

## Written evidence from the Management Consultancies Association

This note sets out the observations and recommendations of the MCA. The MCA is the representative body for the UK's leading management consulting firms. Our members include almost all of the major global consultancies, along with many of the UK's most vibrant and innovative specialist firms. The majority of our members currently work with central government or other public sector clients.

### 1. Introduction

- 1.1. We welcome scrutiny of the role of management consulting firms in supporting central government. Consulting is crucial to achieving many government policy and public service objectives. During this Parliament, the Government aims to improve public sector productivity, save money and reform public services; management consulting firms will play a vital collaborative role in this transformation programme.
- 1.2. It would not be cost effective for departments to retain in-house all the skills and resources that are available to them from the UK's management consulting firms. Consulting firms additionally and importantly provide objective and independent advice, and bring innovation into government from outside.
- 1.3. The astute use of consulting services generates significant value for taxpayers and is a sign of a well-run and capable organisation. The MCA has proposed a number of ways in which government use of consulting can be further improved. We set out some of these below.

### 2. Don't confuse consulting and temporary staff

- 2.1. The services provided to government by management consulting firms are different in their nature and purpose to temporary staff. The NAO should consider them separately in future investigations.
- 2.2. While temporary staff – for good reasons and bad – are sometimes needed to cover 'business as usual', consulting firms work on projects that are specifically project-based, normally focussed on achieving specific outcomes and designed to deliver significant value.
- 2.3. The NAO report muddles these two categories of spend. This confuses the analysis, creates misunderstanding amongst commentators and risks leading to mistaken policy conclusions.

### 3. Spending on management consulting has been centrally controlled

- 3.1. Spending by central government on management consulting services fell dramatically after 2010. There were smaller increases in the second half of the last Parliament – while strict Cabinet Office controls remained in place – as ministers and officials worked hard to reduce the public sector deficit and secure improvements in public services.
- 3.2. There are no central controls on government spending on temporary labour.
- 3.3. MCA data shows that the balance of consulting projects for central government has changed markedly over the last five years.
- 3.4. Programme and project management now accounts for only 15% of a much lower volume of spend (compared with 34% in 2009). Over a third of management consulting is now focussed on the digitisation of public services and technology innovation, a change from the systems integration work of the past.
- 3.5. We also understand from our member firms that much of this later consulting work was more strategic in nature, being focussed on enabling departments to respond to the twin challenges of declining resources and rising demand for services.

#### **4. The value generated by management consulting assignments is considerable**

- 4.1. Independent research for the MCA suggests that, on average and across all sectors, management consulting projects generate benefits worth around £6 for every £1 paid in fees.
- 4.2. Departments are now tasked to improve their productivity and make the savings required by the 2015 spending review. They also need to generate new ways of delivering services.
- 4.3. Management consulting firms provide expertise, skills, insight and experience of other sectors which help departments to deliver on their objectives. We recommend that government departments do more to evaluate and, then, promote the benefits that they gain from the effective use of consulting firms.

#### **5. But government still needs a more effective strategy for its use of consulting**

- 5.1. Efforts to improve business cases and the value-add from consulting are particularly important in the current climate. Effective consulting to increase public sector productivity is essential, for instance, to reduce the tendency to fire staff and re-hire them as temps, and to place the drive to deliver 'more for less' on a secure footing.
- 5.2. Government could productively be more strategic still. We support the NAO's call for improved workforce planning. But this only answers part of the question.
- 5.3. We urge both the Cabinet Office and individual departments to share more of their plans for transformation across government and to send clear signals to our industry about the scale, range and quality of consulting services that they will look to procure in the future.

#### **6. Government procurement processes could improve the value and reduce the cost of consulting**

- 6.1. We have proposed the following to the Crown Commercial Service and others:
  - More pre-procurement dialogue to help shape project proposals to achieve the best outcomes
  - More sharing of risks and rewards, to give government greater confidence in each project
  - More effective evaluation of all consulting assignments, with sharing of lessons learned
  - More access for government clients to a wider range of consulting firms, including many smaller, quality specialist firms
  - More efforts to reduce the costs of bidding, through a streamlined procurement and bidding process
- 6.2 The MCA is also developing a *Consulting Excellence* scheme for all member firms for launch later this year. This will set out industry-wide commitments to ethical behaviour, quality client service and the professional development of consultants.

15 January 2016