Government Commercial Agency

FRAB 19 November 2026

GCA submission to FRAB 160 paper (04)

Subject:	**Updating FReM guidance in line with Commercial and HR definitions**	
Issue:	The current FReM guidance requires in-scope reporting entities to publish details of Consultancy and Contingent Labour spend, and omits Professional Services spend. This creates an incomplete view of government spending on external resourcing which has been criticised by PAC and is impacting policymaking on Government's use of external resourcing.	
Recommendation:	FRAB is asked to approve the proposed amendments (Annex 1) to FReM to allow transparent reporting of all external resourcing spend and ensure that definitions on categories of spend are aligned across Commercial, Finance and HR functions.	
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1. Background

1.1. In March 2026, the Public Accounts Committee (PAC) published its report on the Government's use of external consultants which followed a study by the NAO that was published in November 2025. Both reports' conclusions focused on lack of clear and consistent data on Government's use of consultants which can jeopardise HMG's target to reduce spending. It highlighted an inconsistency of definitions of consultancy across the spending cycle between financial and procurement systems resulting in an unclear and unmanageable landscape.

1.2. The reports also noted that traditional consultancy firms now provide a range of services including consultancy, professional services and contingent labour. The PAC requested data from Departments on consultancy, professional services and contingent labour to provide them with a comprehensive picture on external resourcing.

2. Summary of Issue

2.1. The current FReM guidance only requires departments and ALBs to report spending on Consultancy and Temporary Staff. This creates an incomplete view of government spending. The gaps in reporting of professional services has resulted in

transparency issues and is impacting coherent policymaking on Government use of external resourcing.

2.2. Different definitions of consultancy across commercial, finance and HR functions have also created risks of misclassification and robustness of published data.

2.3. We support the simplification of ARAs, however there has been continued public and parliamentary interest in Government spending on external resourcing and we can expect further scrutiny in the coming years.

3. Scope

3.1. The changes will apply to the current in-scope reporting entities as outlined in the FReM guidance section 1.2.1.

4. Impact on FReM guidance

4.1. The proposal is to create a new definition and reporting requirement for Professional Services for the 2027-28 guidance. Definitions of consultancy and contingent labour will also be updated to ensure consistent language with the Commercial and HR Functions. See Annex 2, Section 2 of this paper for an amended 'Annex 4 of FReM'.

4.2. Additionally, paragraphs 6.5.32 to 6.5.34 will need to also reference Professional Services. Please see Annex 2, Section 2 for the tracked changes.

4.3. Annex 1 includes the original drafting 6.5.32 to 6.5.34 and Annex 4 of the FReM guidance for ease of reference.

5. Worked Example

5.1. Using MOJs 2024-25 ARA as an example, the following was published:

Category	Core and agencies (£000)	Non-departmental public bodies (£000)	Total (£000)
Consultancy	13,317	151	13,468
Temporary staff	198,599	18,388	216,987
Total	**211,916**	**18,539**	**230,455**

5.2. With reference to the professional services spend that was published as part of the PAC response, this is what MOJ's 2024-25 ARA would look like:

Category	Core and agencies (£000)	Non-departmental public bodies (£000)	Total (£000)
Consultancy	13,317	151	13,468
Contingent Labour	198,599	18,388	216,987
Professional Services	251,754	N/A	251,754
Total	**463,670**	**18,539**	**482,209**

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6. Wider adoption

6.1. As the definitions are being adopted as the public sector's standard of best practice, there will be a one-time implementation activity for each in scope organisation. The PAC requested data on Government spending for the last 3 years on consultancy, professional services and contingent labour. Departments and their major Arm's Length Bodies have already provided this data to the Committee and thus should largely be in a position to be able to implement this guidance within their systems.

6.2. The re-drafted definitions have been authored by the same person to ensure consistency, and it has gone through multiple rounds of cross government feedback to refine.

6.3. We are aligning definitions across HR, Finance and Commercial functions.

6.3.1. The new Consultancy Playbook's Annex 1 will include these definitions. This is due to be published on 6 November 2026 and will set the best practice standard across the public sector.

6.3.2. Cabinet Office's Future Civil Service's Worker Classification guidance will also align.

6.4. We are working with the OSCAR team to make consistent adjustments to OSCAR. The reporting cycle starts in May; amendments would be anticipated to fall into 2027 or 2028 depending on the scale of change. These changes will provide more accurate and consistent monthly information on consultancy and professional services expenditure, improving HMG's ability to monitor this expenditure across government. This will include amendments to:

6.4.1. Monthly Forecast Outturn

6.4.2. Budgeting

6.4.3. Whole of Government Accounts

6.5. There are additional pressures accelerating the change activity, notably:

6.5.1. While the Government has set out policies on reducing consultancy spend, this constitutes a small portion of spending on external resourcing. In order to consider broader policy making on external resourcing and focus on increasing Civil Service capacity, we require consistent reporting across Contingent Labour, Consultancy and Professional Services.

6.5.2. Due to the inconsistency in reporting and definitions there is a growing challenge in understanding potential liabilities of the Civil Service not complying with the off-payroll working rules, where contingent labour or temporary staff is misclassified in consultancy or professional services. Additionally, the Employment Rights Act and its proposed measures on zero hours contracts significantly increases the importance of correctly documenting and reporting worker types.

6.5.3. It is now a legal requirement for Contracting Authorities to publish transparency notices for transactions in excess of £30,000 in some instances, as well as a requirement for contract award notifications, including their value, to be published. This means that this information will be in the public domain from the Commercial Function as part of procurement activity. It is important that we align spend category definitions to mitigate reputational risk of inconsistent spend reporting at a time when spending in this area is under scrutiny.

7. Timing and implementation

7.1. The intention is for the amendment to be included in the 2027-28 guidance, allowing in-scope organisations time to consider how they will report.

7.2. It should be noted that we have excluded remuneration in relation to external audit services from the scope of the professional services definition in Annex 1 Section 2. This is both because of the statutory, i.e. non-discretionary, requirement for independent external audit, and because external auditor remuneration is already a statutory disclosure within the financial statements.

7.3. As part of the Government's response to the PAC report, GIAA has undertaken a review into whether 9 Central Departments and 6 major Arm's Length Bodies are accurately categorising consultancy spending. As part of this exercise, these organisations provided data on professional services spending to GIAA. Based on the work GIAA has undertaken, we believe it is feasible for most in-scope organisations to permanently implement the changes and publish data on professional services spending. There are likely to be some isolated issues in Arm's Length Bodies where finance systems operate on a project basis which can be addressed over the implementation period.

7.4. The National Audit Office Study Team have been consulted and are supportive of these measures as they fall in line with their recommendations. They have advised that the professional services figure is in the "front end" which is covered by our consistency opinion but not audited by the NAO. Therefore, the impact on the audit will be limited.

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ANNEX 1 - Current guidance

Section 1 - paragraphs 6.5.32 to 6.5.34

Mandatory reporting of spending on consultancy and temporary staff

6.5.32 Entities must report spending on consultancy and use of contingent labour. For departmental group accounts, this expenditure should include, as separate line items, consultancy expenditure and contingent labour expenditure incurred by executive agencies and ALBs (if relevant). Published data should be based on the definitions of consultancy and contingent labour (referred to as temporary staff for the remainder of this paper) in Annex 4.

6.5.33 All costs relating to consultancy and temporary staff should be reported. For example, consultancy and temporary staff costs that have been capitalised into assets or grouped within Programme or IT Services expenditure should also be included to ensure completeness of the disclosure.

6.5.34 Spend on all consultancy and temporary staff should be reported regardless of the commercial route through which workers are engaged. The temporary staff costs should not be limited to workers engaged via the Public Sector Resourcing Framework but should also include procurements of temporary workers through other frameworks such as, but not limited to, Digital Outcomes and Specialists, G-cloud, Non-Medical Non-Clinical, Technical Services Framework and all other commercial routes. Note that spend on contracted-out services should not be reported.

Section 2 - ANNEX 4 – Definitions for consultants and temporary staff

Professional Services External Resources (non-payroll staff) – Definitions
Professional services external resources can generally be split into two broad categories:

Temporary staff
•Temporary (agency) workers
•Interim managers
•Specialist Contractors

Consultancy
•Finance
•IT/IS
•Strategy
•Legal
•Property and Construction
•Human Resource, Training and Education
•Technical
•Marketing and Communications
•Organisation and change management
•Procurement
• Project Portfolio Management (PPM)

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Understanding the difference between different types of resource is essential to ensure that the right type of service and skills are purchased, at the right price and from the right supplier so that value for money is achieved.

Temporary (non-payroll) Staff

The provision of workers to cover business-as-usual or service delivery activities within an organisation. Temporary Staff are also often referred to as “Contingent Labour”. These workers may be “off-payroll workers” (see definition and requirements under to 6.5.32), who engage via an Intermediary such as their own limited company, or they may be on the payroll of another organisation within the supply chain.

Please note that these definitions apply to central government only – local government categorisation may differ.

Temporary Workers – Admin and Clerical	Admin & Clerical agency staff are normally lower grade individuals who are filling in for a role within the organisational structure and are ideally used on a shortterm basis. • normally engaged on an ad hoc or temporary basis to fulfil requirements within established posts. • involves providing cover (e.g., for a vacancy, holiday, or sickness)o r additional resource (e.g., for a seasonal peak in workload). • may be undertaking operational or professional roles.
Interim Managers	Interims are normally middle - to senior-grade staff working in an organisation, concerned with the fulfilment of professional functional or senior management positions within the organisational structure (usually covering business-as-usual activities or providing cover for a role) and ideally engaged on a short-term basis. • may involve providing cover (e.g., for a vacancy, holiday, or sickness) or additional resource (e.g., for a new team until someone is recruited, or a seasonal peak in workload). • may include professional interim staff (e.g., senior qualified professionals in areas such as legal, finance, audit) and interim managers (including up to the most senior levels of the organisation). • likely to include a degree of organisational involvement (e.g., managing staff, representation at meetings) • typically engaged through an agency although in some cases may be engaged directly

Specialist Contractors	Specialists are normally middle to senior grades, used to provide expertise that is not available in-house, fulfilling functional or senior positions within the organisational structure and ideally engaged on a short-term basis. • may include sub-categories of finance, HR, IT, legal, logistics, marketing, medical, procurement, estates, technical and other. • not staff substitution: specialists are used to provide additional resource, skills, and expertise, not to cover vacancies etc. • should not include management functions or similar organisational involvement. • usually involved in a defined package of work or project rather than covering a day-to-day workload or defined job/ role. • in some instances, may include a degree of organisational involvement (e.g., managing staff, representation at meetings) • not always provided through an agency.

Consultancy

The provision to management of objective advice relating to strategy, structure, management, or operations of an organisation, in pursuit of its purposes and objectives. Such advice will be provided outside the 'business-as-usual' environment when in-house skills are not available and will be time-limited. Consultancy may include the identification of options with recommendations, or assistance with (but not the delivery of) the implementation of solutions.

Finance Consultancy	The provision of objective finance advice including advice relating to corporate financing structures, accountancy, control mechanisms and systems. This includes both strategic and operational finance.
IT/IS Consultancy	The provision of objective IT/IS advice including that relating to IT/ IS systems and concepts, strategic IT/IS studies, and development of specific IT/IS projects. Advice related to defining information needs, computer feasibility studies, making computer hardware evaluations and to ebusiness should also be included.
Strategy Consultancy	The provision of strategic objective advice including advice relating to corporate strategies, appraising business structures, value for money reviews, business performance measurement, management services, product or service design, and process and production management.

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Legal Consultancy	The provision of external legal advice and opinion including advice in connection with the policy formulation and strategy development particularly on commercial and contractual matters.
Property & Construction Consultancy	Provision of specialist advice relating to property services and estates including portfolio management, design, planning and construction, tenure, holding and disposal strategies.
Human Resource, Training & Education Consultancy	The provision of objective HR advice including advice on the formulation of recruitment, retention, manpower planning and HR strategies, and advice and assistance relating to the development of training and education strategies.
Technical Consultancy	The provision of technical advice including the provision of technical studies, prototyping and technical demonstrators, concept development, project and task based technical advice.
Marketing & Communicati ons Consultancy	The provision of objective marketing and communications advice including advice on the development of publicising and the promotion of the department's business support programmes, including advice on design, programme branding, media handling, and advertising.
Organisation & Change Management Consultancy	Provision of objective advice relating to the strategy, structure management and operations of an organisation in pursuit of it purposes and objectives. Advice related to long range planning, re-organisation of structure, rationalisation of services, general business appraisal of organisation should also be included.
Procurement Consultancy	The provision of objective procurement advice including advice in establishing procurement strategies.
PPM Consultancy	The provision of advice relating to ongoing programmes and one-off projects. Advisory support in assessing, managing and or mitigating the potential risks involved in a specific initiative; work to ensure expected benefits of a project are realised.

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ANNEX 2 - Tracked changes proposed

Section 1 - paragraphs 6.5.32 to 6.5.34

Mandatory reporting of spending on consultancy, contingent labour and professional services.

6.5.32 Entities must report spending on consultancy, contingent labour and professional services. For departmental group accounts, this expenditure should include, as separate line items, contingent labour expenditure, consultancy expenditure and total professional services expenditure, incurred by executive agencies and ALBs (if relevant). Published data should be based on the definitions of consultancy, contingent labour and professional services (referred to as temporary staff for the remainder of this paper) in Annex 4.

6.5.33 All costs relating to consultancy and contingent labour and professional services, should be reported. For example, consultancy, contingent labour and professional costs that have been capitalised into assets or grouped within Programme or IT Services expenditure should also be included to ensure completeness of the disclosure.

6.5.34 Spend on all consultancy, contingent labour and professional services, should be reported regardless of the commercial route through which workers are engaged. The temporary staff costs should not be limited to workers engaged via the Workforce Solutions Framework but should also include procurements of temporary workers through other frameworks such as, but not limited to, Digital Outcomes and Specialists, G-Cloud, Clinical and Non Clinical~~, Technical Services Framework~~ and all other commercial routes. Note that spend on contracted-out services should ~~not~~ be reported as professional services. For contracts that are for a mixture of different types of external resources, you should classify them into the category that represents the majority of the delivery.

Section 2 - Annex 4 - completely redrafted

ANNEX 4 – Definitions for consultancy, contingent labour and professional services.

Extended workforce (non-payroll staff) – Definitions

The extended workforce can be split into three broad categories: Consultancy, Contingent Labour and Professional Services

Understanding the difference between different types of resource and services is essential to ensure that the right type of service and skills are purchased, at the right price and from the right supplier so that value for money is achieved. Further examples and guidance can be found within the Annex of the Consultancy Playbook.

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Consultancy

Consultancy is broadly defined as provision of advice to fill a knowledge gap. This can be to identify options and recommendations, or advice to assist with implementing solutions, and will be time limited. It will usually relate to business change or transformation, but can also focus on more technical, sector-specific expertise. The individuals (consultants) delivering the service (output) will operate outside of the client organisation's structure and staffing establishment.

This definition includes:

Management consultancy, which is the provision of objective advice on an organisation's strategy, structure, management and operations. This includes advice on: long-range planning, reorganising structures, rationalising services and general business appraisals.

Contingent labour

Contingent labour refers to workers who are used to fill existing in-house roles or business-as-usual (BAU) positions for a fixed term. They will work under the supervision, direction and control of the contracting authority's organisation.

This definition includes, but is not limited to:

- A temporary worker sourced and employed by an external recruitment agency to cover short-term operational spikes. Billed on hourly/daily rates through timesheets.
- Worker (Professional) - A highly specialist (e.g., IT Developer, Project Manager) brought in for technical execution under standard daily/hourly tracking.
- Worker (Operational) - An external resource brought in for execution-based, hands-on, or blue-collar tasks (e.g. maintenance, admin support) where professional certifications are not the driver.
- Interim Manager - A highly experienced, senior executive brought in temporarily to hold statutory/leadership authority, manage a crisis, or bridge a vacancy in the executive team.
- named individuals - specific people brought into the contracting authority under a contingent labour model.
- Resource Augmentation - provided by a supplier to supplement existing in-house teams. Usually employed by a supplier that will specialise in specific skills, goods and services. Usually billed on daily rates. This benefits from good contract management as the contractual relationship is between the entity and the Supplier, not the worker. Resource Augmentation should be inside IR35 as the workers are under the CA's direction, control and supervision of the buyer. However if the workers are not a permanent employee of the supplier, then the Off Payroll Working Rules may apply.

- Recruit, Train, Deploy (RTD) - offers a relatively fast and flexible solution that can address skills shortages by providing trained workers who are ready to contribute from day one. RTD allows for a year-round intake and customisable training aligned to meet immediate business demands. This makes it an ideal supplement to apprenticeships to scale teams rapidly or support project-based delivery.
- Independent Contractor - A worker that is self employed, possibly through a personal services company, that operates independently from an agency. They are used to provide expertise that is not available in-house, fulfilling functional or senior positions within the organisational structure and ideally engaged on a short-term basis.

Engagements can be inside or outside of IR35 depending on if the worker is engaged via a Personal Service Company. For engagements for minimum hours, guaranteed hours, shift workers and part year workers.

Professional services

Professional services is an approach where external workers with specific professional experience, accreditation or both, are used to fill a skill or capability gap, to assist the contracting authority in delivering or implementing an operational service. These services normally support digital, procurement, legal, accounting, engineering, architectural, actuarial, and other recognised professional disciplines.

Work conducted via professional services can include, but is not limited to, the following:

- delivery of specific project activities or discrete work packages as part of Business as usual.
- services procurement or statements of work - Services procurement is an industry term for the process of managing an extended workforce to deliver a Statement of Work (SoW), it may also just be referred to as Statements of Work. Services procurement are under the supervision, direction and control of a supplier and focuses on specific outcomes or deliverables rather than the provision of hours worked. There are instances where Managed Services procurement falls under this definition because they are used to award individual Statements of Work.
- work that leads to organisational change for the contracting authority unique activities that aren't Business as usual.

You are not required to report on external auditing under professional services as this is contained within the requirement to disclose operating expenditure.