Public Accounts Committee

Oral evidence: Commissioning and contracting with smaller providers, HC 882

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Members present: Meg Hillier (Chair); Deidre Brock; Chris Evans; Mr Stewart Jackson; Nigel Mills; David Mowat; Karin Smyth

Sir Amyas Morse, Comptroller and Auditor General, Adrian Jenner, Director of Parliamentary Relations, National Audit Office, Joshua Reddaway, Director, National Audit Office, and Marius Gallaher, Alternate Treasury Officer of Accounts, were in attendance.

Witnesses: John Manzoni, Chief Executive of the Civil Service and Permanent Secretary, Cabinet Office and Sally Collier, Chief Executive, Crown Commercial Service, gave evidence.

Q1 Chair: Welcome to the Public Accounts Committee on the afternoon of 21 March 2016. We are here to look at the National Audit Office's investigation into Government spending with small and medium-sized enterprises. As our witnesses and others may know, we as a Committee are very interested in looking at Government procurement generally. Of course, in the last Parliament, the Government had an avowed target of letting 25% of the value of Government contracts to small businesses, and that has now been increased to 33%.

We do not really know if Government spending with SMEs has got better or worse because, Mr Manzoni, you have changed the way that you measure this four times in the last five years—we are not particularly happy about that and we might want to probe you on that. According to the NAO, at the moment you do not know how many SMEs are working on Government contracts—you are relying on the good will of larger providers to report their SME spending—and you do not know whether what you have done over the last five years has had any impact on the level of competition or innovation in the public sector marketplace. On the other hand, we acknowledge that there has been an improvement from five years ago.

I welcome our witnesses, John Manzoni from the Cabinet Office and Sally Collier from the Crown Commercial Service. We do have a hashtag today, which is #smallproviders. Sally Collier, I know you have just had a pre-appointment hearing with one of our sister Committees and you are off to Ofqual, so what is happening to your position at the Crown Commercial Service?

Sally Collier: There is an interim appointee taking over from me: a gentleman called Malcolm Harrison, who has very deep experience of procurement. He was the chief procurement officer for Nestlé, so he will be taking over from me in the interim period.

Q2 Chair: Do you know, Mr Manzoni, when the permanent replacement for Ms Collier will be appointed?

John Manzoni: Malcolm has agreed to undertake the role for six months from 1 April, when Sally leaves, and we will be competing in good time in order to replace him before six months from April.

Chair: Okay, so by the end of this year, at the latest, there will be a permanent Crown Commercial Service head in post. We wish you well, Ms Collier, but in the meantime you are here speaking about the Crown Commercial Service, so we shall move straight on to our questioning. I am going to ask Nigel Mills to come in first.

Q3 Nigel Mills: Mr Manzoni, can you perhaps tell us in your own words how well you think this went in the last five years?

John Manzoni: Yes. I think, as at many times, that this a story of a glass half full or half empty, and I prefer to take the half full view. We have done a lot in the last five years. Five years ago, we didn't actually measure what we were contracting with. We didn't measure SMEs. We didn't measure any of those things. So despite, as the Chair has just said, changing the measurement methodology over the subsequent period—rather than changing, I would say improving—we have done a lot of things.

First of all, we do now have measures, which we track. We have set out a set of actions in central Government first, which were subsequently confirmed in legislation to the wider public sector. Those include things like ensuring that PQQs didn't get in the way; prompt payment codes, so that we know that 80% of central Government pay their bills within a short period; and advertising contracts. We have more than 23,000 suppliers and buyers on the Contracts Finder website, so there is a level of transparency there that didn't exist before. We have done mystery shopper; we have put SME Crown reps in place; we have done the Digital Marketplace, which has £1 billion going through it, 51% of which are SMEs—I could go on and on. I think this is a substantial amount—

Q4 Chair: Can I just chip in on the Crown rep for SMEs? You glossed over that; you say you put them in place. You have got the Crown rep for SMEs and the one for the voluntary sector. Both positions are vacant at the moment, as I understand it.

John Manzoni: The Crown rep for SMEs is actually being advertised right now. The gentleman who was doing that stepped down—I can't remember the exact date; some time halfway through last year.

Q5 Chair: Halfway through last year. It was only advertised in January, so there was a bit of a gap.

John Manzoni: There was a bit, and I acknowledge that this has not been a perfect process, but none the less I think that particular individual was very forthright. He was very pro-SME.

Q6 Chair: Yes, but he went, so what happened between him going and its being advertised in January?

John Manzoni: We are advertising now, and I think we are in the final phase.

Q7 Chair: Why wasn't it advertised sooner?

Sally Collier: We are shortlisting now. It was a really important appointment to get right. We did take some time to think about what was needed, what with the excellent work that Stephen had done, and what was really required. I think we took some time to get the requirement right. I have been involved in the longlisting.

Q8 Chair: So he did the job, and you had to think about it again before re-advertising.

Sally Collier: Yes, it was the first time we had had one, so you would be right to reflect.

Q9 Chair: So what has changed, then, if you have had to think about it?

Sally Collier: I think we still want a strong voice for small firms, clearly, so we want someone who will stand up and be independent, but also recommend initiatives that Government can take forward and understand a broad range of initiatives.

Q10 Chair: So what is different between the previous position and now? That is what I am saying—if you had to have a gap and think about it.

Sally Collier: I think it is probably a reconfirmation of what Stephen did. Perhaps more—

Q11 Chair: Sorry, you are staying Stephen. Perhaps for anyone listening you can say who you are talking about.

Sally Collier: Sorry, Stephen Allott was the previous Crown representative. I think it is looking at the balance of the role between an independent voice and someone who can represent the full range of what is going on.

Q12 Chair: So what did Mr Allott not do that you are having to change?

John Manzoni: Maybe I can help. Stephen Allott was a specialist in IT. His great achievement was to push the Digital Marketplace, and that was an extraordinary success, but there are more SMEs than those in IT. So, for instance, we might want to broaden the skill set of the individual in that role. He had very little experience outside that particular sector, and the question is what about the FM sector?

Q13 Chair: Realistically, you only get one person, so they will usually have experience, if they are an SME, in their own sector. Are you therefore looking at people who have worked with a wider group of people if are trying to broaden out from just IT?

John Manzoni: I haven't looked at the list. Sally is doing the recruiting.

Sally Collier: We have looked at the longlist, and we are looking at someone who can represent a whole range of different sectors. Some of the candidates come from a particular specialism, but many of them have perhaps invested in small businesses or have owned and run a range of small businesses across the sector.

Q14 Chair: Okay, and then the voluntary sector position—sorry, Mr Mills, but I wanted to pick this up when it came up. What about the voluntary sector rep?

John Manzoni: We are advertising for that. We are going out to market for that.

Sally Collier: I think we are a little further behind on that one, but we are intending to fill that, too.

Q15 Chair: What is the problem? Why is it going slow? Is there any particular reason? Are you revisiting that role as well?

Sally Collier: That is not in my area. I understand we are a little bit—

Q16 Chair: You head the Crown Commercial Service.

Sally Collier: Yes, but I am not responsible for appointing the voluntary sector representative.

John Manzoni: I think the voluntary sector falls into the Cabinet Office. I think the honest truth is that they were somewhat consumed with Kids Company and one or two other things, which is why it has gone a bit slower.

Q17 Chair: That is interesting, because I was recently approached by an organisation wanting to bid for Government contracts. As they were a voluntary group, it was difficult to know who to refer them to.

John Manzoni: Yes, it is Mark Fisher's organisation inside the Cabinet Office. There are a number of things in the voluntary sector that we recognise we need to pick back up, such as the training in commercial for the voluntary sector, which was dropped for a period. We have picked that back up, and I think this forms part of the same thing.

Q18 Nigel Mills: The reason for asking the first question, Mr Manzoni, was to try to see how successful you thought this has been. From the list of initiatives, I sense that you are quite happy with it.

When we promised that we would give a lot more work to small and medium-sized businesses, I have a feeling that people probably thought that we meant that we would give it directly to them so that they would be contracting with the Government, whereas in actual fact most of this work—probably something like 60% of it—is through a prime contractor that feeds the work on. I sense that a lot of small businesses aren't happy that some of the public sector pay for the work they do is creamed off by a prime contractor that then inflicts some other rather unfair terms on them. Do you actually think that it is a success when 60% of the work that we give to small and medium-sized businesses is through somebody else first?

John Manzoni: The answer to your question is that I think it's fine. Do we have more to do? Yes. We did business with 26,000 small and medium-sized enterprises last year, and we have worked with 85,000 different companies since we started counting in 2011, and I don't think it is feasible for central Government to interact individually with that number at that level—there are 5.5 million of them in this country. I believe there is a natural supply chain, and we have lots to do to encourage our supply chain not to hold cash and pay at the last minute, and all those sorts of things. We have to work very hard on that, but I don't think that a picture where we contract directly with all those small and medium-sized enterprises is a reasonable picture to paint.

In digital, where we contract through the Digital Marketplace—we have spoken before about the requirement as you disaggregate and disintermediate the big contractors, which we are doing in that space—the burden on central Government's skillsets and commercial capability is enormous, so we have to balance those things. Life is a balance. In the context of that balance, I repeat that I think we have done a pretty good job. Are we done? We have lots more to do, but it is not bad so far.

Q19 Nigel Mills: What is your vision for 2020 if we are to hit the 33%? Would you like to see that being 50:50 direct and indirect? Do you think you can go better than that?

John Manzoni: No—actually, I am not sure that I would venture a guess as to what the balance is. I buy the fundamental notion in this Report, which says that what we have done so far is to start measuring. We have taken down a series of barriers to allow it to be easier for small businesses to participate. We have to do more on that, but I also buy the hypothesis that you probably have to get a bit more specific and a bit more focused in certain areas in order to get to the next level, whether that is about particular supply chains in the MOD, for instance, or more work through Sally's organisation in CCS, which has a quite significant target going forward, and higher than many other Departments. I think we have to look in a more focused way to try to get to the next level. I do not know whether it is 50:50, 60:40 or what, and I would not even venture to guess, but we can still make 33% for sure. However, I don't know whether we will do that directly.

Q20 Nigel Mills: When you say you want to be a bit more focused, a helpful way of focusing the mind is to have a target. Do you not think it would be a good thing at the start of the process to set a measure saying, "Actually, we do want to be able to break up contracts and disaggregate, and try and be contracting direct. We do want to see that 40% get past 50%."? Would that not be helpful in focusing the minds of those doing the commissioning?

John Manzoni: We are actually doing it, but we are doing it in a different way. Each sector, whether it is energy, travel, print, hotels or facilities management, is different in the marketplace and how we buy them is different. The real issue is whether we can build the capability internally, because that is how we are going to get this done. We are going to build somebody who really understands how to interact with the energy market. Whether that is disaggregatable—as it happens, we have one of the best energy purchasers of all. It is done by a few people on a trading desk, whereas travel and other things are much more amenable to a much more disaggregated process. So the answer to your question is that we have to build the internal capabilities to get category strategies that can balance the need to get SMEs with the best value.

Q21 Nigel Mills: Thank you, but what gets measured gets done. The Prime Minister says, "Where we can, we'll break up contracts so small and medium-sized businesses have got more of a chance of winning them," but it doesn't strike me that you really have any kind of tangible, auditable or trackable measure that says, "How will we know whether we are doing that?". That is because we are quite relaxed about whether it goes through an intermediary in the first place.

John Manzoni: I think we will have those. We will get progressively clearer. We have targets by Department. I don't think that is the end of the game; we have to keep working at it. I can't do it all a priori. We have to build the skills in Sally's shop so that they can start getting the sophistication of exactly how to get those targets—how many of those contracts. Otherwise, I don't know—and I don't think we know in detail yet—which supply chain to go down or exactly which category is most amenable, because what we do not want to do is cross the VFM line.

Q22 Nigel Mills: Don't you see how we fear that we'll hit the 33% by doing some strange survey or audit of contracts awarded to very large businesses and try to guess what may or may not be a small contractor, and that we will try and find a way of proving that somehow some money just about got somewhere that looked like it might be a small or medium-sized business?

Chair: Mr Mills is a cynic.

Nigel Mills: What we want to see is a strategy that, from the start, says that we want to be contracting directly with small and medium-sized businesses and not just with a few large contractors. To encourage Departments to do that and to think about how they set up their contracts, we will say to them, "Your target is not just the 33%"—or whatever—"with small and medium-sized businesses indirectly or directly; we want you to be directly hitting this number." Would that not help in this situation?

John Manzoni: You have heard me say this before: if the centre decides to make some arbitrary target, there is a very great danger that it becomes very shrill—at which point, you lose credibility. I don't know how to set those targets intelligently right now and I am not prepared to set targets until we can be intelligent about it.

Q23 Nigel Mills: So is 33% an arbitrary target that sounds shrill, or is that an entirely objective, sensible target that sounds reasonable?

John Manzoni: The more aggregated and in the round you go, the less shrill it is, of course, and 33% is achievable. It was done with some intelligence—I am sure that Sally can describe some of the intelligence that was used to set the target—but much more disaggregated. We have also worked with the Departments. We know roughly where we are going to go for. I think the appropriate level of intelligence has been applied, for now. That does not mean to say that we do not completely accept the notion of getting more clear as we go forward.

Q24 David Mowat: You just used the phrase "category strategy", which I thought was an interesting one. We all understand that you may have a different strategy for print, travel, IT and whatever. Given that, however, is it not reasonable that you have a different target for each category? It would seem to me that in some of those categories you get tremendous benefit from procuring at scale, and it might not actually be in the Government's interests to try and use SMEs for that, whereas in other categories it might be much more in the Government's interests to use SMEs. It seems to me that having a target of 33% for each category must be wrong.

Sally Collier: Yes, indeed; it is. For CCS, I have set a global target of 35% for this Parliament. Within that, each category has a different target and I am seeking to break that down for CCS to a direct target and an indirect target. We will take action on all fronts. It may make sense to do that directly, such as in IT. There may be other areas, such as consultancy and contingent labour, where we will absolutely want to contract directly. There will be other categories where it does not make sense to do so and where there are deep supply chains that we would not want to disrupt.

Q25 David Mowat: So in some categories you might decide that there are procurement advantages. Usually, procurement is about economies of scale. In some categories you might decide that we should actually become more centralised.

Sally Collier: In some categories. I have a range of targets to meet that 35% at the moment; I have some categories at 40%, some at 31% and some with different splits between direct and indirect.

Q26 David Mowat: For example, for travel you might decide that you want to have only two suppliers in the whole public sector.

Sally Collier: Actually, travel is an interesting one. You might think that, but that is an area where SMEs have now been hugely successfully in providing something that, hitherto, was provided only by large companies.

Q27 David Mowat: So in which categories do you think you can get economies of scale?

Sally Collier: All the categories—CCS is a common goods and services provider. There is this black and white notion that you can only aggregate or disaggregate. The next phase is about being more sophisticated. In energy, clearly we are not going to buy £2 billion-worth of energy in hundreds of small firms. In fleet, we will go direct to the manufacturers of vehicles and say, "We want the best deal for the Government." If you take fleet, for example, where there are local supply chains servicing those vehicles, that is where you would want SMEs. In each category we need to get more sophisticated. We have started in travel, and SMEs have been very successful. IT is a well publicised success. We need, across the board, to get to the 33%—in my case, 35%—in order to get more sophisticated in each of those.

Q28 Deidre Brock: So, the Government have reported that more than 25% of their reported procurement spending is now reaching small and medium-sized businesses. We know that; it is a Cabinet Office estimate. How has that target influenced the Government's approach to contracting with SMEs? Do you see a real change since that target was put in place?

John Manzoni: Oh yeah—from the most obvious to, possibly, the slightly less obvious, and in the digital marketspace. We have the Digital Marketplace, which, as I said, has grown to very close to £1 billion going through it in the past two years. Some 89% of the suppliers on there are SMEs and 51% of the business that has gone through there since it started has been on SMEs. I think that is some of the most obvious. Sally has talked about travel, where, to our surprise, the team put a framework out and has ended up with an SME and a value-for-money saving. There are other areas such as the networks contract, where the team—with the knowledge—went back out to the market. I think that 19 out of 50-odd suppliers on that framework are now SMEs. That was not the first answer, so they went back and worked it. This is an iterative process.

Sally Collier: I think having that target—I have been in this place for a long time—absolutely focuses individuals and organisations on how to meet it. You are right. I think that the NAO acknowledges that there has been a sustained focus, and it has been sustained; it has not changed. It has been constant and for the next Parliament it will not change. I think it’s good.

Q29 Deidre Brock: Okay. Why were those specific targets chosen? You had 25% and now it’s 33%. What made you pick those? Was it random? Was it because you thought those were easily achievable? Or, being very cynical about it, was it that—because we cannot really measure it yet—one third of procurement spending already reaches SMEs and continually changing the ways in which you estimate that progress makes it look as if fairly steady progress is being made?

Sally Collier: I cannot comment on why the original target was set. It was a manifesto commitment. On the jump from 25% to 33%, we know that we were tracking at around 27% in the latest numbers. Is that a big shift? Yes, it is a big shift in where we need to get to. Is that a sufficient degree of stretch? Yes, absolutely. Can we see all of that 33% at the moment? No. It is not an exact science. I cannot pinpoint the statistics set that says—

Chair: But Ms Brock asked how you chose that.

Deidre Brock: Who chose it?

Q30 Chair: Can you perhaps just talk us through who chose it and how you worked through that process?

Sally Collier: Well, the 25% was a manifesto commitment—

Chair: Yes, we get that bit.

Sally Collier: And the 33% was a manifesto commitment.

Sir Amyas Morse: So they are just arbitrary numbers.

John Manzoni: No. It was an informed judgment.

Q31 Chair: Was there any advice?

John Manzoni: We have just discussed some of the complexities, sector by sector, which is, of course, why you cannot immediately go out. Because the buying is done through Departments, we have to cross-check the sectors with the departmental spends and we have to iterate towards the solution, but I think that it was a good judgment by the professionals to say that this is a stretching but achievable target.

Sally Collier: From the 25% to the 33%, yes.

Chair: The Comptroller and Auditor General wants to chip in.

Sir Amyas Morse: I understand your comments, Mr Manzoni, about the glass half empty and all that sort of thing, but it is not an unreasonable expectation that you should know how much things have moved forward by, is it? Do you not regard that as a desirable place to be in the future; that you should know how much things are improving by?

Sally Collier: Yes, of course. I think we do know by how much things are improving.

Sir Amyas Morse: You can measure it?

John Manzoni: Would it help if I said that in indirect spend since 2013-14 we have moved forward £421 million, and in direct spend between 2011-12 and 2014-15 we have moved forward £438 million? That is nearly a £1 billion. We know that because on those bases the measurements did not change. Now, we have been improving the measurement process, but in answer to your question, we do know.

Chair: I have to say that I love the way you talk about the changes as improvements. We were not going to let you get away with that, but since you are bold.

Q32 Deidre Brock: That continual changing does make it difficult to see whether steady progress is being made. Why does the basis for estimating that spending keep changing?

Sally Collier: At the beginning of the last Parliament no one could count whether they did any business with an SME, so we started off by asking, "How do we count directly?" which is the first part of the target, and classifying each company. Now all Departments do that. So the direct spend was an iterative process. We got that pretty much sorted after a couple of years and now it has been stable for three years.

With the indirect spend, where do you start? Well, we started with a small number of suppliers. If we only had a small sample of strategic suppliers you would come to us and say, "You have only measured 20 of them, so how can you tell that that's indicative?" So we thought, "We need to get to a point where we have 80% of the spend", which we now have with 500 suppliers. It was an iterative process to attempt to get the dataset to a place where we could reliably say, "This is the number".

Q33 Deidre Brock: I appreciate that, but as a result can we be certain that the amount of spending going to SMEs has increased since 2010?

Sally Collier: Clearly there have been some changes, and I can understand why it is apples and pears, but on the numbers that John has just cited we can show some improvement where the measurement has stayed stable.

Joshua Reddaway: Just to refer to figure 3 in the Report, I want to be clear that those numbers are the numbers that are in the Report, where you look at the absolute spend that has gone through. I also want to draw attention, though, to the caveat that we put around that data, which is that the data has changed in as much as it has been improving itself over that time, as more and more organisations have been updating their stuff and also as the data has been cleansed for getting more accurate. There were, to begin with, some organisations that were classified as SMEs that were not SMEs, and that has been improved as it has been going forward. So we were not sure enough to put that number directly, but it is the number that is recorded in the system.

Sally Collier: I would come back on that, Joshua, and say that not only has it improved, but there have been movements both ways, so companies that were classified as SMEs have now been taken out.

Chair: So you are confident that the 2014-15 model, going forward, is a good measure.

Q34 Deidre Brock: So that is settled? That is the baseline for the future and we can compare everything from that point?

Sally Collier: I think it is a heck of a lot better than it was five years ago. Can I say absolutely that we are never going to change it? We will continue to try to get a realistic and stable number going forward.

Q35 Deidre Brock: Good. How will you ensure that Parliament will actually be able to see easily what progress has been made, if there are likely to be changes?

Sally Collier: We will continue to improve and track. I think you can see from the area where the measurement stayed broadly stable that we are, and we will build on that year on year. Where there are elements that stay the same, you will be able to track.

Q36 Chair: I think one of the points that Ms Brock is trying to make as well is that some of that business might have gone to some of these small businesses anyway. So how are you watching, as you track through this information—we recognise what you said about why you are changing it—to see that this would not have gone to those companies anyway? What can you point to that might show us where Government interventions made a difference?

John Manzoni: With respect, Chair, this is the half-full/half-empty thing.

Chair: We are the Public Accounts Committee, Mr Manzoni.

John Manzoni: Of course it would be lovely if we could snap our fingers and have a perfect measurement system.

Deidre Brock: It is more about being able to measure it from year to year and make sure that we are making progress, because at the moment, certainly according to the NAO Report, it is quite muddy and people are having difficulty tracking whether that improvement is taking place.

Q37 Chair: Can we be clear which bits are going to remain stable? We recognise that you will be adjusting and changing it. Which bits are stable? Where can you say to us pretty clearly, hand on heart, that when we have you back in two or three years' time, we can say, "Compare this with this, and it's exactly the same"? Which bits do you think will still be imperfect?

Sally Collier: I think direct is pretty stable. There is a classification on Departments' accounting systems. We take that figure. Yes, each year there will be slight adjustments moving in and out, but you would not expect—

Chair: Well, some small businesses presumably become large businesses at some point.

Q38 David Mowat: Quite. Most small businesses—not all—would like to become big businesses. Given that we are slanting our procurement practices in some way in favour of small businesses, which then get the work, do well, maybe use the Government as leverage in other places and all the rest of it, if they then become a big business they are no longer on your SME list, are they?

Sally Collier: No.

Q39 David Mowat: So how do you deal with that? It doesn't seem rational if your procurement slanting now means that a trusted supplier who has done well loses, but that is the consequence of this sort of policy, in which we have arbitrary targets.

Sally Collier: Yes. I guess my response to that would be that I do not think we yet have the luxury of saying that the reason our target has gone down is that they have all become—would that we could.

Q40 David Mowat: No, but they no longer qualify as an SME, because the requirements for that are pretty precise.

Chair: It might be counted as a success story.

Q41 David Mowat: Well, it wouldn't help with the procurement numbers that we are evaluating, would it? You might say, "Look, we're still going to use you, even though you're too big to count." You would get into a loop of unintended bad consequences, wouldn't you, by having arbitrary targets?

Sally Collier: Potentially, but as I said, do I think this is a good thing? Do I think the work we have done to remove some barriers is a good thing? All I know and all I can speak of is my own organisation and having that target. On the travel deal, for example, would we have got it anyway? I am not sure we would have got some of those results. Some of them, yes.

Q42 Deidre Brock: Quite a number of initiatives were started up, and I think that was a good thing, but of course some of them have stalled or stopped altogether. Do you feel that those initiatives—things like the SME panel and so on—have not had enough of an impact on the SMEs actually winning contracts directly from Government? Were you surprised by those results?

Sally Collier: I think colleagues in the NAO say they cannot be certain of a direct correlation between the initiatives. I am absolutely certain that some of the actions that we have taken have had a material impact over the last five years. We have legislated, for the first time, for a number of things that have never been done before: the introduction of Contracts Finder, the abolition of PQQs. Many of those things—

Q43 Chair: Can you just say what a PQQ is, for those watching?

Sally Collier: Sorry, I have gone into byzantine procurement language. They are pre-qualification questionnaires. So there are things we can point to. For example—forgive me for going into that language again—there are a number of procurement routes you can use: an open route or a restricted route. At the beginning of the last Parliament, almost exclusively, the majority of the UK's procurements were using the restricted route, which meant that you said, "Please come and bid for my contract. I will then shortlist you down to a smaller number, and then you will bid, and I will shortlist you based on what your previous accounts have been." Basically, there was a bit of discrimination in there. Small firms said to us, "You've kicked us out before you've got any idea of what our solution is." So we have changed that. We set a presumption in central Government that it was not restricted procedure that was used, but open procedure, saying, "Come and bid, and then we will look at your solution."

I was looking at the stats yesterday. From 2011 to 2014-15, the UK has gone from having the majority of its procurements restricted to having the majority of its procurements open. May I say to you that there is then a direct correlation between these things? No. Can I be convinced, however, that that has helped small firms in their bidding? Yes.

Q44 Deidre Brock: Have you undertaken any sort of formal evaluation of the impact of those initiatives?

Sally Collier: Not to correlate to the numbers.

Q45 Deidre Brock: Is that on the horizon? Is that something that you will be considering?

Sally Collier: I think it comes down to where you put your resource in the next four years. Do you put your resource on measuring and on proving things, or do you put your resource on getting down and doing the next phase of activities?

Q46 Chair: But how do you get feedback? I represent Shoreditch. This is a big issue for a lot of the businesses in my area. The G-Cloud has been a help, but they have a lot to say to me. I cannot walk into a room without them raising it. It is one of the three top issues that they raise. You must get that informal feedback.

Sally Collier: Yes, all the time. There are a number of industry bodies that survey. Mystery shoppers give us a good weather test of the initiatives. I know that colleagues in the NAO say that it is a small sample, but at the beginning almost all the complaints we got were about pre-qualification questionnaires in central Government. We now get very few complaints in central Government about pre-qualification.

Q47 Chair: So what are they saying the barriers are now?

Sally Collier: It has extended. Again, I make a distinction between central Government and the wider public sector. We have been at this in terms of barriers for central Government for four years. For the wider public sector, the legislation has only been in place for just over a year. We will still get companies in the wider public sector. I suspect your constituents make no distinction and that it is government, whether it is local or central. They are still saying that barriers are high. Payment through the supply chain continues to be a barrier. Yes, bureaucracy, but not other types of bureaucracy. They are saying, "This procurement seems to have been set up so that I am discriminated against at the start." More on the specifications is coming through. We use that as a fair-weather tool. We have had 1,000 complaints, but for me that is good enough to look at where we are going.

Q48 Deidre Brock: Can I just ask something on those initiatives? I noticed for example that the investment and contract readiness fund was started in 2012 and closed in March 2015. The funding ended for the commercial masterclasses in May 2015. May I ask what evidence you considered when you made the decision that some of those should be stopped?

John Manzoni: I cannot answer on why they were stopped, but what I can say is that I think those were in the voluntary set. The commercial masterclass in particular was stopped—

Deidre Brock: Yes, they were, that is right—VCSEs.

John Manzoni: This area is reinvigorating. I would not say that it is reinvigorated, but we have 32 social impact bonds, which is more than any other country in the world. We have a life chances strategy and an £80 million fund that is pouring into that sector. Behind those things, we are going to reinvigorate the commercial masterclasses for that sector. We are going to start again. We have got the commissioning academy. That is used in that sector. We have looked at the Public Services (Social Value) Act 2012. For that sector, in particular, we are now stepping back up. I do not know why they were stopped. It was not a decision that I was aware—

Q49 Deidre Brock: Do you think that stopping or scaling back some of these initiatives will affect the ability of SMEs to win direct tenders with Government?

John Manzoni: I think in the voluntary sector, in particular, it is the same as the SME sector, but more so, in that commercial capability is not all it could be. It is not about how Government act; it is about the competence of the voluntary sector to play into the Government's thing. I do think that some of those will—

Q50 Deidre Brock: You are right. A lot of those apply to the third sector organisations, but I notice that the SME panel has not met since January 2015. I wonder whether the Government see no real benefit in it. Is it a failed attempt in terms of that particular iteration of the panel?

John Manzoni: The same thing applies there. We have just refreshed the SME panel, but again it is horses for courses. When these things start up, there is a burst of enthusiasm, they do a particular job and it was very good, but then we had to pause and rethink in just the same way as Sally has been rethinking the SME Crown rep. I think that we have now chosen a new panel, which has a broader spectrum and is able. We found that, over time, some of our SME panel members were showing up to the meetings unprepared and weren't really speaking to their sectors—not all of them by any means—so we had to go and refresh that panel. We now have a good group of people.

Q51 Deidre Brock: I think I noticed a reference to you broadening the geographical boundaries of the panel, too. Could you talk a little about that?

Sally Collier: I couldn't talk about the specifics on exactly who and in which areas of the country but, yes, there are two things. Again, there was quite a big IT focus. I set up the panel originally because I thought it was important that we had a voice, particularly to talk to Ministers, and it needs to be more representative both at the sector level and at a geographical level—the original panel had a heavy south-east focus.

Q52 Chair: Can you pick up on what Ms Brock was saying? How will you be clear that you won't have that south-east focus in future?

Sally Collier: No, it needs to be—

Chair: So how are you going about that? How are you making sure?

Deidre Brock: The new members reflect that, I take it.

Q53 Chair: The wider sector and wider geography?

Sally Collier: Yes.

Q54 Chair: So you will be—

Sally Collier: I can write to you on the coverage. I don't have that with me.

Q55 Chair: That's fine. If you can write to us with more information, that would be very helpful.

John Manzoni: As far as I know, and correct me if I'm wrong, I think we have just agreed the membership of a new panel. Haven't we?

Chair: Sorry, but we can't hear you if you talk among yourselves.

John Manzoni: I think that we are in the final stages. Either we have just agreed, or we are in the final stages of agreeing, a new panel to deal with some of the issues that Sally has talked about.

Q56 Chair: The panel stopped meeting at about the time that the office of the Crown representative of the SMEs was made a separate unit in the Cabinet Office. Is that right? Am I getting my timetables right?

John Manzoni: There was not a deliberate—

Q57 Chair: It was not necessarily the cause of it, but it was about the same time. Maybe it was connected. You tell me.

John Manzoni: I am not actually sure why the SME panel stopped. Maybe Sally knows. I don't know.

Sally Collier: All I know is that the work of the team was focused on the doing. When the panel was first set up, as John says, it had energy and verve. There were all sorts of subgroups. To be honest, I think it lost its focus a bit, and it has not met for a few months, and now is the time to reinvigorate it.

Sir Amyas Morse: I am aware of a number of SMEs that won contracts but that were then taken over by larger suppliers. Is that a material number in your view? The only reason I ask is because I have come across a number of specific examples, and I am just curious to know whether that is something that happens regularly. I know there are supposed to be change of control clauses, but are you aware of whether those change of control clauses are ever invoked?

John Manzoni: There was an issue at one period, particularly in the training space, which we actually moved to stop. There was a particular construct of contract that allowed some of that to happen, and when we saw it happen we put in place some measures to stop it happening.

Sir Amyas Morse: Just to understand it: if a relatively small company wins quite a big contract, it can be the case that the company suddenly becomes a bit more valuable, to put it mildly, and therefore people think about acquiring it. The only reason I ask is that I remember looking at the work we did on Serco and some of the other major suppliers, and most of their growth came from acquiring small companies. I know you are not saying that it's an exceptional feature, but we saw very rapid growth from acquisitions, so I am interested to know whether we have any facts on that.

John Manzoni: I don't think we do today.

Sir Amyas Morse: Okay. I am not trying to ambush you; I am just curious to know whether we have any information on any of this.

John Manzoni: I think we did have information. Where it came to our attention was the one that I have mentioned, which we acted on. You are right; some of those companies have grown through acquisition. Of course, there is not much we can do about that. It's the benefit of an SME, as it is an individual's choice, and sometimes they do it exactly for that reason, because if they are made a big offer, sometimes they choose to fold and say, "Well, that's great. Thank you very much. I'll get rich and go and do something else. Maybe start again." And some of them are serial entrepreneurs, which is great too.

Sir Amyas Morse: But with some of them, you do have a choice, don't you, because in some cases you have actually got change of control clauses, so you do not have to agree to it; otherwise, you would not have been able to stop it in those instances you were talking about?

John Manzoni: Agreed—that's if the individual concerned did not want to be taken over, of course.

Sir Amyas Morse: All right. Okay. Only then.

Q58 David Mowat: I am just interested in the very rapid answer that you gave then, which was that as soon as you found out in these learning contracts that they were growing through acquisition in some way, you put a stop to it. I suppose my question is, "Why?"

John Manzoni: I did not say we did it "as soon as"; I said we have taken—That's the one I'm aware of and, frankly, it was about a year and a half ago.

Q59 David Mowat: As you say, though, there might be all sorts of valid commercial reasons why those sorts of things happen. Indeed, economies of scale are not a bad thing; in procurement organisations, it's sometimes what people look for. I suppose what bothers me a bit about it is that it can become a mantra here: "Oh, we're not having you growing, because suddenly you won't make our SME criteria any more, and that's not what we want." Or am I being unfair?

John Manzoni: No, no. The reason we acted in that particular case is that a substantial majority of the people, as I recall, were actually complaining about the situation, so we had to examine the commercial construct to make sure that we were balancing all of the various objectives. As I say—

Q60 Chair: Sorry. So, you were saying that the quality of the service was going down, because they were being eaten up?

John Manzoni: Not necessarily.

Q61 David Mowat: Who was complaining?

John Manzoni: Some of the people, who were finding that they did not want to subject themselves to this particular contract, because it was possible that if they did they would be forced into a set of commercial straitjackets that they did not like—

Q62 David Mowat: But how were they forced? If I decide to sell my company, nobody's forced me to do that. I have sold my company, presumably because I got the money for it. I am just interested—

John Manzoni: So let's step back. The construct of that contract was a sort of prime provider who would be using the outside market, and there were certain particular arrangements in that contract that made it quite difficult for some small companies, if they did not want to be subject to such forces, to participate in that contract. So we then changed the construct of that contract in order that they could.

Q63 David Mowat: Yes. I mean, that's an issue going back to the point made by Mr Mills earlier about prime suppliers, who arguably do not add enough value. There may be a purpose for having a prime supplier, in terms of risk transfer and all that—

John Manzoni: Completely. And it wasn't working as we wanted it to.

Q64 David Mowat: But they do not add enough value, which is maybe what you are talking about.

John Manzoni: Correct.

Q65 David Mowat: That is not quite the same as stopping smaller companies growing through acquisition of each other, or merging, and anything else; that's all there.

John Manzoni: No, no.

Q66 David Mowat: But okay.

Q67 Deidre Brock: I think we have heard a little bit about comments from SMEs about how expensive the bidding process can be, and constraints laid on tendering companies. I am just wondering what scope you feel there is to reduce the administrative burden on contracts, and is there a way perhaps to pre-approve companies? This is something I think the Scottish Government do for specific ranges of contracts, so companies are not filling in the same forms time after time; that's certainly an issue for SMEs in my constituency.

Sally Collier: We have debated this several times over the last few years—is there advantage in doing just that? My hypothesis was that we should get rid of the forms altogether, hence the abolition of pre-qualification questionnaire for under a year, because what happens with such a system is that there is a huge burden in administering it and then people start to add baubles to the question. So, they say, "Well, we'd like to ask another question, and can you just give your details on that?" And then you kind of end up with a PQQ by the back door.

There are advantages. We would say that all firms should just keep a very simple copy of the stuff that they need to provide to Government over and over again. The trick is that Government needs to ask the same questions, rather than building something. What we can do more of is the compliance. I think we have reduced a number of barriers. It's now about penetration of those things and compliance with those things; that is where we are on that one at the moment.

Q68 Deidre Brock: Is there any danger—with taking away the requirement to fill in the PPQs under a certain amount altogether—that they can start going through the process and then suddenly find out that they are not actually eligible because you do not have enough information about them?

Sally Collier: Yes, that is a risk. Again, it is a balance. Do you put a hurdle at the beginning and lots of people fall at it? Small firms said to us, "No, we don't want that because you'll knock us out because my insurance documents are not reaching a certain threshold". Do you try to get procurers to say, "What do I want? How can I make the barriers as low as possible?"? Then, yes, there is a hypothetical risk. I would say that there is more of an opportunity that you would get kept in at a later stage rather than thrown out.

Q69 Deidre Brock: Okay, fine. With such a lot of the SME engagement coming downline on the contract, rather than front and centre, there appears to be a loss of public money in that the larger contract is basically taking a management fee to administer the elements of the contract by farming them out to SMEs. I would imagine, although I do not have any proof—maybe you do—that the SMEs in that instance receive less reward than they would have done had they taken a smaller part of the contract directly. Therefore, the public purse is paying out more than it would otherwise have done. There would be slightly higher admin costs for tendering more contracts but it could prevent profit-gouging from, potentially, the larger companies. Are there any reliable estimates of how much is lost to the public purse through tendering with SMEs through larger contractors?

Sally Collier: I do not have any data—no specifics.

John Manzoni: Part of our job—increasing commercial capability inside government—is to understand what the appropriate margin structures for an intermediated market actually are. For instance, the Digital Marketplace has disintermediated layers and layers of the things that you have been talking about and are worried about. Our next plan, which is the Crown Marketplace, is exactly the same concept for many other common goods and services across our system. But each is different and each will require a sophisticated understanding of how the market is structured today and, therefore, the best route for us to get to that market.

We are working right now on contingent labour, for example, to say, “Is there a possibility of disintermediating the contingent labour market where we have some of that stacking going on?” The question is, how we do it? On the other hand, we also need to be sure that we have the appropriate people doing the checks for people who come to work in government. We have to do PAYE and ensure that they pay their tax. We have to do all that administration that we are not set up to do, so somebody has to do it.

I come back to what I said at the beginning. This is a detailed and sophisticated piece of commercial engineering and structuring, and each one will be different. FM will look different from contingent labour, will look different from consultancy, and will look different from energy. That is why we must have sufficient expertise to understand the structuring of each of those segments so that we understand—so that we know, for example, that we pay 2% for that particular service and no more. In general, there is sufficient competition in public sector markets that many of our big suppliers, as you have seen from their public reporting, are taking some pretty big haircuts on some of the contracts with central Government.

Q70 Deidre Brock: What evidence is there that competition for Government contracts has increased?

John Manzoni: The fact that what is not happening is that our biggest suppliers—some of the ones that we are talking about—are reporting outrageously supernormal profits.

Q71 Chair: But when we looked at rail franchising, we had a real concern that the market was moving in a direction that would deter people. The number of contracts being let to nearly all previous franchisees, although I cannot remember the figure precisely, meant that if you were a competitor coming in, you might just think that it is just not worth a candle—big or small, although it would be pretty big in rail terms—to putting in the bid. It did not look like competition is increasing. I do not want to accuse them of setting up a cartel—

John Manzoni: No, but competition was already at a place where there were no profits to be made.

Q72 Chair: That is my point.

John Manzoni: We have to be careful. We are making the same point on different sides of the argument. My point is that we have to be quite sophisticated in how we deal with these big relationships, because if we are not careful and we drive it too far, people will simply walk away—it’s not worth the candle, as you said. We have to recognise that we have to pay sensible margins, and we have to understand what those margins should be.

Chair: I’ll come back to Ms Brock after the Comptroller and Auditor General.

Sir Amyas Morse: Out of curiosity, in which industry sectors would you say there is very efficient competition and in which is there less efficient? I would not say that there is particularly efficient competition in the defence industry. I'm not trying to be unkind, but considering the fact that there is only one major supplier in the UK it is a bit difficult to see it that way. Which ones would you say? Would you say it is true in power generation? In what areas do we have very strong competition? I would accept IT. I am genuinely interested in understanding the map as you see it.

John Manzoni: We use a lot of suppliers to provide labour one way or the other for different services in Government, ranging from cleaning and looking after the buildings through to health checking and all those things. There are a lot of those types of providers.

Sir Amyas Morse: So variable-hours labour is the most competitive area.

John Manzoni: I think that's quite competitive. You are right that there are only one or two providers in the Ministry of Defence space but, with respect, nuclear submarines aren't really the space for SMEs either.

Sir Amyas Morse: No, I'm not saying they are, although actually there are quite a lot of SMEs—

John Manzoni: In the chain.

Sir Amyas Morse: But they are nearly all in the supply chain. I am just curious to know whether it is mostly in the relatively low-value-added labour provision.

John Manzoni: Or low-value-added service provision.

Sir Amyas Morse: So that is where the completion is at its most acute.

Q73Chair: Have you assessed the effect of the national living wage on that sector?

John Manzoni: There is obviously debate, but I am not going to comment on that.

Chair: No, I am not talking about the policy. It is just that you were talking very much about margins. If you have a bulk of low-wage people and businesses—

John Manzoni: We obviously have to be mindful of what it does. Some of the suppliers are raising issues about it, so we have to be careful about that.

Chair: It might be good for the employees, but I won't bring my politics into it.

Sally Collier: May I add a supplementary comment? Even within markets there are differences. Take IT: are we much more competitive in cloud-based services than we were? There are now 2,000 suppliers and various iterations of G-Cloud. Yes, that is from a small number of large providers, but even if you take that sector and look at networks, it is far less competitive—there are fixed providers. We need to be careful, even when making those distinctions at a market level. It goes back to your point about sophistication. Within these markets there will be areas where competition is driven further. Except for energy, in most of my common goods and services markets it is pretty competitive—there are standardised products.

Coming back to the point about SMEs, there will be SMEs that can compete in that way, where they are providing standardised products such as travel, and other sectors where we need to look at niche, innovative SMEs. It is much more sophisticated at both the category and the supplier level. That is where our strategy needs to go.

Q74 Deidre Brock: Just one last question: how do you estimate how much has been saved because of increased competition over, for example, the lifetime of this Parliament?

Sally Collier: We calculate our savings on whether a saving is a saving. Have we got a better price? Have we bought less of it? Have we changed the specification to buy things in a different way and, as a result of that, have we saved money? That is how we are tracking our savings.

Q75 Deidre Brock: Okay, so you do that on a yearly basis.

Sally Collier: Yes—we do that on a daily basis.

Q76 Chair: To be clear, value for money for the taxpayer is driving this, not just chucking a percentage at certain small businesses.

Sally Collier: Absolutely.

Chair: I just wanted to make that clear for the record.

Q77 Nigel Mills: Can I move on to how we ensure that all parts of the public sector are following the same path and doing what they are meant to do? One of the concerns that was raised was about whether, when they are procuring, every part of the public sector advertises all the contracts in the right places so that small and medium-sized businesses actually see the adverts. What can you do to encourage best practice in that area?

Sally Collier: We can do more in this space. We have Contracts Finder, which we didn't have four years ago. We think that about 85% of eligible contracts are on it, so there is 15% to go, and I think we can be better at communicating. We can use our industry bodies. In some sectors, there is quite low penetration of awareness of Contracts Finder, so we can make better use of social media and better use of intermediaries to get the message out that these systems exist.

I was looking at Contracts Finder before I came in. There are 540 early opportunities on Contracts Finder where there may not even be any prospect of procurement, but where contracting authorities have said, "I think I might like to buy X." How widely are those 540 opportunities known? I suspect not as widely as we would like them to be, so I think we can—

Q78 Chair: Just to be clear, they are posting up their possible future—

Sally Collier: They are saying, "I'm thinking about X."

Q79 Chair: To test the market and test interest.

Sally Collier: Yes. It is one of the things that is least known about Contracts Finder. Yes, it is about advertisements, but it has also got potential to signal to the market what we intend to buy.

Q80 Nigel Mills: How serious a matter does your organisation, the Cabinet Office, regard it if a Department does not advertise a contract on Contracts Finder that ought to have gone on there?

John Manzoni: I do not think we have any clear sanctions. I know that certain organisations say, "Well, it's only 50%." It's not, actually; it's more than that, because we have checked. It is 85%. Right now, of those signed up, it's 100% of central Government, 95% of local government, 95% of the police, 82% of the trusts. These are all the people who have signed up to say, "We will use Contracts Finder." As Sally said, we have to go and check that those people are using it all the time and doing it in the right way. The process is two or three years old, so it is growing, but we do not have any formal sanctions, I think.

Sally Collier: There is a legal sanction. It is not one that would be taken by the Cabinet Office, but it is in the law. It says that you must advertise your contracts on Contracts Finder. It is an interesting balance. This is a legislative requirement. Do we go and check that everybody has done what they are supposed to do under the law? Where do we spend our time monitoring? We think there is a good level of penetration—really good in central Government. The areas where we will find that perhaps contracts have not been posted is out there in the wider sector and not in central Government.

Q81 Nigel Mills: Is this something for which we ought to have a name and shame policy, so perhaps a body that has not complied should have to list the contracts and their value, and the reasons it did not comply? This Committee gets to see the variations in Department budgets, or the overspends, and we have to approve them, or the House has to approve them. Should there not be a report that says, "On these 15 contracts we forgot to put it on Contracts Finder", or, "We chose not to for this very good reason"? It is one of those things where the accounting officer will not want to fail to do it; it will be one of those things that you make sure you have done.

John Manzoni: It is a choice, as Sally keeps saying, of where to put the resources.

Q82 Chair: But surely you can have people who just tip you off—we've got mystery shoppers—and say, "A contract has been let and we do not think it was up there." Do you get that happening?

Sally Collier: Yes, in a sense we do have a sanction all the time. When someone tips us off and says, "I know there is something going on", we will go and check. Now there is a statutory duty for those authorities—

Q83 Chair: Mr Mills is simply saying—partly saying—you could name and shame those people whom you know about.

Sally Collier: We do that. We publish all of the results, except we do not publish the name of the company because they wish to remain anonymous.

Sir Amyas Morse: I just want to understand. If I look at where we are right now—I am looking at the list of the major IT suppliers and their share of the market—51% of the Government's IT spending goes to the top five and 65% goes to the top 10. As this develops, do you intend for those contracts to be more distributed, and in a few years' time we will see something different?

John Manzoni: That trend is very clear. The stats are like they are because we are still only in the early stages of disaggregating the big monolithic IT contracts that have been a part of the landscape for a decade. We have done a few—not many.

Q84 Chair: Can you give an example?

John Manzoni: Some of the very big suppliers. What is happening today in HMRC with the Aspire contract is an example. It's happening in DWP, which is now coming up to the same stage. We can address them only as they come up for expiry, because it's at that point that we can disaggregate them and recontract them in a different way.

Sir Amyas Morse: I accept that, but I am curious to know whether you have got a profile that you'd like to see, roughly? If we are talking about this in a few years' time—no doubt none of us will be present, but the Committee will be—what would you expect the distribution to look like? Have you any idea?

John Manzoni: Funnily enough, we set up a team to address this specific issue. Its first conclusion was that every one of them is different, because every one of those monolithic contracts has different things aggregated in it. It's very hard to make a prediction of what the percentages will be. I expect we could if—

Sir Amyas Morse: But you're not expecting it to be the same as it is now.

John Manzoni: No, it will be very different from what it is now.

Sir Amyas Morse: It will be very different. So the top five, instead of making up 51%, will make up 25%? Is that your goal in five years' time?

John Manzoni: I've told you that I have not got a goal because every one is different.

Sir Amyas Morse: Suppose you were trying to illustrate to us what practical results there might be.

John Manzoni: The answer is, I don't know. We can see that the suppliers that are supplying today through the Digital Marketplace and the whole strategy of the common technology strategy, which addresses exactly what you are talking about, is literally in the very early days. It was funded in the spending round and is just beginning to get off the ground, so it's too early. I believe that in six to 12 months' time, I will be able to have a better answer to the question.

Q85 Chair: But isn't one of the challenges that the disaggregation of these contracts is being done by people who have spent their careers letting large contracts? I am coming back to what David Mowat was saying about the thrust towards economies of scale, passing on the risk and so on and so forth.

John Manzoni: On the imperative of the economies as a result of the changes that we are promulgating—we have had this conversation, but this is about how to change the direction—the easiest thing in the world is to say, "I'll tell you what. I think we'll just carry on." No Department can afford to do that today because the disaggregation that is the result of these strategies is so significantly cheaper than the existing status quo that that is what is going to drive it. For instance, in a very simple way, the Cabinet Office today has disaggregated its supply of desktops, printers and such things, and it is at least 50% cheaper than it was. That is happening across government, so the real imperative is the finance.

Q86 Chair: I'm going to bring in David Mowat and Nigel Mills in a moment. Sally Collier, you are on the board of the Crown Commercial Service. Do you look at these big contracts? Is that where it goes for discussion?

Sally Collier: No, we would not look at the type of contracts that John was talking about. At a category level—common goods and services—I look at what proportion is large suppliers and what proportion is small suppliers over the next period. I have not got something I can say to you at the moment, such as, "It's x large suppliers, x small suppliers."

One of my categories is consultancy, for example. In the current arrangements, the majority of spend is going to be on a number of large suppliers. This Committee has looked at that. Do we want to change that? Yes. Consultancy is an interesting one, because 40% of the firms on my arrangement are small companies, which is good. They have been much more successful in getting on to the arrangements. The issue is that the contracting authorities are not buying from them.

Do I want to see the value of spend shift from large providers to more smaller providers over the course of this Parliament? Yes. How are we going to do that? I think it's much more about celebrating and sharing the things that John talked about in IT. If we've got a case where we've saved 50% and the service is better, we should be making sure we share that.

Q87 Chair: Who would decide on disaggregating a particular contract? I just want to be clear about the process.

John Manzoni: That is the process that is happening today across Government, promulgated through what I'll called the technology function, which is known as GDS. So that is the interaction of GDS and the Departments.

Q88 Chair: So if I was a permanent secretary with a big IT contract coming up for renewal, I would go and talk to the Government Digital Service and they would look at it and say, "You could break it up this way or that way," but where would the Crown Commercial Service person come in to see if it was working?

John Manzoni: In the end, of course, the Departments are building their own capability to do this anyway—that is the whole point of the function agenda. So the big Departments say, "Actually, I have got this contract to disaggregate, so I am going to disaggregate," but actually the way that they purchase the new solutions—guess what?—is through the Digital Marketplace. That is where the SMEs come in. The common technology—

Q89 Chair: Where would the Crown Commercial Service's representative for SMEs come into that? Would they come into that at all?

John Manzoni: They are part of the conversation around the digital marketplace in that case. So the art of setting up the Digital Marketplace is: what services do you put on? What are the commercial arrangements for the companies that go on? What sort of services do we want on there that we know are needed by the Department?

Q90 Chair: What I am driving at really is this: how do you make sure that there is not some inertia still in the system that says, "Oh, it is a bit risky if we break it up a bit further, so we will leave that bit in a chunk together," knowing full well that, for IT, say, it will be the Fujitsus, IBMs and whatever of this world that can bid for that, and the littler contractors in Shoreditch or wherever would not be able to. How do you guard against that? I will bring in Joshua Reddaway from the NAO.

Joshua Reddaway: You have talked about the Digital Marketplace a number of times, and Members have talked about the G-Cloud. I thought it might be helpful to clarify that they are very related. The G-Cloud is one part of the Digital Marketplace, in case people are confused.

Chair: Thank you. Sally Collier.

Sally Collier: I have forgotten what I was going to say now, sorry.

John Manzoni: To your point, the discussion is really about the technical GDS tension and the Department status quo. That is the tension. We do not have to do that for GDS. Increasingly, they do it for themselves because of the financial imperative to say, "Actually, I can do it for this much."

Q91 Chair: The last time the head of GDS appeared in front of this Committee, we were not impressed by relations with the Department.

John Manzoni: Which is why, of course, you have seen some changes and why it is all evolving as we speak.

Sally Collier: I have remembered now. Your question was what role you would expect the CCS representative to play in that and what we have in place to ensure that that check really takes place. The GDS check is clearly a crucial one, but the legislation now actually requires all contracting authorities, if they choose not to break their contracts into lots, to say why they don't—

Q92 Chair: It is also the size of the lot, isn't it? That is my point.

Sally Collier: Yes, of course, but let's start off by having lots in the first place.

Chair: It could be a neat carve-up for the big suppliers.

Sally Collier: True. That is one check, but the other check is: what actions will Government take to meet the 33%? You would expect that to now move into a phase where it is much more specific. We have worked on a lot of generic barriers and there may well be more, but if you look at where we go, there may well be a number of big contracts that we choose to focus on. In that case, yes, we would expect the crown representative absolutely to focus his efforts on the areas that we think are going to move the dial.

Q93 David Mowat: I was just reflecting a bit. There is a tension here, as Mr Manzoni said, and what bothers me a little bit is the possibility of losing accountability in the people who are doing procurement. For example, you mentioned consultancy and you have got a list with lots of consultants on it with different prices—like a framework of some kind—and people are encouraged, and you are measuring them, on whether they are using small consultants. But if I want a study done somewhere and maybe my choice is between McKinsey and David Mowat Consultants Ltd., there are certain instances in which McKinsey might have a better set of qualifications than David Mowat Consultants Ltd. to do that work, even though on the face of it I am much cheaper and I am a small company. It is very important that you do not force decisions and somehow lose accountability, because if a study goes badly, they will just say, "Well, these guys in the centre said I had to use David Mowat Consultants Ltd. and look what's happened." How do we get that trade-off?

Sally Collier: My come-back to that was—

Chair: Shall we say for the record that David Mowat does not have a consultancy? He is a full-paid MP and that is what he does.

David Mowat: Thank you, Chair.

Chair: He is not bidding for business.

David Mowat: I am not. But you can understand the point I am making.

Sally Collier: Yes. We cannot step over that accountability line, and Departments have to choose the companies they see fit. Too often, it has been, "Well, you know only about McKinsey and McKinsey's great strengths and you don't know about David Mowat and what he's done".

Q94 David Mowat: No, and that is fine—it's legitimate. What I will be expecting you guys in the centre to do is to produce all sorts of statistics about cost and value for money—those types of things. One of those things might be this requirement to use smaller companies—that could be part of it—but other things might not be to do with that; they might be to do with the day rate or, as Mr Manzoni mentioned, desktops. So you could come up with a metric to show that the Cabinet Office had done metrics indicating that, for example, a desktop is much better. I would see that as being your central function, as well as a sort of general insistence on smaller suppliers. It is efficacy, isn't it?

Sally Collier: Yes, I think that is absolutely the case. On what I said about sharing best practice, part of sharing that is asking, "And what value did you get from using a small firm? Is it price? Is it better social value?" I think we have more to do, as more SMEs come through the system.

Q95 David Mowat: I have a very quick point before I unfortunately have to leave. If we look at the Department of Health—it has been here giving us evidence about how it is going to get through its current problems with its budgets and everything—and there are two great white hopes. One of those is the Carter review, which is a lot about procurement but, as far as I understand it, it is saying that we are going to get rid of massive imbalances, between rubber gloves that sometimes cost 30p and sometimes cost five quid. That would imply to me standardisation and bigger contracts. You might find that on this analysis it is going the wrong way for you but it might be the right answer.

Sally Collier: Yes, and in some cases it will be the right answer to standardise, but in other cases, and I come back to my travel example, I think that a few years ago you would have said that clearly the only people who can provide travel—

Q96 David Mowat: No, you might do that, but the Carter review is all about standardisation, isn't it? It is going to save £5 billion, apparently.

Sally Collier: Yes, in commodity standardised products, but there are many thousands of specialised products in that space that may well be better provided by a small firm. So even within that range, you might take the example of rubber gloves where it might be in the best interests of the taxpayer to aggregate up, but in many other products there may well be a niche provider.

Q97 Chair: Before I pass on to Nigel Mills, we touched on the small consultancies issue. Does the approach to reducing personal companies have an impact on that? Many of these small consultants will have to have liability insurance in order to work in Government. I think that is actually a requirement of most Government contracts—I am not sure how accurate that is so I should not say it. But in order to do that they are going to have to have a personal service company or some company structure, because otherwise they are very personally liable. They are only being insured for their advice, mostly—it depends on the contract and on what they do. Is there a tension there?

John Manzoni: In terms of the new legislative requirement for employers?

Chair: Yes.

John Manzoni: I think it is true to say that, because of whatever happened a few years ago, we have been pretty diligent in making sure—although it is not our accountability—where we have engaged with small companies or individual traders, that we have been very clear with them, through the questions that we ask, that they are set up appropriately.

Q98 Chair: But what is appropriate? That is my point. There is a personal service company that—

John Manzoni: That the taxes are being paid properly.

Q99 Chair: But if you require someone to have liability insurance to be a contractor to the Government and you are the David Mowat, one-man consultancy, you would have to have an insurance, wouldn't you, to give advice or provide a service to the Government? Is there not a tension there, between the two policies?

Sally Collier: Potentially. What I would say about my current arrangement is that I am concerned with making sure that the small companies that have got on the agreement are used to the full extent. I am focussed on that. They have certainly not had those barriers—the legislation may have changed. I want them to be used. That is where my focus is.

Q100 Chair: So there are people who are working for the Government who do not have liability insurance.

Sally Collier: No, not in my current contract.

Q101 Chair: Okay, so they will all have some sort of company structure they are working in? They will not be individuals. It will not be that level of small business; it will be bigger?

Sally Collier: No.

Chair: Or an individual working under a service company structure. So there is a tension.

Sally Collier: Potentially, yes. It is not something that has been at the forefront of—

Chair: It might be something you need to look at, Ms Collier, or for your in-tray for your successor. There could be an issue there if people you are contracting do not have the insurance because they cannot set up a company to provide the insurance structure and therefore you are going to be cutting out quite a lot of small businesses, potentially.

Sally Collier: Can we take that one away?

Chair: Yes. Nigel Mills.

Q102 Nigel Mills: Can we just rewind to an answer you gave a few moments ago, Ms Collier? You said so far you had focused on enabling stuff, or putting stuff in place, but you thought maybe the Government would have to take some direct actions to meet the 33% target in relation to some big contracts. If I heard that right, it sounds a bit like the gentleman to your right is the person who is meant to be taking those big actions, isn't he? But we are a year into this strategy and we don't have those big actions yet.

Sally Collier: No, perhaps I can clarify that. What I meant was that when we started the programme there were two focuses. One was how the heck do we measure, when we didn't have anything to measure, and the other was what are the systematic general barriers when small firms are saying, "We can't find opportunities; the pre-qualification process is too burdensome; we are not getting paid on time." So we worked on those generic barriers.

What I meant was in the next phase I think we need to work on compliance with those things, but more of a focus on those things that will move the dial. So I would expect—I'm going to my own world—are there particular categories where we think we can move the dial faster, consultants being one, FM being another, and fleet, and having some focus-targeted activity in those specific areas, and also being more sophisticated with the types of company that we target? We are never going to reach—nor will all 5.4 million SMEs be interested. How do we target the right groups of companies for the right categories? I think that is a level of sophistication that we need. That is where I was going with it.

Q103 Nigel Mills: So you weren't advocating the Government having some policy and saying, "Look, this is a big area of spend. We should go and make sure this is disaggregated and spread around a bit." That's not quite what you are saying.

Sally Collier: That is certainly what I am doing within the range of my contract.

Q104 Nigel Mills: It just struck me that we are a year into this plan. It would be useful to have that sort of initiative and idea set out and know when it was going to happen, to actually get the results from it, wouldn't it?

Sally Collier: I am doing that for CCS and each Department is setting its own target and those specific activities that it needs to undertake in meeting its own targets. We are obviously looking at that and will be collating that and giving the holistic picture. So each Department is doing that.

Q105 Nigel Mills: So looking at collating, when do you think that will have been looked at, collated and assessed, to see whether it means we are going to hit the 33%?

Sally Collier: We do that annually with the numbers, but we do it with the mechanisms that we have in place, with the champions in each Department, with the Ministers in each Department, with the refreshed panels—there will be checks the whole time as to whether the dial is moving, whether the right things are being done.

Q106 Chair: So it is like a star chamber, with a person in the Department.

John Manzoni: We have a governance structure. As Sally says, she has talked about the things that go on in the Departments. We pool the Departments together—at least the big spending Departments—in a new steering group which is called the procuring for growth and enterprise steering group, which will debate and discuss whether or not we are on track to meet the targets. So there is a structure.

Q107Chair: It may be cynical, but quite often on those large groups people come with their defensive lines about—

John Manzoni: Yes, they do, and that is part of the issue sometimes, but you have got to cut through that.

Q108 Chair: Are you cutting through that?

John Manzoni: It is early days.

Q109 Chair: So no, not entirely.

John Manzoni: No, that is not fair. I do not see people disengaged from this agenda at all, actually. I think in general, as I have said before on other areas, there isn't really a sort of unwillingness; there is sometimes a bit of a reluctance to be held to a target that can be found—for instance by this Committee: "Well, you said this and you haven't done it." But I think that in general people see the benefit of this.

Q110 Chair: What are the consequences if they don't do it? I think that in Estonia a contract is not legally binding if it is not done via the portal.

John Manzoni: I don't think we have quite the same consequences as some other countries. Again, what Sally has is £12 billion-odd of spend going through that system one way or another, and the question is whether we, on that, can create these category strategies that are sufficiently sophisticated, and that both deliver value to the Department and meet this agenda. One aspect of this agenda is to improve, increase and fundamentally transform what is happening in our central buying organisations, which is one very powerful strand. Other strands through the group I have talked about require transparency, for instance, which obviously gets people's attention when we start saying, "Require the publication of prompt payments so that it helps the SMEs, and then we can look at all that stuff." What I am experiencing in that group is that Departments are looking at their supply chains now, because that is how we are going to get there. We are not going to get there by wishing it; we have to go and examine particular supply chains.

Joshua Reddaway: Sally, you said earlier that it is now a legal obligation both to break it into lots and to use Contracts Finder—that is in PCR 2015. I am interested in the point about other European countries. There is a sense that it would be challengeable if that wasn't followed. Can I check your understanding of what it means that it is now in the regulations? Does it mean that an SME that finds out after the event that something hadn't properly been considered to be broken into a lot, or that had not properly been disclosed on Contracts Finder, could seek remedies and challenge it in the courts?

Sally Collier: Yes.

Chair: If they had the money to do it, but the sanction is there.

Q111 Nigel Mills: Coming back to supply chain oversight, which is where I started, having dissed a few prime contractors. How easy is it—or how effective are you—to spread best practice around Departments so that when they are producing contracts they have all the sensible oversights and restrictions that we like to see? Do you sense that that is going well?

Sally Collier: I think we have done a number of things in the supply chain. Again, part of the focus going forward is that we could probably get a bit more specific on supply chain actions. If you look at the things that we have done, the payment legislation means there is a requirement to pass payment throughout the supply chain, which is a good thing. We have the prompt payment code. We have taken a number of initiatives. We have extended mystery shoppers so that we can take complaints about what is happening in the supply chain, and there are a number of projects in the plan. We are going to look at extending Contracts Finder for all subcontract opportunities, which will be good. The Small Business, Enterprise and Employment Act 2015 will require large firms to be transparent about their payments. Again, we have done a number of things at the generic level on the supply chains.

Q112 Nigel Mills: This is intriguing, because when we ask about how we enforce rules and check things, we get the kind of answer that, "Well, we can't really enforce it; there is no sanction. We have a few meetings. We check. We advise." Then we move on to a different topic and you say, "Well, we've done this by passing a law to make it illegal," or, "We've passed another law to make people have to do this." It seems that we have a slightly distinct approach. We think we can encourage, advise and enable, and the next minute we say, "Well, that's really important. We'll pass a law and force it to happen." Did you not sense that somehow we need some rules to require Departments to do certain things to fix problems, rather than just passing laws on the whole world?

Sally Collier: That is an interesting question, because the criticism five years ago was, “How are you going to enforce that?” I think we thought very carefully about what to put in the law, and we put into the law those things that small firms had said they were most worried about. We took a very selective approach to what to put in the law, and we used it judiciously—if that is not a pun. Generally, you then work within that legal framework to do the things that John has talked about and to encourage. You don’t overlay that with yet another layer of reporting and compliance and all those things.

Q113 Nigel Mills: I accept that, but we have some good examples in the Report of what some Departments are doing. Some are having contract bank accounts so everyone gets paid at the same time. DCMS is contracting with the subcontractors and then passing that down to the primes so that they have to use the subcontractors rather than just using them as bid candy. But the question is how we get those measures, which seem quite reasonable in some situations, spread around all the big contracts and not just isolated examples. Is that something that you think needs more push and less encouragement?

Sally Collier: Yes, I certainly think we can get better at sharing those great examples. One example is the nuclear—

Q114 Nigel Mills: You say “share”, but the question was whether we can go beyond “share” and as far as “require” and “insist”. We want an explanation for why they do not, rather than sending them a report or something.

Sally Collier: Perhaps “share” is too soft a word. You can encourage and you can point out where things have worked but, as you said, there is a fine line between that and specifying that a particular contracting route or supply chain must be used. Then you have crossed that divide.

Q115 Chair: Are they frightened when you come into the Department?

Sally Collier: Sorry?

Q116 Chair: Are they frightened of either of you when you walk in and say, “Why haven’t you done this? Another Department has done this with its travel or IT, and you haven’t”?

Sally Collier: I think the question is whether you want colleagues to be frightened of you.

Q117 Chair: Perhaps “frightened” is a loose word; sorry. But where is the sanction? Where does the accountability lie? If one Department does particularly well at this, and one does not, what is the consequence for the Department that is not following through? Fear is perhaps not the thing, but do they feel, “Gosh, John Manzoni or Sally Collier will be visiting. We need to have a good argument in front of them”? Are they on their toes when you come?

John Manzoni: Welcome to my world. I was sitting in this Committee talking about the accountability structure not so long ago. This is about judgments. It is about credibility. It is about value add. Today we are talking about SMEs, but the other day we were talking about accountability structures and the importance of having absolute clarity of accountability down the line, so that people can be held accountable. Life is complicated, but there is no question but that with the right expertise, if value add can be demonstrated from both a value for money perspective and an SME perspective, there is nobody out there running a Department today who would not welcome it.

Q118 Chair: Before I bring in the Comptroller and Auditor General, which Departments are doing particularly well and which ones need improvement?

John Manzoni: CCS is doing pretty well, I think.

Q119 Chair: If that gets your gold medal, what are the ones that you are still worrying about or that have not quite got it yet, for whatever reason? You can tell us the reason; there might be a good reason.

Sally Collier: I think the ones that are doing particularly well, or at least have got considerable jumps in their aspirations for 2020, are BIS, DFID, the Foreign Office and the Ministry of Justice. They have all got really stretching targets.

Q120 Chair: So they have got the targets, but which ones are doing well now?

Sally Collier: I think the ones that are doing some really good work are the Highways Agency, Project Bank Accounts and the Nuclear Decommissioning Authority. Would you say they are organisations you would point out as having done great work with small firms? No, they are not obvious ones, but their mentoring scheme, where they have all their prime contractors—

Q121 Chair: We have been to some of them and seen the potential.

Sally Collier: I think those Departments that particularly need to work with niche providers, like DCMS, are doing really well.

Q122 Chair: So which ones are on your worry list?

Sally Collier: On the worry list are the areas that still currently have legacy large contracts that need to be disaggregated. I think those are the ones on the worry list.

Q123 Chair: For example?

Sally Collier: You would look at HMRC, DWP, the Treasury and those Departments.

Chair: Some of the ones we are already looking at.

Sir Amyas Morse: When we are looking at the examples of disaggregating on IT contracts, I think I am right in saying it is still possible for the Cabinet Office to withhold consent for IT contracts if they do not comply with their requirements. So in the middle of all this voluntary sector stuff, in the place where a lot is happening, in fact, it is possible to do it with very powerful central control. So I think we could say that it is not quite all the same landscape.

John Manzoni: Never lead with the control, though, Amyas, as you know. But I agree: we do have controls. Of course the issue is very real. It is all very well putting control in place and saying, “No, you have to do it this way,” but not if there is no capability to do it this way because the requirements of the capability of running a disaggregated set of contracts are way higher than the status quo. So, we’re back into the building of the capability, and so on, and that is the judgment that is always being made, and it’s very live every day.

Q124 Chair: Well, I think it’s a certain tension that we picked up in preparation for this, and we know that it’s not an easy one to solve.

Q125 Nigel Mills: Can I ask one techy question, perhaps, and then a couple of high-level ones? This is the techy one. Since we saw some of these numbers that are in the Report, Network Rail has become an official Government body, or whatever, so presumably its spend now comes into these numbers where it may not have done before. Have you done any work to see whether that helps you get towards your 33% target? Is it going to be a nice easy win now? You can just chuck all their huge spend in and you’re halfway there. Or does it not make that kind of—

John Manzoni: It reduces the reliance on the MOD to meet the target, because the MOD becomes 38% of the total spend instead of 44%, and then it brings in a large chunk of spend, for which the answer is, “Okay, now we’ve got to go and have some conversations with Network Rail.” The wider the aperture, the more opportunity there is for having conversations, and I think that’s fine, and I think DFT is up for that.

Q126 Nigel Mills: The answer is you haven’t yet looked at—

John Manzoni: No, not yet.

Q127 Nigel Mills: They have a lot of construction work, which you kind of think will end up with subcontractors, so you would think they would be an above-average user of SMEs, wouldn’t you?

John Manzoni: Potentially.

Sally Collier: Have we done some analysis saying, “Well, let’s get that body in, because it makes—”? No. If there is a classification of a public body, then it’s in.

Q128 Nigel Mills: Yes, but I guess what we want to see is real growth in spend with SMEs, not strained accounting classifications.

Sally Collier: Of course.

Q129 Chair: You say, "Of course", and we don't doubt your commitment, but we on this Committee like to have figures to back it up, and you're going to be moving on.

Q130 Nigel Mills: I have one high-level question for each of you. Mr Manzoni, I know that there are lots of important things to do to improve our procurement, but how far up on your list of priorities is using SMEs? Is it near the top, or is it one of those things you think about on an idle Friday afternoon when there's not much else on?

John Manzoni: It depends on which day I am sitting in front of this Committee. *[Laughter.]* The answer is that it's an important target; it is a commitment. And the only question is, "How do we do this right?", because we could drive blindly towards some target, but we don't want to do that, because it's not sustainable in the long term. So how do we do VFM and SMEs? VFM is our overriding objective, which is why I keep going back and saying that the most important thing is to build the capability to allow that to happen, and then to work with the Departments so that we can do it in an intelligent way. I have no doubt that we could in the short-term—if we really went for this particular target, over and above everything else, I am sure we could meet it—but it wouldn't be sustainable. So the question is, "How do we do it right?" And that is what I am focusing on.

Q131 Nigel Mills: Ms Collier, a last question for you. You've got—what?—10 days left, so you must be getting demob happy.

Sally Collier: Three days left.

Chair: It's lucky we got you.

Nigel Mills: While you're right at the end of this, are there any things that you wish you could do, or wish you had the power to do, or wish you could change but you can't, that you can leave as some aspiration for your successor?

Sally Collier: How long have we got? No, I am really proud of the work that we've done to reduce some of these barriers, notwithstanding the failure to prove the direct causal link. I think we've done some really great work over the last five years and what I hope my successor will do is continue to drive compliance and to make the most of what we have put in place. It has been a big focus of mine in CCS. We're not there yet. I've left Malcolm a 35% target and I really hope we've put him in a good place to reach that—

Q132 Chair: Not 33%?

Sally Collier: I've gone above the 33% target for CCS.

Q133 Nigel Mills: So there aren't any annoyances, any obstacles or any awkward people out there that you wish you could have found a way around, and that you'd like to say, so we can help you achieve that now you're on your way?

Sally Collier: Of course, but you wouldn't expect me to list them.

Q134 Chair: Perhaps their behaviour is what has been the frustration, or what has stopped things happening.

Sally Collier: I think my colleagues in Departments have got massive challenges to meet their budget commitments. I would like to think that the only way they can do that is by having a diversity of supply. It is our job not to make them frightened of us but to give them as many things as we can to help them do this. So no.

Q135 Chair: I think we got quite a lot from that. In terms of practical things, before you leave and hand over to your successor, who is the senior responsible officer? Where does the buck ultimately stop on this? Is it you, John Manzoni, or is it Sally Collier or her successor, or is it someone lower down?

John Manzoni: Where does the buck stop for the target?

Chair: For delivering contracts to small and medium-sized enterprises.

John Manzoni: The target is distributed. It is a Government target, and the accountability for procurement rests with the Departments; we cannot get in the way of that.

Q136 Chair: So there is an SRO for doing this, effectively, in each Department?

John Manzoni: It is like many of these other central initiatives where our job is to put in place the structures and to co-ordinate the activity to the extent that that is a Cabinet Office activity. I am the accounting officer for the Cabinet Office, but so is Sally for the CCS, so it comes through me to Sally and to the head of CCS.

Q137 Chair: So there is not one person?

John Manzoni: No, because otherwise we would have to centralise the procurement through that one person, and we cannot do that.

Q138 Chair: Okay, but are you still holding people to account? Let's say the Prime Minister called a meeting about this. Who would he call in?

John Manzoni: It's called Cabinet government. I would call in the Departments and me—both.

Q139 Chair: Okay, that's helpful to know. In terms of regular programme reviews with the Minister—I am not talking about the policy—you highlighted clearly, Sally Collier, that it was a political target set in the manifesto. That's what politicians do; that's fine. How regular are the reviews with the Minister to make sure that this is all being delivered?

John Manzoni: We have not actually set up the structure toward the new targets, but Sally is with the Minister almost every week to talk about these things, so there is quite a lot of visibility.

Q140 Chair: Is that with figures attached? When I was a Minister, in certain areas of my responsibility I had weekly, fortnightly, monthly or quarterly reports. How often do you provide the data?

Sally Collier: We have been asked to provide the data. Actually, a meeting was cancelled this week—I was quite sad. The Minister is asking for exactly that data. In fact, only this morning he asked for Contracts Finder data, so this is absolutely top of the Minister's—

Q141 Chair: So how often, then: monthly; quarterly? Just give us a flavour. When we make recommendations, we like to do so with a real understanding.

Sally Collier: We discuss this regularly at the weekly meeting with the Minister, and we now have the first formal review coming up where we will present numbers.

Q142 Chair: I just need to press you on this. You say you have weekly meetings and a first formal review coming up. If I was the Minister, how often would I get the data?

John Manzoni: Quarterly. Would you say quarterly, Sally, for proper data?

Sally Collier: We get the numbers on a monthly basis and then we formally report annually. Quarterly would seem a sensible target.

Q143 Chair: So you are not doing it now?

Sally Collier: We are just starting the formal process of getting data against the new target.

Q144 Chair: What about the previous five years? How often did you do that?

Sally Collier: I am trying to remember what the formal process was. There are lots of meetings on data. I cannot remember the exact timescale.

John Manzoni: I think it was quarterly, previously.

Q145 Chair: It may be a bit technical but it is helpful. These things are in the record. If I had to go back and look at my ministerial time, I could look at what was sent to me every quarter, to see what was happening in passports or immigration—there is a clear pathway through. Any Minister looking at it would want to see information over a period of time so that they could go back and say, "We were here then and we are here now," if they want to hold officials to account. Where is that? You are very vague about it.

John Manzoni: I don't want to leave it that way. I would like, if I may, to come back and tell you. The reason that we are vague is that there was one regime, there is another regime, we have a new target and we have been in a process where we have been agreeing where we have got to with the target. The SR and the SDPs are an important moment in time and we have been working towards getting the target distributed across the Departments. Just like with the rest of the SDPs, we are now creating that reporting regime.

Q146 Chair: Surely it is much business as usual: you have the target, you meet it, and then you want to go on further. While I recognise what you said earlier, Sally, in great detail about how you will be looking at different sectors and so on, in much of your work you can carry on; you do not need to have a whole new process set up. It seems to me that you have had no Crown Commercial person for SMEs or the voluntary sector for a number of months and no meeting of the small business group, and you cannot tell me about quarterly reviews or how often the reviews are. I am puzzled. It is almost as if things stopped last January and you are just winding up again—in some of the structures. I am not saying that some of the work did not go on, but I am puzzled as to why there was this sort of gap.

Sally Collier: Part of the reason is that we are constantly—I know you do not like the word, you were making a distinction between discussing it and having a formal review—talking to the Minister about this and reporting what we have done on various initiatives. I think we are both struggling with what the formal mechanism is. I would be more worried if we had not spoken to the Minister about this at all for—

Q147 Chair: It is a balance, isn't it? Both are important, but it is important that there is actually hard data. I'm not knocking any individual Minister, but for busy Ministers having hard data they can hold you to and question you on is important. If I was a Minister, I would be asking for that.

Sally Collier: Yes, and I can assure you that our previous Minister, Francis Maude, and our current Minister have a very—

Q148 Chair: If you could write to us and let us know how often you did report and how often you are reporting now—that sort of data. That will also be helpful for us: we want to know what is happening to our constituency businesses, so we want to know that someone is watching. That is one of the reasons why we are having this hearing.

John Manzoni, you did not quite answer Nigel Mills' question about where it ranks in your priorities. You gave a general answer, saying it was important, you took it seriously and it depended whether you were in front of the Committee, but is this—

John Manzoni: No, I didn't; I said it was a formal commitment. This is a manifesto commitment, so it is high in the priorities. Is it one, two, three, four, five or 10? I have a lot of—

Q149 Chair: You have a lot of high priorities—okay. But you hear what we are saying on that.

John Manzoni: Yes I do.

Q150 Chair: When the new Crown representative for SMEs is appointed, will they be on the Crown Commercial Service board?

Sally Collier: No.

Q151 Chair: Why not?

Sally Collier: Because there are a number of them—there are 20 Crown representatives for all sectors.

Q152 Chair: So who is on the board and what is the rationale? Which ones go on the board, or do you have a rota—

Sally Collier: None of them is on the Crown Commercial Service board.

Q153 Chair: I am just asking. Just to be clear, how do all these individuals then feed in to the board?

John Manzoni: I may be muddling this up. The Crown representatives do not sit inside CCS; they sit in the commercial function, which sits in the Cabinet Office. As Sally said, there are 19 or 20 of them focused either on the big suppliers or on certain sectors. We happen to have chosen to put SMEs as a sector as a group of companies, but we also have Crown commercial reps for some of the big IT suppliers, or some of our other big suppliers. They meet monthly, I think, inside the commercial function. I meet with them and the Minister meets with them. That is how their voice gets heard.

Q154 Chair: Did they ever sit on the Crown Commercial Service board?

John Manzoni: No.

Q155 Chair: I just wanted to go back to clarify some figures. Can you tell us—if you cannot tell us, write to us—what percentage of contracts were below the EU tendering threshold of £100,000 in Government as a whole?

John Manzoni: I do not know.

Q156 Chair: I am not expecting you to. You might know right now, but if you can find out, it would be helpful, because that is important. We have not talked much about G-Cloud, but we know that that has been quite successful. By our quick back-of-the-envelope calculation—the NAO might not like me doing that—it roughly works out as £500 million that G-Cloud has been—

John Manzoni: It is closer to £800 million, I think.

Joshua Reddaway: It is £500 million a year and £1 billion overall.

Q157 Chair: It would be helpful if you could give us what you think the percentage is that has gone through G-Cloud, because that has been quite a successful marketplace.

John Manzoni: The percentage of?

Chair: Of total contracts that have gone through G-Cloud.

John Manzoni: It is somewhere between 5% and 7% of the IT contracts, so there is a long way to go.

Q158 Chair: Okay. I just wanted to get the figures in.

John Manzoni: So that is opportunity.

Q159 Chair: We have talked a bit about disaggregation and breaking up contracts. How do you decide what the right size of a contract is and where does the central control hit with the Departments? It is going back to this issue of if a Department is going about it one way but perhaps it is not the best way, how do you exert your influence? What process is there to decide what is the right size? I still feel that we haven't quite had an answer on that. I recognise that it might not be an easy answer to give, but can you give us a bit more flavour of how you assess that? We will be challenging your successor, Sally Collier, if not you on this in future.

Sally Collier: Again, I can talk only about the particular markets in the CCS, where for every category we would take into consideration a number of factors. Where is the market going generally? Often these markets are global markets. Are they disaggregating generally? Where have we come from and what have we learned? For each of those categories—I will use fleet as an example. Where are we going to go with fleet? Well, we are not going to not buy a car directly from a manufacturer where we can get Government leverage, but are we going in the sub-sectors? I would take a market approach and look at external factors and what we've got—that is in the CCS. For colleagues in Departments, there are number of challenge points, as we set out earlier, whether it's a GDS challenge or a John's growth group challenge—

Chair: I am just trying to get a flavour to squeeze out in our discussions as we write our Report of what it looks like when it is working well. What does "right" look like for this element of contracting out? As you say, Sally Collier, some of it is still work in progress, but out there small and medium-sized enterprises are very interested in getting these contracts if it works well.

Thank you, Sally Collier, for your service at the CCS and for your evidence today. We recognise that there is a lot still to be done but that a lot has been achieved. We are just anxious that it doesn't stop here—that some momentum continues—so we will be calling your successor at some point. You should put that in his in-tray. I don't know whether we will have the interim in, but we will certainly have the permanent successor in at some point. I also thank Mr Manzoni. Our uncorrected transcript will be up on the website in the next couple of days. It will be sent to you as well, and we will send you a copy of our Report. We will track you down at Ofqual, Sally Collier. Do you start at Ofqual next week?

Sally Collier: No, I have a small holiday, although I'll be getting up to speed.

Chair: Okay. Well, we'll track you down and send you a copy of the Report, if you're still interested. Thank you very much indeed.