFI equity market	HC 158
Twenty-sixth Report	Department for Work and Pensions: Progress in tackling pensioner poverty—encouraging take-up entitlements	HC 169
Twenty-seventh Report	Delivering successful IT-enabled business change	HC 113
Twenty-eighth Report	ASPIRE—the re-competition of outsourced IT services	HC 179
Twenty-ninth Report	Department of Health: Improving the use of temporary nursing staff in NHS acute and foundation trusts	HC 142
Thirtieth Report	The Modernisation of the West Coast Main Line	HC 189
Thirty-first Report	Central government's use of consultants	HC 309

The reference number of the Treasury Minute to each Report is printed in brackets after the HC printing number

Oral evidence

Taken before the Committee of Public Accounts

on Tuesday 6 February 2007

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon
Annette Brooke
Helen Goodman
Mr Sadiq Khan

Mr Austin Mitchell
Mr Don Touhig
Mr Alan Williams
Mr Iain Wright

Sir John Bourn KCB, Comptroller and Auditor General, **Keith Davis**, Director, National Audit Office, were in attendance.

Mr Marius Gallaher, Alternate Treasury Officer of Accounts, HM Treasury, was in attendance.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL CENTRAL GOVERNMENT'S USE OF CONSULTANTS (HC 128)

Witness: **Mr John Oughton**, Chief Executive, Office of Government Commerce, gave evidence.

Q1 Chairman: Welcome to the Committee of Public Accounts, where today our hearing is on the Comptroller and Auditor General's Report *Central government's use of consultants*. We welcome back John Oughton who is Chief Executive at the Office of Government Commerce. I was sent a book by a man called David Craig called *Plundering the Public Sector*. I sent this book to Sir John and he has mentioned it in his Report in paragraph 1.9. He says: "David Craig lists 'techniques [that consultants] have used when working in the British Public Sector': not passing on travel rebates to clients; charging for the relocation of staff; billing clients for time not worked; adding overheads to charges; charging flat rate expenses and keeping what is not spent; charging for people at a grade above their level; and tax avoidance". Have you read this book?

Mr Oughton: Yes I have.

Q2 Chairman: What do you think of it?

Mr Oughton: It is an interesting one-sided view of the Government's use of consultants. The descriptions that you have just used I recognise as being present, but I also recognise, as the NAO Report itself does, that there is good performance as well as less good performance. Mr Craig's book puts only one side of the story.

Q3 Chairman: If we look at paragraph two, page four of the Report, which is an overview, we can see that public sector spending on consultants increased by a third from £2.1 billion to £2.8 billion over the past three years. You have 550,000 civil servants, have you not? Why do you need to increase spending on consultants by quite so much when you employ half a million people already?

Mr Oughton: You will see that the breakdown of the figures shows that in central government—

Q4 Chairman: I knew you were going to say that.

Mr Oughton: I am sorry; I am very predictable.

Q5 Chairman: Go ahead, get your point out.

Mr Oughton: The point is this. In central government there are indeed some 500,000 civil servants; that number is now starting to decline and the spend on consultancy in central government is declining. You will see from the figures that the major increases in spend are in local government and in the National Health Service and those are accounted for by the implementation and delivery of major programmes, so I am not surprised by the overall figures.

Q6 Chairman: Okay, if you are going to make this argument, let us look at this paragraph. It says that the decline can be attributed to three departments rather than a wider trend.

Mr Oughton: That is certainly true, that is how the figures come out, but overall in central government the cost of consultants is declining. That happens to be spread across some departments and not others, but overall the figure is declining.

Q7 Chairman: In the past three years £7.2 billion of taxpayers' money has gone to big consultancy firms. Are you really happy with £7.2 billion of taxpayers' money going to a few big consultancy firms?

Mr Oughton: I am happy with that, Chairman, so long as the business is being placed on a sound value for money basis and so long as we have good mechanisms for ensuring that we get value for the consultancy.

Office of Government Commerce

Q8 Chairman: That leads me precisely to my next point. If we look at paragraph four and the first bullet, we see that nobody apparently knows routinely how much central government spends on consultants.

Mr Oughton: The Report itself does show a figure for spend on consultants in central government and I have agreed with the Comptroller and Auditor General that that is an accurate figure.

Q9 Chairman: It says here, in the Report that you have agreed, “However this activity is no longer carried out as the information received from departments was inconsistent and incomplete”. What I have to put to you is that we had a hearing, we asked you to get this information, the data was poor and you have given up on the job. It was too hard.

Mr Oughton: I would not put it quite like that Mr Chairman.

Q10 Chairman: Why does the paragraph here say that this activity is no longer carried out?

Mr Oughton: That activity is no longer carried out because, if you look at the material later in the Report which describes the Office of Government Commerce’s response to the 2002 PAC report, you will see that, in terms of collection of information, we collected data on three separate occasions. The whole point about collecting data was to establish a mechanism, a routine in departments whereby departments themselves collected that information. There was no particular reason then to hold that information centrally, if the systems were operating in departments. In good departments, and you see a range of them spelled out here in the case studies in the five departments covered, in the good departments that information is adequate, in other departments there is still more to do.

Q11 Chairman: There is. If we look at page 26 “Progress made by the Office of Government Commerce”, this action that you have taken in response to this Committee’s recommendations, we see there also that in 2003 you abandoned your work with departments on their action plans.

Mr Oughton: I would not put it quite in those terms. What we did, following the PAC Report, was to set up arrangements with departments and they are described in more detail in figure 12 on pages 28 and 29. We set up arrangements with departments not only to collect information but also to develop systems and develop better approaches. Our judgment was that it was indeed difficult to collect consistent data on spend on consultants, but we did judge that progress was being made on embedding better approaches to securing consultancy. As the NAO Report itself says in paragraph 3.2, good progress has been made in implementing some of the recommendations, but there is still much work to be done in other areas and I accept that judgment.

Q12 Chairman: This is not going to be your last hearing in front of us; there are still further delights to come. We would like to have a little legacy session with you; a bit like the Liaison Committee is going to have with the Prime Minister, but with you.

Mr Oughton: I think I am closer to my end date than perhaps he is.

Q13 Chairman: So you know the date.

Mr Oughton: I know my date.

Q14 Chairman: Would it be unfair to put to you that you were just swamped? Your problem with your department, no criticism of you personally, is that you have responsibility without power and you were swamped with so much information, which has been the basis of the questions I have put to you, that the OGC is now being restricted to high levels of strategic procurement. Would that be a fair comment?

Mr Oughton: It would not be entirely fair.

Q15 Chairman: Explain why not.

Mr Oughton: I think you have a copy of the Financial Secretary’s document *Transforming Government Procurement* which was published on 23 January. You will see in that document that the Government wish to move forward by focusing their efforts on procurement in central government, that is simple procurement of commodities, complex acquisition of major programmes and projects, the sorts of thing that are supported here and the management of the civil estate. To do that, as the document makes very clear, the Government are giving the OGC new powers; very much, if I may say so, working with the grain of your encouragement to us in having more assertive powers to mandate and direct and intrude on the actions of departments to encourage best practice.

Q16 Chairman: Let us just look at your own department. In this supporting document, Supporting Paper III, figure three, page five—we can pass you a copy—it says in the Office of Government Commerce you have tripled your own use of consultants; this is where you do have power. You have tripled your use of consultants from 2003–04 to 2005–06 and are now spending £11 million. Why is that?

Mr Oughton: That is correct. You will see set out in the Report, and also in the NAO’s accompanying document of December from the Management Consultancies’ Association, a number of justifications for using consultants. One of them is to bring in specialist skills that do not exist inside Government, another is to surge rapid implementation of new policies when they are established. The reason for increases in the OGC’s own spend relates really to two main areas. First is our implementation of the Gershon efficiency programme as a programme where in 2005–06, in the first year of that programme, we spent £1.3 million. That was clearly money we were not spending before.

Office of Government Commerce

Q17 Chairman: So it is largely due to Gershon.

Mr Oughton: This year, that figure has reduced to £400,000. More significantly, in order to make progress on delivering the £6 billion of procurement efficiency savings that Sir Peter Gershon expected, we invested some £6.5 million in procurement efficiency work. That figure has now reduced to just over £2 million and we are running ahead of our target in meeting that £6 billion, so that is money well spent.

Q18 Chairman: May I just ask you one more question which is on this figure one which is on page seven. If you look at that figure, it is quite an interesting little figure. You can see that when in the consultancy industry their income starts going down from the private sector, hey presto, the income from the public sector starts going up. Are you a soft touch for the consulting industry to tide them over lean times?

Mr Oughton: I do not think so.

Q19 Chairman: It is an interesting graph though, is it not?

Mr Oughton: It is an interesting graph. We could have a long and deep discussion about the incidence of Government's investment in the last three public spending rounds in major capital projects being delivered and that has generated activity in the economy at a time when the private sector economy was perhaps not in such good shape. If you were to talk to management consultants who come to talk to me, they would say that the Government are not a soft touch. We have had very, very strong representations made to us about our procurement under the new framework agreements which have been regarded as a very tough approach, significant reductions in overall cost of some 30% compared with previous average figures and a tough selection process, which has meant not all of the major consultancies have got through the gate. I do not think they would regard us as a soft touch.

Q20 Mr Touhig: You came before us on 27 November when we were examining *Delivering successful IT-enabled business change*. In answer to a question from me you said you report to the Prime Minister periodically, quarterly, on key mission critical projects.

Mr Oughton: That is correct.

Q21 Mr Touhig: Have you discussed with the Prime Minister the 33% increase in the amount of spending on consultants?

Mr Oughton: No, I have not raised that as a major issue in my reports.

Q22 Mr Touhig: Has he raised it with you?

Mr Oughton: No, he has not.

Q23 Mr Touhig: Any reason why?

Mr Oughton: Because I regard the support that is given to these major programmes and projects as necessary for their delivery. Therefore I would regard that as a perfectly acceptable spend.

Q24 Mr Touhig: The key phrase you used is key mission critical projects. This kind of growth, 33%, is probably the biggest growth area in Government, is it not?

Mr Oughton: It is significant spending, but it is intended to deliver on successful projects. You will recall that, when discussing the NAO's Report on delivering successful IT projects in the autumn of last year, we drew attention to a number of successful programmes, the pension credit programme, payments modernisation in the DWP, the Transport for London congestion charge programme, all of which were supported throughout by consultants. I regard that as a good reason for spending money: to support the successful delivery of major programmes.

Q25 Mr Touhig: Are consultants considered to be greater experts than people we have employed in the various government departments?

Mr Oughton: In some cases, in some skills, yes. In the case of the Transport for London congestion charge, PWC supported the procurement work, Deloitte supported as a management consultant, there was PR support and of course Capita now run the system. All of those investments were necessary to deliver that project which is running very successfully.

Q26 Mr Touhig: Forgive me, but I am always wary of experts. An old friend once said to me: "Beware of experts, they built the Titanic; ordinary folk like thee and me, we built the Ark". Why is there not a greater use perhaps of departments' own core staff, rather than bringing in consultants?

Mr Oughton: There is a use of departments' core staff.

Q27 Mr Touhig: There is some use.

Mr Oughton: There is some use, but in cases where there is either a shortage of skill—remember it is not that the departments do not have skill, but it is the case that we are attempting to deliver a very large number of major programmes and projects in support of the Government's modernisation agenda—or there is more than one thing to be done at any one time, it is important that we have sufficient resource to support each of those programmes and projects. I could, in another context, say to you that one of the major findings out of the gateway review process is that one of the risk factors to the successful delivery of programmes is under-resourcing them. So it is very important that we do have sufficient resource in order to do these well.

Q28 Mr Touhig: But you have worked for some considerable time in the MoD and you know they have had considerable success. In fact, if we look at page five of the Report, the bullet point halfway up the page says "The Ministry of Defence, for example, has a relatively well-developed process for comparing using internal staff versus consultants on projects. As an illustrative example, the average

Office of Government Commerce

daily cost of a Ministry of Defence internal consultant is £550 and an external consultant £1,245". Is that not better value for money?

Mr Oughton: That is very good value for money and if those internal consultants exist, then of course they should be used. My point is that in cases where we do not have sufficient skilled resource internally, if we go out to the marketplace to secure it, we must ensure that we secure it on the best value for money terms. I recognise the £1,245 average figure. I could also say to you that in the recent procurement that we have undertaken to set up new frameworks, we have managed to reduce the average daily rate for consultancy to £930, so we are making progress in that direction.

Q29 Mr Touhig: Some progress, but not enough. Should departments not as a matter of course consider whether using their own core staff to solve a problem is better than rushing off and employing consultants?

Mr Oughton: Yes, I agree with that and one of a number of actions that I have under way that follow from this Report is that I have asked my officials to explore whether we can establish a common checklist to be used in all cases where departments are making proposals, both to ministers and Permanent Secretaries, for approval of consultancy spend to ensure that a number of questions are being asked in every case.

Q30 Mr Touhig: So you are taking that initiative now and saying to all departments across Whitehall that before they look at consultants they should look at their own core staff who have the talents.

Mr Oughton: I have asked my staff to develop a checklist that we could then put to departments which would cover using internal staff rather than consultants, using specialist contractors who are less costly than the traditional consultancy firms, looking at alternative payment mechanisms to ensure we get good value for money and we are not just paying on the basis of time and materials, looking at IPR issues and looking at opportunities to collaborate across government departments so that we buy once rather than many times. That is a whole agenda that we are trying to develop.

Q31 Mr Touhig: Some progress?

Mr Oughton: Yes.

Q32 Mr Touhig: Nevertheless the Report does point out, does it not, that there has been a lack of developing good practices recommended by this Committee, by the National Audit Office and by your own Office?

Mr Oughton: Yes, that is fair comment. Development and then adoption of best practice across Government go more slowly than all of us would like.

Q33 Mr Touhig: You are head of the OGC and they are not taking much notice of you either, are they?

Mr Oughton: Which is one reason why it is very important that, in the context of the *Transforming Government Procurement* document which was published last month, new powers are coming to the OGC, in a sense to oblige and enforce compliance with best standards across government departments. This is an approach that has been signed up to across Whitehall before the document was launched.

Q34 Mr Touhig: On the discussion we had last time, I did point out to you that in my experience as a minister in this Government, when the Prime Minister became engaged in something, something happened. Perhaps you ought to raise it with the Prime Minister at one of your quarterly meetings and then we would get some across-Whitehall directions and be able to improve on what is happening at the present time. At the moment it seems to me the NAO is ignored, we are ignored, you are ignored, government departments are giving us the old two fingers, are they not really?

Mr Oughton: I would not put it like that. Development and adoption of best practice are moving more slowly than we would like. There is some evidence of it, which the report fairly and correctly identifies. We can move faster with the new powers that are coming to OGC as the result of last month's document and I look forward to exercising them.

Q35 Mr Touhig: Until 31 March.

Mr Oughton: My successor will look forward to exercising them also.

Q36 Mr Touhig: Have you thought of creating your own in-house cross-government consultancy, drawing on people who have core skills and talents that you could access across government to create a distinct department or distinct team that could compete with outside consultants?

Mr Oughton: We have operated with some internal consultants as full-time employees of OGC on our books and we have used those consultants to support development of our own products and services inside OGC.

Q37 Mr Touhig: The Report does point out on page seven that departments "... do not regularly plan for and carry out the transfer of skills from consultants to internal staff". The Report does not quite sustain what you are saying.

Mr Oughton: What I am saying is that within OGC we have indeed considered and we have had a group of internal full-time employees of OGC who are used as consultants. The issue for me, however, as I look at how to use our resource in the future, is whether we are getting best value out of those internal consultants. They are essentially an overhead unless they are engaged in productive activity. What I have decided to do, as a result of the *Transforming Government Procurement* outcome and the zero-based review of OGC, is to move to an arrangement whereby, rather than having consultants full time on

Office of Government Commerce

my books employed for 365 days a year, I call off consultants on a daily basis from my wider pool of existing strategic consultants—

Q38 Mr Touhig: But there would be enough, if you created a distinct team, to work across Government. The Chairman pointed out the graph where the private sector work of these independent companies has gone down and the public work has gone up. One of the examples I found from local government, and I touched on this in previous times, is that having our own local government DLO meant that other people had to compete very hard for the business and that was quite effective. It kept prices down and made sure there was good competition.

Mr Oughton: I accept that and it is very important, as we did as we went through the market testing programme some 10 or 15 years ago, to be able to compare in-house costs and external costs and the answer does not always come out the same way.

Q39 Mr Touhig: Well in the short time you have left, Mr Oughton, if you do take up my idea and set up a distinct department, I shall waive my £1,245 a day fee for the idea and give it to you as a parting present.

Mr Oughton: Very generous; that is quite an incentive.

Q40 Chairman: It is cheaper than £7.3 billion anyway.

Mr Oughton: Indeed.

Q41 Annette Brooke: Could we look at the traffic light page, page 8? The Home Office seems to be a particularly poor performer. Have you identified any factors behind particular poor departmental performance?

Mr Oughton: I would draw attention to the same issues that emerged in the Home Office's departmental capability review which was published last summer. There has been an issue about overall capacity in the Home Office which the Secretary of State and the Permanent Secretary and his team are addressing. There have been issues about prioritisation, there have been issues about management of the size of portfolio, the number of major programmes and projects that are being run in that single department of state. What you are seeing coming through here is the reflection of a very heavy agenda in one department and a department that is trying to make progress on a number of fronts all at one time. I am not surprised that those traffic lights are mixed.

Q42 Annette Brooke: Is this a department, because it is not fit for the purpose, that has actually to reach out and pull extra staff in?

Mr Oughton: That is not a term I would use to describe the Home Office. It is a department with challenges and it is clear from what has been said publicly that it is facing up to those challenges. We have very close relationships with the permanent secretary and his central team who are engaged in that change programme. They are a good team and they are making progress. We are supporting them

with some specialist skills of our own to help them make progress on the programme and project management issues as part of this.

Q43 Annette Brooke: Can you comment a little bit on the Department for Education and Skills which actually, in terms of reds, seems to be the worst department here? I notice later on in the NAO Report that quite a lot of improvement is referred to, but is this report here not pretty alarming for the Department for Education and Skills?

Mr Oughton: It is again a very mixed picture. There are several reds, as you say. On page 25 of the Report, where there is a more detailed analysis of the department, that does show some improvement. I will say two things about DFES.

Q44 Annette Brooke: Is it making enough improvement relative to other departments?

Mr Oughton: Clearly not yet. There is clearly more to be done.

Q45 Annette Brooke: What are you doing to make it catch up with the other departments?

Mr Oughton: What we are doing is supporting the work that they are doing on programme and project management. They have had very strong leadership on programme and project management in the department; that has been good. However, some of the programmes they are managing are very complex and are very challenging, so the help we have been giving them is around the skills agenda. There is strong support from David Bell, the relatively new Permanent Secretary.

Q46 Annette Brooke: Is that not a bit of a misnomer, having to help the Department for Education and Skills with its skills agenda?

Mr Oughton: Different sort of skills I would say.

Q47 Annette Brooke: DFID actually comes out as a top spender in proportionate terms and presumably DFID is not actually buying in lots of IT consultancy, so why cannot people be trained in-house particularly for DFID projects? Surely we have a great deal of expertise in that field?

Mr Oughton: There is great deal of expertise in DFID and DFID is a well-rated department, not just in UK terms but it is a top-rated aid ministry worldwide. It is recognised as being the world leader as an aid and development ministry. The point about DFID is this. Many of its programmes are delivered abroad. They are delivered in-country, they are supported often by local support rather than UK-based support and that has cost benefits too. DFID has to bring in skills from a number of different places, some from within the department but some from outside, to deliver major aid programmes. How do they rate in terms of their programme and project management? In my view they rate strongly. They have developed some of the best of the techniques for delivering aid programmes that the World Bank and the other development banks have developed. They are very good at programme and project management, they are very good at

Office of Government Commerce

evaluation of benefits and those are indeed strengths that I would like to see spread more widely across the way we do business in Government.

Q48 Annette Brooke: So you do not think that DfID has too many lessons to learn.

Mr Oughton: Relative to other departments, no. They are a strong performing department, certainly in the areas where I have dealings with them, and they are effective at delivering their aid programmes abroad.

Q49 Annette Brooke: Can you just tell us a bit more about applying lessons across departments? There does seem to be, from my reading of the report, almost an inability to pool all these lessons. You are saying there is really good practice in some departments. What is it that is the barrier to sharing good practice and making progress on all fronts, as it were?

Mr Oughton: The Chairman invited me to a reflective session at some stage before the end of March. One reflection now, if I may? There is still quite a strong resistance to ideas that come from elsewhere and this is not just a public sector issue, it is a private sector issue as well. Other people's ideas are never treated as warmly as one's own; that is just human nature. Breaking through those barriers and encouraging the sharing of good practice and the adoption of good practice is a big issue. It is slightly reinforced by the system of, and this is very much a personal view, accountability that we have here, where each department is accountable for its own delivery and feels, rightly, very strongly that it must do the best job it can. That rather discourages them from looking at other people's ideas and other ways of undertaking business. We can shift that if we are good at demonstrating what good looks like and frankly we can shift it if we move from quite a soft-edged encouragement and persuasion, which is rather the position OGC have been in for the last six years, to a much more frankly intrusive and demanding approach, which says there is no choice about whether you do best practice, you cannot choose not to. Frankly, why should anybody want to choose not to do good practice, you have to choose to do good practice if it exists and that is what we should be demanding of departments.

Q50 Annette Brooke: Right. That was not really my question. It is almost as though the departments seemed to be waiting for you to issue the guidance because they were not getting on with it themselves. You on the other hand say it is difficult to collect consistent information and it is not clear whether all the departments actually do a proper evaluation of the outcomes from the consultants. Who is actually going to do this job of telling them that they have to do better and how they can do better?

Mr Oughton: It has been hard to collect some of the spend information and the report accurately reflects that. It is easier to collect examples of successful projects. Slightly earlier I referred to several in the NAO Report that were undertaken at the end of last year. So seeing successful outcomes is easier. What

is a bit harder, and the NAO Report is very fair about this, is disentangling the outcome in terms of the project as a whole from the outcome in terms of the support and the contribution the consultant has made to delivery of that project. It is absolutely true that we have not been systematic enough and comprehensive enough in post-project evaluation, the gateway five reviews that are supposed to be undertaken of benefits once a project is finished. As I explained to the Chairman and the Committee on a previous occasion, we are making progress by putting pressure on to increase the incidence of those final gateway reviews being undertaken, so we can learn the lessons from completed projects rather than just learning of the challenges of projects that are underway.

Q51 Annette Brooke: May I just make a final comment? I take your point about disentangling the input of the consultants from the outcome of the whole project, but, as the Chairman said, we are talking about such large sums of money that I think you would say yes to me, that it is essential to do a proper evaluation of the actual success or otherwise of the consultants' input.

Mr Oughton: No question, the answer to that has to be yes and we should evaluate all projects when they are complete.

Q52 Helen Goodman: In 1990 I was on the Energy Desk in the Treasury and a telegram came in from our embassy in Prague saying that they wanted advice on the energy market. So we put this out and we found that Price Waterhouse, or whoever, would need to be paid £100,000 and they had used up their budget. I said I would go and they only had to pay me my salary. I went for three months and it only cost £10,000 and the Czechs were completely satisfied. This summer I went to Belgrade to a conference on economic transition in south-east Europe and I heard exactly the same complaint from the people there, that what was meant to be their aid budget went on expensive western consultants. So we are not learning any lessons, are we? We are still not transferring skills, if we have the same group of expensive people going around giving the same advice over and over again?

Mr Oughton: I cannot obviously speak for what happens in Hungary or the Czech Republic. I can speak for what happens here and we have made some, but not enough, progress on transferring skills. You can see some examples of departments who have employed consultants and then been able to reduce the consultancy support for programmes and projects; the Immigration Nationality Service would be a very good example of that in the borders work that it is doing. I have quoted what we have been doing in the Office of Government Commerce on our own programmes around procurement and efficiency, where we started with considerable consultancy support and reduced it. There are some examples of where that can happen. The trick is making it happen everywhere.

Office of Government Commerce

Q53 Helen Goodman: Yes, but DfID, the Department for International Development, is the department using the highest percentage of consultants. Would it not be worth examining whether people, other than expensive consultants, could not give that advice?

Mr Oughton: You would have to ask that question of the permanent secretary of DfID.

Q54 Helen Goodman: Have you asked him that question?

Mr Oughton: Not in those terms, no. I have pursued with his staff the results that have come out of this Report, to establish first of all the accuracy of the findings that the NAO have produced and whether that seems to be a fair and accurate representation of what has happened in the department. As I have explained, we have already decided on some actions that we want to take.

Q55 Helen Goodman: I will move on to another department. I want to ask you about HMRC. I have been told that in HMRC in 2005–06 £106 million was spent on consultancy, meanwhile the department was looking for cuts in staff spending of £105 million. Those numbers are uncannily close, are they not?

Mr Oughton: As described, they are. HMRC is not the subject of this Report, so I could not comment in detail on those findings.

Q56 Helen Goodman: I realise that, but could it not be that there is a general problem, which is that targets to cut staff incentivise departments to take a more expensive consultancy option when, in terms of value for money, they might do better to have more staff?

Mr Oughton: It depends how the consultancy is used. If your suggestion is that consultants are being used as substitutes for civil servant employees whose posts are being removed as part of the efficiency programme reductions, then I would say that that is not the intention of the efficiency programme and it is not the intention to substitute for existing Civil Service staff. If, however, consultants are being employed to support major changes, process changes and modernisation in departments in order to allow them to reduce their costs and to reduce their overall numbers of staff, I would say that is a proper use of consultants. The support that HMRC are getting, particularly on their lean programme, which is designed to simplify processes, remove non value added steps from the chain of processes dealing with taxpayers and with companies, is designed to make a more efficient and a more streamlined organisation with lower costs, that seems to me a good use of external support to deliver that outcome.

Q57 Helen Goodman: One of the background papers that the NAO published was on building client and consultant commitment. That has patently failed with the lean process, has it not, because it has provoked a strike? The suggestions are perceived by the people working in the Revenue at the moment to

be so ridiculous. We have all seen the photographs of the black tape on people's desks. Is this really good value for money? Is this really what taxpayers should be paying for, for consultants to come in and put Sellotape on somebody's desk?

Mr Oughton: My understanding of the PCS strike on 31 January is that it was called for a number of reasons. It was not specific to the lean programme and HMRC but the union had raised a number of issues with management which formed the justification for calling the ballot and then calling the strike. I would not make the linkage in quite the way that you have. Yes of course departments are under pressure and under challenge to deliver their efficiency savings, but the Government's clear policy is that it does want to make progress on that efficiency programme and it is committed in the next comprehensive spending review to press further and faster on efficiency.

Q58 Helen Goodman: Do you think one cause of resentment of the public servant towards the private sector consultant is a sense that the private sector consultants are overpaid for what they are offering?

Mr Oughton: Not in my direct experience. Certainly the consultants that I have used have brought skills that my own staff did not have, they have allowed us to make faster progress in delivering on our objectives and in the case of the work we are doing on procurement efficiency as part of the Gershon programme, because of the support we have had and the specialist advice we have had, we are able now not only to be confident that we will meet the £6 billion target for procurement efficiency but actually we can set a higher target and expect to achieve that. That is a good use of consultancy support.

Q59 Helen Goodman: One thing which is quite striking in the background paper on the consultancy market is that the rate of profit in this sector is 14%; 14% of £2.8 billion is £400 million whereas in paragraph 3.4 it seems you are only looking for savings of 5% in this consultancy bill. Are you not being over-generous to the private sector consultants in the way you are advising government departments to undertake their contractual negotiations?

Mr Oughton: I do not think Government are regarded as a soft touch in this area. In the negotiations that we have just been through to put in place new framework agreements, the catalyst arrangements, as they are called, we have secured very significant reductions in cost as a result of that; 34% in some categories, 20% in other categories, so very significant reductions in cost on the day rates occurring as a result of procurements that we have undertaken. I am very happy with those outcomes.

Q60 Helen Goodman: I agree with you that a 34% reduction is significant but I would like also to point out that one of the other things that comes out of the market paper is that last year one third of the total business that the consultants did was with the public sector and that obviously gave you an opportunity for restructuring the way their fee rates are settled

Office of Government Commerce

overall. So I want to know why it is that you have continued to allow departments to go down this paying-for-time-on-a-standard-fee-rate basis.

Mr Oughton: One of the actions that I am putting in hand now as part of the further look, is to look at whether we have the balance right between payments on the basis of time and materials or payments on the basis of outcomes. I do want to make progress on that.

Q61 Helen Goodman: So you think the jury is still out on that point?

Mr Oughton: I would not say the jury is still out. It very much depends on the nature of the output that is being delivered. As every report on this issue has made very clear all the way back from the mid 1990s, it is very difficult sometimes to measure the outcomes in some cases. In those cases, the contract has often been structured on the basis of time and materials. In cases where the outputs are much clearer, I would like to move in more cases to a different payments regime and that is work that I have asked my officials to explore.

Q62 Helen Goodman: It is pretty basic, is it not, when you have a contract of this nature, that there is scope for people to fiddle their expenses? Yet, looking at appendix one, we can see that four out of the five departments in the case studies still do not check those expenses. What are you going to do to ensure that all departments do check that in a systematic way henceforth?

Mr Oughton: As part of the new comply-or-explain regime that comes out of the new powers coming to OGC as a result of last month's publication, then I would expect my staff no longer to be enquiring politely of departments as to what they are doing, I would expect them to be demanding that steps are taken. That was the purpose of giving new powers to the organisation.

Q63 Chairman: Specifically on this point, why do you pay for time spent rather than fixed prices? This is in paragraph 2.15, with an example of the Home Office where the Identity and Passport Service paid consultants £2 million a month with a peak of £2.9 million. If you employ a plumber, you do not pay for time spent, you pay for the job.

Mr Oughton: You must have a better plumber than mine then. The answer is that it does very much depend on the nature of the task. I can think of consultancy tasks where frankly the remit is "Please support the improvement of the effectiveness of the department's management team". With an exam question structured in that way, it is frankly darn hard to measure the outcome of that piece of consultancy support. In the case of the Home Office, as you have quoted, if we were starting that again, I would be encouraging the Home Office with the new approach that we are taking to think much harder about whether that is the right basis on which to fix prices.

Q64 Chairman: And the fixed price?

Mr Oughton: Whether fixed price or somewhere in between, but certainly looking at alternative payment mechanisms.

Q65 Mr Khan: Of the £2.8 billion spent by the public sector just in England on consultants the report tells us that just 10 of these consultants account for £1.5 billion of taxpayers' money. What is your response to the allegation that we have a cartel of consultants in operation here who have a pretty cushy number and have you over a barrel?

Mr Oughton: That is not right and that is not what you will see in the future, for the simple reason that the new framework agreements that I described just now that we have been negotiating over the last year, category by category, have been designed to open the market and to encourage more players, not just the big existing suppliers, into the field.

Q66 Mr Khan: How do you stop consultants making themselves deliberately indispensable to some of our government departments, which is clearly their intention? The way you have paid them, we have just discovered, is by the hour rather than by the job done, so it is in their interest to make themselves indispensable.

Mr Oughton: It is not necessary to end up in that position. I have looked at our own use of consultants and the number of contracts that we place for a period of four months or less is 95% of the total. May I just say in answer to your first question that the result of the procurement exercise that we have done is to produce a list of selected suppliers in the catalyst framework, which includes many more small- and medium-sized companies, some who have not dealt with us before. So something like 50% of the field now is made up of small- and medium-sized companies rather than the big ones.

Q67 Mr Khan: I see nodding heads behind you who are probably consultants.

Mr Oughton: I think they are my own staff; I hope so.

Q68 Mr Khan: The paper tells us that only 1% of central government consultancies are incentivised. How do you justify that?

Mr Oughton: I do not justify lack of incentive, if it is possible to incentivise a contract.

Q69 Mr Khan: 1%.

Mr Oughton: Too low clearly; clearly too low.

Q70 Mr Khan: So you do not justify that, you think it is outrageous.

Mr Oughton: I would not use the word "outrageous". We can do better than that and the whole point about trying to change the payment mechanisms is to ensure that we incentivise both sides, both client and supplier, to do better.

Q71 Mr Khan: You may think that "outrageous" is over the top but do you find it shocking when the MoD, who compared value for money of internal

Office of Government Commerce

staff against consultants and estimates, worked out that they had a 50% saving compared with consultants?

Mr Oughton: I do not find it shocking. As I tried to say earlier, if that skill exists inside a department, then of course it should be used.

Q72 Mr Khan: I am glad you said that because the next point which I shall ask whether you find shocking is that central government is using consultants to provide a variety of core skills and examples are given in the report. I understand your defence to the charge if you say there are specialist skills that you do not have, but these are core skills now which are being farmed out to consultants. How do you justify that?

Mr Oughton: Again it depends on the circumstances. You will find in the report and in some of the other supporting documents an analysis to show the types of activity that are undertaken by external providers, if I may use that term rather than “consultants”. In some cases you will find that spend is going into acquiring HR support or finance support or IT support. You and I might both regard those as core skills for a department, but they are corporate services which might better be done on a better value for money basis by an external provider. I have no difficulty in the marketplace operating in that way.

Q73 Mr Khan: I find it funny when you refer to consultants as “external providers”. If I were the OGC I might hire consultants to advise me of a better phrase to use than “consultants” and I suspect the advice they would give would be to brand them as “external providers of advice”. My third question to you is: do you not find it shocking that the centre of Government cannot assess what value it is getting from the £2 billion it spends on consultants?

Mr Oughton: Our evaluations should be better and that is why—

Q74 Mr Khan: Come, come; you are leaving soon, be demob happy. It is shocking, is it not? Come on.

Mr Oughton: It is not a word I ever use Mr Khan, so I am not going to break the habit of a lifetime this afternoon.

Q75 Mr Khan: I have not brought my thesaurus. What other word can we use for “shocking” and “outrageous”? I was as outraged and shocked when I opened the *Evening Standard* yesterday. It is not normally a paper that I am an advocate for in the PAC. I am not receiving a retainer, nor am I a consultant for the *Evening Standard*, much to my wife’s and family’s frustration because of the salary they pay their consultants, but there is an article here. Have you seen it?

Mr Oughton: Sadly I have been busily preparing for this hearing of the Committee of Public Accounts.

Q76 Mr Khan: I find it astonishing that your media monitoring unit, in the week when you are coming to address and justify £3 billion of taxpayers’ money to consultants, did not see the excellent—and it was excellent—two-page spread with an even better

editorial on the use by the NHS in London of consultants where we have hospital trusts in London spending £6 million on consultants to try to balance NHS books. What do you say to that?

Mr Oughton: I say that balancing the books is a very important thing to do in the NHS at the moment.

Q77 Mr Khan: Let me tell you what advice these consultants gave: sell buildings; reduce agency staff; cut the length of time patients remain in hospital beds. With the greatest respect, do I need Price Waterhouse or any of these other companies to advise me as a manager on things that I as a manager paid taxpayers’ money should be doing anyway?

Mr Oughton: That depends on the quality of the management trust by trust and each trust will make its own individual decision on where it feels it needs to acquire additional support.

Q78 Mr Khan: I am glad you said that. If I am a manager and I get my trust into dire financial straits, the easiest thing for me to do is to hire these consultants to bail me out of the mess I have got my trust into—point one. Point two—I can lay the blame on Price Waterhouse rather than myself and not be an unpopular member of staff for making redundancies.

Mr Oughton: I will tell you what we do in central government. We would do as the Treasury’s accounting officer letter of November last year insisted. We would ensure that all spend on consultancy was booked against admin budgets instead of being, as it is in some cases, attributed to programme spend. That would expose it; it would make it more visible. With administration budgets now under very tight control, of departmental settlements at a minus 5% real figure in the next spending review, that would start to apply a degree of cost control which would oblige all of us as civil servants to think very hard about how we spend the admin budgets we have. That is a good discipline.

Q79 Mr Khan: Just to be fair to the full report and completely diminish my chance of being a consultant after leaving the House, the consultants claim that they saved £200 million for the £6 million they cost, but clearly you will appreciate the public anxiety and concern that, for example in my trust, St George’s, they are spending £190,000 of taxpayers’ money on Price Waterhouse Coopers, when we have a massive budget deficit. The argument, I am sure you will appreciate and hear all the time, is why are the people who are full-time permanent employees not doing the job of balancing books?

Mr Oughton: Of course I understand the public concern and as a recent consumer of St George’s Tooting’s services, at the time I wanted them and in a fantastically effective fashion, I am delighted that they are a very good trust hospital in that way and very well managed. Just to go back to one point if I may, the reason why definitions are important here and the reason why the catch-all term consultants in a sense does not really do it for me is, again as every report has shown all the way through from 1994 to the current date, that covers a multitude of different

Office of Government Commerce

activities, much of it programme and project support, some of it research, some of it certainly advice offered to senior management teams in departments and it is important that we are clear about what these various terms are.

Q80 Mr Khan: Are the glory days for consultancies over as far as public sector contracts are concerned?

Mr Oughton: I do not know about “glory days”. It has to be the case that after three spending reviews where there have been very significant investments in major capital projects and in a comprehensive spending review 2007 where capital will clearly be much tighter and, in a sense inevitably, because if we have invested in the capital stock and improved it why would we need to do so further, I would expect that there would be fewer opportunities.

Q81 Mr Khan: The graph is going to go down.

Mr Oughton: The graph for that sort of support probably will go down.

Q82 Mr Khan: It seems to me that you are saying that the reasons for the graph going down is not because of your fantastic work over the last three years, but because the amount of money the Government spend on these projects is going down. It seems a sad indictment of your work.

Mr Oughton: I hope it is a combination. I hope that we are tightening up on procedures and we will be able to do so further with greater powers. I also hope that the trend is moving for other reasons.

Q83 Mr Wright: May I just point out to the Committee that prior to 2003 I used to work for Deloitte as a consultant. Mr Oughton, does the Civil Service read party political manifestos?

Mr Oughton: Yes, it certainly does.

Q84 Mr Wright: I am not being flippant, but it is fairly obvious, if you have read the Labour Party’s 2001 and 2005 manifestos, that there will be a massive increase in investment in the infrastructure of big scale projects; we have had PFI, we have had the largest hospital building project ever. Why have the recruitment and retention policies of Civil Service departments not taken that into account, saying “Hang on, the Government want to inject a whole range of things. We will need adequate project management for this and we need training programmes to take that into account”. Why has that not taken place?

Mr Oughton: To a degree it has. If you go back certainly to the creation of my organisation in the year 2000, one of the core responsibilities of the Office of Government Commerce was the development of better skills in programme and project management techniques. If you go to 2002, to the discussion that the Cabinet had at that stage on the delivery of IT projects, one of the decisions they took and mandated was the creation of a centre of excellence in every department to support the development of better programme and project management skills and that was the responsibility that we took on to drive forward across

departments. If you go to the launch by the Prime Minister and the then Cabinet Secretary of the *Professional Skills for Government* initiative in 2004, again there was a very, very strong push there to improve the skills in government departments. More still to do, but I would not plead guilty to the charge that we have done nothing.

Q85 Mr Wright: But why are we here talking about this report where it says there is a massive increase, a 33% increase in the last couple of years? It may have done a little bit, I acknowledge that, but so much more work should have been carried out, should it not? We have missed a trick.

Mr Oughton: No, I would not say we have missed a trick. It has taken longer than I would like and I am sure the department would like to make progress and improve skills and capability in this area. We have to keep plugging away at it, that is undoubtedly the case, but one is faced with the reality of the fact that against very aggressive timescales the Government have a major agenda of investment to make which you have described from the 2001 programme and the 2005 programme and in order to make progress we have to draw on skills inside government departments, but also to reinforce those from outside where necessary.

Q86 Mr Wright: Basically we have just thrown money at the problem.

Mr Oughton: No, I would not say that. The whole point of what we have been trying to do here is to get a better handle on the contracting process. That is why we have been through the process of re-competing and re-selecting consultants so that we give ourselves a wider choice, lower day rates and better value for money in the service that we acquire.

Q87 Mr Wright: But it seems to me from reading this report that the culture of the Civil Service is precisely “We have a problem, we need to get something sorted quickly, let’s just throw money at it by employing consultants”. Just following Mr Khan’s “shocked and disgusted” and me, shocked and disgusted of Hartlepool, the one statistic in this report that I find appalling is on page 12, paragraph 1.6 “. . . around 40% of clients admit they have used consultants when they did not need to”. How can we justify that? What have you done to stop that from taking place? What have you done to stop that culture of “Let’s just get a consultant in, shall we”?

Mr Oughton: One of the actions that I am putting in hand as part of establishing this checklist for consultancy proposals that have to be cleared by ministers or permanent secretaries is to ask exactly that question. Why are you going for external skills when you could employ internal skills, if they exist? Have you asked that question? Ask that question and demonstrate that there is an answer to it is precisely what I am expecting departments to do before they commit to acquiring external support.

Q88 Mr Wright: But on page five, those bullet points following paragraph 4 are equally shocking actually. Bullet point one at the top there “. . . do not collect

Office of Government Commerce

and aggregate adequate management information on their use of consultants". That is a damning indictment of Civil Service management of consultants and their contract, is it not?

Mr Oughton: It is a wider point than our use of consultants. As we have made clear and have tried to take steps to address, the quality of both financial and management information available in all departments has not been sufficient in the view of many of us. That is why we have taken steps, such as the financial management reviews conducted by the Treasury under Mary Keegan, to look at how to improve the quality of financial data available, not just on spend on consultancy but generally on all of the financial issues around departments.

Q89 Mr Wright: The second bullet point says "... do not make proper assessment of whether internal resources could be used" instead of going through consultants. Again I come back to that 40% where they do not know why they have used consultants in the first place. The culture is just "Let's bring them in, shall we".

Mr Oughton: I have agreed the Report because that is a fair statement and I have described to you the steps that I want taken there in terms of the checklist of actions to be addressed and the questions to be asked before commitments to employ external consultants are entered into in the future.

Q90 Mr Wright: Going down the page, the third bullet point astonishes me "... do not have adequate controls on awarding contracts by single tender". They do not know how they have awarded these contracts and they do not know whether they have received value for money. PWC or any of the consultant firms may have said "We'll quote you this" and they have said "Yes, okay, that's fine". Is that good value for money for the public purse?

Mr Oughton: Clearly competition rather than single tender gives one a greater assurance in many cases that value for money is being secured. The report makes the point later that a significant proportion, 50%, of the invitations to tender that were issued to a single supplier, paragraph 2.13, were issued to suppliers not on framework agreements. So the point here is that as part of the more demanding regime that I am applying from the OGC, the comply-or-explain regime, what we shall be saying to departments is that they should not be procuring outside the framework agreements, they should do so inside the framework agreements; that should not be a choice frankly. If the framework agreements are set up and are demonstrably better deals because we have reduced the average day rates, they should go into the framework agreement and under the European directives they are then required actually, it is not a choice, they are required, to compete amongst all of the suppliers who are on that framework list, so they will be in a competition. That is where I want to move people by using the framework agreements. I agree with you that by having a single tender, as paragraph 2.13 says, we miss a trick, so we need to change that.

Q91 Mr Wright: But again, the next bullet point, "... do not regularly undertake and share post-project performance reviews". It goes on to paragraph 2.18 on page 19 "Our survey results show that fewer than half of central government organisations collect information on how the consultants have performed". So we do not know why we have them here in the first place, we have not really paid for them in terms of value for money, and we do not know what they have done. That is a disgrace.

Mr Oughton: On the "we do not know what they have done" point, what I expect to see happening—it is happening more than it was but it is still not happening uniformly in every case—is the application of the gateway five review at the end of a project to assess the benefits that have been secured and that is not just the benefits from the use of consultants but benefits of the totality of the investment in delivering the capability. I want to see that done in every case.

Q92 Mr Wright: Is there a strategy in departments to wean ourselves and the public sector away from consultants and bring these skills in-house? I am concerned that consultants go in, they do the work, they produce the report then go away and there is no sort of collective memory or organisational retention of the data.

Mr Oughton: I worry about that. If we are employing external support, consultants, advisers, whatever title you want to give them, it is important not only that we get the benefit of the job they do at the time, but that the skills rub off on our own staff. I absolutely agree with you about that.

Q93 Mr Wright: I just want to follow another avenue which is the relationship between senior people within departments and senior people within consultant firms and the way that they cross-germinate. Could you remind us of the controls that are in place to stop senior management within the Civil Service going to become directors and partners of consultant firms and *vice versa*?

Mr Oughton: I cannot give you the detailed rules but there are business appointment rules which are set up to ensure that all senior officials, when they leave government employment, are required for a period of time, from memory I think it is two years, to inform their former employer of any employment that they wish to take up and then a judgment will be made on whether that employment can go ahead or whether there should be some sort of cooling-off period. There are well-established business appointment rules.

Q94 Mr Wright: How far down the scale does that go? I am not talking about ministers or Permanent Secretaries, but I am talking about relatively senior staff in departments.

Mr Oughton: Yes, it would cover senior civil servants but it could cover more junior officials if they have worked in particular areas or on particular projects in departments.

Office of Government Commerce

Q95 Mr Wright: Tables one and 10 show a list of consulting firms that have done very well out of the rise in public spending. Could we have a list for the Committee of the number of individuals who have gone from the Civil Service from different departments to become directors and partners in these consulting firms over the last few years?¹

Mr Oughton: I do not know whether that information is held centrally, although Mr Craig's book is helpful on the matter. May I take that away and see what would be possible to produce for the Committee? I am not sure what conclusion I would draw from it, but we will see if we can do that.

Q96 Mr Bacon: You retire on 31 March, is that right?

Mr Oughton: Yes, I leave the OGC on that day.

Q97 Mr Bacon: And what will you do then?

Mr Oughton: Immediately, I shall be heading for the BA2155 to go to watch some World Cup cricket.

Q98 Mr Bacon: Are you staying in the Civil Service?

Mr Oughton: No, I am not; I am leaving the Civil Service.

Q99 Mr Bacon: You are leaving the Civil Service.

Mr Oughton: Yes

Q100 Mr Bacon: You are just frustrated.

Mr Oughton: No.

Q101 Mr Bacon: Are you going to go to work for a consulting firm?

Mr Oughton: I am not going to go to do anything in the short term.

Q102 Mr Bacon: I think you are probably frustrated. I should say for the record that 13 years ago, for two years, I worked at the Management Consultancies' Association where I was the Deputy Director and where I met Mr Oughton when he was at the Cabinet Office and brought his scrutiny team from the Efficiency Unit to the Management Consultancies' Association. He was in charge of a team reporting to him which produced a very good report on the Government's use of external consultants, of which I happen, for better reference, to have kept a copy. It seems to me that you must be extremely frustrated. Mr Wright said it all, did he not? You do not figure out whether you can use your own staff properly, you do not procure properly, you do not project manage properly and then there is not a proper project review, but you were saying all that years ago.

Mr Oughton: Those are pretty sweeping generalisations, even for a former consultant. I am sorry, that was irresistible; I do apologise.

Q103 Mr Bacon: I would hate to be accused of generalisation so let me be specific. For example, page 54, paragraph 4.15 of your 1994 report says "The best organisations . . . regard their own

managers as fundamentally responsible for solving problems". It goes on they "... recognise the importance of involving their own people in analysing the problem and developing solutions". That was in your 1994 report. Twelve years later, the NAO says "... we have found that, for the most part, departments: . . . do not make proper assessment of whether internal resources could be used instead". No change there.

Mr Oughton: I shall not re-read the sentence that you have just quoted but the point is that managers are responsible for solving the problems or grasping the opportunities. They should choose to do so by drawing on the resources of the department, that is why departments are set up, and where that is not possible or skills are required that are not available, then they may well make the choice that they have to go outside. There is nothing inconsistent with what was said in this excellent report in 1994 and the practice that is operating today.

Q104 Mr Bacon: But they do have to know what the skills internally are. It goes on to say in your earlier report: "In selecting consultants [the most effective] organisations typically look for people who: have the necessary knowledge, experience and consultancy skills" and yet not only do we not make a proper assessment of whether internal resources could be used instead, but we also find, in paragraph four, the fifth bullet, "... do not actively engage with and manage the relationships with key consultancy suppliers". It goes on, this is on page 22, "... departments rarely identify their key consultants and have regular open communications to discuss . . . the capabilities of their suppliers" among other things. It goes on here "In effect . . . suppliers are better informed about the consultancy work done at a department than the department itself".

Mr Oughton: In the *Transforming Government Procurement* documents published two weeks ago one of the points that we drew some attention to was the importance of understanding the supplier side and having a strategic supplier strategy. You are absolutely right in saying that one of the weaknesses that we have had in Government is that we have tried to do things in too fragmented and compartmentalised a fashion. So department A and department B may well be out there in the marketplace doing much the same thing without talking to one another. That is poor; I agree with you in that way. So adopting a strategic approach to our suppliers, so that we understand the totality of the business that we, Government, are placing with our suppliers, in just the same way as I am sure the major consultancies understand the totality of the business that they are securing from Government, is a very important part of improving our effectiveness in dealing with our suppliers. One of the main strands of work that will follow from the zero-based review concluded in the *Transforming Government Procurement* document is precisely around that: a single resourcing strategy is an absolutely essential feature of the next stage of OGC, by which I do not

¹ Ev

Office of Government Commerce

mean a single contract for each good or service that we are buying, but a single strategy that everybody will buy into on how we approach the marketplace.

Mr Bacon: I think the Chairman was right earlier when he said you have power without responsibility. You are talking about two weeks ago and this was 12 years ago. If I can once again be specific—

Chairman: Responsibility without power.

Q105 Mr Bacon: Sorry; responsibility without power. Power without responsibility was the prerogative of the harlot throughout the ages, so I got them the wrong way round.

Mr Oughton: It is tempting but I prefer the Chairman's definition here.

Q106 Mr Bacon: It was the 1931 St George's ward by-election, for those anoraks among you. The 1994 report says on page 60, paragraph 4.43 "Throughout the project" this is once you have got beyond the procurement and you are managing it "there will be close collaboration between the organisation's staff and the consultants:" among other things "to see that the consultants are working appropriately; to ensure that opportunities for skills transfer . . . are properly exploited". Yet we find here in page five, paragraph four "Most departments do not know all the consultancy projects that are done by their key consultancies" and, page seven, paragraph four, ". . . do not regularly plan for and carry out the transfer of skills from consultants to internal staff". So once again, 12 years later, no change there.

Mr Oughton: If you would allow me a reflective answer to that question too, these things go in cycles. You will be well aware that following the 1994 report there was considerable activity in Government, including the introduction of specific controls and approvals processes to try to get on top of the government spend on consultants; at that stage some £600 million out of a total spend of £3.5 billion on external advisers under every definition. Those controls were introduced; applied patchily in some departments. The NAO Report in 2001 brought us back to recognising the importance of this issue. We have made some progress as this report fairly recognises. This further Report from the NAO is timely because it gives us further support and backing for steps that we wish to take and the powers that come out of the document that was published two weeks ago give us the opportunity to get a firmer grip than has been the case in the past.

Q107 Mr Bacon: The thing is, you are right, it does go in phases. I remember in the mid-1990s, there were cabinet ministers insisting that anything over £25,000 was signed off by them personally inside the department which was perhaps almost an over-reaction in the opposite direction.

Mr Oughton: That is correct.

Q108 Mr Bacon: Does it not suggest that for years what you have lacked is a greater power at the centre and is your "comply or explain" not just another version? Are you not going to have a guy whose job it is in each department to send back the "explain"

letter so that they do not need to "comply" and it will just carry on, because it has been carrying on for years? You would have thought, would you not, that the business of post-project review, which again is referred to in the NAO Report and was referred to in your report ". . . the most effective organisations pay attention to every stage of the consultancy process . . . review the process at the end of the assignment to make sure the benefits they set out to achieve by bringing in consultants have in fact been secured"? Accepting all the difficulties that there are sometimes in measuring projects, though it is not always the case, the NAO Report says very clearly that for the most part departments do not undertake and share post-project reviews. It is a cycle, but is it not just until they go away again or go back to the old ways? Why are they going to comply any more than they did in the past?

Mr Oughton: I am hopeful that the new phase of OGC's development with the new powers being described in this document will turn the ratchet a bit further on this issue and it is a sort of pincer movement, if you like. I referred briefly earlier to the Treasury's own letter from the Managing Director, Public Services and Growth of last November to all accounting officers in departments which reminds them of the guidance that is laid down on approvals, both at ministerial and permanent secretary level. With that reminder now in place, these are the steps that we would expect to see you going through and with steps that the Treasury is going to take to require departments to include details—and visibility and transparency are important issues as we have discussed before—of their 2006–07 spending on consultancy in their departmental reports, in a sense we can start to close on this issue, get more exposure of what departments are doing, get that more publicly exposed and expect and insist that the approvals procedures that already exist are properly complied with. That is why I am optimistic that we can make some further progress on this issue.

Q109 Mr Bacon: But you are not optimistic enough or enticed enough by the prospect of these new powers that you want to stay around to see them implemented.

Mr Oughton: No, I am not. The choice for me was a very straightforward one. Having been through a lengthy OGC review, which has established a new agenda for the organisation, I will have completed three years in post this March. I am not noted for doing short tours; my last two tours in Government have been four and a half years and five and a half years. I do not lose the appetite for jobs in the short term, but my judgment was that in order to see through the next stage of reform in the OGC someone needed to serve another full term and for me that meant another three years. The question, an entirely personal one for me, was whether I wanted to commit to six years in one post rather than three and I concluded that I did not. If I concluded that, then the right thing to do was to go now so that a successor could have a full run at implementing all

Office of Government Commerce

of these reforms rather than coming in half way through. For me it was a very obvious and logical conclusion to reach.

Q110 Mr Mitchell: I am glad the Chairman mentioned David Craig's book, *Plundering the public sector*. I talked with him a number of times, under various pseudonyms actually and through *Private Eye* and in a sense it was the genesis of this inquiry. You tended to dismiss it as a one-sided view. In fact it was an insider view, which is very difficult to get for anybody like us, or indeed you or for the National Audit Office, of the kind of chiselling practices that go on. Some of those chiselling practices in the book were actually being applied in the public sector. The Chairman listed them: not passing on rebates on hotels and travel, charging for relocation of staff, numerous examples, some of them Civil Service examples, billing clients for time not worked, adding overheads, charging flat rate expenses and keeping what is not spent. How come you do not know the scale on which these practices are going on in the public sector?

Mr Oughton: We clearly do not, according to the book if you accept the book, have the same information as is available in the United States. We have a different system here.

Q111 Mr Mitchell: But his examples were here.

Mr Oughton: Yes, they were. What he drew on of course was a comparison with the approach adopted in the United States under the Clinger-Cohen Act and under the Whistleblower Act, the procedures that exist in the States to encourage this information to come forward. These are the so-called "qui tam" provisions. We have a whistle-blower procedure in this country which is followed, which we believe is an equivalent and a parallel approach to the one adopted in the United States. So it is possible to secure this information; it is not always available but it is in some cases.

Q112 Mr Mitchell: There must be complaints from civil servants, because there must be a good deal of envy of the kind of lavish lifestyle that the consultants have compared with civil servants whose every expense has to be authorised at some higher level. Somebody must be snitching.

Mr Oughton: They do not say that to me. They do say two things. First of all, it is extremely important that in deciding to employ consultants in the first place, we are sure of our ground and we are confident that we really need to and much of the discussion this afternoon has been about exactly that issue. Secondly, they want to be confident that there are appropriate value for money judgment procedures in place and appropriate audit procedures in place to ensure that if there were any departure from propriety or regularity that would be spotted by the audit process.

Q113 Mr Mitchell: There is also an onus of them to say it has all been wonderful. Having recommended it, having used them, they are not going to come out and say it was a load of rubbish, are they?

Mr Oughton: That is why you have an audit process which is independent and separate from management.

Q114 Mr Mitchell: Has anybody been fired for failure in performance? Do you keep a register of those consultants who do not live up to their promises? Do you have information from all sides of Government on what the skills of particular consultants are and what the weaknesses of particular consultants are?

Mr Oughton: We have assessments that come from departments on all of our major suppliers, not just consultants but our major construction firms and the major IT firms. That is a very important point. It is essential that collectively we have an understanding of the performance of our suppliers on individual contracts in department A, B, C, D and so on so that we can share this information.

Q115 Mr Mitchell: That is between departments. Can they come to you and ask who is good on this, who is good on that and you recommend them and who the cheaters are?

Mr Oughton: Yes, they can. They can come to us and ask for a view on performance of suppliers on other existing contracts, either in Government or frankly in the wider public sector and I would provide that information. The judgment then as to whether a department uses that particular consultant or supplier has to be theirs of course when they run their own competition and make their selection, but they take that information into account.

Q116 Mr Mitchell: You have a uniquely powerful role as gatekeeper, something which does not exist in the private sector and I wonder how vigorously that gatekeeper role is being used. Who is auditing the auditors?

Mr Oughton: Let me put it this way. When I gather my Permanent Secretary colleagues, which happens three times a year, to discuss the work of the OGC and our future agenda, there is one issue on which they are all absolutely clear and thirsting for information and it is around supplier performance and supplier management for Government as a whole. They know this issue is important and they want us to be doing a proactive job in providing that information to them. There is no difficulty in me having to push this on reluctant departments; they want this information because they know it is relevant to their judgments.

Q117 Mr Mitchell: I am sure they do; I just wonder about your competence in providing it. It would not be fair therefore to see you as a salesman, a front organisation for the consultancy industry.

Mr Oughton: I do not see myself as that at all; absolutely not. I see myself as responsible to the Treasury and to Government as a whole for improving performance in procurement, programme and project management and at the moment on the efficiency programme. My responsibility is to Government.

Office of Government Commerce

Q118 Mr Mitchell: Just to follow up Mr Bacon's question, you said you have no short term plans to go into the consultancy business. Do you have any long term plans?

Mr Oughton: I have no long term plans to do anything; quite deliberately. I am going to take a break, I am going to draw a line, I am going to go to sit in the sun for a little while and then I will judge my options. It is unlikely that I will take on any full-time executive role elsewhere.

Q119 Mr Mitchell: There was an article in the *Sunday Telegraph* some weeks back which I cut out to use on this kind of occasion, because I do not have the efficiency of my colleague Mr Bacon.

Mr Oughton: I think I may have been referred to in this article.

Q120 Mr Mitchell: It is basically saying that private sector firms get a better deal and they are tougher, they have more specific projects and they are much harsher on the profits. Can you tell us that the consultancy industry is not making a bigger profit on public sector work than it is on private work?

Mr Oughton: What I can say is that very often the structure of arrangements of contracts in the public sector is rather different from the structure of the arrangements in the private sector. There have been one or two very specific examples that have been discussed recently around whether individual consultancy firms are making large profits or no profit at all. It depends on the structure of the deal over the lifetime of the contract.

Q121 Mr Mitchell: Do you compare profits, do you assess the profits of the firms?

Mr Oughton: No, what I assess is the value for money of what they provide to Government. If a firm makes a reasonable return on the investment it makes in delivering a service to us, then I have no difficulty with that. What I am concerned about is ensuring that we get value for money for the service that we acquire from any external supplier.

Q122 Mr Mitchell: But you cannot say they are making a smaller profit on the private sector work than they are on the public sector work.

Mr Oughton: No, I cannot. What I am concerned about is the value for money test; that is what is important to us. If the supplier makes a profit or a loss, depending, then that is a separate issue.

Q123 Mr Mitchell: Is it not shameful that, after you made that report in 1994, not much of which you have implemented when you are in a position to do so, central Government still does not know what value it is getting for £2 billion of consultancy work a year?. Is that not shameful?

Mr Oughton: We are not getting consistent judgments on value across all of the contracts that are placed. In some cases we do conduct proper post-project evaluation, the benefits evaluation that is done in the gateway five review, but we only do that

in about a third of the cases in most recently completed programmes and projects. We need to do it on more.

Q124 Mr Mitchell: Why has this passion for consultancy arisen? I grew up reading Anthony Sampson. Here you have Rolls-Royce departments with first-rate brains running them and a machine which is functioning well. Now the departments do not seem capable of doing things, they have to hire a consultant, they have no real review of what the consultant achieves, they often re-employ them and employ them on far looser contracts than they should be doing. Why is that? Is it a question of fashion? Is the Civil Service not capable? Is it a Gershon thing? Some of the unions tell us that as a result of Gershon, civil servants are being fired, consultants are being brought in to do the work and then the department hires people to help the consultants to carry out the work, so the numbers actually do not fall. Why is it? Is Gershon the fashion? Is it incompetence on the part of the Civil Service? What?

Mr Oughton: It cannot be Gershon because, self-evidently with administrative budgets under very tight control and in departments now reducing in the future in the settlements that are being made in the next spending review, I cannot see how it would be the case that removing 10,000 civil servants from the headcount in a department and substituting 10,000 consultants who, if I follow your logic, are being paid more and earning more profits, could possibly be containable within reduced administrative budgets.

Q125 Mr Mitchell: The numbers are not as big as that but that is going on on a small scale.

Mr Oughton: Manpower substitution simply to conduct routine tasks is not the purpose of the Gershon exercise. The Gershon exercise is about—

Q126 Mr Mitchell: It is not the purposes, no, of course it would not be the purpose, but is it the effect?

Mr Oughton: I do not believe it is, but I am not going to sit here and put my hand on my heart and say that I am absolutely confident that there is no example anywhere at all, across the whole of the wider public sector, where an organisation has not had recourse to bringing in an external supplier to fill a gap it created by reducing its manpower. I would be crazy to do that because I cannot possibly know what is happening in every organisation across Government. All I can say, and we shall have an opportunity to discuss this in about three weeks' time, is that as we assess and evaluate achievements in the efficiency programme I am looking for real efficiency and the definitions are clear in the report that the NAO is about to publish. I am looking for real efficiency and real efficiency to me is not bringing in other people to do the same job at higher cost.

Office of Government Commerce

Q127 Mr Williams: Is there not perhaps a more cynical explanation or simple or human explanation perhaps of why we have this conundrum of departments which have core skills already within them and yet spend lots of money going to the same skills outside? Would not one possible explanation be job protection? The consultant is a shield and if you can get a consultant to say what you want or you know what you want and you can get a consultant who is saying the same thing, then the consultant gets the blame if it is wrong and the civil servant escapes. The civil servant is accountable to his senior, to his minister, to the NAO, to the Committee of Public Accounts. In their position it is logical to get someone else who can stand between them and their critics. Would you say that was too cynical or never happens?

Mr Oughton: I would say yes, it is too cynical. Does it ever happen? Possibly. I am not going to say it does not ever happen. My own view however is that the sense of accountability that accounting officers and those who report to them have actually means that it is really not in our style, it is not in our fashion to be putting the blame elsewhere. You may not believe this but the sense of accountability that we have, both in responding to the work that the NAO do and to the work of this Committee, is a real one. I do not try to push that off on others by saying I have taken advice from someone and I am going to disown that advice. If I have paid money to secure advice, then I stick by that.

Q128 Mr Williams: Perhaps you would disagree with this as well. There is an innate tension between the Civil Service and its ministers. The civil servants are there long term; they are thinking long term about the same problems. The minister is essentially short term. He comes in, he knows he has a couple of years, he knows he has to make his mark in those couple of years, therefore he gets innovative and a good way for those civil servants to protect the long-term position is to set up an inquiry. Is that unheard of?

Mr Oughton: Does the Civil Service have inquiries? Yes, it certainly does.

Q129 Mr Williams: Do you say it is unheard of?

Mr Oughton: No, it does happen. I actually do take a slightly different view though Mr Williams.

Q130 Mr Williams: I am being serious. I was not saying it jokingly.

Mr Oughton: And I should like to try to give you a serious answer, if I may. I have lived through two changes of administration in my time in the Civil Service, in 1979 and 1997. On both occasions, I think it would be fair to say, incoming ministers had a particular, popular view of the Civil Service that they were going to inherit and did indeed take the view that we must have an agenda of our own rather than the agenda of ministers. As you know, the convention before an election is that we have discussions with Opposition spokespersons about how we would manage the effect of their policy; we do not comment on their policies, but how we would

manage the implementation of those policies were the Opposition party to be returned to Government. It would be fair to say that there is a great deal of suspicion about our role and how we behave and whether we have our own agenda. Both in 1979 and again in 1997 I was very struck by the fact that very shortly after arrival in office all of those suspicions disappeared. The fact of the matter is that we do take direction from our ministers, we do implement the direction of our ministers, we are not wedded to a particular point of view and we do follow the direction and priorities that our ministers set. I have absolutely no difficulty with that concept; that is absolutely at the core of how we as the Civil Service operate. I am not a cynic about that; I think that is one of the strengths of the way we operate in this country. We feel a personal responsibility to do the best job we can for whichever minister of whatever party holds office at the time. That is how I have always been brought up and that is the enduring value of the approach that the Civil Service has.

Q131 Mr Williams: I can remember two ministers, one on either side, both quite well known at the time and the Conservative felt that the Civil Service was a mass of Reds under beds and the Labour minister was convinced that the Civil Service was full of closet Tories. This is part of the tension; you do think in different ways and you sometimes have to try to restore balance to the enthusiasm of someone who has thought theoretically about things in Opposition, comes into Government full of enthusiasm and tries to enforce policies which may not actually be sustainable. Then there is a tendency to find devices. Is it not sometimes a fact that studies are set up for that purpose?

Mr Oughton: Not in my experience.

Q132 Mr Williams: You have been very lucky.

Mr Oughton: If I may be indiscreet about the transition—

Chairman: Go on, be indiscreet.

Q133 Mr Williams: Go on then.

Mr Oughton: I am going to; you have forced me. In the period before the 1997 election there was a very strong sense, which I guess was understandable, that after a very long period in office of one party, then by definition we would be adopting a particular approach, we would think in the particular way, we would operate in a particular fashion and it would be very hard for us as a group to change. In discussions I had I tried to make clear that what was operating here was a Civil Service following the direction of ministers of the day; that was what we do. I still passionately believe that that is our responsibility as a profession, as civil servants and that is how we operate towards any ministers in Government. We follow the direction; we follow the priorities set by ministers. I certainly have not come across examples of where we have felt the need to set up either a study or a review in order to get out from under that accountability or that responsibility or to try to disown what we have done before. We follow the direction of the Government of the day; there is

Office of Government Commerce

nothing to disown in that sense. What is certainly a concern is the issue, which is a much more pertinent issue and really what this Committee session has been about, which is whether we are good at what we do, whether we are competent and capable. That is the key issue: not whether we have a particular fixed point of view, we will support whichever the ministers are of the day, but whether we are competent and capable in what we do. All of the efforts we have been making with the professional skills in Government agenda, all the work that has been going on now under the new Cabinet Secretary Sir Gus O'Donnell, are designed to address the issue of capability and competence so that we can do the best job we can for ministers, not just the most impartial job.

Q134 Mr Williams: That is very interesting. Could we switch to minutiae for a second? In paragraph 3.4 it refers to the fact that OGC has taken specific action based on recommendations from the Committee of Public Accounts, including working with 17 government departments. You asked for progress reports from the 17 departments: only eight complied initially; that rose to 13 at the second request and to 15 at the third request. Which were the two which did not even reply after three requests?

Mr Oughton: I cannot tell you the answer to that question. Believe it or not, about an hour and a half ago I read this very paragraph and said to myself that someone was going to ask me that question: which are the two? I do not know the answer but I shall find out.

Q135 Mr Williams: I am surprised that you have not been briefed on it. If you have not, you have not and it is not your fault.

Mr Oughton: It is not a question I had asked.

Q136 Mr Williams: It raised the question not only of which but why they did not and who was held accountable for the fact that they did not after three requests from OGC and on the recommendations of the NAO/PAC which would probably have been endorsed by a Treasury Minute. This does not fit in with the compliant civil servants that you were talking of; one or two perhaps non-compliant by incompetence rather than any political dedication.

Mr Oughton: I shall be happy to drop the Committee a note.²

Q137 Mr Williams: It would be interesting to know which the departments were, when it was and at what level there was any accountability in relation to this. I accept that you cannot tell us now, but I shall happily accept it as a note. Finally, may I wish you well in whatever you choose to do in future?

² *Note by witness:* Returns were requested from 17 departments: eight were received in Spring 2002; 13 received in Spring 2003 and 15 received in Autumn 2003. The only department which failed to make any returns was DfID. The second department not to respond to the last review was DfES, although they had participated in the return in Spring 2003.

Mr Oughton: I am looking forward to my next Committee hearing in three weeks' time.

Q138 Mr Williams: Oh, well I take that back.

Mr Oughton: You can have another go; take it back now.

Q139 Mr Bacon: On the question Mr Mitchell asked about the level of profits and this article from the *Sunday Telegraph* on internal documents from EDS showing very high profit margins, of which, for greater accuracy, I have obtained a copy and which shows that EDS has average profit margins of 30% for the DWP, whereas for the Ministry of Defence it is between 10% and 15% and for commercial clients it is 15% to 20% at a time when very complex things like tax credits have been moved away from DWP. Would you not expect a profit margin of 30% on more complex work, but not on routine maintenance work?

Mr Oughton: You might. I think EDS, in the form of Mr Thomas, have set out the company's explanations for how their contracts are structured in the way that they are and the profit regimes are structured in the way that they are. I would not want to comment or second-guess what the company have said on that; that is a matter for them.

Q140 Mr Bacon: I should like to pursue very briefly a point made by Mr Williams about the relationship between ministers and civil servants. Sometime I fear that maybe civil servants do not stand up to ministers enough. This may have happened under previous Conservative Governments as well but one of the common themes found in things like the Rural Payments Agency and the Child Support Agency and the Criminal Records Bureau and tax credits, two of which by the way were EDS, is the compression of the testing timetable and the very generic problems which occur again and again. I fear there is a lack of civil servants turning round to ministers and saying "This is your policy and we will implement it if you want but you have to know that there are certain things you have to do, like have an adequate period of testing for the new software before you go live". Again and again these problems crop up. This comes back to your point about post-project review and sharing of the information. To me the most shocking single sentence in this Report is—and Mr Khan and Mr Wright both referred to this—"It is not possible to make an overall assessment of the benefits that have arisen from the money spent on consultants, in part because departments rarely collect any information on what has been achieved". If you look at the traffic lights on page 8, on post-engagement review they are red all the way across all five departments.

Mr Oughton: That is right; they are.

Q141 Mr Bacon: Your answer is that you are putting the pressure on to increase the incidence of gateway 5 reviews.

Office of Government Commerce

Mr Oughton: That is right.

Q142 Mr Bacon: You mentioned Clinger-Cohen. What is wrong with and what is contrary to greater openness and accountability—and I accept the points you make about accountability—in having a more statutory Clinger-Cohen type approach? Why can you not go down that route?

Mr Oughton: It is not the route we have chosen to go down.

Q143 Mr Bacon: I know you have not. What is wrong with it?

Mr Oughton: It works in a system which is legislation-based for everything. I would argue that it is not necessary and not appropriate in our form of democracy.

Q144 Mr Bacon: Here you are, still struggling to increase the incidence of Gateway 5 reviews when year after year we find there is no sharing of information.

Mr Oughton: I think we are making progress on that. You would expect me to say, however, that I think one of the risks to the Gateway Review process is the disclosure of those reports. If we are looking for an approach which allows us to speak frankly and honestly about what we find both to our seniors at official level and to ministers, then I believe that the gateway process in its confidential form is best able to achieve that.

Q145 Helen Goodman: I want to follow up Mr Touhig's point about building up the capacity within Whitehall for some of these skills, which, as we can

see, are pretty predictable. In your valedictory to ministers would you consider saying to them that they could do that if they would be prepared to have a small group, a couple of hundred people, crack troops as it were, who were more highly paid?

Mr Oughton: Yes, I would be willing to say that, certainly, indeed that is pretty much what I shall be doing to the Office of Government Commerce itself. The zero-based review which has just concluded and the publication of this document give a very strong forward agenda and a very strong role for OGC. To be blunt, I cannot deliver it and my successor will not be able to deliver it with a large organisation of 400 people, many of them operating at relatively junior grades, not that seniority or "juniority" is the point but it is the experience, the knowledge and skill which are the issues. Frankly what we have to do is to have what is described in this document as a smaller OGC, a higher calibre OGC and I need to create the headroom to do this by recruiting in a smaller number of skilled, experienced people who can stand up in a department alongside the senior responsible owner or programme director for a major programme and project and say "Listen to me. I do know what I am talking about. I have the experience and I can provide you with advice which is worth listening to". That is exactly the model we are trying to go for in the changes we are adopting here.

Helen Goodman: Good, thank you very much.

Chairman: Thank you very much Mr Oughton; it has been a very interesting hearing. I certainly found it very interesting, not least because of the characteristically skilful answers on your part on a very difficult, some would say impossible, wicket. Thank you very much.

Supplementary memorandum submitted by the Office of Government Commerce

Appointments taken up by former Crown Servants (or, if earlier, notification received) since 1 April 2006 www.acoba.gov.uk

If an appointment of a former Crown servant is not listed here it does not necessarily mean that he or she has not complied with the rules. We release information only when we are informed that the appointment or employment has been taken up (or announced).

<i>Name, former department and date of leaving service</i>	<i>Appointment</i>	<i>Advice and date tendered</i>	<i>Date taken up</i>
Ken Anderson Department of Health Commercial Director December 2006	Managing Director and Vice Chairman UBS Bank	Approved subject to the condition that, for 12 months from his last day of service, he should stand aside from discussion, if any, of the business of UBS or its clients relating to Government or NHS contracts in the UK Health sector and should not be personally involved in lobbying the Department of Health or the NHS on behalf of UBS or its clients November 2006	January 2007
John Bacon CBE Department of Health Director of Service Delivery March 2006	Consultant NHS Business Services Authority	Unconditional approval March 2006	April 2006 (appointment now ceased)
Air Chief Marshal Sir Anthony Bagnall GBE KCB Ministry of Defence Vice Chief of Defence Staff October 2005 (last day in post July 2005)	Consultant Ocean Software Pty Limited	Approved subject to the condition that, for 12 months from his last day of service, he should not be personally involved in lobbying UK Ministers or officials on behalf of his new employer May 2006	June 2006
Colin Balmer CB Cabinet Office Managing Director February 2006	External Adviser to Foreign Governments International Monetary Fund	Unconditional approval May 2006	May 2006
Penny Boys CB Office of Fair Trading Executive Director November 2005	Consultant on EC Workshop Public Administration International	Unconditional approval March 2006	March 2006 (appointment now ceased)
Air Chief Marshal Sir Brian Burridge KCB CBE Ministry of Defence Commander-in-Chief Strike Command January 2006	Senior Strategic Adviser Finmeccanica UK	Approved subject to the three-month automatic waiting period from his last day of service and the condition that, for 12 months from that same date, he should not be personally involved in lobbying MoD Ministers or officials on behalf of his new employer September 2005	April 2006

<i>Name, former department and date of leaving service</i>	<i>Appointment</i>	<i>Advice and date tendered</i>	<i>Date taken up</i>
Eddie Frizzell CB Scottish Executive Head of the Enterprise, Transport and Lifelong Learning Department May 2006	Adviser Charteris plc	Approved subject to the condition that, for 12 months from his last day of service, he should not become personally involved in lobbying Ministers or officials in Scotland on behalf of Charteris or their clients August 2006	October 2006
Richard Gillingwater Cabinet Office Part-time Chairman (formerly Chief Executive), Shareholder Executive (Department of Trade and Industry) February 2007	Dean Cass Business School City University London	Approved on the basis that he would not draw on privileged information to which he had access or, for 12 months from his last day of service, become personally involved in lobbying Ministers or officials on behalf of the School November 2006	Announced in November 2006 To be taken up April 2007
Sir Christopher Hum KCMG Foreign and Commonwealth Office HM Ambassador Beijing January 2006 (last day in post December 2005)	Special Adviser Prudential plc	Approved subject to the condition that, for 6 months from his last day in post, he should not revisit China for business purposes, give advice on it, or have dealings with companies there January 2006	June 2006
	Non-executive Director The Laid Group plc	Unconditional approval November 2006	December 2006
General Sir Mike Jackson GCB CBE DSO Ministry of Defence Chief of the General Staff November 2006 (Last day in post August 2006)	Non-executive Director The Risk Advisory Group plc	Approved subject to the condition that, for two years from his last day of service, he should not be personally involved in lobbying UK Ministers or officials, the normal three-month waiting period being waived November 2006	December 2006
	Special Adviser and Chairman of the Defence Advisory Board PA Consulting Group	Approved subject to the automatic three-month waiting period from his last day of service and the condition that, for 12 months from the same date, he should not be personally involved in lobbying UK Ministers or officials November 2006	Announced in December 2006 To be taken up February 2007
	Chairman Silk Road Resources Ltd	Approved subject to the condition that, for 12 months from his last day of service, he should not be personally involved in lobbying UK Ministers or officials, the normal three-month waiting period being waived November 2006	December 2006
	Non-executive director Numis Securities Ltd	Approved subject to the conditions that for 12 months from his last day of service he should stand aside from discussion, if any, of the business of any clients of Numis in the UK defence sector and, for the same period, he should not be involved in lobbying UK Ministers or officials, the normal three-month waiting period being waived November 2006	December 2006

<i>Name, former department and date of leaving service</i>	<i>Appointment</i>	<i>Advice and date tendered</i>	<i>Date taken up</i>
Lord Jay of Ewelme GCMG Foreign and Commonwealth Office Permanent Under Secretary July 2006	Non-executive Director Associated British Foods plc	Approved subject to the automatic three-month waiting period from his last day of service and the condition that, for 12 months from the same date, he should not be personally involved in lobbying UK Ministers or officials on Associated British Foods' behalf August 2006	November 2006
John McCluskie CB QC Scottish Executive First Scottish Parliamentary Counsel February 2006	Consultant Parliamentary Counsel Office of the Attorney General, Irish Government	Noted and saw no difficulty July 2006	July 2006
Sir Ian Magee CB Department for Constitutional Affairs Chief Executive and Second Permanent Secretary September 2005	Adviser National School of Government	Unconditional approval November 2005	January 2006
	Member of Public Sector Board Vertex Data Sciences Ltd	Approved subject to the condition that, for 12 months from his last day of service, he should not become personally involved in lobbying DCA Ministers or officials on behalf of Vertex or their clients July 2006	October 2006
	Member of European Advisory Board Outsource Partners International Inc	Unconditional approval October 2006	October 2006
Lieutenant General Anthony Palmer CB CBE Ministry of Defence Deputy Chief of Defence Staff (Personnel) October 2005	Consultant Fujitsu Services Ltd	Unconditional approval November 2006	November 2006
Alice Perkins CB Cabinet Office Director General, Corporate Development Group September 2005	Associate JCA Group	Unconditional approval October 2006	October 2006

<i>Name, former department and date of leaving service</i>	<i>Appointment</i>	<i>Advice and date tendered</i>	<i>Date taken up</i>
Air Chief Marshal Sir Malcolm Pledger KCB OBE AFC Ministry of Defence Chief of Defence Logistics April 2005 (last day in post December 2004)	Non-executive Vice President Kellogg, Brown & Root Inc†	Approved subject to a waiting period of 12 months from his last day in post October 2005	March 2006
Sir Ivor Roberts KCMG Foreign and Commonwealth Office HM Ambassador Rome September 2006	President Trinity College, Oxford	Unconditional approval May 2005	September 2006
Ivan Rogers No 10 Principal Private Secretary to the Prime Minister June 2006 (Last day in post March 2006)	Managing Director, Senior Coverage Officer for the UK Public Sector Citigroup	Approved subject to a waiting period of three months from his last day in post and the condition that, for 12 months from the same date, he should not be involved personally in lobbying UK Ministers or officials March 2006	July 2006
Jonathan Spencer CB Department for Constitutional Affairs Director General, Clients and Policy February 2005	Non-executive Director Liberty Mutual Insurance Ltd	Unconditional approval January 2006	January 2006
Sir Nicholas Stern HM Treasury Head of Government Economic Service April 2007	IG Patel Professor of Development Economics & Director of the Asia Research Centre London School of Economics	Unconditional approval, the normal three-month waiting period being waived December 2006	Announced December 2006 To be taken up June 2007
Dame Sue Street DCB Department for Culture, Media and Sport Permanent Secretary September 2006	Adviser Deloitte and Touche LLP	Approved subject to the normal three-month waiting period from her last day of service and the condition that, for 12 months from the same date, she should stand aside from any work relating to DCMS sectors, and should not be personally involved in lobbying UK Government Ministers or officials on behalf of her new employer July 2006	Announced September 2006 To be taken up January 2007
Sir Kevin Tebbit KCB CMG Ministry of Defence Permanent Secretary November 2005	Non-executive Director Smiths Group plc	Approved subject to the condition that, for 12 months from his last day of service, he should not become personally involved in lobbying UK Ministers or officials on behalf of Smiths June 2006	June 2006

<i>Name, former department and date of leaving service</i>	<i>Appointment</i>	<i>Advice and date tendered</i>	<i>Date taken up</i>
Sir Philip Thomas KCMG Foreign and Commonwealth Office HM Consul-General New York July 2006	Senior Advisor Shell International Ltd	Approved subject to the condition that, for six months from his last day in post, he should not revisit the USA for business purposes, advise on US issues, or have dealings with companies there May 2006	October 2006
Lord Turnbull KCB CVO Cabinet Office Cabinet Secretary and Head of the Home Civil Service August 2005	Non-executive Director Arup Group Ltd	Approved subject to the condition that, for 12 months from his last day of service, he should not be personally involved in lobbying UK Ministers or officials on behalf of Arup or its clients March 2006	April 2006
	Non-executive Director British Land Company plc	Approved subject to the condition that, for 12 months from his last day of service, he should not be personally involved in lobbying UK Ministers or officials on behalf of British Land March 2006	April 2006
	Non-executive Director Prudential plc	Approved subject to the condition that, for 12 months from his last day of service, he should not be personally involved in lobbying UK Ministers or officials on behalf of Prudential March 2006	May 2006
Professor Sir John Vickers FBA Office of Fair Trading Chairman September 2005	Lecturer Royal Economic Society's Easter School 2006	Unconditional approval May 2005	April 2006
	Expert Speaker (competition economics and policy) Various public and private bodies	Unconditional approval April 2006	First fees received in May 2006
	Economic Consultant (competition and regulatory issues) Various public and private bodies	Approved subject to the condition that he should not: 1. on a rolling basis for a period of one year following his retirement from the OFT, advise on any competition, consumer or market investigation cases involving companies which had had dealings with the OFT in the preceding 12 months (eg on 1 August 2006, he should not advise any company which has had any dealings with the OFT since 1 August 2005); and 2. for two years following his retirement from the OFT, be involved personally in lobbying officials of the OFT on behalf of any client or employer, including making written submissions June 2006	First commission accepted in July 2006

<i>Name, former department and date of leaving service</i>	<i>Appointment</i>	<i>Advice and date tendered</i>	<i>Date taken up</i>
Timothy Walker Health & Safety Executive Chief Executive September 2005	Chairman, Advisory Board Brimac Carbon Services Ltd	Unconditional approval March 2006	April 2006
Admiral Sir Alan West GCB DSC Ministry of Defence First Sea Lord and Chief of Naval Staff April 2006 (last day in post February 2006)	Chairman, Advisory Board QinetiQ plc	In view of the time that has elapsed since he left post of First Sea Lord, approved subject to the condition that, for 12 months from his last day in post, he should not be personally involved in lobbying the MOD in connection with any current contracts or existing or new bids for work October 2006	October 2006
Professor Sir Alan Wilson FBA FRS Department for Education and Skills Director General Higher Education September 2006	Master Corpus Christi College, Cambridge	Unconditional approval September 2006	October 2006
Sir Michael Wood KCMG Foreign and Commonwealth Office Legal Adviser January 2006	20 Essex Street Chambers	Take up after six months, as he proposed November 2005	September 2006
Sir Robin Young KCB Department of Trade and Industry Permanent Secretary March 2005	Non-executive Director The Laid Group plc	Unconditional approval November 2006	December 2006

Further information, including that on appointments approvals going back to 1997, can be found on their website: www.acoba.gov.uk

Annex 2 of the Civil Service Management Code (annex 2) explains the procedures and processes that senior civil servants have to go through before entering into the private sector consultancy world. This is available online at: http://www.civilservice.gov.uk/publications/pdf/csmc_june06.pdf

In his book, *Plundering the Private Sector* David Craig provides a list of the moves from the civil sector to private sector consultancy firms and *vice versa*.