

Public Accounts Committee

Oral evidence: [Brexit consultancy costs](#), HC 2342

Wednesday 12 June 2019

Ordered by the House of Commons to be published on 12 June 2019.

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Members present: Meg Hillier (Chair); Sir Geoffrey Clifton-Brown; Chris Evans; Caroline Flint; Layla Moran; Anne Marie Morris; Bridget Phillipson.

Gareth Davies, Comptroller and Auditor General, Linda Mills, Parliamentary Relations Manager, National Audit Office, Peter Gray, Director, National Audit Office, Marius Gallaher, Alternate Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1-49

Witnesses

[I](#): Melanie Dawes, Permanent Secretary, Ministry of Housing, Communities and Local Government, John Manzoni, Permanent Secretary, Cabinet Office, Charles Roxburgh, Second Permanent Secretary, HM Treasury and Nick Walkley, Chief Executive, Homes England.

Report by the Comptroller and Auditor General

Departments' use of consultants to support preparations for EU Exit (HC 2105)

Examination of witnesses

Witnesses: Melanie Dawes, John Manzoni, Charles Roxburgh and Nick Walkley.

- Q1 **Chair:** Welcome to the Public Accounts Committee on Wednesday 12 June 2019. I should warn you that we may have votes during this session, so you may get the opportunity for a comfort break. Apparently a vote is likely at 3.30 pm, so I think we will have got through the first part of the session.

I am going to introduce the witnesses. We have two sessions today, so I will introduce the first bit, and then the second bit separately. The witnesses today, from my left to right, are: John Manzoni, the permanent secretary at the Cabinet Office; Nick Walkley, the chief executive of Homes England—welcome to you; Melanie Dawes, who is the permanent secretary at the Ministry of Housing, Communities and Local Government; and Charles Roxburgh, who is the second permanent secretary at Her Majesty's Treasury. Welcome to you.

The first part of our session today, which hopefully, if Mr Manzoni is relatively brief, will be quick—certainly before the vote—is about the use by Departments of consultants, particularly for EU exit work. The National Audit Office has helpfully conducted an investigation into how that has worked. You know that as a Committee we are very worried about the lack of transparency over some of the Brexit work, and the EU consultancy really underlines that. First, can you tell us why it took so long for Departments to publish their information about EU consultancy work? What was the big secret, and why did they not publish it?

John Manzoni: No—I think, Chair, there was no secret on this. The actual time, on average, I think came out as 119 days against a target of 90. There were 40 contracts.

- Q2 **Chair:** I think that is a very generous interpretation, because there were some in the first tranche—the first nine suppliers—that took 237 days to publish, so let's be careful about averages here.

John Manzoni: No, I agree. Let me continue to explain. There were 40 contracts in total; 14 of them were late. Nine of those were from the Cabinet Office, and they were the ones that were 237 days. Five were from other contracts, ranging between 167 and 266 days. For the Cabinet Office, I am afraid that this was just an oversight. There was obviously a lot going on. I have not delved and gone back into the detail, but of the 14



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contracts that were late—the rest, by the way, were all well within the 90-day timetable—

- Q3 **Chair:** Yes, we noticed that when the National Audit Office came in to start having a look, they were suddenly published a bit quicker, which was an interesting coincidence.

John Manzoni: Well, the Cabinet Office ones were published in December 2018. That was late. These, by the way, relate to the £65 million-worth of Cabinet Office framework—the EU consultant specific lots that we set up. I have no explanation other than a mistake for the original ones being late. There was nothing to hide. As you can imagine, there was quite a lot going on.

- Q4 **Chair:** You say that there was quite a lot going on, but we all know Government Departments. There is an awful lot of civil servants of all levels working very hard to do things. It is quite basic civil service activity to make sure that a deadline is met for a document that needs to be in the public domain. You say that there is nothing to hide, but you have made us have a closer look at it. How are you going to make sure that it doesn't happen again?

John Manzoni: I accept that, and I have no explanation of why these were late, other than that it was referred to to me as an administrative oversight. They were very late—I completely agree with you.

- Q5 **Chair:** I think it came out because Sky Television decided to look into this, and they picked up on it. If they hadn't noticed it, would you have noticed it?

John Manzoni: I think we would have noticed it. I cannot say when we would have noticed it, but I think we would have noticed it. It is interesting because we set this framework up specifically in order to facilitate—and, by the way, to get control of—what was going on with consultants and EU exit. This is disappointing because the programme itself was particularly transparent and particularly effective. Other than reporting on it, we had a particularly good grip of it as it was going through. It is just disappointing that we have let ourselves down by not publishing them earlier.

- Q6 **Chair:** When they were published, the redactions were extraordinary. It would be very difficult to find out what is going on at all. Why were they so heavily redacted?

John Manzoni: Departments will have been responsible for their own publications, but the redactions that the Cabinet Office require are the normal personal details—GDPR-type redactions—as well as supplier rates, which we do not publish, and in some cases some specific details of the proposals.

- Q7 **Chair:** Have you actually looked at the redacted documents?

John Manzoni: I have not looked at them.

- Q8 **Chair:** I would really urge you to, Mr Manzoni. I'm quite shocked that you



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have come here today having not looked at the redacted documents. There are some that are meaningless. There must have been an awful lot of very long addresses and names to be blanked out. You wouldn't know what they were about. We have had long-standing concerns about the lack of information on this. Documents that are redacted to the extent of ridiculousness do not help us do our work, and make us wonder what is being hidden.

John Manzoni: As I say, I don't know, because I was not in charge of the redactions.

Q9 **Chair:** Could you undertake to go over them?

John Manzoni: I will undertake to have a look at them.

Q10 **Chair:** You can see that maybe someone has overenthusiastically been overcautious.

John Manzoni: There might have been some enthusiastic redactions. I accept that.

Q11 **Chair:** We have seen a lot of papers from Government. It is our right, as Committee members, to have access to people, papers and records. We might want to have a look at these in more detail, and it would be helpful if you could have a look as well. You had these call-off arrangements, which is a welcome step in a way, but they came into place only in April 2018. Was that because of Brexit? We have been talking about these call-off arrangements for a long while.

John Manzoni: We have various management consultancy frameworks that are extant and in place. As it happened, management consultancy framework 1 was under redesign at a particularly critical moment, and it subsequently came in at the end of '18. The third lot of these EU exit consulting contracts and frameworks was done under management consultancy framework 2. Lots 1 and 2, which were brought in in the first quarter of 2018, were under the health framework under management consultancy framework 1, because that was the one that was still legitimate, valid and relevant. We used that in the first instance. Some Departments were certainly using consultants for exit before that. When the Cabinet Office started to say, "Actually, this doesn't make any sense" because there was quite a lot of it going on, that is when we stepped in.

Q12 **Chair:** Was there any resistance from Departments? We have had permanent secretaries sitting in front of us saying that they prefer their own way of calling off these consultancy contracts to a central framework. They have actually been quite candid about it.

John Manzoni: I detected no reluctance. Once it was set up, there were lots of reasons to use the framework. It was actually used quite extensively—there were 157 separate engagements.

Q13 **Chair:** What benefits has it brought?

John Manzoni: Time. We could do this from a couple of days to a couple of weeks, once it was set up. There are obviously specific skills that can



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be bought in. We did it in three lots. Lot 1 was about the early phase of thinking about what to do with Brexit—thinking and shaping. Lot 2 was a bit further down the track, where the projects were being shaped and starting to be delivered. Lot 3, which came later, was much more about delivery. Lots 1 and 2 were the ones that were primarily used. They were bringing specific skills, and sometimes it was helpful to bring an external perspective too. As you know, I have talked many times in this Committee about getting a policy Department into the mode of defining projects and delivery. Some of the actions that were going on were about helping Departments with that external delivery perspective, because many of these things had to be not only thought through, but delivered and set up as projects. That was what was being bought.

Q14 Chair: So you are not at all concerned that there was more thinking and shaping than doing through these contracts.

John Manzoni: I have said before in this Committee or others that it took us a while, frankly, to get to the doing. It took quite a lot of pushing to get to the doing.

Q15 Chair: We will not go into the details of the civil service skill set, but surely the thinking and shaping is exactly what the old-style civil service was good at, and it was the doing—

John Manzoni: It was a bit of both, actually. Even the thinking and the shaping—you can think, for example, of the medicines that need to be stockpiled. Even the organisation of the project to do it needs to be thought through. Who are the accountable people? How do we set up the governance and the accountabilities? It was that bit.

Q16 Chair: Was it really that there was not enough resource because of the pressure of Brexit? We have talked a lot here about skills in the civil service. Do you think the civil service does not have those skills, or do you think the pressure of Brexit meant that this was particularly important?

John Manzoni: My own view is that that activity has taught our system a lot about bringing together policy making and delivery. In some senses it has accelerated what we have been trying to do for a while. If you had the permanent secretary of DEFRA here today, she would say, "Actually, we learned a lot." Of course they were hugely impacted in a policy sense, but that Department had to learn a lot about delivery very quickly, and that activity was therefore an accelerant of that process.

Q17 Chair: We note that the NAO found that 96% of the work—by value—went to just six firms. Was that a surprise to you?

John Manzoni: Not really, because they are the big, global firms that have deep pools of the expertise that you would use. I will not name them here, but there are the big four global strategic consultants. One or two specialise more in the linkage between strategy and delivery, and we actually introduced one or two of those firms into this process, which I think worked very well. I was not actually surprised, because they are the sort of—of course, it is always nice to see other names.



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Q18 **Chair:** Was there really any chance that any others would ever get a look in? Were there others bidding?

John Manzoni: Yes, there were. There were some names that we don't often see. In fact, of the first two lots, there was only one company that was disappointed that it was not included. It actually joined up and joint-ventured with another company. They didn't actually make it in the first two lots, but they made it in the third lot. In the third lot, in particular, there were a different group of names from the big global consultancies.

Q19 **Chair:** What do you put that down to?

John Manzoni: By the time we got there, there were some more specialist requirements.

Q20 **Chair:** So it was very specialist? We have heard that from other Departments that have specialist needs.

John Manzoni: Yes, because the projects have got to a level of definition by then and need that sort of help, so you get a different flavour of—

Q21 **Chair:** You know our concerns about the market shrinking in this sense. One concern that figure 3 of the Report highlights is the difference in the data between you and the Departments. In fact, we have since had correspondence from HMRC arguing about their definition, which rather highlighted the point, although I will not go through the detail of that.

However, this graph shows that there is a very different and widening gap between what the Cabinet Office data tells us is spent on consultancy and what Departments say, which is either massively under-recorded or your definitions are completely out of whack. Were you surprised to see this?

John Manzoni: This relates to, frankly, a long-standing problem. The data under "Cabinet Office" in figure 3 comes from the Bravo system, which is a Cabinet Office system that collects data from 220 other systems. Actually, it collects data under the heading "Professional Services", of which consulting is one sub-heading.

As you know, the Cabinet Office has a control on consulting, but there are many examples of activity going on across our system that are professional services—all of which, by the way, are captured here—so what you see in the "Cabinet Office" column, going up to £1.5 billion, is professional services. That includes things such as legal services, engineering services, some of our big suppliers into the Ministry of Defence, defence hardware and services. It also includes consulting and project management, as some of the things that would normally be included. But it is a much broader category.

We are on the problem; in fact, we spotted it at the end of 2017, which is when we tightened the consulting control. When we reissued the consulting control in the first quarter of 2018, we said, "Anything above £1 million, we need to examine." Then we said, "By the way, we need to sort



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out professional services and consulting in this control," because we knew it was a mess.

Q22 **Chair:** So, how much progress has there been? That was 2017 and we are now halfway through 2019.

John Manzoni: No, we did it in early 2018. I have to say that I'm afraid that that became the victim.

Q23 **Chair:** This is very frustrating. It was a very long time ago when I was in Whitehall as a Minister, but we were having exactly the same discussions then about these definitions and about who was keeping a track of payment and of whether a consultant effectively became a de facto member of staff. Yet, we see this complete disparity with what Departments are reporting. It looks like they are underreporting, to me. You have put a very good gloss on it, I have to say. You are making a valiant attempt to defend it, but it is a growing gap.

John Manzoni: I know; I agree with you. We have got to solve this. We are now absolutely on it. I have to say that we spotted it. We said in early 2018 that we would sort it out by the middle of 2018. I'm afraid to say that Brexit got in the way and we didn't sort it out, so we have got to come back and sort it out. It is difficult.

Q24 **Sir Geoffrey Clifton-Brown:** Mr Manzoni, is the answer here that you need one standard definition of what a consultant is?

John Manzoni: I think it is more to do with the professional services definitions, actually. The other problem is that—

Q25 **Sir Geoffrey Clifton-Brown:** Are you in the Cabinet Office, and all the Departments, working to the same definition?

John Manzoni: We haven't been. We are now undertaking the review. That is part of the problem.

Q26 **Sir Geoffrey Clifton-Brown:** Undertaking the review? Surely it is a pretty simple thing to agree what a consultant is, isn't it?

John Manzoni: It's not that simple, no, because it is all residing in different databases. It is a commercial system, a human resource system and a financial system.

Q27 **Sir Geoffrey Clifton-Brown:** I understand that. The systems need to be controlled by what the definition is. The accountants—the systems' inputters—need to be told what the definition is. Surely, it is fairly simple for the Cabinet Office to come up with what the definition is and then tell the inputters how they are to input it.

Chair: I think Sir Geoffrey is inviting you to dictate to Whitehall, Mr Manzoni.

John Manzoni: It is interesting. If I may reflect back, it is very interesting that when you begin to create a view from the centre, in many areas—which we have not had in Government for a very long time—it is a very

difficult balance, because you quickly get frustrated that the view is not good enough. We do control anything to do with consulting. We have that control in the Cabinet Office, and we are very clear on what that is and track it very carefully. But now, we have got to get to understand—

- Q28 **Sir Geoffrey Clifton-Brown:** Surely, if you do not have a standard definition, each Department and yourselves are comparing apples with pears.

John Manzoni: I think we are okay. I think the issue is that the NAO went in and looked at a different dataset. As I said, they looked at something completely different called professional service, and it is nothing to do with consultants—well, consultants are part of it. It is just a different set of numbers.

- Q29 **Chair:** Okay. All of this is obviously around Brexit. We now have a date of 31 October for Brexit. When do Departments need permission to get underway for a no-deal Brexit, given that we are not making massive progress in Parliament at the moment?

John Manzoni: This one I was not expecting. The civil service is preparing, of course. I would say to you that on 29 March and 12 April, the civil service was pretty much prepared for what might have been an eventuality on both those two dates.

- Q30 **Chair:** That is now out; that is history.

John Manzoni: Of course. Several things happen after that. Some readiness degrades. Some of the activities that had us in that place can be improved from here, because there is more time, so we can do better.

- Q31 **Chair:** Customs and so on?

John Manzoni: Systems that might have been at some minimum viable product—we can do with some better things. Some things we could just take and say, “Actually, those look pretty good. Let’s put them on the shelf. Be ready to take those down, as and when.”

- Q32 **Chair:** Let’s just get down to more basic things. We had Bernadette Kelly, the permanent secretary at the Department for Transport, in front of us the other week. Having had the whole ferry saga, those contracts were cancelled and they are coming up to D-Day to let the next set of contracts. So, what are the critical dates for you in the Cabinet Office, by which you will have to give guidance to Departments that they can get on with preparing potentially for a no deal?

John Manzoni: One of the earliest ones happens to be the one you have just mentioned. It is a discussion at the political level.

- Q33 **Chair:** But we are asking you simply, as a senior civil servant, practically—whatever the politics—by when? Which are the key deadlines when Departments will have to make decisions?

John Manzoni: I think almost the first deadline is the ferries, in order to create a framework that is not subject to legal challenge in the way that



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the one we did in a rush last time might have been. That is an imminent decision—I am talking days and weeks. That is the first one.

- Q34 **Chair:** Given that we have a Prime Minister at the moment who will be leaving by 22 July and you don't know yet who the next Prime Minister will be, how much does that uncertainty about who will be the incumbent at No. 10—the Prime Minister of this country—make a difference to planning?

John Manzoni: That is under current discussion, and there are some things that obviously make some sense. That one, as an example, is a bit of a political decision, I suppose—it will attract attention just because the press like to do that—but it makes a lot of sense. There is no commitment to setting a framework for getting additional transport capacity across the short straits; there is no commitment at all, but—

- Q35 **Chair:** So that is one you could get on with. Are there other things that you cannot get on with in Whitehall because you are waiting for a new Prime Minister?

John Manzoni: To be honest, I have not gone through the detailed list. There may be. I think there is a lot that we can.

- Q36 **Chair:** Please assure us that somebody has gone through it and somebody in Whitehall has a detailed list?

John Manzoni: It is in progress, yes, and DExEU are compiling that list as we speak so that we can really be clear when all those dates are. That is all under way.

Chair: We have asked before for details of the titles of work streams. We eventually wrenched that out, but it took the deputy Chair and I going to meet David Lidington to get that information. We have wrestled for information about the work streams and there has been huge resistance. What are you prepared to share with us about that planning? We can do it on any terms you want; we understand that there may be some bits that it may not be sensible to put in the public domain, but increasingly we think there is very little, because most of it has been in the public domain more or less—

John Manzoni: There is a lot of information. In many ways, there is a lot of information in what we have published on gov.uk, getting everything ready. I will take a bit of advice on this because I will probably wander into a thicket—

- Q37 **Chair:** If you want to keep going in, that is all right.

John Manzoni: My judgment is that there are many things that are already in the public domain.

- Q38 **Chair:** So your approach is to be as open as possible—is that what you are saying?

John Manzoni: My approach is always to be as open as possible.



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Q39 **Chair:** We will take you at your word, and on that basis it would be very helpful if we could see those non-redacted contracts. We can discuss with you the terms on which we as a Committee would look at that, but we are responsible for the—

John Manzoni: For the consulting?

Q40 **Chair:** For the consulting.

John Manzoni: Yes, sure.

Q41 **Chair:** It would be very helpful if we could see that, because they are so redacted that we cannot really work out what they are for.

John Manzoni: Okay.

Q42 **Sir Geoffrey Clifton-Brown:** Does the mechanism for the delivery of these work streams still exist as it was before 31 March? In other words, does the RAG system still exist? Does the DExEU collection, passing on to the Cabinet Office and the high-level delivery group? Is somebody monitoring all those work streams so that the ones that were at red are constantly being monitored?

John Manzoni: Of course there have been some personnel changes in all those things, and indeed it would be wrong of me to say that we are not examining that first intensive period. Right at the end of the period, it was enormously intense and we were looking at it almost every day. That has not been the case since then, but we are and we have been, under the new permanent secretary of DExEU; she has been looking at how she wants to arrange her teams to do all that. It has not been quite so intense, but all the machinery and mechanisms to do it are exactly the same. The civil service will be ready by 31 October, of that I am quite sure, but what we have not done is to maintain everybody at the level of running hot that they were on 12 April.

Q43 **Sir Geoffrey Clifton-Brown:** I thought after 31 March the civil service was told to stand down from doing those preparations for no deal.

John Manzoni: No, I don't think so. In fact, funnily enough, that conversation was just reflected again today in the Wednesday Morning Colleagues. There was a conversation on 21 May, as I understand it—I can't remember the details—which basically said, "No, maintain all sensible provision."

Q44 **Chair:** We might just ask Ms Dawes to come in on this, because Ms Dawes was at the colleagues meeting this morning. We always love to hear what is going on at the colleagues meeting.

Melanie Dawes: Perhaps I can add the perspective from a Department. A lot of what Departments were doing was obviously quite intense in the days and weeks prior to the deadline, and it will need to be again, but what we all did, under co-ordination from the Department for Exiting the European Union, was to very carefully look at our plans and work out where we needed to keep the resourcing.



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For example, in my own Department's case we have kept some engagement going with local government, just not as regularly as before, and we have kept some staffing in our overall co-ordination cells, but just not as many people or as many shift patterns as we had before. We have put all those plans very carefully to one side, ready to inflate the balloon again, if you like, when we need to. We don't think that moment is right now, but we are obviously very aware of the 31 October deadline. What we do not want to do is to keep a lot of staff basically doing nothing for the time being, but we absolutely have not let our plans lapse.

Q45 Chair: But you have a new Prime Minister expected on 22 July—that is the date we are all working to. Would it not be too late when that incumbent is in post for you to make certain preparations? Perhaps your Department is not the best example.

Melanie Dawes: It will depend across Departments, I think. We have plans and we know the moment at which we think we will need to switch staffing back up again, and we know when we think we need to start the engagement again.

Q46 Chair: Can you tell us when that will be?

Melanie Dawes: We think it will be in early September. Most of what my Department is doing is engaging with local government and local resilience forums out there to understand the practical issues that could be presented by no deal. That does not mean we are doing nothing during June, July and August; it just means we are quite carefully balancing at what point we need to start to move the Department's effort from delivering our ongoing agenda at the margin into no-deal preparations.

Q47 Sir Geoffrey Clifton-Brown: I have just one more question for you, Mr Manzoni. The Report makes clear that Deloitte and Mott MacDonald were advising the Department for Transport on the ferry procurements. I do not know that the final figure will be, but there will be £70 million to £80 million wasted on legal actions in that respect. As the Chair has said, if we need to re-procure them, is somebody looking very carefully at how some lessons have been learned from that whole episode, so that we do not get into the same situation again?

John Manzoni: The answer to your question is of course. It would have taken only one dead person for the lack of medicines and we might be having a very different conversation. I am a believer that we did exactly the right thing, and I believe the Department for Transport did exactly the right thing. It is very easy to say, "That was a silly thing to do," but had you had just one dead person as a result of a lack of medicines—

Q48 Sir Geoffrey Clifton-Brown: I don't think anybody is saying it was a silly thing to do at all—that is not what I am implying. It was the way it was done. It may have been done that way for good reasons, because the timetable was compressed, but now you have a little bit more time and it could be planned in a different way this time.

John Manzoni: This was my comment earlier; this time, we will do it in a way that is less legally exposed. That is the point about the framework as



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opposed to a direct contract. That is the intent and it takes no financial commitment at this point, but because we have more time, it sets up in a more ordered way—

Q49 **Chair:** Going back to the last time, where was the hold-up in making that decision? It was pretty obvious that it would have to be made. Was it the Department for Transport? Was it the Cabinet Office? Was it elsewhere in Whitehall?

John Manzoni: I think that is a political question.

Chair: Thank you; that tells us what we need to know.