

Public Accounts Committee

Oral evidence: Crown Commercial Service, HC 786

Wednesday 18 January 2017

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Members present: Mr Richard Bacon; Philip Boswell; Nigel Mills; Anne Marie Morris; Mrs Anne-Marie Trevelyan.

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

Questions 1-186

Witnesses

I: John Manzoni, Permanent Secretary, Cabinet Office, and Malcolm Harrison, Chief Executive, Crown Commercial Service.

Report by the Comptroller and Auditor General
Crown Commercial Service (HC 786)

Examination of witnesses

Witnesses: John Manzoni and Malcolm Harrison.

In the absence of the Chair, Mr Bacon was called to the Chair.

Q1 Chair: Good afternoon. We are here to consider the National Audit Office Report on the Crown Commercial Service, which was launched in April 2014 and intended as a way to increase the quantity of goods and services bought commonly by Government—the sorts of purchases that every Department makes, from the quite mundane such as copier paper or simple office equipment, through to much more important services such as consultancy and contingent labour. Making savings in such purchases of common goods and services is an important part of the Government's drive to save money across Government and the wider public sector.

The Report highlights the difficulties that beset the original launch of the Crown Commercial Service, and the programme to transfer procurement teams from Departments has since been suspended. This is the latest of a series of upsets of the Cabinet Office's attempts to set up shared services.

It would seem that sharing the purchasing of goods and services ought to be a fairly straightforward thing to do. We want to hear from our witnesses today why they think it went so wrong and how they plan to get things back on track. Our witnesses are Mr John Manzoni, the Chief Executive of the Civil Service and the Permanent Secretary for the Cabinet Office; and Malcolm Harrison, the Chief Executive of the Crown Commercial Service. You are both very welcome.

Mr Manzoni, perhaps you can start by explaining why it was that in 2014 the establishment of the Crown Commercial Service proved so difficult, and why it so quickly went off track.

John Manzoni: If I may, Chair, I will say that centralising spend was actually the critical step, made in 2014, but that the process of consolidating spend had been going on for some time, ever since 2000 with the OGC, followed by OGC Buying Solutions, leading to the Government Procurement Service and, ultimately, the CCS. Each time the system had been learning about how to consolidate spend and such things. The step that was made in 2014, the CCS, was the first time that the spend had actually been centralised and shared, as opposed simply to the creation of frameworks.



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As we have talked about many times before, the activity of collective accountability in Government is not a straightforward one. I would also say that between 2010 and 2014-15 the process that I described, some of which was with CCS, had saved and continues to save a considerable amount of money: £1.9 billion of price saving and £1.6 billion of demand reduction since 2010 by the time we got to 2014. It was not an unmitigated disaster by any means. It was a step on a journey.

- Q2 **Chair:** It was nothing like the projections that were set out at the time of the launch. The CCS was meant to achieve £13.4 billion of savings over four years, £3.3 billion net of spending over four years and £3.3 billion of net benefits, but it did not. Nor did the Cabinet Office measure what the benefits were, did it? Why was that?

John Manzoni: I agree with you on the first one, but I do not agree with you on the second one. On the first, it is certainly true that the original business plan, when CCS was set up, was ambitious—no question about it. Actually, it was overly ambitious. As I said, that was because it was the first time we had actually centralised and shared the spend. So there was no question but that the original business plan was overly ambitious, and we can talk about why.

As for the measurement, I do not agree that we did not—I have just given you the numbers. By '14-15, CCS had saved £1.9 billion of price and £1.6 billion in demand reduction. In terms of the absolute measurement of savings, with an agreed methodology audited by the Government audit service, those numbers have been measured. What has not been measured—I think this is where the NAO Report was focusing—is what might have happened had we not centralised, so the counterfactual aspect. We could spend a long time trying to do that, but actually, there is no question that the centralisation of spend—by the way, it continues, with £521 million the year before last and £450 million of savings last year—is continuing on track for a cumulative saving of £2 billion by the end of this Parliament. These are substantial numbers. The reason why I am giving them to you is that as we understand what went wrong, we also need to understand the quantum of the economic savings that have been made as we have been doing it.

- Q3 **Chair:** You agreed it was, and described it as, an over-ambitious business plan. Paragraph 1.15 basically says there was not a full business case; the Cabinet Office did not prepare a full business case for CCS. Is it not rather odd to have an over-ambitious plan, but not to have a full business case for it?

John Manzoni: I am afraid the business case was made before I arrived. I have actually seen the original business case. There certainly was a business case.

- Q4 **Chair:** But it wasn't a full and detailed business case, was it?

John Manzoni: I think it was insufficiently detailed in its articulation of how the price was going to be gained. That is why, as I say, it was over-ambitious. It had the right ideas and commercial levers in it, but it didn't



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actually articulate the end-state target operating model. It was actually, as we have learned—I'm sure Malcolm will describe what he is doing—a business plan to aggregate spend. In so doing, we were rather ambitious in the scope of what was brought into the thing, which is why we stopped it. The transition of spend wasn't going according to plan. That is why we paused the transition of spend. We have rebuilt the system; we've redirected it and refocused it, and we are on a slightly different path. There was a business case, it just wasn't sufficiently detailed, in retrospect.

- Q5 **Chair:** Did the business case include what you would expect in any full business case, namely counterfactuals—what about not doing it; what about doing it in a completely different way?

John Manzoni: Yes, as far as I recall—I have not studied it; this was in 2012 or 2013, or something like that—it articulated a series of options and chose a path. As you know, there were a series of such things done at that time. The idea was right; the implementation proved more problematic than the original business case.

- Q6 **Chair:** What I do not think you've really addressed is why it went off track so quickly; I think Mr Boswell and Mr Mills want to come in on that. I will give you a first shot at answering the question. Why, in May 2014, only a month after it had been launched, was it already subject to a review—and why didn't that review fix it?

John Manzoni: There were several reviews. I would say that I started to notice that it was not on track was about a year later; that was only 12 months after it started. There was a KPMG review in June 2015, which was about a year after it started. The original review that I think you're referring to in May 2014 was predominantly a review of its governance, which was slightly unconventional and resulted in a changed governance structure; I asked the then executive chair to move to be a non-executive chair. We responded to the '14 review, which was predominantly around governance and the structures it had been set up with.

- Q7 **Nigel Mills:** It looks a bit of a mess really, doesn't it? I think we understand that some other Government Departments maybe do not do project management very well because it is not their core job, but I thought the reason for having the Cabinet Office was that you guys were meant to spread this knowledge around the Government and not mess it up yourselves. It looks like you designed it wrong, set the wrong targets, didn't have a business plan and then you wrongly executed it. It doesn't get much worse, does it?

John Manzoni: Is that a question?

Nigel Mills: Yes, does it get much worse than the design being completely wrong?

John Manzoni: Let me repeat what I said. Over a period of more than a decade, the Government have attempted to centralise and benefit from this scale of spending. This was the first time we had actually made a



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considerable step of centralising spending. That is difficult in this accountability structure; I have said that many times before. In retrospect, the business plan was insufficiently detailed. The act of doing it saved £3.5 billion from 2010 to 2014, and has since saved another £1 billion. I don't think it is an unmitigated disaster, but I think we could have done better.

Q8 Nigel Mills: I take what you say—that Governments have been trying to centralise buying for many years. In fact, we have a handy figure—figure 2 on page 19 of the NAO Report—that goes through some of the issues we have looked at previously as a Committee and the challenges of centralised buying and shared services. It highlights, for each one of those reports, where things have gone wrong under the categories of “Unclear baselines or overambitious targets”, “Lack of a clear plan”, “Inadequate data”, “Weak governance, assurance or control” and “Lack of customer buy-in”. I suppose the risk is that you have 20 years of trying to do this, then you try to do it again and make all the same mistakes that seem to always happen. Isn't that really quite disappointing? Aren't you disappointed, Mr Manzoni, that the same mistakes have happened again?

John Manzoni: The answer is yes, I am. I wasn't here at the set-up. I would say to you now—I smile as I say it, because I find myself saying it a lot in this Committee—that I believe we are now set up for success. We have a very experienced chief exec. Here's the issue: one month after it came to my attention, I hired the gentleman on my left. This gentleman on my left has set up and run procurement organisations in big companies and outside before. That is why I hired him. The perspectives brought by the people who have done it before mean they can spot and understand how you do this.

This is particularly difficult because of our accountability structures. I am disappointed that we did not learn those lessons, just as I am in the shared services and in one or two other areas, but I am not disappointed today. I believe we are set in a structure that is in many ways, in the short term, less ambitious because it is more focused on what it can do, but in the long term has far greater potential even than the original business case for the CCS. We have re-based a bit. I am disappointed that we didn't learn those lessons.

Chair: The NAO wanted to say something.

Joshua Reddaway: I just wanted to come in on the savings, to make sure there was not any misunderstanding. If I have understood the numbers you were quoting, those were the ERG savings on procurement. Is that right? They are not numbers in the Report.

John Manzoni: As reported and audited by the Government audit agency in 2014-15.

Joshua Reddaway: One of the things you said was about trying to differentiate between the numbers you are using and the numbers the



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NAO uses in the Report. What we say in the Report is based on the re-based line and the new way of doing it in the last year. That is the £521 million that was saved. Both that number and the previous numbers, which were done on a different baseline, are legitimately savings that the Cabinet Office can claim from procurement and its procurement initiatives since 2010.

It is not, however, easy to say that they are about the decision to launch the Crown Commercial Service and the very specific thing you said, which was that the Crown Commercial Service is about direct buying, not frameworks. The savings that the Cabinet Office is claiming include things from the frameworks. The Cabinet Office needs to be commended for all these savings. We have audited it in previous Reports, and we do agree with it, but they are not something you can use against this and the £3.3 billion, to say that it has been achieved. I hope that settles that.

- Q9 **Chair:** Mr Manzoni, you were not praying it in aid in that respect. To be charitable to you, it sounded like you were trying to paint a picture of steady efforts at progress over five or 10 years. In fact, I have the OGCBuying.solutions report in front of me, which is from December 2006 and is not one of the nine reports mentioned in figure 2. It highlights many of the same issues. Mr Harrison, you have been officially in charge for just over a year. Is that right?

Malcolm Harrison: I have been officially in charge since November 2016, but I spent six months before that undertaking the role on an interim basis.

- Q10 **Chair:** And you were a consultant prior to that.

Malcolm Harrison: Correct.

- Q11 **Chair:** When did you first cross the portal, so to speak?

Malcolm Harrison: Late summer of 2015.

- Q12 **Chair:** Were you surprised by what you found, in terms of the smorgasbord of activity?

Malcolm Harrison: Frankly, yes.

- Q13 **Chair:** Can you go into that in a bit more detail? Why did it surprise you?

Malcolm Harrison: What surprised me was not the concept, because the concept is one that I've seen put in place extremely well in many previous situations. What I found surprising was how the various activities that the Crown Commercial Service was doing—some of which were absolutely ones you can have a central team doing, and doing very effectively—were muddled up with other activities like placing purchase orders, which you would typically leave very close to the point of use. It appeared that that understanding of which activities made sense to centralise and which ones did not was not fully understood. That surprised me.

- Q14 **Chair:** When you say "not fully understood", you are being charitable, aren't you?



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Malcolm Harrison: Not understood.

Chair: It wasn't there.

Malcolm Harrison: I was very surprised at that. I was also very surprised at some of the categories that were attempted to be brought centrally. For instance, fuels was taken as a category, but within fuels, land fuels for cars and lorries around the UK—

Chair: And for jet aircraft.

Malcolm Harrison: Exactly right.

Chair: Military jet aircraft.

Malcolm Harrison: Exactly right.

Q15 **Chair:** Am I right in thinking that if I parked my Tornado—assuming I could get it in to, let's say, a BP service station—and tried to fill up, even though Mr Manzoni worked for BP, and we know that it is a good firm, that would not necessarily make the jet go the way you want it to?

John Manzoni: BP Ultimate would.

Q16 **Chair:** But it is a fairly specialised product.

Malcolm Harrison: Indeed. Not only that, but I suspect some of our warships would probably fill up in places where we could not even tell you where they were filling up in the first place.

Chair: They have got electric motors now, although they do not work so—

Mrs Trevelyan: They do now.

Q17 **Chair:** I am sorry, Anne-Marie is defending the electric ships.

Having been very surprised at this rather strange patchwork quilt, including, apparently, a lack of understanding of what ought to be being done, what have you done about it?

Malcolm Harrison: The first thing we then decided to do was that we needed to undertake a proper review. A lot of the good and right activities were being done, and there were also some very important activities being done that were just being done in the wrong place. I thought that it was extremely important that as we located the right place for that activity to be done, we did not just simply throw it over the fence but made sure that we were very responsible in terms of passing it back or passing it to the right place for it to be done.

I felt that it was also extremely important that we engaged our people. We really thoroughly engaged our people. They had been through a lot of change. I got a big sense of that change having been done to them rather than them having been involved in it. That is another reason why we have taken the time that we have. It was to make sure that, yes, we got the right operating model in place, but also that we got some very good people in the Crown Commercial Service, which we have. It was important



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to me that they were fully engaged and understood that we were making the right iterative changes for the future.

- Q18 **Nigel Mills:** I suppose, Mr Harrison, the question is, do you think that anybody who knew how to set up one of these centres would have tried to design it in the way that this one was designed? Were these just basic mistakes that were made in not knowing quite what you should be procuring and quite how to transition it, and then how to procure it once you had transitioned it? I mean, this is not rocket science.

Malcolm Harrison: The straight answer is no.

- Q19 **Nigel Mills:** So it was just fundamentally wrongly designed and then badly executed at the start.

Malcolm Harrison: That is correct.

- Q20 **Nigel Mills:** I come back to the point that we think the Cabinet Office is there to make Government better at this. It is a bit of an unfortunate place to get the basics wrong, isn't it? How did it happen, Mr Manzoni? I know that you were not there, but you are here to account for it. How did the people who did this not realise that they didn't know what they were doing?

John Manzoni: Look, it wasn't all wrong. It wasn't all wrong. There was a belief, actually, underneath it, that if we got more volume through these frameworks—which is not wrong—we could get more savings and more value out of the frameworks. That piece of this was not wrong. I think that the system at the time got slightly distracted about just getting volume, and hence swept in some of these other activities that resulted in—what was it in the end?—quite a mix of activities inside CCS, as it turned out. That is the specific point; I am afraid that I am a bit like a broken record on this.

At the time, to put it in context, the Cabinet Office itself was moving from its traditional role, where it was not actually operating a big procurement organisation or a shared services organisation, nor had it created a pension operation. It was moving into a new phase, and all these things done in the centre of Government are genuinely difficult to do, even if you could issue commands and everybody would follow. They are especially difficult to do in a Government context. We were in a time when all these things were happening.

These ideas are completely correct. These are going to save hundreds and millions and billions of pounds for Government and for the taxpayer. There is no question about that. One can be generous or ungenerous about the early steps of that as the Government changes the operating model, which is actually what we are talking about here.

- Q21 **Nigel Mills:** I think we all accept the principle that if you buy better, you will save money. There can seemingly be no doubt about that. However, am I right to think that to buy better, you need to integrate what you are buying and try to buy it once for several Departments rather than buy it separately for several Departments?



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John Manzoni: Malcolm will describe it, but I will say that actually, to some degree, the frameworks were already allowing the aggregation and all those things. You need to do that. Where it is appropriate to aggregate, you need to aggregate. By the way, where it is appropriate to put it to small and medium-sized enterprises and disaggregate, you have to do that, and where you have to have a deep understanding of the market structures so that you can exploit them, you have to do that. That is why it has taken Mr Harrison about 12 months to create a team of real experts in the things that he is buying; it is in order to be able to understand the market and exploit the market to the best—

Q22 **Nigel Mills:** The reason why I asked that was that it appeared that what they tried to do at the start was to go and agree separate business cases with every Department they were transitioning, and to do things slightly differently for each Department, which does not look to be great centralisation. It looks like just moving it and doing the same thing, doesn't it?

John Manzoni: We did actually have different arrangements with each Department. Again, I will give you the context. This was one of the very first times that the centre had tried to do anything on behalf of all Departments, and therefore one was bound to have some tentative steps. We have actually solved that now; we have changed the arrangements between the centre and the Departments so that it is consistent. I agree: we did end up with a different suite of arrangements with each Department.

Q23 **Chair:** Mr Harrison, you look like you're in violent agreement with Mr Mills.

Malcolm Harrison: The focus was very, very heavily on transition, and in that absolute focus on how you transitioned volume in—what John says is absolutely right—a whole load of things got swept in that shouldn't have been swept in. The problem then, I believe, was with a lot of the very operational tasks. They are important tasks, but they are very operational, and because they are very operational, a lot of the focus of the CCS became about how those operational tasks, which were often bespoke to individual Departments, were executed. If one spends a lot of time doing that, it is very difficult to get a real focus on the aggregation and the leverage of your expertise, which you are doing at a much higher level. Therefore, the change we have now made is to standardise the service, to narrow, deepen and focus it, and to make it very clear with each individual Department that we work to ask what are the activities that we can do, where we can bring real value, and what are the activities that are far better done by the Departments themselves, such as placing purchase orders and going through the approval process against their own internal Department controls.

Q24 **Chair:** What is it about the civil service, though, that means that when you have your broom and you are pushing procurement people out the door as quickly as you can, you're sweeping out people who perhaps should have remained? The Report says that the DCLG suddenly realised



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it had lost its intelligent client function and has had to hire it back. We know from Sir Nick Montagu many years ago in this Committee, when there was still a thing called the Inland Revenue, that outsourcing your intelligent client function is not a very good idea. So why didn't someone in the Department say—I know you are not here to answer for the DCLG, but surely the official mind, the civil service mind, should have said it—“Whoops. Wait a minute. We must not outsource our intelligent client function. We must make sure that none of the Departments does that.” Why, in this haste, are really quite basic things, which ought to be building upon previous knowledge, not taken account of?

Malcolm Harrison: It is difficult to do anything other than agree with you and say that it clearly should have been taken account of. Although I wasn't here at the time, I have been back and looked at all the various business cases and reports. There was such a focus on transition, on sweeping in spend, on achieving a large number, that, I believe, a number of what you would say were fairly operational tasks were missed.

Sir Amyas Morse: I appreciate that, but I just point out that the number was not remotely achieved, either. Taking account of what you say, and looking forward, I think what you are telling us is this. You are going to have to get some volume into this, to get anywhere near your plan, so that's the big test, right? You have your excellent, expert, very good local team and you are feeling very confident about the future. We will be sitting there in a year and a half's time looking at a very different picture, or won't it be working? Which—

Malcolm Harrison: I believe we will be looking at a very different picture. I'm not sure it will be in a year and a half's time; I think it will take longer than that to get this properly established. As the Committee has said, this has been tried a number of times and not quite got right. I would hope that this time we are actually going to take the time and build a sustainable model and put something in place that really will endure. I do believe, though, that we will get the volume by focusing on the activities where we can really add value and not getting distracted by a lot of other very transactional operational activities that were just moved into the Crown Commercial Service without thought as to how you could do them centrally.

Q25 **Nigel Mills:** Going back to Mr Manzoni, you said this was perhaps the first time you had tried to do this centrally, and so these were tentative steps. I suggest that two Departments every three months was not very tentative. It was giant leaps, wasn't it? Was it just overly ambitious?

John Manzoni: I cannot comment on why the pace of the business case, as originally articulated, was put together that way. In truth, we learn all the time that it is good to test these things and approach them gently. Nor do I know the context in which all this was done. I think that there was a general era when a lot of very good ideas began to be promulgated, but frankly, I do not think the civil service had the experience to do it at the pace at which it was envisaged.



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- Q26 Nigel Mills:** Were Departments that were meant to be transitioning saying right at the start, "This won't work for us"? Were they raising concerns? Can you tell from what you inherited?

John Manzoni: I don't know what they were saying, because I wasn't here, but pretty quickly some tensions built up, of course, which is actually why we stopped it. We stopped the transition pretty quickly, and we rebuilt, reframed and started again. The original numbers had about £22 billion going through by 2018; we are at about £13.5 billion today, because we stopped it sometime last year. So some tensions were being built up.

The question was whether we could demonstrate quality and what was happening, and in the end, that was why in 12 months—that is not a long time as you start to bring all this stuff together—we got a report that said, "Look, if you carry on with this transition," as Malcolm has said, "as you bring all these operational activities in, you are going to need so many people that this model won't work." That's when we stopped it and looked at it. As I said, it was an overly ambitious plan, there is no question about that.

- Q27 Nigel Mills:** I suppose the question we have is why that wasn't spotted and addressed much more quickly. We have already talked about the review that took place after about a month. You would think that if you have got big concerns about governance, that might suggest very big concerns about the whole project. Presumably, if it is not being well run, that suggests that it might not go very well. Do you think this could have been addressed much quicker, perhaps earlier in your time?

John Manzoni: It is always a lot easier in hindsight, isn't it? Funnily enough, I remember the review a month in. I was not in the job that I am doing now at that time, but I remember the review, and I remember having a conversation. The truth is that we could see that it was not exactly as designed, and it was not working exactly as designed, but you've got to get things settling in, and the people have got to settle in. It was a brand-new organisation. You cannot immediately move that fast. Frankly, was I probably three to six months too slow in intervening in this when I became the chief executive and the permanent secretary of the Cabinet Office—both of which are required to take action, by the way? Was I three to six months too slow, in retrospect? I probably was, actually.

- Q28 Nigel Mills:** You say it is easy with hindsight. Of course it is, but these are mistakes with the same old problems that happened on every previous attempt to do something similar. It looks a bit like not learning from previous hindsights, doesn't it?

John Manzoni: Quite possibly. I did not read your previous reports on the Office of Government Commerce or the OGC buying service at the time, because we were in the middle of this. I was stepping into a new job and we looked at it, but my view is always "Get people in who know what they're doing."

Chair: If you had, it would just have made your record sound even

scratchier, I think.

John Manzoni: I'm afraid so.

- Q29 **Nigel Mills:** But it sounds like the Department does not read these reports, or does not move on any of its learning and think, "Actually, these are the mistakes. We're doing this; the obvious mistakes are these. We need to make sure we're not transitioning too quickly. We need to make sure the people whom we want to transition are actually buying this and wanting to use it. We need to make sure we have got the capability to do the stuff that we ought to do." It's not unexpected, is it?

John Manzoni: No, it wasn't, but of course I don't think the OGC was the Cabinet Office, was it?

- Q30 **Chair:** I want to bring Mr Boswell in, but I just want to ask one question about skills, because paragraph 1.14— this may be one for you, Mr Harrison—states: "In addition to...governance changes, CCS has had a high turnover of senior managers. Since April 2014, four of the 11 original board and senior management team remain unchanged", which is a polite way of saying seven of them went. Did you have people with the wrong skills in these positions? If that is the case, why were they there in the first place?

Malcolm Harrison: We did have people that were not the right people to lead this business, apart from the four who were there from the outset. At least we have some continuity, which is very important when you are trying to change any organisation. It took time to identify the fact that we needed a different leadership set to run the business in a different way. We have now got that team in place.

- Q31 **Philip Boswell:** My question is for Mr Manzoni. What were the main risks that Departments were most concerned about at the beginning when you joined?

John Manzoni: I don't know, because I was not here when we did the business case. If I had been in the Department, I imagine it would have been whether I could get value for money through this process.

- Q32 **Philip Boswell:** Mr Manzoni, you said you attended a review one month in, although you were not in your current role. Mr Harrison has said that the process had been previously set up wrong. Mr Manzoni, in an answer earlier to Mr Bacon's question, you said you noticed it was going off course. You said there was something amiss one month in at the meeting, but you said you noticed it was going off course about one year into the process. Why, as an experienced procurement professional, did it take a year for the penny to drop?

John Manzoni: I am not an experienced procurement professional. I did not step into my role as chief executive until September 2014, which was six months after the creation of CCS. And six months after that—

- Q33 **Philip Boswell:** But you understand risk management in the business process.

John Manzoni: Yes, of course.

- Q34 **Philip Boswell:** Did you not check when you took over that the reason why it might have gone wrong was because the plan was wrong in the first place? You said there was insufficiency in the detail. You have both alluded to that. So did you not do any risk management? Did you not ensure there was risk management?

John Manzoni: This was not the highest thing on my agenda when I took over as chief executive of the civil service.

- Q35 **Philip Boswell:** Did you assume, even though there were indicators that things were going wrong—

John Manzoni: To be quite honest, I simply did not get to it until the KPMG report. It had only been going a year when we stopped it, so it had only been going six months. There is obviously start-up and all the normal teething problems in any organisation. The fact is it got my real attention in June 2015 with the KPMG report. I remember I was sitting in the MPA when the first review was going on. I had only just arrived in government, more or less, at the time. I remember sitting there and talking about it and saying, "It doesn't feel right." I was then the chief executive. My attention was elsewhere, to be honest, because it was a brand-new job. Then six months later I saw the report and said, "We need to act." One month later, this man was hired.

- Q36 **Philip Boswell:** At the very start of the process, when you were engaged, did you have any interface with risk management of the process? Or was it part of your review? Were you involved in the review?

John Manzoni: No.

- Q37 **Philip Boswell:** Who was responsible for that?

John Manzoni: As I recall, it was the strategic team of the then Minister for the Cabinet Office.

- Q38 **Philip Boswell:** And would you accept that they clearly did not manage the risk to costs, or the risks on lack of information or on the schedule, because it went so wrong?

John Manzoni: I suspect it was hard to tell it was off track within two or three months after it started. I don't think they were making that comment. They were making a comment, as I said, about how the set-up of the governance had taken place. We did respond to that and we changed the governance. That was actually that review. It was not in any way a detailed review.

- Q39 **Philip Boswell:** After you became aware that there was something wrong, when was proper risk management implemented?

John Manzoni: It depends on what you mean by proper risk management.

- Q40 **Philip Boswell:** As chief executive, what do you think proper risk



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management should entail, since presumably you are responsible for implementing it?

John Manzoni: Yes, if you call proper risk management stopping the transition, putting in place arrangements to have a thorough look at it and rebasing the plan. All of that was done starting in September 2015.

Q41 **Philip Boswell:** That would be a reaction to proper risk management. Accepting there are problems, identifying them and mitigating the result of that would be the actions you took; so when did the actual risk management start?

John Manzoni: When those actions were taken.

Q42 **Philip Boswell:** Those actions were taken after the risks were identified; to identify those actions, you have to be aware of the risk.

John Manzoni: Yes.

Q43 **Philip Boswell:** So who undertook the risk-management process? Who was responsible for it, and when was it implemented?

John Manzoni: Maybe you could articulate what you mean by a risk-management process, and then I will try and see if I can answer you.

Q44 **Philip Boswell:** Previously, you were with BP up until about 2007, was it? BRISK was used at BP.

John Manzoni: For capital projects, yes.

Q45 **Philip Boswell:** Yes, for capital projects that—upstream? Downstream?—you would be processing.

John Manzoni: I was both.

Q46 **Philip Boswell:** Both; okay. BRISK is a Monte Carlo simulation. It goes into a lot of detail and has excellent expertise. It is fully understood in the industry and implemented in many forms across the industry. So when was this—or this type of system or process—introduced into this Department when it was realised that things were going wrong and you wanted to identify them? Because that is what a competent professional would do.

John Manzoni: For the avoidance of doubt, BRISK is used on capital projects; the Monte Carlo process is a process for capital projects—

Q47 **Philip Boswell:** Iterations of probability, yes.

John Manzoni: Not against a probability of different cost outcomes. That is what BRISK is.

Q48 **Philip Boswell:** And schedule.

John Manzoni: And schedule. This is a process transformation; it is much more difficult to put BRISK or any similar process on process transformation.

Q49 **Philip Boswell:** It is difficult, but a competent professional is able to do



so.

John Manzoni: Of course.

- Q50 **Philip Boswell:** So when you were brought in, when did you put these processes in place, using competent professionals who identified these risks, which led to the solutions?

John Manzoni: I don't think I did bring any similar process to BRISK into—

Chair: Were there no competent professionals to hand?

- Q51 **Philip Boswell:** Any risk management process. I am using that one because it is BP language.

John Manzoni: Well, it is for capital projects, yes, but not for this stuff. What I do is I use lots of inputs. That is what senior leadership does. Sometimes things are amenable to a formal risk management process. I expect there were risk matrices for this project; I haven't actually looked at them, but I expect they existed, because they would have existed in the original business case. What happened is that an understanding of the construct, an understanding of what was happening, emerged, as I say, in about June 2015.

At that point, interventions were made in response to the risks that were manifesting themselves, and of course the key risk was the pace of transition. That was always identified. That is why Malcolm has said there was a huge focus on the pace of transition. That was the key risk, and actually it wasn't going according to plan. The reason it wasn't going according to plan is because the system had insufficient resources. If we carried on on that trajectory, the system had insufficient resources to even handle that volume. That was the manifestation of the risk, which we then took, I think, at that point, relatively swift action on.

- Q52 **Philip Boswell:** Let's jump forward to where we are now, and where you have risk management processes in place. How long did it take you to put these—I assume you think they are competent—risk-management processes in place? When were they introduced?

Malcolm Harrison: If you are going to manage risk, it is pretty important to try and get some metrics in place and be able to measure how you are tracking against those metrics. One of the bigger challenges I found as I arrived was a lack of good MI. There were 62 different systems within the Crown Commercial Service. Many of them were out of date and no longer supported, and most of them didn't actually talk to each other, so one of the biggest risks we identified was the fact that information was being keyed from one system into another. As I think we all know, that is the most likely environment where people start making mistakes, because you are just double-keying figures, and people do end up transposing figures, so getting ourselves a proper operating environment—getting some basic systems in place that are connected, talk to each other, and give us one version of the numbers—is critically important. We started putting those systems in place in February 2016. If you like, we turned on the first big

blocks, which were around our framework and contracts database, in October 2016, so we are still in the very early days of getting that proper management information in place.

- Q53 Philip Boswell:** So you are now at a place where the risk management is in place. Who was responsible for managing? You said when you came in that interface management is massive here because of all the systems, as is the integration of the risk tools, whichever they are. It is primarily process that you are looking at, so it is probably not off the shelf. There are off-the-shelf options, but this would probably be a bespoke model, given the complexity. That is something that you may or may not be looking at.

Who made the decision? You must have been frightened and alarmed by what you saw when you came in. Who was responsible before that, for failing? What was the timescale? It was February 2016 when you put it in place. When do you think it should have been corrected? Did you have an opportunity before then to see it? Should you have seen it?

John Manzoni: In retrospect, should we have seen it earlier? Probably. Remember what was happening. This was an organisation that was standing up from scratch, with lots of stuff coming in. There was lots of leadership focus, for instance, on the negotiations with the Departments to bring their spend in—and, by the way, their people, so people were moving offices, homes and locations. There was lots of all that stuff going on. Then there was the aggregation of this back-office, with 62 systems, that we are progressively building. That gives you a sense of the complexity. It is a very complex situation. Figuring out how you resolve the 62 systems, for instance, is one component of what Malcolm has put in place. It took him three to six months to figure out what the right action plan should be once he had got in the seat. That was having stopped the transition. The prior leadership were focusing on doing what they thought was the right thing, which was moving all of those things into one place.

- Q54 Philip Boswell:** The transition stopping was not triggered by risk management; it was triggered by a belief that it just was not working.

Malcolm Harrison: I think the transition was triggered by the report that John referred to in June 2015, which essentially said, “If you carry on with this same model, you are going to need an awful lot more resource to be able to achieve what you are trying to do”, which in itself would not have been an efficient and effective way of operating.

- Q55 Philip Boswell:** So in June 2015, the report stated things were going wrong, and risk-mitigating processes were introduced in February 2016.

Malcolm Harrison: Sorry, let me be clear: what we signed off as a specific programme in February 2016 was the programme that would put in place the systems that would provide the management information, which would then allow us to manage the risks.

- Q56 Philip Boswell:** That system helps you manage the risk, but for a competent professional, it does not matter what system you have got. A competent professional knows when something is wrong. Whatever



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system is in place, you can see it is not giving you the answers; you can see that it is "rubbish in, rubbish out". A very rapid assessment of that should quickly ascertain that the June 2015 report required urgent action. Why did it take until February 2016 to implement the risk mitigation?

Malcolm Harrison: When I came into Crown Commercial Service, it was fairly clear that the intent of what was trying to be done was right, but it was the operating model, the implementation and the execution where all the challenges were.

I was very clear that we needed to take time, work with the people—our customers and user Departments—and to understand the detail of the issues before we started saying, "This is the answer." A big sense I got was that, because everything had been swept in so rapidly during 2014, attention had not been paid to understanding that detail. I thought it was hugely important, this time round, to ensure that we understood that detail before we put a solution in place.

Q57 **Chair:** Could you just clarify something about when the transition was stopped? I think it was stopped twice. The Report says at 1.22 on page 27 that almost immediately after the April 2014 launch, in May 2014, the original Cabinet Office review found that CCS was failing to meet its transition programme, and "As a result, CCS suspended transition for new departments." I think there was another cessation of transition later in the following year, in 2015. In each case, did that happen because you stopped it, or because the Departments had said no?

Malcolm Harrison: We stopped it.

Chair: You stopped it?

Malcolm Harrison: Certainly the second one we stopped. Sorry, I cannot actually remember—

Q58 **Chair:** Because in 1.23, the Report states, "departments started to question the risks of transferring their procurement to CCS", and in the next paragraph, 1.24, it says, "CCS and departments continued to assess what could be transferred to CCS but did not formally commit to a new transition programme." So it was not only because you were stopping it, but because Departments did not want to do it, wasn't it? This looks like they were reluctant.

Malcolm Harrison: I think Departments were saying, "We get the concept. However, when we look at the execution and delivery of the concept, it is not giving us the service that we thought we were signing up for." I can understand why, if I was a Department and was receiving that service, I would have paused, but I talk to Departments regularly, and there are Departments that are saying, "The model you are now putting in place is a model that makes sense, and yes, we would like to be able to transfer volume in." Interestingly, I am actually saying at the moment, "I don't want it to transfer in yet, because I want to make the model right and sustainable first."

Q59 **Chair:** You are saying that during that period, the Departments had a



point.

Malcolm Harrison: Yes, I am, essentially.

- Q60 **Philip Boswell:** Moving on, we understand that it was not prepared properly. When you go through any process, or a good stage gate process, which you should do to get to the trigger points when implementing any process, you have a final in-depth investment decision when you have gathered enough data, enough process has been put through and all the boxes have been ticked. You then move into the next phase of execution of whatever you are implementing. I think we can accept that your predecessors failed to do that properly. What I want to look at is: have you done it? When the final investment decision was made to pull the trigger and go again, are you sure that you went through the full appraisal of the process, got all the information you need, have the outcomes and have properly risked it?

Malcolm Harrison: I am very confident on the pieces that we have so far put in place.

- Q61 **Philip Boswell:** Sorry, the starting pistol has been fired, the investment decision has been made, but you are talking about “pieces” being in place.

Malcolm Harrison: The digital transformation programme—so putting those systems in place, yes, I am very confident.

- Q62 **Philip Boswell:** All the pieces have been fully risked?

Malcolm Harrison: One of the points that the NAO makes in this Report, and it is right, is that we need to have in place a proper business case. That business case will need to be developed with input from the Departments. Before we get to develop that full business case, it is hugely important that we get the right operating model in place, such that when we have a discussion with a Department, it is very clear what we are doing and what we are not doing. I think the mistake that was made last time was that that clarity was not achieved first. Do I feel very confident that we are putting in place the right activities to establish, if you like, the right operating model for the Crown Commercial Service? Yes, I do. Do I think we will then need to go through, as we should do with each individual Department, what the business case is and the future opportunities are? Yes, we still need to do that, but to do that before we have got the operating model clearly in place would, I think, be a mistake.

- Q63 **Philip Boswell:** You cannot decide what the operating model is before you actually implement the process. You have actually started to do this work, but you have not determined what the final operating model is. I appreciate that there will be bespoke aspects of it for different Departments with different needs, but is all the information in place, have all the risks been assessed, have all the processes been followed through, and are we in a position where you are confident that you have carried out the risk processes that your predecessors failed to carry out, and that we are not going to get a repeat of what happened before?



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Malcolm Harrison: We have done that work around the operating model, yes. However, what we have not done is say, "Once you have got the operating model in place, how much more of the right activities and the right common goods and services can you put through that operating model?" We still need to do that, and that is absolutely planned, but not until we have got the operating model in place.

John Manzoni: There is a business plan, as I say. In the year that we are in the middle of, I think it is £450 million of benefits. The prior year was £521 million of benefits, so we are saving money and doing well. There is a business plan, which was not actually in existence at the time of the NAO Report, but is now in existence. It has milestones and a target operating model articulated and derived. It has all of those things. What Malcolm has said is that there will probably come a time—it will probably be 2018—when, provided we are still making money and working to the plan, we will formalise an agreed cross-Government volume projection. We could make it up now, but it is about building the model so you can demonstrate the value.

Q64 **Chair:** When you say a volume objection—

John Manzoni: Volume projection. Once we have got a competent entity, we can then have the conversation about the appropriate volumes. The only thing that is missing is the cross-Government agreed standard objective, articulated in the NAO Report as a mandate, which says, "This is what we all agree we are going to do," which I think will cement it. Meanwhile, we will be saving money all the way through.

Philip Boswell: I think it is accepted that there was a projection previously, which your predecessor set and we are nowhere near achieving. There has been a change. The implementation of certain processes has started or is in process, and I think it is fair to say that things have improved. We look to see what those projections will be. We will come on to that later, because it has improved, but it is a long way off what was promised. Let's move on.

Q65 **Anne Marie Morris:** Mr Manzoni, was your understanding that the prime role of this exercise was cutting cost?

John Manzoni: Of the creation of CCS?

Anne Marie Morris: Effectively, yes.

John Manzoni: Improving value, I would rather say. Not cutting cost; improving value.

Q66 **Anne Marie Morris:** Okay. That's music to my ears, because I'm a little concerned that we seem to be talking an awful lot about money pure and simple, rather than value for money. While my colleagues have grilled you on the numbers, I don't think they have really grilled you on whether or not we are actually getting value for money. Clearly, you can't take cost out and get value for money if the resulting quality is in any way impaired. Given that you sound, Mr Manzoni, as if you are on side with



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that, perhaps I can ask Mr Harrison, how have you measured that quality piece to ensure we are getting value for money, rather than simply taking cost out of the system?

Malcolm Harrison: I entirely agree with you: it is about value for money. It is about ensuring that we help people in the public sector to spend wisely. It is not about cut, cut, cut. The main way we do that is, when we put the frameworks in place, evaluate suppliers against a range of criteria. One of the key criteria is always the specification, the service and the quality that those suppliers can deliver. Price is not the key criterion when we are selecting suppliers to go on to a framework. Indeed, on a framework, all you are getting in terms of price is what the maximum price is. We then go into a second process, which is referred to as the call-offs or the contracts that are done under the framework. That is when the focus comes far more on to price, knowing that the supply base that you are operating with—who are competing—have all gone through a stringent and transparent qualification process to ensure that they can deliver the right quality and service.

- Q67 **Anne Marie Morris:** My concern is that you seem to be measuring the process, not the output or the outcome, dare I say. While you are looking at the frameworks to ensure that they are, of themselves and in your judgment, fit for purpose as part of the process, you don't seem to me to be measuring whether the actual service delivered—I suspect the problem is particularly around services rather than goods—is at least of the same quality as before or, preferably, better.

Malcolm Harrison: That is a very good point. I would say that, in creating any central procurement commercial function, it is hugely important that one also puts in place that operational contract management, or contract compliance, or the activities that you so rightly say ensure that you are getting the service you think you have bought. That has to be done very close to the point of use, which is another point I think we didn't get enough focus on. In other words, Crown Commercial Service cannot centrally do contract compliance; it has to be done very close to the point of use. That is absolutely the discussion we are now having with all of our users, to ensure that they are going to put in place the right processes and activities, such that, when they receive a good or service, it works.

- Q68 **Anne Marie Morris:** My concern is that "discussion" is quite a loose word. Are you looking at putting something rather harder in place to make sure that you are getting value for money, as opposed to only a cost saving?

John Manzoni: Let me answer that. The value for money has to be determined by the buyer of whatever they are buying, not the purchaser. That is the key issue. We have expert purchasers that can leverage market structures, aggregate or disaggregate where necessary or construct market interventions that can create great deals in the marketplace. The value for money needs to be decided by the people who are buying the service.



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That, of course, is the other half of the equation: the general uplift in commercial capability across Government. It is related to this, and it is done and handled through the Government Chief Commercial Officer and his structures and organisations, which are deploying, in partnership with CCS, the contract management that will enable us to say that we are getting great value for money for the Government.

- Q69 **Anne Marie Morris:** I suppose I have two queries. It seems to me that you are talking about the commercial end point, rather than the user end point, so I suppose I have two questions. First, to what extent do you actually liaise, compare notes and set measures with the body you are talking about to make sure you are getting what you describe? Secondly, with regard to the end user, who, at the end of the day, is generally a member of the public, to what extent are you ensuring that you actually get the result that you want?

I will give you an example of the sorts of procurements that I've seen. Within Health, contracts are often made on the basis that there will be subcontractors within the contract who will deliver the specialist services that are needed to ensure that the total requirement of the bid is met. In practice, the main contractor is often in a situation in which, to get the most value out of the contract, they don't use the subcontractor in the end; they simply do it themselves. The consequence is that the end user—the member of the public—gets an inferior service.

I totally understand Mr Manzoni's point about commercially savvy professional purchasers. However, they are not the ultimate end user, and that does not give me any comfort that we actually have, at the end of this, value for money that is giving the end user—generally an individual—a service either as good as it was or, ideally, better.

John Manzoni: The responsibility for getting the outcome that one wants rests with the accountable person who's buying the service. They can buy it through a contract and subcontract. They can deliver it directly. They are the people at the frontline of the Department who have to be sure that they are delivering the outcome that the user—the citizen—wants and that we are delivering better services.

How they procure it is an issue. Part of that is value for money, because they can procure it very expensively by having their own idea one morning, or they can go to professional frameworks and structures in the market that we have set up, so that they can make sure that they get great value for when they have decided what they will purchase.

I agree with you that it is a holistic value chain, but the ultimate responsibility for what you are after is, of course, a combination from the frontline of the user Department, supplemented and assisted by the commercial teams, to make sure that they are managing whatever contract they have set up as best they can, and, as necessary, purchasing as professionally and in the best value way we can through the professional purchasing organisation.



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So it is a holistic thing. It is not the responsibility sitting in the Crown Commercial Service for that end-user experience. It is the accountability of the purchasing Department.

- Q70 **Anne Marie Morris:** Might I suggest that the Crown Commercial Service is the one that is setting the framework and effectively mandating how the process is done? I don't think you can therefore sidestep any accountability and pass it right down the end of the chain to the final person who actually signs off the contract.

John Manzoni: Which is why it's a partnership.

- Q71 **Anne Marie Morris:** My question to you remains the same and I still haven't had a satisfactory answer, because I don't believe that that accountability is in no way part of the remit of the Crown Commercial Service. What do you do now, or, if you're not doing it, what do you propose to do to ensure we actually get outcomes that are fit for purpose for the end individual user?

John Manzoni: Let me be a bit more detailed. The frameworks that are set up, which are renewed or refreshed—I don't know—five or 10 a month—

Malcolm Harrison: Quarterly.

John Manzoni: Quarterly. They are, of course, set up in discussion with the buyers and with the end-user things in mind. So, we have 80 or 90 frameworks, and 280 separate lots across 80 frameworks today, and what Malcolm's team is doing is going back into those and making them more nimble, more flexible and more attuned to the end user. That is a continuous process. I think that's perhaps the answer you are searching for. That is the linkage, where Malcolm meets buyer.

- Q72 **Anne Marie Morris:** Perhaps we had better ask Malcolm himself. Mr Harrison, I'm just concerned that we are going round and round in circles talking about processes and improving processes, and we still haven't got to the endgame, which is the end user. I'm really looking for honesty here, rather than anything else, and I'd like to see some acceptance of some role here in terms of getting value as well as cost savings out of this system.

Malcolm Harrison: You are absolutely right, and I didn't explain it well enough. The end users are heavily engaged in—we talk about pre-market engagement, which is before we put any framework in place. We work first with end users to understand what it is that they really need. That's where this whole process starts. Therefore, given that the end users are the people who are best placed to be able to determine what their real needs are, that is the start of the process.

Then we build the frameworks, based on that need and on what suppliers in the marketplace are capable of delivering. That's how the whole framework process is put together. So, yes, users' needs are absolutely at the forefront of the framework process.



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Then, in terms of how we control against that, what we do is to continue to talk to users and in the event that a user detects that they are getting multiple incidences of a supplier not performing, those issues get escalated and we will get involved again in resolving them. But it does rely, as I think John so rightly said, on the end user ensuring they've got the right focus on ensuring they are monitoring the services or the goods that they are getting, and ensuring that they conform to what was originally set when the framework was put in place.

Sir Amyas Morse: I wonder if you can help with this: how do you know that you are doing a good job? Not the end user, but you. In other words, what have you got set up? You are in a work-up phase at the moment. You have put a lot of things in place to run this thing successfully. I can see that. Supposing your frameworks were a little bit lacking and a bit floppy, and people found them rather less than satisfactory and underwhelming. I am not suggesting any of that is true, but supposing it was, how would you know that, other than by people starting to vote with their feet or objecting? What is your objective measure of the performance of your own teams?

Malcolm Harrison: Well, what you say is correct. The way you would know that is people voting with their feet.

Sir Amyas Morse: Is there any objective management information-based thing that you could do?

Malcolm Harrison: We regularly review the performance of suppliers in the marketplace, and we are continually talking to the market. That is the way that we are able to determine, when a framework comes up for renewal or extension, whether it makes sense to extend it or whether we should not extend it and should re-let that framework. We are always, always in touch with the marketplace.

Q73 **Chair:** That is very interesting. You say you regularly talk to the market. The Report states, on page 10 of the summary: "CCS cannot demonstrate to its customers that its deals are always the best available." Paragraph 2.7 on page 36—I found this perhaps the most surprising part of the Report—states: "CCS does not routinely track prices and volumes for all goods and services in its portfolio. Savings may therefore be overstated...Rises in prices or demand in other areas may not be recorded." When I read that, I found myself thinking, "If CCS cannot do that and if it is not routinely tracking prices and volumes for all goods and services, what is the point?" Is that wrong?

Malcolm Harrison: We routinely track framework prices.

Q74 **Chair:** But as Mr Manzoni indicated, those are only maxima.

Malcolm Harrison: That is right. As we start to put in place the contracts or call-offs, then yes, we are able to track. Historically, when CCS was created, those were being done by individual Departments.

Q75 **Chair:** So, you are saying that unless and until you have done that



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second piece, you cannot, in the words of this bullet point, demonstrate to your customers that your deals are the best value.

Malcolm Harrison: That is because we do not have all of that information routinely. Now, there are some categories where we do have that information, such as electricity. We have very good management information on what is happening in the electricity market. We are able to benchmark our prices against the market. Our customers will routinely say to us, "If you look at electricity, you do a good job", and that is because we have that transparent data. It is not always easy to get that data for every single item we buy. With consultants, there is such a difference between one consultant and another.

Q76 **Chair:** I can understand that. I should declare an interest, as I used to professionally represent the consulting industry. That is a very particular case. We are talking about a range of commodities that are fairly easy to get commoditised prices for. There are lots and lots of those. Why in those circumstances is it so difficult to get accurate prices?

Malcolm Harrison: We have not had the systems in place that have allowed us to do that.

Q77 **Chair:** It is a systems issue.

Malcolm Harrison: We have not had the systems.

Q78 **Chair:** So, when I go to the supermarket and pay at the checkout and Tesco tells me that I have just spent 55p less for the same basket of goods than I would have done at Asda, are they, as someone told me the other day—I am sure this is wrong, by the way, Mr Tesco—making it up? Or is it because they have the systems? Are they buying in the information from an agency? How are they able to do that?

Malcolm Harrison: They do have the systems.

Q79 **Chair:** Over very large numbers of product lines.

Malcolm Harrison: If you look at the large supermarkets and when they put in place centralised buying—many of those used to have a high element of local buy—you will see that one of the biggest investments they made was in systems.

Q80 **Chair:** They appear to be doing it in real time compared with all their competitors. It is astonishing.

Malcolm Harrison: Yes, and they do surveys of their competitors and put that information into their systems. There was a massive investment in systems to ensure that they did have that information.

Q81 **Chair:** Is it too much to expect, given the size of Government? It is fair to say that total Government expenditure is three quarters of a trillion pounds a year, not all of which is on goods and service. Government is bigger than any of the major supermarkets, individually. A commensurate investment should be being made by the public sector in order to achieve equally remarkable results. Is that fair?



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Malcolm Harrison: I think it is fair to say that better systems would help us in terms of being able to show that we were achieving better pricing. However, we have a challenge, given the number of different systems that we have across the universe in which we are operating. I am sure that the likes of Tesco, Asda and Walmart would say that one of their big benefits is that they have one central system that is uniform across all their stores.

Q82 **Chair:** Although many Government Departments are, by themselves, larger than any of the big supermarkets.

Malcolm Harrison: True, and of course the Crown Commercial Service operates across 18 central Government Departments and some 31,000¹ wider public sector organisations.

John Manzoni: And 62 systems.

Q83 **Chair:** Right—most of which don't talk to each other. How many systems are you aiming for? One?

Malcolm Harrison: We think we will end up with somewhere between five and 10.

Q84 **Chair:** And they will have protocols that enable them properly to talk to each other.

Malcolm Harrison: They will.

Q85 **Chair:** How long is that going to take?

Malcolm Harrison: We have a three-year programme.

Q86 **Chair:** Starting from when and finishing when?

Malcolm Harrison: Starting from February 2016. It is going to be 2019 before all that is in place.

Q87 **Chair:** You mentioned earlier the question of extending frameworks. Page 39 is quite damning on this. It says that you increasingly extend your frameworks; that you are consistently failing to renew or replace frameworks before their final expiry dates and all extension options have been used up; that you have not yet resolved your inability to "renew or replace aged frameworks"; and that you do not consistently compare your frameworks against other deals in the marketplace. All of that is an obvious risk to value for money. When do you think you are going to be able to renew frameworks on time? When will your customers no longer be using expired frameworks?

Malcolm Harrison: First, frameworks are designed to be extended. In fact, the whole point of putting a framework in place is often that it is a four-year commercial intent, and it needs to be of that length, otherwise it would not be that attractive to suppliers to go through the very stringent bidding processes they need to. In order to ensure we have the ability to

¹ Clarification from the Department: 17,000 wider public sector organisations (they estimate their totally potential customer base in the WPS at 37,000 but currently access 45% of that number)

renew a framework on a shorter timeframe than that, typically we would for two years, and then we would extend it for a further two years or for one year and then one year after that. It is important to understand that frameworks are designed to be extended.

Q88 Chair: But not ad infinitum.

Malcolm Harrison: No, not ad infinitum. In terms of frameworks being extended beyond their expiry date, that should not happen. There are very few instances where we have frameworks beyond their expiry date. That has happened essentially because we did not have the right resource and the right processes. We were not using our resources effectively within the business.

John Manzoni: There are only three, and only one today.

Malcolm Harrison: Only one today.

John Manzoni: And three more previously.

Q89 Chair: Can you send us a note with which ones they are and when you expect to get them back on the right side of the line?

Malcolm Harrison: Yes, or I can tell you.

Q90 Chair: You can tell us now?

Malcolm Harrison: Yes. They will be replaced in February, May, June, July and September this year. They are all in the process of being replaced now.

Q91 Chair: Is it fair to say that in the absence of them having been replaced, you are in effect asking your customers to break procurement law?

Malcolm Harrison: When we get to a situation where we might need to extend a framework beyond an expiry, we will always talk to the customers and to the suppliers, most importantly, and we will take legal advice. It is not a question of, "We just have to extend this." It is that that's the least worst thing to do, because it is very important that we still have the commercial vehicles in place that ensure our users can buy the goods and services they need in order to provide their services to our citizens.

Q92 Chair: That brings me back to something Mr Manzoni was talking about earlier on volume projections. You say you talk to the customers all the time but that you also talk to the suppliers. One of the obvious incentives for a supplier, if you are talking about an agreement on volume projections, is that you can make commitments to them about volume minima that you will buy from them. You will probably get a better price as a result. Are you conscious of the fact that if you are not very careful, you could end up in a situation like the one we saw with the national programme for IT in the health service, where volume commitments were made to big suppliers, which resulted in very good value-for-money suppliers being kicked out purely to avoid contractual penalties or paying something for nothing at all? Are you aware of that risk?

Malcolm Harrison: I am very aware of that risk. That is not, of course, a framework issue, because when you put a framework in place, there are no volume commitments. It only becomes an issue when you put the contracts and the call-offs in place underneath that. The Crown Commercial Service is essentially dealing with common goods and services, so for everything we buy we have multiple suppliers and therefore the risk is much less. It is a much higher risk where you have big, sole-source, bespoke contracts, which is not what we have with the Crown Commercial Service.

Q93 **Chair:** What are the top three things—the top three priorities—you need to do in order to make your customers happier?

Malcolm Harrison: The key thing for me is being able to demonstrate to our customers that we are every day delivering real value for money. That is why we are there. That is what they want from us. It is very important to us; it is very important to them. That is the first one. The second one is ensuring that we have the right capability in place, be that the people, the leadership or the systems, to be able to consistently give them the service that they are looking for. The third thing I get most concerned about is ensuring that we are able to get accurate data, such that we can track how well we are doing—or not—and report that to our customers.

Q94 **Chair:** How dependent is getting the data—the third item on your list—on the systems piece that you were talking about earlier?

Malcolm Harrison: Very heavily.

Q95 **Chair:** So when do you think you will achieve that by? If you look at page 52 of the Report, there is a chart that basically replicates figure 9 on page 30, which talks about the common weaknesses: targets, clear plans, inadequate data, governance and customer buy-in. The third one on page 52 is: "Inadequate data...CCS has not got a full baseline of CCS activity (often this is called the 'as is' analysis)." What that is saying is that you do not yet have a full picture of current activity, let alone how it might be improved using better data.

Malcolm Harrison: I think that at the time this Report was done, that was correct. The fieldwork on this Report was done during the late spring and early summer of this year, and that was true. We now have detailed plans for our operational review and the implementation of that, we have detailed plans for the digital transformation programme, and we are putting in place those systems. I am confident that on those projects, we do now have that information. The Report is correct—that was not in place at the time the Report was done.

Q96 **Chair:** I want to move on to where you see yourselves going in the future, but I first want to ask a governance question. There is a chart on page 23 that sets out the reporting lines. You, Mr Harrison, are there underneath the words "Cabinet Office"—this is figure 5—where it says, "Crown Commercial Services...Chief Executive." But underneath that there are three boxes with a dotted line around them—"Complex transactions," "Supplier management" and "Commercial capability"—who



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do not report to you, even though they are paid for out of your trading fund. They report sideways and up through the Cabinet Office Government Chief Commercial Officer, who I presume is the head of profession for commercial directors across Whitehall. Is that right?

Malcolm Harrison: Correct.

Q97 **Chair:** I can understand why these things—complex transactions, relationships with strategic suppliers and the overall quality of commercial capability—have a broader application, but why are they being paid for out of your trading fund? Mr Manzoni, is this just a neat way of keeping them off the Cabinet Office books but getting the service anyway?

John Manzoni: No. It is a piece of history. The Crown Commercial Service, as part of sweeping in all the activities around the Departments, also swept in all the existing commercial activities. That is why those teams ended up inside CCS when this was first created. It is not the right place for them in the long run; they actually are part of the broader commercial structure across Government, which is why they report to the Government Chief Commercial Officer. Frankly, it was convenient at the time. The finances of this structure are using the reserves in CCS to pay, among other things, for the building of commercial capability across Government. I could have sorted it out, sent that back to the Treasury and then asked the Treasury for a different set of money to pay for what we are doing here. We agreed with the Treasury—it is all fully transparent. There is nothing underhand about it, of course; the Treasury is completely on board with it. That is why it is like it is. They don't sit in the same place.

Q98 **Chair:** How much money and how many people are we talking about for those three boxes?

Malcolm Harrison: About 100 people.

John Manzoni: The programme to build commercial capability—what these people do—is about £25 million over about three or four years.

Q99 **Chair:** Does that cover all three: the supply and management and the complex transactions as well?

John Manzoni: Yes.

Q100 **Chair:** In the fullness of time do you expect that chart to change shape?

John Manzoni: In the fullness of time, I do.

Q101 **Chair:** Where would you expect them to sit instead?

John Manzoni: They already report to the Government Chief Commercial Officer. They don't sit with the Crown Commercial Service; they sit with the Government Chief Commercial Officer. So this chart represents a funding arrangement, not a governance and accounting one. At one level it is a bit messy, but frankly it was pragmatic at the time and it is quite a

sensible way of using Crown commercial reserves to build commercial capability across Government.

Q102 **Chair:** So it is nothing to do with keeping it off the Cabinet Office's books.

John Manzoni: No, it is right on the Cabinet Office's books, and it is all transparent, I can assure you.

Q103 **Chair:** You are not having to bid for that money from the Treasury, because it is coming from elsewhere.

John Manzoni: No, but I had to make a business case to the Treasury to use that money for this purpose.

Q104 **Chair:** It strikes me that we have looked at this over many years in different versions. We have seen the Purchasing and Supply Agency, we have seen police procurement, and we had the NHS Counter Fraud and Security Management Service. Lots of different entities have emerged over the years. Some have already been folded into the Crown Commercial Service. How many "competitors" do you have doing roughly what you do across the public sector, including in the health service, which is obviously huge, and in local government?

Malcolm Harrison: No one does exactly what we do, in that we operate both with central Government and with the wider public sector.

Q105 **Chair:** All right, but there are lots of other folk out there doing—

Malcolm Harrison: There are.

Q106 **Chair:** Are there too many, and is there a plan to consolidate?

Malcolm Harrison: There is currently no plan to consolidate. I go back to an earlier point we discussed about the importance of being very close to users. One of the benefits that the public sector buying organisations—that is what I think you are referring to—have is that they tend to be very close, or much closer than we are, to those users. In fact, we work in partnership with many of those public sector buying organisations where we can bring our skills in leverage and aggregation and they can bring the benefit of being very close to the point of use. I don't think it is as simple as taking the whole lot and aggregating it.

Chair: Okay. Let's look at the future. I am sorry, Mr Boswell, go ahead.

Q107 **Philip Boswell:** Before we go on to the future, I would like to go into a little more detail about current performance issues. I refer to page 41, paragraph 2.17 of the NAO Report, on the work in the summer of 2016 on CCS's management of its services, which has not supported consistent quality and value for money. The first point is customer focus. The NAO "found that CCS does not consistently listen and respond to customers' needs." It cites examples that include "CCS repeatedly advising a department to use a framework designed for purchasing estate services when the customer was purchasing consultancy services, and CCS not including departmental requirements when it created a new purchasing framework and then failing to discuss this with the department." How will



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you address these concerns going forward, Mr Harrison?

Malcolm Harrison: Much of this goes back to the fact that we have never established the right operating model, and therefore in many instances we were undertaking activities that we would never be in the best place to undertake. To address it going forward, the most important thing is to get in place that operating model, which is very clear about what we do and what Departments do, and that that is agreed with Departments. Until we do that, there will always be a risk of this misalignment between what services we are providing and what Departments think are the services we said we would provide.

Q108 **Philip Boswell:** Okay. The second point is that Departments have said that communication from CCS is often poor. The Report, which is clear for all to see, states: "CCS is working to improve how it communicates with customers. In 2016 it implemented an executive sponsorship scheme". Has that addressed all the concerns?

Malcolm Harrison: It has certainly helped. There are three points that I would make. First, we have in place a net promoter score, where every quarter we ask our customers how well they think we are doing. Those scores are trending in the right direction—they are still nowhere near where they need to be, but they are trending in the right direction.

The second point that I would mention is, indeed, your comment about the executive sponsors. The executive sponsors were something that we put in place only for central Government Departments. We put that in place last year and the feedback from our customers has been very positive.

Thirdly, we have an account management team, which is focused on central Government Departments. We have moved that central account Government team, organisationally, to be right at the core of our operation. It is right next to our procurement operations people, who are responsible for delivering that service to Government. We have joined up the line internally, and that was not the case before.

Q109 **Philip Boswell:** You have said that it helps, but I was looking for whether it has fully addressed the concerns. Just to be clear, for all these implementations you are responsible for making this work and the buck stops with your good self?

Malcolm Harrison: Yes.

Q110 **Philip Boswell:** Thank you. Moving on to the next one—"Management and leadership environment"—and, again, it is clear for anyone to read, the Report says: "CCS has experienced significant turnover in its senior management and has changed its organisation structure and reporting arrangements." In the final sentence it says that, "these changes have meant that CCS staff have not had a consistent or stable environment to perform well in." How are you managing this, Mr Harrison?

Malcolm Harrison: Again, the Report is exactly right. We have some very good people in CCS and we have not been able to provide them with the consistency of direction and leadership that we should have done. We



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have now got in place a new management team—a new leadership team. It is an aligned leadership team and we have got the right blend of skills on that team. We are now putting a huge amount of focus into ensuring that we engage with our staff far more proactively than we have done before. Indeed, looking at the recent people survey, our people survey year on year has improved by five percentage points overall, which is not bad.

Q111 **Chair:** From what to what?

Malcolm Harrison: From 49 to 55².

Q112 **Chair:** Who say what?

Malcolm Harrison: Sorry?

Chair: 49% to 54%—

Malcolm Harrison: That is overall engagement—

Chair: Who say, “We love the new chief executive”?

Malcolm Harrison: No. They say, “You are now starting to, frankly, behave as a professional leadership team, and we have some confidence that what you are now asking us to do is the right thing to do.” Many of our employees are hugely focused on our citizens and on delivering value for money, and it is up to us to make sure that we provide them with the right direction—

Q113 **Chair:** I do not want to interrupt Mr Boswell’s flow, but I have just one point on this issue. Are you satisfied that the pay environment that you have to work within is sufficient to retain the people you need to retain?

Malcolm Harrison: That is a very difficult question to answer. It is clear that we do need to have sufficient pay freedom to be able to get the best people that we need for the roles we have. The challenges we have in terms of competition vary in different parts of the country. Yes, I would like to be able to have more pay freedom than we do have. At the same time, I am very conscious of the fact that we need to make sure that we are looking after taxpayers’ money.

Q114 **Chair:** But you do a better job of looking after taxpayers’ money if you are a more effective and efficient organisation, don’t you? We know that the MOD cut a special deal with the Treasury that enabled it to get more pay freedom. Bernard Gray talked to us about that some while ago. Mr Manzoni, are you across this? Are you batting for your Department, in this respect, with the Treasury?

John Manzoni: Actually, the CCS team sits inside the new commercial remuneration arrangements that we have secured with the Treasury. Malcolm has, literally this week, just hired the last of his four team leaders, and we have had very high-quality applicants. We have to change

² Clarification from the Department: 52 to 58 (Improvement in CCS people survey engagement score)



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the remuneration structure in here, as part of the general commercial rejig of salary structure. So they sit in that context and, thus far, we are hiring good people. We are where we are with the commercial organisation across Government with this.

Q115 Philip Boswell: Again, I will logically move through paragraph 2.17, because I think it is very important. On the big picture—the “End-to-end perspective”—it states, “CCS has recently put in place standard operating procedures that set out how it carries out many of its own key processes. However, these procedures focus on CCS’s performance and do not describe how CCS and departments work together to manage the end-to-end procurement process”—the interface management. It continues, “This is important because procurement activity starts and finishes in departments. If a procurement process is not understood and managed from end to end, this can lead to work being repeated and time lost. When procurement is managed from end to end it can lead to significant cost savings”. It then refers to figure 14, which is on page 42. How will you manage that interface, Mr Harrison?

Malcolm Harrison: The Report is absolutely correct. That was the case at the time the Report was written. Since then we have established exactly what it is that we do and what Departments will do. We have communicated that to all central Government Departments.

Q116 Philip Boswell: Okay. Having established that that is the communication, let’s turn to paragraph 2.18, which states, “CCS’s internal audit conducted 11 reviews of CCS’s governance, risk management and control arrangements in 2015-16.” It goes on to report on the progress, and the figures are there to be seen. It finishes by saying, on a positive note, “More recently, through”—the NAO’s—“external audit engagement, we have found clear improvement in CCS’s governance, risk and control environments.” How much further do you have to go to ensure that that continues to improve? What barriers are preventing you from making progress in this and other areas?

Malcolm Harrison: I think, again, that the biggest barriers are around ensuring that we have a very clear operating model, that everybody within the organisation knows what they are doing, that it is all joined up and that we have the right reporting and systems in place for us to be able to monitor how well we are doing. All those plans are now in place. The systems investment that we are making will all be in place by 2019. That is the sort of timescale we are working on to have everything in place.

Q117 Philip Boswell: But again, that brings us back to the clear operating model. The previous incumbents had a system and it did not work. All the information and all the boxes have not been ticked. All the processes have not been run through or risked, and we still come back to having to trust that the operating model will be successful. When you don’t have all the information and proof that this operating model works, why should we trust you?

Malcolm Harrison: The difference this time is that we have spent a lot of time talking to our customers and getting their input, and we have spent a lot of time talking to our own people and getting that very detailed understanding of exactly what we do. I do not believe that was done before, and I think we now have a much stronger leadership team with a lot more operational experience than we had before.

Q118 Philip Boswell: As the improvements would suggest. Lastly, on the current system, I refer to paragraph 2.14, on page 38. It identifies that the review in 2016 “found that CCS cannot show that its framework deals are always the best deals available.” The NAO states that it “would expect good framework management to demonstrate a well-managed and regular programme of review and renewal”, and that there are “significant weaknesses in the way CCS manages frameworks.” It states, “CCS lacks complete and consistent information on its frameworks, such as an accurate register of extended frameworks. Around 39% of the framework deals in its database (178 of 456) have no information on either start dates or end dates or both.” Is that being remedied?

Malcolm Harrison: It has been remedied. Again, at the time the Report was written, that was absolutely correct. We did not have that database in place. We now have the database and use it regularly to see where we are and how we are tracking against what we have said we will do.

Q119 Philip Boswell: And it ties in with the interface management and communication.

Malcolm Harrison: Correct.

Q120 Philip Boswell: Excellent. The Report goes on to say, “CCS increasingly extended its framework agreements up to April 2016” and refers to figure 13, which is on the following page. It continues by saying, “Framework agreements often allow for one or two extensions”, and then refers to the 24 agreements that the NAO identified as due to expire, before going on to explain the numbers behind the changes. The Report goes on to say, “These were extended without competition or market testing. CCS’s internal audit team found that CCS has been unable to provide assurance that it keeps framework extension periods to a minimum.” How is that best value?

Malcolm Harrison: As I said before, frameworks are designed to be extended. That is the whole structure of the framework. What is very important is that we do continual market testing. How we really know whether we are competitive or not is through those call-offs and those contracts which are done underneath the frameworks. The more we are doing that, the better we are in touch with the marketplace.

Q121 Philip Boswell: Given the scope of work involved in this, the amount of work that you currently have on your table and the fact that your operating model isn’t quite there, I absolutely accept that framework contracts have a one or two-year option—that is very common—but it is also accepted that they are options. Ideally, the terms and conditions and the rates should be renegotiated. It is very difficult to persuade any



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client, if you extend into year one and year two of a framework agreement, that you have negotiated the optimum rates, unless you do it on an annual basis. If you go beyond the one or two-year option, then you really are on shaky ground. Industry would generally question that process. Given the figures that the NAO found, too many of these contracts are going into the optional extension and beyond. How are you addressing that now? Has that improved?

Malcolm Harrison: The way we are addressing it is by ensuring that we have a real focus through our category management teams, which is where we have brought the new leadership in, to ensure that we are continually testing the marketplace, looking at the changes in the needs of our users and in the supply base, and understanding what is now different, better, more innovative and more competitive. That is what allows us to take a decision as to whether it makes sense to extend or whether, indeed, we should go back out to the marketplace.

Q122 **Philip Boswell:** In that case, why is it so difficult for you to demonstrate to everyone that your deals are the best value in the market? In particular, how do you know that your deals represent good value for the taxpayer on the category management side if you do not consistently gather benchmarking data, as I believe was established?

Malcolm Harrison: And that, indeed, is what we want to achieve by having the right MI and the right systems in place, not just for the frameworks and for the call-offs and the contracts that we do underneath those frameworks. That is where the real competitive pricing comes, not from the frameworks.

Q123 **Philip Boswell:** So there are T's and C's and generic overarching things—the call-offs, the specific orders, the schedule, or whatever it may be. But obviously the benchmarking data is where we would expect your category management to be up to date with the market. Is it tying up? Are you changing enough of these framework agreements and the rates in them? Are you negotiating on an annual basis? Are your category managers working right now, and are they succeeding in reducing the number of extensions of options of framework contracts? Or are those contracts getting renegotiated every year across the market?

Malcolm Harrison: Our category managers are absolutely focused on ensuring that the frameworks that we put in place are competitive in terms of maximum price. We should only ever think of the framework price as being the maximum price. Increasingly, we are getting much more focus on putting in place call-offs and contracts, which are often for much shorter periods. Those are very competitively tendered on a continual basis.

Q124 **Philip Boswell:** Okay. It sounds like you have a way to go, so I will continue on this a little bit, if that is okay, Chair. When will you have your frameworks renewed on time and when will your customers no longer be using expired frameworks?

Malcolm Harrison: We only have one expired framework at the moment. There are three more frameworks likely to go beyond expiry within the next two months, and all of those will have been replaced by September this year.

Chair: We did cover some of this earlier.

Q125 **Philip Boswell:** I remember, but I just wanted to get on the record specifically the fact that it is still in process and you have a way to go yet.

Malcolm Harrison: Yes, it is, and we replace 10 to 15 frameworks every quarter.

Q126 **Chair:** I have heard 80, 100 and 200. How many frameworks are there for central Government organisations in total?

Malcolm Harrison: There are 80 frameworks, and there are 280 lots on those 80 frameworks. Frameworks are often split in order to make sure that we are able to satisfy different users and bring in different suppliers. For instance, if social value becomes increasingly important we need to make sure that we have suppliers on those frameworks that are able to deliver the right services into Derby, into London, into Manchester.

Q127 **Chair:** So there are 280 lots within the 200 frameworks.

Malcolm Harrison: Within the 80 frameworks.

Chair: Yes, a total of 280 lots.

Malcolm Harrison: Yes.

Q128 **Chair:** So, to get to the total number, I don't multiply 200 by 280.

Malcolm Harrison: No.

Q129 **Chair:** It is just that when I looked at the OGC Report, HC 103—this is from 2006, 10 years ago—paragraph 3.4 said, "Our survey found that around 2,300 framework agreements are currently operated by the central government organisations surveyed", and it did not sound like it was all of them. What has happened? Have those frameworks been consolidated? That is a huge reduction. Is it just that they are now much, much bigger than they were, or what?

Malcolm Harrison: I need to go and read that Report. Today there are 80 frameworks and there are 280 lots on those 80 frameworks. That I am sure of.

Q130 **Chair:** Where do you see CCS being? What is the long-term future for CCS?

Malcolm Harrison: The long-term vision that we have for CCS is for us to be able to clearly demonstrate that we can put in place the most competitive deals for common goods and services for the UK public sector. I do not expect the scope to get much broader. I expect it to get a lot deeper. In other words, we will focus on those activities, which essentially is going to be agreeing frameworks, putting in place competitive



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frameworks, doing call-offs, contracts, competitions to ensure that we are able to deliver really competitive pricing to our users, which then allows them to ensure they are delivering the right value to our citizens.

Q131 **Chair:** You sound like you are not trying to distinguish between central Government organisations and the wider public sector.

Malcolm Harrison: For common goods and services, no, I am not. Because for common goods and services it is the same supply base. Whether we are buying stationery for somebody in Whitehall or for a council in Exeter or Ipswich, it is still the same supply base.

Q132 **Chair:** Some of it is cultural. We know that the NHS talks to itself and local government talks to itself and they all love to hate the centre. How do you get to a point where it is culturally normal for them to talk to this one service that is providing value for the UK public sector as a whole?

Malcolm Harrison: Ultimately, I believe the way we should get to this—you will have seen some of this in the Report when we talk about the future—is the work that we have now started on what we are calling the Crown Marketplace, which is: how do we get to a digitally enabled, more self-help, self-service environment, as we as consumers are all used to every day, such that our users can come on to our website, our marketplace, and shop for very competitive pricing?

Q133 **Chair:** This is the Crown Marketplace referred to on page 47 in paragraph 3.5: that you are “drawing up plans for a Crown Marketplace”.

Malcolm Harrison: Correct.

Q134 **Chair:** But it is not there yet. You don’t have this website yet.

Malcolm Harrison: No, it is more than a website. We launched the first catalogue on 21 November 2016, which is for what we call technology products. That catalogue, in the seven weeks since it was put in place, has transacted about £1.3 million, which compares to, I think, £750,000 done on its predecessor catalogue over the previous 18 months. Again, people are only going to use a catalogue like that if it is giving them really competitive pricing. So it is a first step, it is a small step, but I think we are starting to move in the right direction.

Q135 **Chair:** It is not a first step. It might be a small step, but it is certainly not a first step. In December 2006, the National Audit Office reported in the Report I referred to earlier which is called “Assessing the Value for Money of OGCBuying.solutions”—it is not one of the nine Reports mentioned in the present Report on page 19, because it is too old—says that “OGCBuying.solutions’ website requires urgent improvement”. So to go back to Mr Manzoni’s scratched record, this is one of the most scratched records of all, isn’t it? It’s practically a 78.

John Manzoni: It wasn’t digital in those days, though.

Chair: It wasn’t digital? That is going to make all the difference, the D-word, is it?

Nigel Mills: A non-digital website?

Chair: Yes—an analogue website. We won the second world war with card indexes.

Q136 **Nigel Mills:** On the future, Mr Harrison, do you expect all Government Departments to transition in the relatively near future?

Malcolm Harrison: I am expecting us to be in a position in which we will be able to transition genuinely common spend and genuinely common goods and services for all Government Departments. Do I think it is going to happen very quickly? No, because as I said before it is so important that we take the time to get a sustainable operating model in place first. Once we have done that, we absolutely will, working with the Government Chief Commercial Officer, engage with and talk to every Government Department about what those common goods and services are that it makes sense to move across and when. We are not going to repeat the mistakes made in 2014-15.

Q137 **Nigel Mills:** Are any Departments saying to you, “That is all very nice—thanks, but no thanks?”

Malcolm Harrison: There are different views from different Departments.

Q138 **Nigel Mills:** Are there any particularly large spending Departments that you are worried may not wish to transition at any point?

Malcolm Harrison: I would not say that at this stage, no.

Q139 **Chair:** Do you still have a clear mandate?

Malcolm Harrison: We have a mandate, but I don’t think the mandate is the most important thing. If we have the right operating model, we can clearly demonstrate that we are delivering value for money and the service that we said we would. If all of that is happening, most commercial people will say, “Please will you do that for us?”

Q140 **Chair:** So it’s not, “If you build it, they will come”, it’s “If it’s good enough, they will come”?

Malcolm Harrison: You have to have it being good enough and you have to have the credibility; then, yes, a mandate would help. I think it is very important we get it in that order.

Q141 **Nigel Mills:** So let’s say end of 2018—would you expect all Government Departments to have transitioned to something by then? Is that realistic?

Malcolm Harrison: All Government Departments to have transitioned something by then? Yes.

Q142 **Nigel Mills:** Is middle of 2018 realistic?

Malcolm Harrison: No. I would stick with end of 2018 to have had all Government Departments having transitioned something by then.

Q143 **Nigel Mills:** What sort of value do you think you will be procuring on that



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timeframe? How many billions of pounds?

Malcolm Harrison: The plan we have in place, which we believe is realistic, is that, by the end of 2020, we will be managing about £18 billion of spend.

Q144 **Chair:** Eighteen, not eighty?

Malcolm Harrison: Yes, £18 billion by 2020. That is a combination of wider public sector and central Government. We think the spend on common goods and services in the wider public sector is £60 billion to £70 billion in total. We think it is realistic to say that we should be managing £10 billion to £12 billion of that by the end of 2020.

In terms of central Government, we are saying that the common goods and services spend across the total central Government is about £10 billion, and we think it is realistic to get about 80% of that. It should be easier for us to do it for central Government than for the wider public sector.

Q145 **Nigel Mills:** Figure 7 of the Report suggested that, by the coming financial year that starts in a couple of months' time, you would be getting a total volume of around £22 billion. You're kind of aiming for a bit less and a bit later.

Malcolm Harrison: That was the original plan.

Nigel Mills: Yes.

Q146 **Chair:** Josh has a question.

Joshua Reddaway: May I ask for some clarification on the £18 billion? Does that include things the wider public sector is buying through frameworks, or would that all be directly bought by CCS on behalf of customers?

Malcolm Harrison: No. That includes frameworks as well.

Joshua Reddaway: Are you able to say how much will be directly bought by CCS, so that it is comparable to Figure 7?

Malcolm Harrison: No. I can't give you that number at this stage. I wouldn't want to give you that number until we have worked it up in detail with individual Departments.

Q147 **Nigel Mills:** But is it most? Is it half? Is it two thirds? Just as a ballpark.

Malcolm Harrison: I would say that, by then, probably half of it would be framework and half would be managed spend. However, most importantly, we have many discussions to have with the wider public sector, in terms of how we can best deliver value for money to them.

Nigel Mills: So for direct spend you are looking at £9 billion a year on a full run, compared to what was originally meant to be £22 billion. That is quite spectacularly different, isn't it? Can I ask a few more on this?

Chair: Go ahead.

Q148 **Nigel Mills:** When we are on this full run of £18 billion volume, what do you think the savings will be per year? What value will you be adding to the public sector by that stage?

Malcolm Harrison: Typically, in every category that we are able to really penetrate and focus on, we are finding that we are on average achieving savings of around 10%. You would then say that on £18 billion that should be about £1.8 billion, which is fairly consistent with the £2 billion that we have committed to in terms of SR15.

Q149 **Nigel Mills:** That's a year—£2 billion a year.

Malcolm Harrison: It builds to that per year, yes.

Q150 **Nigel Mills:** The volume you currently have is obviously—he says, flicking through—quite a lot less than £18 billion. How much do you have at the moment—two and a half?

Malcolm Harrison: It was £12.8 billion last year.

Q151 **Nigel Mills:** How much money have we wasted or not saved through the long delay in getting this operational? It appears that we are wasting 10% of quite a lot every year until we get it fully running.

Malcolm Harrison: We are very clear that we are not yet delivering the maximum value for money that we could be. At the same time, we are also very clear that every year we have delivered value. Is there more to do? Absolutely.

Q152 **Nigel Mills:** I guess this is a question for you, Mr Manzoni. Has somebody worked out how much this mistake in implementation has cost? Have you looked at it and thought, "God, we're losing 10% of" whatever it is, £10 billion, "year in, year out, from 2015 through to 2020"? It is a lot of money, isn't it?

John Manzoni: If I looked across Government at some of the things—better capability, better professionalism, better application of implementation—that are wasted every day, I think I would get pretty depressed pretty quickly.

Q153 **Nigel Mills:** That's kind of your job, though, isn't it?

John Manzoni: That is why I am here, but I can't solve it overnight. I do believe that this is about the right skills, understanding what we are doing and the deployment of professional skills in the right area. Of course we can look at it as half empty, but one has to look at it as half full. One has to look forward. We have heard from the Reports from 2006, and I could go back to 2000. We weren't doing this right in 2000. We were not deploying these sorts of skills. We do not have those structures in Government. It is a journey, but I am bound to say that it is half full, not half empty.

Q154 **Chair:** Mr Harrison, on your 80% for central Government organisations



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point, in the chart on page 17 of common departmental spend, the figure is £10.9 billion for the Ministry of Defence, £3.9 billion for the Department for Transport, £3.2 billion for the Ministry of Justice and £1.9 billion for the Department for Work and Pensions. Those four alone come to £18 billion. If you add them all up, you get just over £28 billion. How much of that is currently going through CCS?

Malcolm Harrison: Currently, £6.8 billion is going through CCS, but I believe that this is one of the old charts; this was the information that was used when CCS was originally put together.

Q155 **Chair:** Mr Reddaway?

Joshua Reddaway: This is the total amount going through the category, so the reason it is large is that it includes the aircraft fuel—

Chair: I see.

Joshua Reddaway: This is the amount on the Cabinet Office's system, which aggregates all the spend from all the Departments.

Malcolm Harrison: So this includes items which are not comparable.

Q156 **Nigel Mills:** How much was spent on systems that were inappropriate or you didn't need and have had to be replaced? Do we have any estimates of—

Malcolm Harrison: As far as CCS is concerned?

Nigel Mills: Yes.

Malcolm Harrison: Nothing, because—

Q157 **Nigel Mills:** No software was bought.

Malcolm Harrison: No, almost nothing was spent until we started this programme in February 2016—nothing, as far as I'm aware, over the last three or four years.

Q158 **Chair:** Actually, this brings me directly to your point about the Crown Marketplace. This is paragraph 3.5 at the bottom of page 47. You were saying that this is going to become a very important digital enabler. The Crown Marketplace, for which you are drawing up plans, "will provide a digital platform for customers to directly buy simple goods and services." How much investment is going to go in to create that platform, and by when will it be done?

Malcolm Harrison: There are two big investments. One is the digital transformation programme. That is the one about putting in place our own internal systems. That is the £10 million investment that we have gone through in a lot of detail and we have signed off a series of phases—

Q159 **Chair:** This is the simplification of the 62 systems down to the five or 10.

Malcolm Harrison: Correct. As far as the Crown Marketplace is concerned—



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John Manzoni: Which relies on those systems.

Malcolm Harrison: Which relies in part on those systems, we have started a test phase, because a whole number of questions need to be answered before we can determine exactly what that will look like. That test phase will cost us £3.6 million, which we are using our reserves to fund. I think that is the right use of those reserves, because it is about building capability for the future.

When we come to the end of that test phase, which will be around November 2017, we want to be able to put forward a proper business case for the Crown Marketplace. At this stage we do not know exactly what it will cost. We believe that there is huge value out there, but there are some very important questions to answer such as how we connect with schools, how we connect with local authorities, and how we ensure that they will be able to pay for their goods and services, and that they will have the right payment transactions in place.

Q160 **Chair:** There is an enormous amount of expertise out there in e-commerce and digital marketplaces. Will the detailed business case, by the time it is ready in two or three years' time, include the question, "We looked carefully at why we do not just contract all of this with Amazon?"

Malcolm Harrison: Yes.

Q161 **Chair:** It will. Presumably, you do not yet know the answer to that.

Malcolm Harrison: We are talking to providers who have essentially built models in a business-to-consumer environment—

Q162 **Chair:** The expertise to do it business-to-business is not that different.

Malcolm Harrison: There are some different challenges in a business-to-business environment, but that is exactly what that test phase is designed to do, to work out the right model for the business-to-business environment.

There are very few other countries that have really addressed this. The only one that we can find to have had a significant amount of success is South Korea. I believe that the South Korean Government got Samsung to build for them a complete platform. That is 10-plus years out of date. We want to make sure that whatever we do is right for a modern digital environment.

Q163 **Chair:** Will you be looking very carefully at what kinds of contractor arrangements might end up being put in place?

Malcolm Harrison: Yes, we will.

Q164 **Nigel Mills:** Just going back to the 10% saving that you think you can generate for all the volume that comes, what is the answer to the Department that says, "That might have been the case in 2013, but we've got much better at procurement now. Actually, we think we can do better than you, or much the same, so we don't need to transition"? How do you know that they are not actually quite good at this now?



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Malcolm Harrison: It comes back to the point about the importance of being able to benchmark prices—real prices, not just framework prices, but actual contract prices, and benchmark how good those are against the marketplace. If we can find deals as a Department that are genuinely better deals, why would we not take those deals and spread them across all Departments?

John Manzoni: The intent across those—with energy, for example, we have an energy trading desk sitting in CCS. Departments do not want to do that. We want to build it once, if we can, and the whole point of hiring the category managers is that they are the best in the market, so that it is sort of obvious. As Malcolm says, he is not going to be dogmatic about it, but we should aim at creating a centre of expertise, where there is real expertise sitting.

Malcolm Harrison: And as we are building, I am sure we will find good practice in some Departments, and I would like to find a way of including those into whatever the final model is.

Q165 **Chair:** One hopes that it will be a bit more like MoneySavingExpert's energy trading. You are aware of the way in which they aggregate bids to get consumers to switch to save money on energy. We looked at this, and there was a very big problem with switchover—people are just not doing it. A huge benefit to consumers, I must say, rather than the Enron approach, which I think was also a digital platform for energy trading, was it not? Are you actually looking at this from the point of view of the end consumer? Electricity trading is a very interesting example. Partly because of all the green levies, we are seeing consumers having to pay more for all those wind turbines that are not turning around when you drive past them—I do that regularly. Are you looking at it also from the point of view of end consumers?

John Manzoni: On energy?

Chair: Yes. On how you as the public sector can help the consumer. There are parts of public policy that are talking about that and trying to do it—Warm Homes and all the rest of it—aren't there?

John Manzoni: Not today. There is a conversation going on in energy at the moment. What is interesting is that if you get fluctuations in the energy market, as an example, somebody will show up at a hospital trust and say, "I can give you a good deal," which looks really good for six months and then absolutely screws you later on. Our guys are looking very carefully through the cycle. There is a lot of communication going on right now about the people who are trying to do that to several NHS trusts. It is not long-term value for money. Those are the conversations that take place every day.

Q166 **Chair:** I want to draw this to a close, because I think we have covered most of what we wanted to. Mr Harrison, you made it sound as if you did not wish to choose between central Government and the wider public sector because you seemed to say that, if the offer is right, the



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customers will come from both. Is there a danger that you might actually distract yourself from getting the offer right if you are trying to bite off too many customers at once?

Malcolm Harrison: I don't believe there is, providing we get the operating model right and providing we are very clear that that operating model is designed to be able to serve both. I have many people from the wider public sector saying to me, "We really need this to work." I have local authority councils saying that they can't aggregate and that they can't get people of the right capability. Particularly with some of the focus on devolution at the moment, it is very important that we have that focus on the wider public sector. That is clearly where the larger spend is. At the same time, central Government is clearly very important.

Chair: A very good point—you mentioned the word "devolution"—to bring in Mr Boswell.

Q167 **Philip Boswell:** Thank you. A couple of catch-up points. Digital solution is often cited as a solution for everything, but with something as complex as buying service accounts, agreements and pencils at the same time, and if you are going digital, a lot of people think it works only one way. If you are providing an array of providers for a given service, will you be trying to utilise or duplicate something like Achilles, the FPAL process, where if you are looking for a service you have got to have a register? It will be coded, obviously, and constructed very difficultly.

Malcolm Harrison: As part of designing the Crown Marketplace, one of the very important workstreams is all about user adoption. It is about ensuring we put in place something that users can naturally find their way around and isn't difficult. That is not the case today. Again, I cannot answer that question yet, but I can assure you that it is one of the critical workstreams of the Crown Marketplace.

Q168 **Philip Boswell:** It is critical and it often goes wrong, because it is all about the categorisation—how you set your stall out and how people enter data in, because rubbish data in, rubbish data out. That is one solution.

The second point I want to go back to is in relation to CCS. Paragraph 2.14 states: "CCS and departments have issued contracts using the expired frameworks. In general, contracts issued under expired frameworks contravene public contracting regulations." Mr Harrison, are you asking your customers to break procurement law by using your expired frameworks to let contracts?

Malcolm Harrison: In the very rare event where we do find that the only options are either not to provide a service or to provide a service off an expired framework, we will only enter that once we have talked to those users, once we have talked to the suppliers as well, and once we have taken legal advice. We never want to get into that place. Sometimes, though, it is that or not being able to provide a service. We will have a very open, honest, fair and transparent discussion with the parties. If we are in the process of putting a new framework or vehicle in place, typically



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the view is that you are not trying to hoodwink anybody or get them to do anything illegal; you are just a bit slow or a bit late. In that instance, the legal advice is that you are okay to be continuing to operate for a very short period of time, and we try to restrict that period of time.

Q169 **Philip Boswell:** Okay. A similar question, which will follow on to a final question that I have later on legislation and jurisdiction. Mr Manzoni, are you content that everything is being done to get Government to buy legally?

John Manzoni: To buy legally?

Q170 **Philip Boswell:** To buy legally.

John Manzoni: Yes. We have rehearsed this and tested ourselves on this quite extensively. It is relatively new that we know how many frameworks there really are at any one time, and it is relatively new that we know how many have expired beyond their legal period, and this is the reason. The answer to your question is, yes, I have.

Q171 **Philip Boswell:** Thank you. My penultimate question goes back to something that my friend, Mr Bacon, asked earlier. He asked for the three things that you need to prioritise to make your central Government customers happier with the service. The answer was along the lines of capability, service and—the last point—to get accurate data. I am concerned that you will not get accurate enough data. My question is: do you have it now, can you prove it and does it again sit with you, Mr Harrison? If you don't, is it your responsibility?

Malcolm Harrison: We do not yet have all of our data, to be accurate. I am sure that the responsibility for putting the systems in place lies with me. You made the point, Mr Boswell, that every person when they put data into any system has to put it in right at the first moment of data entry. We have some work to do to achieve that.

Q172 **Philip Boswell:** Absolutely. This is my final point. You are doing a lot of work across all aspects of Government, NHS, everybody. With Brexit arising, can you give an idea of the key five problems or issues you will have with Brexit in systems? Or is it not going to be a problem?

Malcolm Harrison: First, clearly until Brexit happens we carry on with the current rules and regulations that we have.

Q173 **Philip Boswell:** But you know it is coming. What preparation is there? When do you start making preparations and what do you anticipate the problems will be?

Malcolm Harrison: We have already started looking at, in an environment where we have our own UK legislation, what we would put in place that ensures that we have Government procurement processes that are fair, transparent and competitive but, we hope, far less onerous than the current ones.

Q174 **Philip Boswell:** So that is an opportunity.

Malcolm Harrison: It is an opportunity.

Q175 **Philip Boswell:** You don't see any problems? Everything is an opportunity. Opportunities and risks; they are one and the same. Do you see any risks inherent with current systems and how you implement a process by which you issue contracts and then you change jurisdiction and you change all these contracts that are tied up with the NHS? Can you see any problems or nothing at all? Or you haven't thought about it.

Malcolm Harrison: No, we have thought about it. This tends to apply to contracts and we try to keep contracts as short as possible—contracts and call-offs. Clearly there will be some sort of novation process. Suppliers are always going to want to maintain business. I don't see it being a huge issue.

Philip Boswell: Novation is a complex issue and fraught with difficulty, particularly with international issues. Brexit will make Britain part of an international issue. Novation is extremely complicated.

Q176 **Chair:** Gentlemen, thank you very much. We have covered a lot of ground. I am looking at paragraph 3.16, which is probably a good place to draw to a conclusion. I will quote from it. "CCS is currently making changes to the way it runs its operations without a detailed map of its current operations or that of its customers. While it is possible to implement a change programme without a detailed and prescriptive long-term plan, there is a risk that such an approach means that it does not have a clear way of monitoring progress or demonstrating improvement to its customers. We have not seen...a business case for the changes...a detailed service specification...or a benefit realisation plan."

It sounds like what you are embarking on—the changes you have to deliver—is fraught with danger. I hope you are going to tell me that some of this is out of date. When will you have all of those things in place?

Malcolm Harrison: Indeed. This Report is completely accurate in terms of the fieldwork that was done at the time that it was done. Since then, we have developed a detailed plan for the operation, review and implementation of that. We have developed a detailed plan for the digital transformation programme and we have a detailed plan for the test phase of the Crown marketplace. Those are all now in place.

As I said earlier, we still do need to put in place a proper business case for what spend would transition, but we are clear we want to do that at a time when we first stabilise the model, and we can then have the right conversation with each individual Department to ensure that they are also aligned and agreed to what it is that is going to transition and when.

Q177 **Chair:** Okay. Can I invite you to turn over the page because there is another summary of the scale of the challenge you face in figure 18. It says under "Targets" that you do not have "a current business case for the proposed changes or to quantify the benefits"; that you have "not set clear expectations on time frames for improvements" to your operations and services; that you have not got "a full baseline of CCS



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activity”; and that when “the full range of CCS’s activities are considered, CCS continues to have unclear governance.” The one good point is that “Most central government customers” that the NAO interviewed “supported the review and the changes arising from it.” So there is a degree of good will out there towards you and your appointment, but there is a lot to do, isn’t there?

Malcolm Harrison: There is a lot to do. However, I will repeat what I said before. At the time when this audit was done, that was absolutely the case. We have since put in place for the digital transformation programme, for the operational review and for the Crown marketplace programme. We have that now in place.

Q178 **Chair:** That is not the same as a full baseline of CCS activity, though, is it?

John Manzoni: Yes—no, the operational review has a detailed baseline of CCS activity—

Q179 **Chair:** That is extant now, is it?

John Manzoni: Yes, it is now, and it has a plan forward.

Malcolm Harrison: It wasn’t at the time when the audit was done. That is correct.

Q180 **Chair:** So what should we expect to see from you in 18 months’ to two years’ time?

Malcolm Harrison: Well, in 18 months’ to two years’ time, we should first of all expect to see a clear trajectory plan to get the £2 billion in savings that we have committed to under SR15.

Q181 **Chair:** Sorry—you should have a clear plan to get it, or you should already have got some of it?

Malcolm Harrison: We will already have got some of it, and we will have a clear plan to get the rest. What we will also see by then is a clear business case for how we will then continue to progress and grow the Crown Commercial Service, which has to be done with our customers.

Chair: Thank you very much, gentlemen; you have been very thorough. It is clear you have got a very big challenge, and we are looking forward, next time we come back to this, to seeing a CCS that is in a stronger place still. There is some good will out there towards you, but you have got a lot to do. We want to see a CCS with a clear purpose.

Q182 **Philip Boswell:** Apologies; something has occurred to me in relation to Mr Harrison’s answer to the Brexit question. You said, “Keep the contract short and the call-offs will be short,” but of course, the particular conditions of contract will be in the call-offs; the general conditions of contract and the full body will be in the overriding agreement. Mr Bacon mentioned 18 months and two years; you have got your work cut out for you. If there is a hard Brexit, which looks like it is coming, all these contracts are currently EU-compliant. If the law completely changes, and



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we have to rearrange very quickly our contracting position with everyone we are dealing with and any external provider to the UK, what fun are you going to have then?

Malcolm Harrison: One of the things about common goods and services is that we have relatively few external suppliers to the UK, because an awful lot of this is delivered very locally. Nevertheless, a supplier will want to retain business. That is what they will be interested in doing, so I think we will have a positive dialogue with them. But you are right: we have got work to do.

Chair: Good. We look forward to returning to this, and we hope that not only do you make progress so that we get a better deal for the huge buying power that the Government has at its disposal on behalf of taxpayers and users of public services, but you can also demonstrate that you have made progress. Until then, thank you very much.