



Defra Group Management Consultancy Framework: Project Engagement Letter

Completed forms and any queries should be directed to Defra Group Commercial at

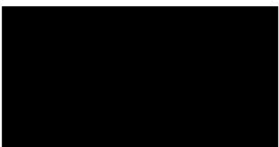





[REDACTED]

Engagement details					
Engagement ref #	DPEL_61540_001				
Extension?	No	DPEL Ref.	N/A		
Business Area	Defra group Commercial				
Programme / Project	General Grants Review				
Senior Responsible Officer	[REDACTED]				
Supplier	McKinsey & Company, Inc. United Kingdom retaining EY as its subcontractor				
Title	General Grants Review				
Short description	<p>Phase 1 – Creation of a Defra Grant Landscape (DGL) and a detailed list of the current commercial infrastructure (i.e. supporting contracts, frameworks etc that are available to support grants delivery), both within Defra and across government.</p> <p>Phase 2 – A consolidated Defra group review of general grant delivery, aligned to the 6 Step process detailed in Government Functional Standard Govs015.</p>				
Engagement start / end date	Proposed start date 27/09/2021	Proposed end date 31/01/2022 (if phase 2 approved)			
Funding source	<p>Phase 1 – Funded by DgC</p> <p>Phase 2 – Funded by DgC</p>				
Expected costs 21/22	[REDACTED]				
Expected costs 22/23	£0				
Expected costs 23/24	£0				
Dept. PO reference	PO: [REDACTED]				
Lot #	Lot 1				
Version #	Final 290921				



Approval of Project Engagement Letter

By signing and returning this cover note, Defra Group Commercial accepts the contents of this Project Engagement Letter as being the services required and agrees for McKinsey & Company, Inc. United Kingdom retaining EY as its subcontractor to provide the services in accordance with the agreed Supplier Proposal under the overarching contract (Lot 1 - Ref 28595), with Defra Group and confirms the availability of funding to support recharge for the services.

Signatures		
Supplier	Business Area	Defra Group Commercial
By:  <i>Signature</i>	By:  <i>Signature</i>	By:  <i>Signature</i>
or and on behalf of McKinsey & Company, Inc. United Kingdom  Partner	For and on behalf of Defra group Commercial  Defra Grants Senior Functional Lead	Defra Group Commercial  Defra Group Commercial
Date: 01/10/21	Date: 30/9/21	Date: 30/9/21
Supplier engages with Business Area to complete. Once agreed, Supplier signs front page and sends to Business Area	Business Area signs front page and sends to DgC	On approval, DgC signs and returns copy to Business Area and Supplier

Supplier contact: 

Business Area contact: 

1. Background

Exchequer funded general grants are becoming an increasingly important way of funding Defra priorities. Spend is increasing significantly with new programmes of grant spend such as Future Farming & Countryside Programme (FFCP), Nature for Climate Fund (NCF), Official Development Assistance (ODA) & the Fisheries Fund. By 2023/24 general grant spend projected to well exceed £3Bn when all Environmental Land Management (ELM) schemes are live.

Multiple teams across Defra group deliver general grants, utilising various delivery models. There are concerns that fragmentation of delivery alongside the lack of any formally recognised centralised, coordinated authority with oversight of the Defra group grant portfolio may be sub-optimal. This fear is compounded by the number of domestic grant schemes that, **appear** to have overlapping objectives and multiple interventions into the same customer base (i.e. to farmers and landowners).

There is also an increasing government spotlight on general grants from Cabinet Office Government Grant Management Function (GGMF), requiring Defra group to demonstrate compliance to the grants controls and oversight regime, delivery of value for money and management of fraud risk. Again, the fragmentation of delivery models may be preventing us from effectively delivering against these requirements.

The NAO Government Grant Services^{*1} report states that all government departments have given less attention to grants than to other policy funding mechanisms such as procurement, despite grant funding increasing in value. We know that this is true for Defra.

The rise in the use of and speed of distribution of grants in response to COVID-19 means there is greater awareness of, and concern about, Defra's effective use of public money. The increase in domestic grants as a result of EU Exit, Covid and delivery of manifesto commitments requires additional capacity and capability to support effective design and delivery across Defra.

We know there are areas of weakness in Defra's end-to-end grant making processes and this was confirmed for Core Defra, Natural England (NE) & Environment Agency (EA) at the latest Cabinet Office GGMF Grant Maturity Self-Assessment. We fully expect this to also be the case for Defra's other grant making ALBs.

We perceive that there are inherent risks & inefficiencies across our end-to-end grant making processes across Defra group – largely due to the fragmentation of delivery.

We believe we now have an opportunity to step back & consider our options for the future to reduce exposure to reputational risk and ensure that Defra grant spend represents good value for money.

^{*1} <https://www.nao.org.uk/wp-content/uploads/2014/07/Government-grant-services.pdf>

2. Statement of services

Objectives and outcomes to be achieved

The following outcomes will be achieved through this engagement:

- A clear understanding of the recent, current and upcoming grant schemes administered across Defra group
- A clear understanding of the current state of the end-to-end grant process across Defra group, with risks and opportunities identified
- A clear set of options for Defra to consider on the future state solution to optimise Defra group grant making, improving value for money and reducing risk

Scope

Defra requires consultancy support to deliver 2 specific phases of activity:

Phase 1a – Defra Grant Landscape (DGL) document

- To design, create, populate & deliver a Defra Grant Landscape (DGL) document that:
 - Is easily accessible (Microsoft Excel preferred)
 - Includes all Defra group general grant schemes with a total scheme value of £1m+ that were live from 1st April 2019 or in pipeline.
 - Can be easily maintained when handed over to Defra
 - Is easily searchable
 - Has all Intellectual Property residing with Defra
 - Has the structure / design be signed off by Defra but includes, as a minimum:
 - GGIS Scheme ID Number & flag if not on GGIS
 - Scheme Name
 - Programme
 - Status
 - Sub-Category
 - Scheme Objectives
 - Priority Outcome
 - Sub-Outcomes
 - Information on Potential Grant Recipients
 - Total Scheme Value
 - Route to Market (competed, direct award etc.)
 - Funding range per Recipient
 - Defra Intervention Percentage
 - Scheme term
 - Delivery Partner
 - Grant Manager
 - Scheme Administrator
 - Scheme Administration cost as a %age of the Scheme
 - Monitoring & Evaluation (who / how procured etc.)
 - Potential Scheme Overlaps along with detail / points of divergence
 - Authority Act
 - SOR
 - IC FBC Approval Date
- To deliver supporting guidance that gives clear definitions of the fields included in the GDL.

- Populate the landscape, initially working with FFCP & NCF stakeholders and then across all other grant making ALBs and Core Defra directorates to complete the grants landscape.
- Analyse and interrogate the findings, seeking out potential overlaps and synergies.
- Propose how the DGL can be maintained, ensuring it is populated in advance of OBC approval, enabling interrogation of data and identification of potential scheme overlaps – potentially utilising GGIS.
- Provide insight on key findings and recommendations in the form of a report that can be presented to Investment Committee (IC) & Corporate Services Board. This will have a key focus on multiple & potentially conflicting interventions into the same recipient base. This report will need to be signed off by key stakeholders within the department.

Phase 1b - Existing Commercial Infrastructure to support Grants

- Collate and create a detailed list of the current commercial infrastructure (i.e. supporting contracts, frameworks etc that are available to support grants delivery), both within Defra and across government, that support delivery of NCF, ODA, FFCP, Fisheries Fund & BaU grants.

Phase 2 - Review of Defra group general grant delivery

- Undertake a consolidated Defra group review of general grant delivery, aligned to the 6 Step process detailed in Government Functional Standard Govs015. To consider (but not limited to considering):

A. Approach to Grant Delivery

- A1. What are the differing approaches to grant delivery and the associated pros and cons?
- A2. What are the current & optimal roles and responsibilities between delivery and corporate functions?
- A3. How do we optimise and ensure full alignment between the roles of Defra Grants Senior Functional Lead and Defra Grants Champion?
- A4. Should we rationalise and/or coordinate interventions across the group? Why and how?
- A5. Is there a need for a Grants Centre of Excellence? If so, what should its role be, how best to align to the roles of Grants Senior Functional Lead and Grants Champion, what would be the optimum shape and size?
- A6. How can we best maintain a single landscape view of all grant schemes (i.e. -from where can this information be readily obtained (i.e., accounts), and what would be the optimum governance and oversight model?

- A7. What are the different grant making & administration systems that are in use? Are they effective? What could be the optimal approach? Is the finance harmonisation project looking at any opportunities to consolidate systems across Defra group? If so what?

B. Assurance Arrangements

- B1. What assurance arrangements are currently in place? How does this compare to assurance arrangements for other funding mechanisms such as procurements?
- B2. What would effective 2nd line assurance for grants look like? How could this be applied? What would be the tangible benefits and what resource would be required?
- B3. What assurances do we currently obtain from our 3rd line of defence? Are they sufficient? How can they be improved?
- B4. What lessons should be learnt from the post event assurance activity for Covid grants?

C. Capability

- C1. What are the different approaches to capability across not just Defra group, but different teams that are involved in the grant lifecycle (policy, finance, commercial, fraud etc?). How effective are they?
- C2. How does our approach to grant award management compare to the procurement contract management approach? Is there any best practice that could be shared?
- C3. How plugged in are we to GGMF eLearning and the grants Centre of Excellence?
- C4. What would be the optimal approach to driving and maintaining capability and what would be the tangible benefits?

D. Grant Administration Costs

- D1. What is the benchmark of grant administration costs across Defra group for defined activities in the grant lifecycle?
- D2. What is the benchmark of grant administration costs for Defra's 3rd party interventions for defined activities in the grant lifecycle?
- D3. How does these rates compare with the CO GGMF 2014 & 2021 Intermediary Administrative Costs studies? What is the variance?
- D4. How does this compare with rates secured so far for key programmes such as NCF & ODA? Are there any 3rd party rates we should be looking to re-negotiate?

E. Commercial

- E1. What is the availability, suitability & maturity of the existing commercial infrastructure, supporting tools and framework to support grant making and management across Defra?
 - E2. What is the existing commercial infrastructure roadmap and what are the current gaps in framework/contract provision? What are the synergies and opportunities with the commercial infrastructure/ route to market and what should be done to ensure best vfm and resource optimisation is delivered?
 - E3. What is the full baseline and opportunity assessment of the current grants landscape (pipeline for the next 12-24 months, top relationships/ SRM, routes to market, categories of grants) and what are the dependencies? .
 - E4. What could the commercial grants strategy look like for Defra group Commercial?
- Create a consolidated Defra group strategy / report that:
 - Gives a clear overview of the current 'as is' position across Defra group
 - Highlights risks and issues
 - Identifies opportunities for improvement in the form of an opportunity assessment (a clear case for change argument and articulation of the benefits to Defra of implementing recommendations)
 - Proposes a future design solution
 - Proposes an approach to implementation
 - Create a grants commercial strategy that:
 - Gives a clear overview of the current 'as is' commercial position across Defra group. To include as a minimum a full baseline and opportunity assessment of the current grants landscape (pipeline for the next 12-24 months, top relationships/ SRM, routes to market, categories of grants) and dependencies
 - Highlights risks and issues
 - Identifies opportunities for improvement in the form of an opportunity assessment (a clear case for change argument and articulation of the benefits to Defra of implementing recommendations)
 - Proposes an approach to implementation

Phase 1 is to be delivered in c. 4 weeks.

Phase 2 is to be delivered in 8 weeks.

A provisional timetable is detailed below:



Assumptions and dependencies

The delivery of this work is dependent upon:

- Timely, reasonable access to relevant officials across Defra group.
- Timely access to and provision of data and documentation from across Defra group, including data required to develop the DGL.
- Timely decision making.
- The Supplier and their contractors are not responsible for validating Defra-supplied data and this responsibility lies with Defra. Defra-supplied data will be returned to Defra following completion of the engagement.
- Defra agree that the data provided by them may be processed on either Supplier and contractor technology or on technology provided by Defra for this purpose.

Deliverables

Phase 1:

- i. Fully populated DGL
- ii. DGL guidance documentation
- iii. PowerPoint report detailing findings and recommendations from DGL
- iv. Appendix of current state detail and analysis of existing commercial infrastructure to support grants

i, ii, iii To be signed off as accepted by Defra Grants Functional Lead
iv To be signed off as accepted by Defra Commercial Director

Phase 2:

- i. Consolidated Defra group strategy in PowerPoint
- ii. Proposed grants commercial strategy for DgC, following the principles of the DgC procurement commercial strategy template



- i. To be signed off as accepted by Defra Grants Functional Lead & Defra
ii. To be signed off as accepted by Defra Commercial Director
Commercial Director

The parties will jointly agree the format and content of the work products to meet Defra's confidentiality requirements and the Supplier and their contractors' requirements to maintain a copy of the engagement documentation for professional record keeping purposes. Defra will be required to keep a full copy of the engagement work product for a period of seven years following issue and to make this available to the Supplier and their contractor on written request, if the request is deemed reasonable by Defra.

Deliverable	Success Criteria	Milestone / Date	Owner (who in the delivery team?)
Project Stage A			
Fully populated DGL	Signed off as accepted by Defra Grants Functional Lead	Tuesday 26 th October 2021	
DGL guidance documentation			
PowerPoint report detailing findings and recommendations from DGL			
Appendix of current state detail and analysis of existing commercial infrastructure to support grants	Signed off as accepted by Defra Commercial Director		
Project Stage B (additional stages can be added)			
Consolidated Defra group strategy in PowerPoint	Signed off as accepted by Defra Grants Functional Lead & Defra Commercial Director	Monday 31st January 2022	
Grants commercial strategy in PowerPoint	Signed off as accepted by Defra Commercial Director		
Internal Capability Development Outcomes			
Social Value Outcomes			

Limitations on scope and change control



Unless instructions to the Supplier are later amended in writing, the work undertaken will be restricted to that set out above. In providing the services detailed above, the Supplier will be acting in reliance on information provided by the Business Area.

The Project Engagement Letter is the agreed contract of work between the Defra Group Business Area and the Supplier and can be varied under the change control process. Any changes to timescales, scope and costs will require approval by DgC.

Defra will seek Supplier's prior written consent before using Supplier's (or its Subcontractor's) name external of Her Majesty's Government.

3. Delivery team

Across both phases of work, given that McKinsey is prime contractor, quality oversight will be provided by [REDACTED] in the form of a minimum of two deliverable reviews, and engagement in key stakeholder meetings. [REDACTED] is Engagement Partner for this work, with responsibility for ensuring overall quality.

Name	Role (link to stage/s resource will work on)	Grade	Daily rate	# of days	Cost
[REDACTED]	Engagement Partner	Partner	[REDACTED]	1	[REDACTED]
[REDACTED]	Subject Matter and Resource Oversight	Managing Consultant	[REDACTED]	1	[REDACTED]
[REDACTED]	Lead Consultant	Principal Consultant	[REDACTED]	1	[REDACTED]
[REDACTED]	Grants Analyst	Senior Consultant	[REDACTED]	1	[REDACTED]
[REDACTED]	Quality oversight	Partner	[REDACTED]	1	[REDACTED]
Total				5	[REDACTED]

Total resource Total days* Engagement Length** <small>*Total days worked across all resources</small> <small>**Total working days in engagement</small>	
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McKinsey and EY would welcome the opportunity to further discuss the resourcing structure for Phase 2 with Defra, following the completion of Phase 1. However, an indicative structure for **Phase 2** is detailed below.



For the avoidance of doubt, the total of [REDACTED] is the agreed fixed cost for Phase 2 under the scope detailed in this DPEL. Should there be a substantial change to the scope of Phase 2 then this may be revisited and a revised DPEL agreed:

Name	Role (link to stage/s resource will work on)	Grade	Daily rate (the below is illustrative and an initial estimate and a fixed fee is agreed)	# of days	Cost
[REDACTED]	Engagement Partner	Partner	[REDACTED]	1	[REDACTED]
[REDACTED]	Subject Matter Resource and Oversight	Managing Consultant	[REDACTED]	1	[REDACTED]
[REDACTED]	Lead Consultant	Principal Consultant	[REDACTED]	1	[REDACTED]
[REDACTED]	Grants Analyst	Senior Consultant	[REDACTED]	1	[REDACTED]
[REDACTED]	Quality oversight	Partner	[REDACTED]	1	[REDACTED]
Total				5	[REDACTED]

Business Area's team

Key Business Area Contacts:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



4. Fees

Defra Group will reimburse the Supplier for approved work done according to the table below. The total fees for the scope of work detailed in this Engagement Letter will be [REDACTED] inclusive of expenses and excluding VAT	Cost	Due (link to milestone dates)
A		DD/MM/YY
1a. Populated DGL, associated guidance and PowerPoint report, signed off as accepted by Defra Grants Functional Lead [REDACTED]	[REDACTED]	26/10/21
1b. Appendix of current state detail and analysis of existing commercial infrastructure to support grants, signed off as accepted by Defra Commercial Director [REDACTED]		
B (additional stages can be added)		
Consolidated Defra group strategy signed off as accepted by Defra Grants Functional Lead & Defra Commercial Director [REDACTED]	[REDACTED]	31/01/22
Grants commercial strategy signed off as accepted by Defra Commercial Director [REDACTED]		
Expenses		
Not Payable	£0	
Grand total	[REDACTED]	

Expenses statement

Defra Group overarching contract rates include expenses for any travel to/from any UK location defined by the Business Area as the base office for the work. The base office location shall be London. Only expenses for travel at the Business Area's request from this base can be charged. Permissible expenses to be charged shall be in accordance with Defra travel and expense policy.

Payment

The Supplier should invoice fees in arrears in accordance with the defined milestones. Defra Group will reimburse fees on confirmation of approval of work delivered by the Business Area. EY will keep an accurate record of time spent by EY staff in providing the services and provide this information and supporting narrative, if requested.

5. Governance and reporting

As part of the Call-Off Contract, the Supplier and Business Area agree to provide reporting on the following:

- EY's completion of the time tracker on a monthly basis, to track days worked by EY consultants;

Feedback and satisfaction

The Business Area and Supplier will have a minimum weekly meeting where the Supplier will report on progress. This shall be arranged by the Supplier.

Defra Group reserves the right to hold review meetings during the assignment, discussing what went well, opportunities for improvement on future assignments and similar. This will incorporate any 'Show and Tell' documentation or transferable products that have been produced.

A post-engagement quality review of the engagement will be arranged where the Business Area rates the services provided.

Non-disclosure agreements

The overarching MCF2 framework include confidentiality requirements. There are no additional confidentiality requirements.

6. Exit management

The agreed actions and deliverables by the Supplier for when the contract ends are as follows:

Upon exiting the project engagement, the Supplier will provide all final deliverables alongside supporting handover documents. Knowledge transfer sessions will also be arranged, including a session on ongoing maintenance of the DGL.

Notice period

The nature of these engagements require that Defra Group have the ability to terminate an engagement with notice. Defra Group's termination rights for this engagement are marked below.

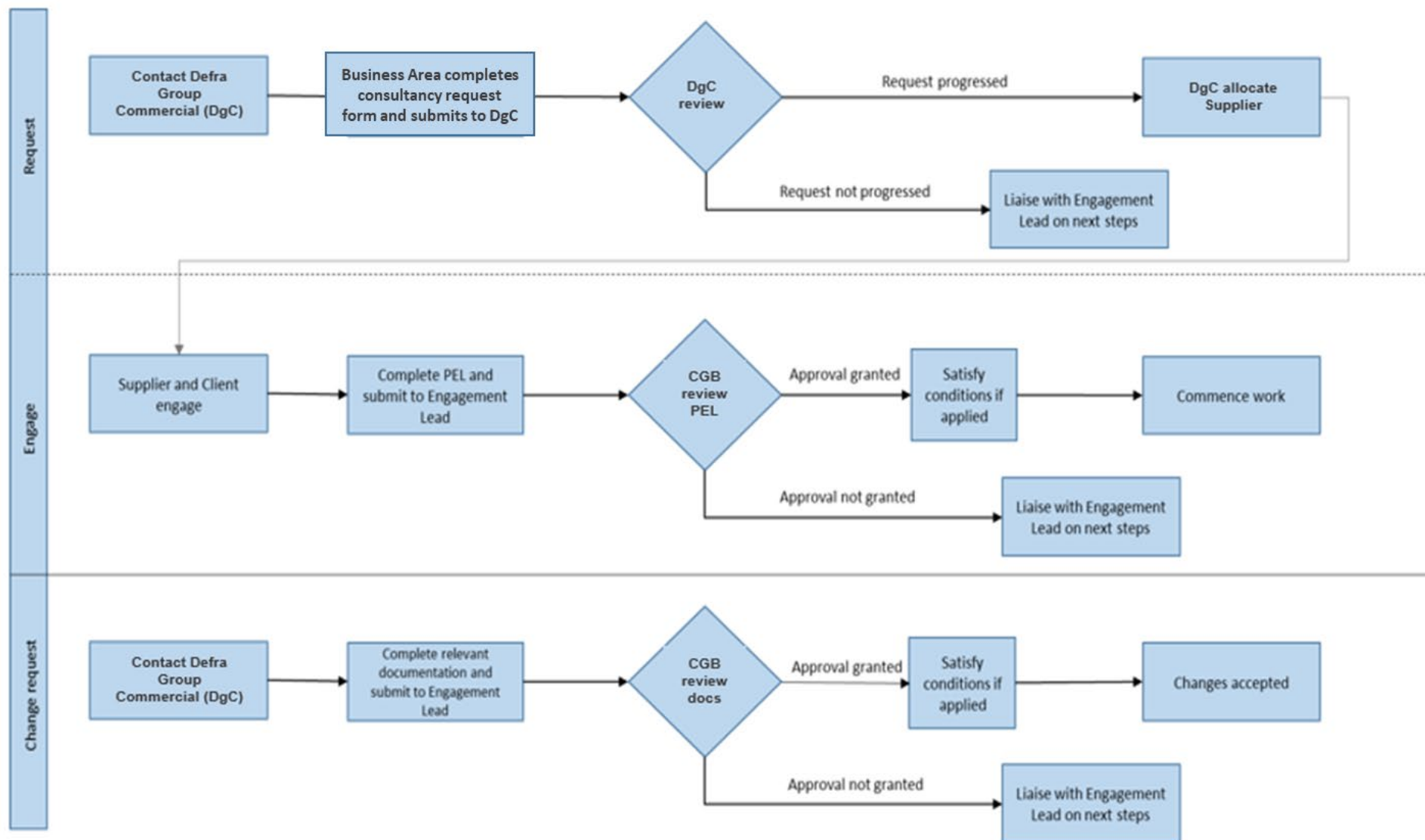
The minimum notice period for termination is 5 working days regardless of engagement duration.

1. Business Area identifies a potential need for delivery support, initiates a conversation with DgC, confirms which approvals are required for an engagement to occur, e.g. Consultancy Governance Board if over £100k or DgC Corporate Services Delivery Board if under £100k.
2. Request Form completed by Business Area and submitted to DgC at:
3. The form is reviewed by the DgC team around which resource route is most appropriate (e.g. Lots 1/2/3) and may request additional information/edits from the Business Area if required.
4. Lot / Supplier is selected and briefed on the request by DgC, then introduced to the requesting Business Area for further discussion and confirmation of work to be delivered
5. A Project Engagement Letter is completed by the Business Area with input from the Supplier (with supporting proposals as appropriate) and then finally agreed between the two parties, including evidence of all required approvals either being in place or being progressed (e.g. PO) and forwarded to the DgC for review by the Consultancy Governance Board (CGB). Approval states are:



Department
for Environment
Food & Rural Affairs

Approval state	Definition	Permissions
Full approval	<ul style="list-style-type: none">▪ DPEL agreed▪ DPEL signed: Supplier, Dept and CO▪ Purchase Order number	<ul style="list-style-type: none">▪ Work can start▪ Supplier can invoice for work





Department
for Environment
Food & Rural Affairs