

Public Accounts Committee

Oral evidence: Use of consultants and temporary staff, HC 726

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Members present: Meg Hillier (Chair), Mr Richard Bacon, Deidre Brock, Caroline Flint, Mr Stewart Jackson, Nigel Mills, David Mowat, John Pugh, Mrs Anne-Marie Trevelyan

Adrian Jenner, Director of Parliamentary Relations, Keith Davis, Director of Cross Government Value for Money, National Audit Office, and Marius Gallaher, Alternate Treasury Officer of Accounts, were in attendance.

Witnesses: John Manzoni, Chief Executive of the Civil Service and Permanent Secretary, Cabinet Office, Dame Clare Moriarty DCB, Permanent Secretary, Department for Environment, Food and Rural Affairs, and Mike Parsons, Chief Operating Officer, Home Office, gave evidence.

Q1 Chair: Good afternoon, everyone. Welcome to the Public Accounts Committee. Today we are looking at the use of consultants and temporary staff in Whitehall.

We have as our witnesses Clare Moriarty, the Permanent Secretary at the Department for Environment, Food and Rural Affairs—welcome back again, Clare; I think you will get a bit of a well-deserved break after this sitting—John Manzoni, head of the Cabinet Office, a regular visitor with his previous hat on and a frequent one with this hat on as well; and Mike Parsons, chief operating officer at the Home Office. We have chosen those Departments as examples of Departments that use consultants, so you are speaking a bit for the rest of Whitehall on this issue.

I am also pleased to welcome two committee members of the Anguilla Public Accounts Committee. I hope we may be speaking to each other at the end of the meeting, if you are still around.

The NAO Report shows that despite efforts to reduce reliance on consultants and temporary staff, which we would stress have their place in a number of Whitehall projects, the numbers are going up again, and we are concerned about that. The Cabinet Office is a particularly bad performer in this area, Mr Manzoni, but I will get on to that in questions. It suggests to us that there is not a sustainable or planned approach to the use of such staff. We are therefore concerned about the impacts on workforce planning and maintaining the knowledge and expertise that these individuals can contribute usefully to Whitehall. We are also concerned that the use of consultants is a cash cow

for the six big firms, which benefit most from it, despite the Government's promise to improve contracting out to smaller companies across the board, including in this area.

We are going to probe why that has happened, whether there has been too little planning and what plans you have got—Mr Manzoni, you are at the hub of this—to get such arrangements on to a more stable footing and reduce the unnecessary cost of having too many consultants and temporary staff. We will be quite targeted in our questions, so I will cut you short if you give long-winded answers. I want to make it clear at the beginning that we expect clear answers to clear questions. I will hand over to Deidre Brock, who is heading our inquiry today.

Q2 Deidre Brock: The NAO's Report suggests that none of the Departments—including your own, Mr Manzoni—has strategic workforce plans covering their entire service. I have been speaking to a friend, one of whose passions, sadly enough, is workforce planning, and he suggests that that might suit the “departmental barons” very well, as Departments don't like to be completely transparent and show their hands to other departmental barons, Ministers and politicians. Can you all explain, first, how you go about assessing your Departments' needs for the next five or 10 years without a comprehensive workforce plan?

Dame Clare Moriarty: Strategic workforce planning is something that we have not done enough and well enough in the past, but I assure the Committee that it is a major focus for us as we move forward. We share information very openly. One of the starting points for our strategic workforce planning is our single DEFRA plan, which will be fully shared with the Cabinet Office so it can hold us to account. That tells us what we are going to be doing, and therefore what capabilities we need.

We have also started doing work through annual skills reviews and capability assessments of what we have got. We need to put that together and ask, “What do we need? What have we got? How can we build skills where we have gaps? How can we use people more flexibly?” In DEFRA, we are bringing together a group of civil service organisations and arm's length bodies, which will give us many opportunities to think about how to use our resources most effectively. That will allow us to create a plan that we can cut by organisation, function and geography, and really target the areas where we need to develop our skills.

Q3 Deidre Brock: You mentioned arm's length organisations. It is interesting that they seem to be further progressed in this field than you. What are you doing currently about workforce planning? Can you give us a flavour of what's happening there are the moment?

Dame Clare Moriarty: We have begun to do capability assessments within individual organisations to look at where our particular areas of skills development are. Something that frequently comes up is project delivery, so we have been putting people through the MPLA—the project leadership programme—and starting to build skills areas. We do not yet have that either on a complete basis across the whole of the DEFRA group or in a way that is consistent across all of our functions.

Q4 Deidre Brock: In which areas do you have workforce planning, as opposed to those in which you don't?

Dame Clare Moriarty: We have it in some of our individual functional areas. Commercial is an area in which there has been a lot of focus, so we have done a capability assessment and we have plans to develop our skills in that area and to understand what the likely future needs will be. We have it in some areas by function, but we don't have a complete picture yet.

Q5 Deidre Brock: How often do you conduct skills audits of your permanent staff?

Dame Clare Moriarty: We have started to do that on an annual basis.

Q6 Chair: For how long have you been doing that?

Dame Clare Moriarty: There was an annual skills audit in October 2014 and another in 2015, so we now have some output from that.

Q7 Deidre Brock: Before that though, how often was it? Was it fairly ad hoc, or was it a regular occurrence?

Dame Clare Moriarty: I will have to crave the Committee's indulgence a bit, because my arrival in DEFRA is quite recent. I have tried to understand as much as I can about the history, and my understanding is that October 2014 was the first one.

Q8 Deidre Brock: Do you feel that you have sufficient knowledge of the staff you currently have in place? Are you aware of the skills you currently have, so that you could use them as a first port of call if a new project came up, rather than jumping straight to the use of consultants and temporary staff?

Dame Clare Moriarty: We are certainly building that. The central Department is a small organisation of fewer than 2,000 people, and many of those people are doing policy. We certainly have enough visibility of our staff in that area, and we understand about our talent, so that if we have a new project we can look at the people who are the high talent and identify people to do that sort of work. So in that kind of area we are fine.

If you look at something like project delivery, we have people in the central Department, in the Environment Agency, in Natural England and in the MPA, and what we are starting to do in some areas—in IT architecture for example—is to start to look across the whole of our capability and to be able to say, "How do we bring all those people together?"

Q9 Deidre Brock: That seems focused on your own Department though. What about looking elsewhere, across the Departments, for skills you might be able to use?

Dame Clare Moriarty: That is particularly the agenda that the Cabinet Office is developing. When recruiting, we would always look across other areas and we might often go to the Major Projects Authority and say, "Do you know anyone who might be suitable in this area?" So we will use

the functional leads in the centre of Government to help guide us to where we might find the right sort of people with the right skills and experience.

Q10 Deidre Brock: I will go to Mr Manzoni with my question about strategic workforce planning covering the whole of a Department's service and about that not being the case, I don't think, for any Department currently.

John Manzoni: If I may, I will answer on two levels—first, that of the Cabinet Office; and secondly, that of the Government—because I want to describe what we are doing across Government through the functional lens.

It is the same answer. For the Cabinet Office, this year we have introduced the single departmental plans for the first time, across Government. Every Department has one. We are working them for all the Departments, but the one in the Cabinet Office was founded on a detailed examination of the workforce in each team, so that we knew, for instance, when we landed the settlement in the spending round, what the teams' make-up would be, or at least what the numbers would be by team, in the Cabinet Office.

Now we are in the next phase, which is detailed budgeting of that. So I know the reduction in workforce and, with any luck, through the single departmental plan we have matched resources to outputs. That is the whole intent of the single departmental plan. I know the outcome for the Cabinet Office. It will be a mixed picture, and I am hoping that across the Government—

The Cabinet Office is tiny, so it is easy to do it for that; much bigger Departments have much more complexity. So that is for the Cabinet Office. I do not have the detail here, but I do have a plan that has, by team, the nature of the staff who are doing those things.

For the Government as a whole, we are now focusing on the functional lens, and the priority skills gaps across Government are commercial, technical and project leadership and management, in that order. As an example, every Department has done a detailed audit of the commercial capability and the structure of the commercial organisation within that Department. They did that sometime in the middle of last year but have gone back, and by March this year they will each have a plan for their commercial organisation, which is called a blueprint. In fact, we are having that conversation next week, probably, in this Committee.

We have assessed where we are in the implementation of that plan. As an example, we are out recruiting commercial specialists. We have hired 10 or 12. So we can look down these functional lenses. We are, in fact, on the verge of implementing a whole new organisational structure as a result of looking at that critical skills shortage across Government. Shortly after that will be the digital and technical groups.

Q11 Deidre Brock: These are all things that you are looking at for the future?

John Manzoni: Completely. We are beginning to get the sorts of plans that I think you are after, but this time down a functional lens, not a Department lens. Of course, ultimately those two things ought to match, but it will take a little while. I completely agree with Clare that we have not been as good as we should have been, but I do think we are on the road.

Q12 Deidre Brock: With reference to that, paragraph 1.9 on page 17 points out that nearly a quarter of Cabinet Office staff costs is on temps. Folks might think that there will not be much churn in that type of work done by the Cabinet Office. Can you explain to us why those posts are not filled by permanent staff?

John Manzoni: In 2014-15 there are 250 interim or temporary staff in the Cabinet Office, for example. So, 136 of those are in GDS, a technical organisation. The way this is counted, another 90-odd of them are what we call MPA temporary reviewers. They are counted as interim staff. They are not full time. They are paid. These are deliberately used from the outside. We bring them in to review projects for the MPA. So the vast bulk are in GDS or are MPA reviewers. GDS—

Q13 Chair: This is the Government Digital Service.

John Manzoni: Sorry, the Government Digital Service. There have been issues as we have ramped up the digital transformation across Government. Frankly, to get the skills that we need, we have to do some interim hiring because the process takes a long time to hire permanent staff, and the plan for the next phase is to significantly reduce the interim staff and replace them. In fact, across Government we need these people. We have 136 of them in the Cabinet Office today, or we did when I last checked the numbers, but there are many hundreds required across Government to effect the technological transformation that we require across Government. So that is why we need to look across Government through the functional lens and say, “How are we going to do this in a strategic way?” That is exactly what the functional lens is supposed to do.

Q14 Deidre Brock: I hear your explanations, but, given that the Cabinet Office is responsible for enforcing things like CCS, which does not seem to have been taken up by Departments as much as I think we would all like, should not the CO be setting an example to other Departments in terms of its employment of temps and contractors? You seem to have a very high proportion of temps and contractors compared with every other Department.

John Manzoni: Should we be setting an example? Yes, we should. I make no comment about what had happened, but we have put in place, since November last year, new control structures and processes inside the Cabinet Office, which are already having an effect. Those did not necessarily exist with the same discipline, frankly, as they have since November last year, which is okay, but, because we have a single departmental plan and a set of workforce numbers for the Cabinet Office, we can now test requests against a projection of where the workforce planning is.

Q15 John Pugh: Specifically on this, paragraph 15 of the Report states, “The CCS infrequently monitors temporary staff paid more than £1,000 a day”. Has that changed?

John Manzoni: Yes.

Q16 John Pugh: So you now frequently monitor staff paid more than £1,000 a day?

John Manzoni: No, I have a list. Right now there are 32 staff in the system paid more than £1,000 a day.

Q17 John Pugh: My point is that things have improved in that respect.

John Manzoni: Yes.

Q18 Deidre Brock: Getting back to my questions—I am sorry, Mr Parsons; we will get to you in a second—the civil service obviously has a culture of service, as its name suggests, and has an institutional knowledge and memory that really helps deliver through the Government machine. Do you think that inexperienced outsiders who are not familiar with that really work effectively in that environment? How do you prevent that very regular influx of people who do not have that culture of understanding from diminishing the effectiveness of the service ultimately? So is that extra spend on temps and contractors ultimately damaging the civil service?

John Manzoni: I think the answer to that is no, although I think we have to keep a close eye on it. One of the themes that we keep returning to in the civil service workforce as a whole is that we are critically short of some specific skills—commercial, technical and project leadership just as a start. In addition to the interims and temps, we have hired 150 permanent senior digital staff across Government Departments in the past 18 months. That is the beginning of the rebuilding of the skills. The phase that the civil service now has to go through requires those critical skills to be in our midst much more than they have been in the last period. We're in a process here during which we have to rebuild some critical skills in the civil service.

Q19 Deidre Brock: There was quite a dramatic drop in the use of temps and consultants in 2010, so would you say that that was perhaps a little too dramatic and that you are now having to build the service up again and make better use of permanent staff?

John Manzoni: The answer to that is probably yes. If one senses what is happening to the organisation, that was basically a control process; that was basically stopping, and there is no harm in that. We radically stopped and the numbers came down, but—

Q20 Deidre Brock: The question, therefore, is about how you have a control process if you are not familiar with the staff and the skillsets that you have.

John Manzoni: Sometimes organisations need a big shock. That was a big shock. It worked. I think what we are seeing—

Q21 Deidre Brock: Spend is creeping up again now, isn't it?

John Manzoni: Yes it is, and I think that's telling us something as well. I think what it is telling us is that we've—the civil service itself has reduced by 23% over the same period of time, saving about £6 billion a year for the taxpayer if you include the pensions changes. I think the reduction has now levelled out in the civil service, and temps and contractors are starting to increase again, which

is telling you that we now have to enter this next phase of much more fundamental workforce transformation, which is what we're completely focused on. That is essentially what is happening in the system right now.

Q22 Deidre Brock: I will come back to ask you about the Crown Commercial Service, but I might just ask Mr Parsons about the Home Office and what his Department is doing about workforce planning.

Mike Parsons: The position is very similar to that described by Clare in DEFRA. There is now a period of intense activity following the spending review, building on our people capabilities strategy, which sets out the work around having a flexible workforce and looking at our skills, skills gap and the skills audits to which Clare referred.

Q23 Deidre Brock: So you'll be having regular skills audits as well. Yearly?

Mike Parsons: We have been doing the same process as Clare.

Q24 Chair: How long have you been doing skills audits for?

Mike Parsons: Again, my understanding is that we did one in 2014 and one in 2015.

We are now in a period of intense work to build the strategic workforce strategy that we all recognise we need. In the past, we haven't had the level of granularity that perhaps would have been helpful. There is a lot of work under way now.

Q25 Deidre Brock: Just returning to you, Mr Manzoni, the Crown Commercial Service was set up in 2014 and is an agency of the Cabinet Office. Could you just explain how the CCS approach works?

John Manzoni: Do you mean with regard to the frameworks to purchase?

Deidre Brock: Yes, and services, and whether it is effective or not, and whether it is actually saving money.

John Manzoni: In this area there are two or three frameworks. How it works is that the CCS team sets up these frameworks, which are essentially a way of meeting European legislation for the procurement of, in this case, services. There are three frameworks that matter in this regard. The first is what we call Contingent Labour ONE. The second is Consultancy ONE. The third is non-medical—I've forgotten what it's called, but it is to do with medical and agency staff. *[Interruption.]* Non-Medical Non-Clinical, thank you. Those frameworks have been pretty successful. About 50% of all the things that we're talking about in contingent labour and consultancy are going through the frameworks, which is up from about 5% in 2010, so we are gradually getting them through these frameworks. Since they started, they have saved—best view—about £80 million off what might otherwise have been the case. I think £50 million of that was in the current year.

The frameworks have various characteristics. The contingent labour framework actually contains three lots, covering operational staff, clerical staff and some other categories. It has been about 64% SME in the last year, which is quite good. The consultancy framework isn't proving so successful at getting SMEs; I know the Chair mentioned that and wanted to talk about it. We have about 9% SMEs going through that framework.

Both of those frameworks are up for retendering in the next 12 to 18 months. On the one hand, they have been very successful in forcing prices down and saving money for the Government; on the other hand, they are probably a bit commercially clunky, and they probably have some things we could do better.

Q26 Deidre Brock: Does that explain why roughly 50% of the Departments are not making use of them?

John Manzoni: No, not entirely. It might explain some of it, but some of the reason that the other 50% are not using them is that there might be extensions of existing contracts, which you therefore can't retender. So, there are other reasons why we don't get 100%, but some of it may well be because they are a bit clunky and they are not as commercially agile as we would like and, frankly, as we improve our commercial capability in CCS the same way as we are everywhere else, I think we'll get much better at putting these frameworks out.

Q27 Deidre Brock: How does the Cabinet Office enforce that with Departments? How do you encourage the use of the CCS?

John Manzoni: I don't think we can "enforce"; I think we can make them good enough that it is in the Departments' interests—

Q28 Deidre Brock: So you can't insist that Departments use it, because it seems to save money and—?

John Manzoni: The truth is that there are some quite good reasons why they are not being used all the time today, because there are some areas where the Departments can probably do better, particularly as we go to specific skills. So the framework is a little bit out of date, as we go for some of the specific technical skills, for instance.

We have Digital Marketplace, which is a new thing in CCS. There are £800 million of services and people going through the Digital Marketplace, which is 50% or 55% SMEs, so that's been a huge success. I think it's starting to correct some of the stuff that was there.

Q29 Chair: I was just going to ask DEFRA and the Home Office, "When don't you use the Crown Commercial service?"—

Dame Clare Moriarty: I was just going to say that it might be helpful just to add to John's comments—

Q30 Chair: And I wanted to ask Mr Manzoni—all of you, really—how long it typically takes to get certain groups of people through the CCS? Clare Moriarty, you clearly want to come in first, and then we will go to Mike Parsons, and then maybe Mr Manzoni.

Dame Clare Moriarty: First, I don't know enough about the detail to comment on the enforcement system, but there is a strong expectation that Departments use the CCS framework. So, it's not put out there as a, "Would you like to?" There is a strong expectation and the vast majority of our consultancy and temporary staff go through the frameworks. However, a specific example of somewhere we do not use the framework is for highly specialist areas. So the Environment Agency has a framework called the ecological services framework, which it uses to procure things such as specialist geomorphologists and freshwater marine specialists. So there are some areas where, if you go through a generic framework, then almost by definition there is a relatively small number of companies, and when they need specialists they have to go to other companies.

The big generic frameworks are great for admin and clerical staff, and we use them very extensively for that, but if you want something very specialist, there is a trade-off between using the generic framework and the companies on that network having to go to the next tier and sometimes the third tier, and going directly to suppliers. In particular, when we are trying to get SMEs into the frame, we are better able to create frameworks that are SME-friendly when there are these very niche requirements.

Q31 Chair: Mr Parsons, it is similarly for you? What is it like using CCS?

Mike Parsons: We use the CCS frameworks for 100% of specialist staff and about 90% of admin staff. The exception there is the Independent Police Complaints Commission, which we are in the process of moving from some legacy or contractual arrangements on to the CCS framework. When it has completed that move later this year, we will be 100% using the framework.

Q32 Chair: Maybe you are talking about different types of staff, because Clare Moriarty just said it's not good for specialist staff. You say you get 100% of your specialist staff through the CCS. Are we talking about different types of specialism?

Mike Parsons: Different types of specialism. For the Home Office, I am talking technology, commercial and project management, whereas Clare was talking about some very particular specialisms for DEFRA. Mine are more generic specialists.

Q33 Chair: Okay, that was just to be clear on terms. And how long is it typically taking you? That is the other part of my question.

John Manzoni: I don't know the answer to that.

Q34 Chair: Clare Moriarty and Mike Parsons, you clearly use this. Does it take a very long time? Is that one of the drawbacks, or is it quite quick for certain types of staff?

Mike Parsons: For temporary staff, the frameworks work quite effectively in terms of time.

Q35 Chair: When you say “quite effectively”, do you mean quicker than a temp agency or going direct, or a bit slower? Is it weeks or months? What is a good result for you in the Home Office?

Mike Parsons: I haven’t got a number of dates, but the speed of using the frameworks for temporary staff has not been a particular issue. We have had some more issues with the speed of using the frameworks for consultancy work, where the business case has to be approved. There is an approval process in the Cabinet Office. For temporary staff, the approval process is in Departments, and the CCS runs the process. That runs efficiently.

Q36 Chair: You say you had some issues with consultancy. Can you tell us what those issues are and how long that has taken?

Mike Parsons: The business cases for consultancy need to go to the Cabinet Office. They have a turnaround time of 28 days as their target. There is sometimes a bit of to and fro where further information is sought, so you add at least a month while you are going through the Cabinet Office approvals.

Q37 Chair: A month on top of the 28 days?

Mike Parsons: On top of the 28 days for the Cabinet Office approval process, but that is on top of the departmental approval process. So it can take a while to get to market on consultancy.

Q38 Chair: Okay. Clare Moriarty on that, and then maybe John Manzoni wants to chip in briefly before Deidre Brock.

Dame Clare Moriarty: The process that Mike describes is for approval for spend, so it is independent of whether it is done through a Cabinet Office framework, another framework or alternatively. We never have the option of just going straight to a temporary agency and saying, “Send us some staff.” There has to be a procurement process. If we do not use the frameworks, the default is that we use the full OJEU process, which is much slower. The frameworks essentially speed up the whole process of accessing resources. I am not personally aware of any issues between the CCS frameworks and our own highly specialist frameworks, but there may be issues elsewhere.

John Manzoni: To reinforce Clare’s point, the alternative framework is the OJEU, which is a lot longer, so this is actually good. Actually, 100% of the cases going through these controls, which are spend controls, meet the 28-day framework if you take into account the fact that there is a pause where you say, “We need some more information.” So they are not held up by sitting on somebody’s desk. We are meeting the SLA for 28 days, but as Mike says, there are discussions about the business case, which you would want, because they ask, “Do you really need this person? What is the nature of the justification?” So that is where we are.

Q39 Deidre Brock: Further to that, I notice that 52% of the people brought in as C and Ts through CCS last year were admin and clerical. Picking up on something you mentioned before, Mr Manzoni, does the service have a central pool of AO or AA grades that it can draw on across the departments if needed? When there are peaks and troughs, can people be shifted across the departments? These are obviously not specialist areas.

John Manzoni: To answer your question specifically, in the last year and a half, we have actually set up something called the surge team, which is 150 people brought in specifically and managed out of HMRC. They are being used in surge capacity and in fact, it has been so successful we are about to expand it to 500. So we are responding to this need where—

Q40 Deidre Brock: But that is fairly specialist, isn't it?

John Manzoni: No, they are admin and clerical. They have been in DWP; they went into CAP—and into you, I think—and they have been in the Home Office. They have been around and about. Everybody is saying, “Actually, this is really good,” and the feedback on this group is fantastic.

Q41 Chair: Clare Moriarty, you have used some of those people, haven't you?

Dame Clare Moriarty: We have used these people, and they are very good. It is a fantastic initiative. Slightly paradoxically, they appear on our books as temporary staff. We haven't quite got to the bottom of whether this is because they are apprentices and the nature of apprenticeship is such that they are classified as temporary staff or whether it is to do with the way they move between departments, but they are the group of people who have been supporting us.

The other thing I would just say is that admin and clerical is the generic term for all temporary staff who are not either interim managers or specialist contractors, so I think there are quite a lot of people who are not doing anything you would naturally see as admin or clerical who get classified under that general heading.

Q42 Deidre Brock: Actually, I wanted to ask about that. I notice that the MOD was given as an example of a Department that named its temps and consultants something else, so it wasn't taken under that category. Is the definition too tight? Should it be loosened so that we can capture things within the consultants and temps' spend that perhaps are not being captured now?

John Manzoni: Maybe I will answer for the definitions. They were issued a year or two ago, and I think they are clear. Consultants are not BAU, not operational delivery and temporary. Contingent labour is usually BAU and usually service delivery. I think it is probably true that there is room to tighten up some of this around the system and then we will improve—

Q43 Deidre Brock: It is just to make sure that we capture all the spend and that we are keeping track of it all. Multi-specialisms are mentioned on page 19 and 20 of the Report, and according to figure 6, almost 50% of staff are classified as multi-specialism. May I have some examples of multi-specialists?

John Manzoni: In general, when you look at the consultancy frameworks, the three biggest categories are multi-specialism, finance and audit. The multi-specialism tends to the management consultants, so Deloitte, McKinsey, Bain, BCG and E and Y would come under that basis. It is those kind of people, which again is back to your big six type of people. There is room to tighten up the definition. In some senses, it is what I would call management consulting as opposed to specialist.

Q44 Deidre Brock: Do you think it is cost-effective to do it that way? Is the agency acting as a recruiter or is it offering staff that it already employs? In other words, are they providing the best person for the job, or are they providing the best fit that they might happen have on hand?

John Manzoni: Contracted well, they are usually very helpful. That is not to say that we always use consultants well, but I would say that if you bring them in and it is done well, they provide focus and usually, and this is one of the problems with the frameworks, these management consultant houses have experts in procurement or a category associated with that, or are experts in helping organisational structure and design. They bring in those kinds of specialist skills and it is one of the reasons, I think, that we are seeing the same houses being used a lot, because they have the pool of really very, very good people.

Q45 Chair: I would like to pick up on a couple of points. Two things struck me from the first session of evidence; you have talked about how things are going to improve in the future and yet from what we hearing, it is only since 2014 that skills audits have been conducted in the two service departments that we have before us. Mr Manzoni, do you know whether those skills audits have taken place earlier in other departments? If not, why only from 2014?

John Manzoni: I am afraid that you have a bunch of novices in their jobs sitting here. I am afraid that I wasn't here before then, either. There were some audits, although I do not think that they were particularly helpful. I keep saying that the reason for these functions is to get much more insight of the particular skills that the civil service needs. I think we are starting to get that. A few years ago, I do not think that we had even necessarily recognised the need for some of those skills. If you start asking people, and you don't recognise the need, and you can't look down a particular lens, you're not going to get a very insightful answer. This year, in the '15 audit that has just been done, was the first time that we actually said, "Look, in these 10 functions, what proportion of your workforce do you think will be in these functions in 2020?" The answer is 17%, which is probably too low.

Q46 Chair: The other thing that comes across is that despite the NAO Report saying very clearly that more than half of departments are not sourcing through the Crown Commercial Service, we have just had a long series of answers to Deidre Brock's line of perceptive questioning that that may be what the Report says, but it is all right really, because most of it is going through that avenue. Clare Moriarty, you did say that some of that is to do with categorisation, but Mr Manzoni, it cannot surely just be down to categorisation. A lot of departments are still voting with their feet and, one way or another, are not using you. Can you give us a breakdown of the percentage? You said that some departments do not use the CCS because it represents an extension of staff in itself, and that could be a worrying trend.

John Manzoni: I do not have the data, but I am sure—

Chair: If we could have that, that would be very helpful.

John Manzoni: I will see what we can do.

Chair: If you can find what you have got available.

John Manzoni: We will do what we can.

Q47 Chair: Surely, you need to know this, Mr Manzoni. It should be massively more appealing than going through the full OJEU process. Right?

John Manzoni: For sure.

Q48 Chair: Clare Moriarty said that you can't just go to a temp agency, so that can't happen. There are the surge teams, or the remote roving teams of good administrators, and we would expect that in the civil service. They are possibly miscategorised, but that can only account for a small percentage. Overall, there are a lot of people not using the Crown Commercial Service, so question one: what are they doing instead? Question two: if you don't know about that, surely you should, because you should be finding out what is not good enough about the CCS.

John Manzoni: It is quite difficult from the centre to know about the stuff that is not coming through the central frameworks.

Q49 Chair: Surely you talk to your permanent secretaries and say that from this Report alone it shows that a lot of people are not using it.

John Manzoni: I talk about a lot of things to them. Let me see what we can find.

Q50 John Pugh: A third question on that. Are the ones who are not using you conspicuously not using you? Are those the outliers when it comes to expenditure on consultants and temporary staff, or are they just as good?

John Manzoni: What I am told is that discussions are going on. As I said, the figure was 5% in 2010 and 15% in 2014-15, so the number is expanding and growing across the system as we go. I would fully expect, especially as we improve the frameworks, that this figure will continue to increase. We are heading in the right direction. Are we there yet? No. Can we do better? Probably.

Q51 John Pugh: Can you identify a department that is clearly not using your frameworks and at the same time spending what you might regard as a disproportionate or unusually high amount on consultants?

John Manzoni: I don't think it is departments en bloc not using the framework at all. I think that they are all using it partly, or most of them are using partly. I do not have the data, but I am sure that I can find it.

John Pugh: It would be quite nice for us to have the position. Thank you.

Chair: Mr Manzoni, in your position you are responsible for the Crown Commercial Service. Its aim is to save taxpayers' money, to provide better enhanced skills for departments and to make it easier for departments. If all those boxes are ticked, it is a win-win all round. Surely as the man responsible for this, you are concerned if they are not using it, and you should be able to answer the questions about why not, and where they are going instead. That is the key thing and the bit that is missing: where are people going instead to get this support. What is it costing the taxpayer?

John Manzoni: The same is true for every category of spend across the central procurement organisation, of which we have, as you know, about £6 billion or £8 billion out of the central Government spend of £40 billion, and a wider public sector spend of £140 billion. This is one category in many that is not all going through the central procurement organisation.

Chair: I will hand over to Richard Bacon, who will pick up on this and other matters.

Q52 Mr Bacon: There are various things that I would love to talk about, but I would like to start with skills. In paragraph 1.15, it states that of the case studies, two of the three “case study departments had no skills registers, or analysis of internal approvals of consultancy and temporary staff to better understand the skills they need, why recruitment efforts had failed or how to locate suitably qualified staff.” The Report from six years ago, which is referred to on page 10 of the Report before us today, said in December 2010, “The Cabinet Office is not doing enough to grow Government’s core skills”, despite repeated recommendations by this Committee in its Reports in 2002 and 2007. The 2002 Report was based on the NAO study on purchasing professional services, which was published in April 2001, before I was elected to Parliament 16 years ago. The 2010 Report goes on to refer to the lack of core skills “despite the Cabinet Office’s own study on using consultants in 1994.” The emerging findings of that were leaked in May 1994, which happened to be the week that I joined the Management Consultancies Association, where I worked for a couple of years. That Report was published in August 1994.

I would like to know your view, Mr Manzoni, on why it is, because it must be something fairly intrinsic and systemic, that in this Report at paragraph 1.15, and Reports six years ago, 14 years ago, 16 years, 22 years ago—it doesn’t matter where one looks—this issue of skills not being adequate comes up again and again. You might have hoped that by now, the Government would have got the point and would have done something about it. It manifestly has not, because we are still talking about it. Why hasn’t it yet got the point?

John Manzoni: I think that is a very good question. It is at the heart of what I believe to be one of my main roles as a chief executive of the civil service, which is to find a way of rebuilding some of the skills. For much of the time you described, the philosophy was, frankly, that the civil service is the commissioner and that it outsources the delivery. What actually happened is that over that period we allowed some of the core delivery skills—the commercial and technical skills—to atrophy, because we put the big, monolithic IT contracts out. Over the years, we allowed ourselves to believe in those outsourced delivery contracts. That was recognised four, five or six years ago, and the response was the previous Parliament’s reforms. That moved, in turn, to what we are trying to do now. That is exactly why we are absolutely fixated on rebuilding those skills across Government for the long term.

Let me give you a few examples. As I mentioned, we hired 150 or 140 senior technologists, and we will need many hundreds more over time. There will be a mix of contractors and getting people in. This year, we have created fast streams for commercial, technical and project leadership. We are hiring fast streamers and apprentices into the system this year, so we can grow our own over the next five or 10 years. We are trying to put in place structures. We have done a detailed skills audit on commercial, we are about to move forward on the same for technical, and project leadership is just a bit behind. For those priority skills, this time the context is different. In some senses, it was right 15 years ago to outsource. It was the thing that everybody did, and there was nothing wrong with it. In the future, as we have discussed many times, we have to do things in a different way, and to do that we need all those skills.

Q53 Mr Bacon: Were you at BP when BP Exploration outsourced its finance function in 1987?

John Manzoni: We didn't outsource the entire finance function; we outsourced the back office.

Q54 Mr Bacon: It was held up as a model. It was revolutionary at the time—in the late '80s—and I guess the Government caught up with it quite a few years later. I have written down 10 functions. You mentioned three: commercial, technical and project leadership. The other ones are communications, corporate finance, digital, HR, internal audit and so on. Is your intention that what you just said about those three will be true about all 10, or is it already true of the others?

John Manzoni: No, it's not already true. For instance, as you know, the internal audit has created an agency for itself. That is doing it in a different way. We've got our own internal audit agency, which is now pulling together those things so those internal auditors can have a career and do all of those things. If you ask Alex Aiken, the leader of the commercial function, he will say that we have some pretty good communications people across Government, and he is pulling them together. As you know, we've just hired a head of human resources for the civil service, and I believe that that function is slightly stronger than some of the ones I've mentioned, so it's a mixed bag.

Q55 Mr Bacon: We took evidence on the NAO Report on capability reviews that came out in 2009, although capability reviews had been running since about 2005—several years before the NAO looked at and reported on them. The Report identified that the Government was less than well placed in two thirds of its functions across 17 different snapshots of skills. The answer to this question may be, "Because I wasn't there", but why is it that we are starting to see the kind of activity that you are talking about, which is hugely welcome, some seven years after the NAO Report on capability reviews and four years after the capability plan in 2013?

John Manzoni: To be fair to the capability plan, it identified the ones that we are now in action on, and things take time to put in place. We have been consistent for the past three to four years. Context matters. The reality of the need to transform the civil service and get more sophisticated in our relationship with the private sector is now upon us. That starts to put things in a different context in that we begin to think, "Actually, we do need commercial capability across the board." That is in the hundreds.

Q56 Mr Bacon: Do you mean that the fact that we cannot go on as we were has become startlingly obvious even to highly intelligent people?

John Manzoni: You know that I won't make any judgment on that, but context matters.

Q57 Mr Bacon: Good. That is a good way of putting it. Your predecessor, Richard Heaton, said in a chapter of a book—which, in fact, I gave to you—published by the think-tank Reform, and on a page on which you are quoted, that, “It is our job”—that is, the job of the civil service—“without ministerial pushing, to create a civil service that has the capabilities that the Government need”. When do you think that you will be able to say broadly that the civil service has the capabilities that the Government need?

John Manzoni: We are on a journey.

Mr Bacon: You could have emailed in that answer.

Chair: Mr Manzoni, you referred to a functional lens, and what was the other one?

Mr Bacon: There was one I really liked.

Chair: We are going to start a bingo card for Mr Manzoni at this rate.

Mr Bacon: I have conquered my fear of my iPad, and now I am a zealot. According to the website Civil Service World, “you can't go long talking to Manzoni without the word ‘functions’ or ‘delivery’ escaping his lips”. And then there is a comment, “Well, it's true!”. I know it's true, first because Mr Manzoni said so earlier, and secondly because he wrote that comment.

Q58 Chair: And now we are on a journey. How far along the journey are we? When are we going to get there?

John Manzoni: Realistically, these skills that we are talking about have a market value. Realistically, we need to be in a position where we are growing our own. We cannot afford to bring in all of these skills from the market, because the remuneration structures won't allow that to happen in total. We have to grow our own. That is why we have started a fast stream on technical and commercial and on projects. We now have the first fast stream in, and in four years they will be reaching grade seven. In six or seven years they will be into the senior civil service or in the influential roles across our system. I believe that that is the sort of time frame that we are talking about. We have to lay these things in. We have to be brave enough to stick with it in order—

Q59 Chair: There is a big issue here about attrition later on. If you are skilling up people to the level that you say we would agree is needed, what is to stop them—once they have got to a certain level—being poached by the highly lucrative private sector which pays at a rate that we cannot afford?

John Manzoni: My view is that they should do that. We should create more circulation between us and the private sector, because my bet is that 50% of them will come back. They may

well go out for a while, but actually they will find that the jobs inside the government are more interesting and they get more accountability when they bring the right skills. My bet is that 50% of them will come back. That is a different workforce model—

Q60 Mr Bacon: I am glad that you interrupted as you did, Chair, because it brings me on to my next question, which is my penultimate one. One of the signals that if someone goes out they will be able to come back in the right place is that some of the people at the higher echelon end up being promoted to permanent secretary. By higher echelon I do not mean people who are one or two or four or six year-qualified, but people such as those whom the Chair and I met in Oxford on our previous visit last year. They are running very serious projects that are big enough to be called major projects, and which are not the project leadership programme but the major stuff. As chief executive of the civil service you have a role in reviewing the performance of permanent secretaries, and I think I am right in saying that you have a role in the selection of permanent secretaries as well. Is that correct?

John Manzoni: Some of them.

Q61 Mr Bacon: Yes. What encouragement can you give us that those considerations are weighing very heavily, and that we shouldn't be surprised if in the next three to five to seven years a number of people emerge as permanent secretaries whose main weight on their CV—their main claim to fame—is that they have successfully delivered projects?

John Manzoni: I hope that that will be the case. I think that we do need a balance across the top of the civil service, but it is a very demanding thing. You have to have that and of course you have to have the skills—which are very real skills—of handling Ministers and the things that the permanent secretaries do today. Those are important skills as well.

Q62 Mr Bacon: On the other hand, many people have to walk and chew gum at the same time. If you drive a car, you need to use both your hands and your feet. The same is true of flying a glider, and yet many people manage to do it.

John Manzoni: I agree.

Q63 Mr Bacon: And many people in the private sector manage to do it, which brings me on to my last question. You worked for most of your life in the commercial sector, the private sector. Presumably, you had occasion to buy or sponsor the purchasing of consultancy projects of one kind or another. What is your experience of doing that, and how does it differ from what you see in the public sector?

John Manzoni: My experience is generally good, because correctly bought consultancy brings focus and skills that are not necessarily there either in a commercial entity or in the public sector. Generally, the experience is good. I have seen examples in both the private and public sector of where, because we were not smart enough as clients, we got a bad outcome. That is why it is so important, particularly around commercial or project delivery skills, that we build our capability on this side of the table, so that we can be better clients. We will then be able to buy consultancy in a

much more focused and better way. That is not to say that the same does not happen in the private sector as well, so I think it is all about how you buy it.

Q64 Mr Bacon: It is interesting you should say that, because the Cabinet Office efficiency unit scrutiny study done in 1994 had as its frontispiece a quote saying, “It is difficult to do bad consultancy for a good client, and it is difficult to do good consultancy for a bad client.” That was published by the Cabinet Office, but I know that the quote went in because it was suggested to the Cabinet Office by my boss at the MCA. I am glad to hear that you agree, although 20 years later the skills still have not permeated.

John Manzoni: Same as your first question.

Q65 Mr Bacon: It is some years since I have spoken to the MCA, but they have sent a brief—

Chair: This is the Management Consultancies Association?

Q66 Mr Bacon: Yes. They said in their brief: “We urge both the Cabinet Office and individual Departments to share more of their plans for transformation across Government, and to send clear signals to our industry about the scale, range and quality of consulting services that they will look to procure in the future.” This is the question that I wanted to ask you. It goes on to say: “Government procurement processes could improve the value and reduce the cost of consulting....more pre-procurement dialogue to help shape project proposals to achieve the best outcomes.”

On the things that you were saying in answer to my previous question, I was writing as chief scribe at the MCA over 20 years ago, and one of the most frequent complaints from our members at the time was the inability to have a high-level dialogue at an early enough stage. How are you going to change that?

John Manzoni: By improving the quality of skills and the number of skills on the inside. That is the only way of doing it, and that is why it is so important to build commercial, technical and project leadership, but in this case it is to do with commercial skills. I have said this to you before, but the default in government if we have not got those skills is a price or cost default. That is prevalent.

Until we have the confidence, and the competence which leads to the confidence, to have a different dialogue—we have this going on in CCS today. We have a group of consultants in CCS. They have facilitated us to create a projected £1 billion in value, and they are paid on the basis of results. It is a slightly unusual construct, but they will be paid on the basis of results. They are at risk. We need more examples where we can bring that approach in. It is slightly unconventional in a government sense, but we need the confidence to do more of that. I think it is the answer.

Chair: We have 15 or 20 minutes to go. David Mowat is next, and then I have some mop-up questions.

Q67 David Mowat: It strikes me that the defining difference in how you use third parties is between those who are what I will loosely call project-based—they are brought in for a specific period of time to do something—and those who are there to fill in gaps in head count, assignment or whatever, who basically just work within your own management structure, perhaps because you are short of people for a period of time. They are quite different. Project-based ones can or should have very clear delivery objectives, they should potentially have accountability and they may not even have a day rate-based type of thing, whereas the head count stuff can just be due to poor staff planning or other difficulties that you have. First of all, do you agree with that observation? Secondly, what proportion of the £1.2 billion would you assign to each of those two parts? Perhaps Mr Manzoni first.

John Manzoni: I was trying to get somebody else to do some talking. Yes, I think we do a bit of both. One doesn't want to use interim staff just as a substitute for head count, if it is a long-term thing, because it is probably more expensive if you do that.

Q68 David Mowat: I was going to say that using interim staff long term is a problem.

John Manzoni: Yes, it is.

Q69 David Mowat: That is what I was going to come on to, and why I first asked where the split was.

John Manzoni: I don't know. Maybe you know in the Department, but I'm afraid I do not know.

Dame Clare Moriarty: To the extent that, broadly speaking, consultancy corresponds to your first category of project base, and temporary staff are people filling roles, the split is between years. Around a quarter to a third of the total is consultancy.

Q70 David Mowat: The nomenclature around this is quite problematical, whether you talk about consultants, contractors, third parties, or whatever. It seems to me that what matters is whether it is project-based—that is, limited in time, with a clear scope, coming to do something, and holding them accountable if it's not right—in contrast to using people to fill gaps in the organisation. In some organisations—I don't know if this is true of the civil service—I've seen that last for years. The problem with the second type is that you lose any of the cultural advantages that you gain from a short, sharp shock with some new people who are going to come in and know when they are going to leave. There is all the difference in the world between those two and the way you think about them.

Dame Clare Moriarty: Broadly speaking, when John described the definitions, consultancy is not business as usual, whereas temporary staff are often business as usual. To a very rough approximation, that is the distinction. I absolutely agree that those are the two broad categories, and there will be some grey area in the middle. I absolutely agree that the position we least want to get into is one in which we have people coming in on an interim basis and then staying because we remain unable to recruit those skills. Generally speaking, when we have people on an interim basis, it is either to bring in skills for the short term or to fill temporary gaps while we recruit permanently.

Q71 David Mowat: I think Mr Manzoni talked about the number of people earning £1,000 a day, which I'll come back to because I don't really understand that number. Following the logic that you have just used, you should also know where you have non-project-based people who have been with you for more than, say, a year. That should be on a list as well, just as the Cabinet Office has a list. Is that a routine thing?

John Manzoni: Some 20% of the UK workforce today are contingent labour.

Q72 David Mowat: Meaning not employed.

John Manzoni: They are agency-based labour. What is happening in the health service today?

Q73 David Mowat: Locums and all the rest of it.

John Manzoni: We are facing a market.

Q74 David Mowat: Yes, I think you are. Nevertheless, it is something you want to manage. It is a quite different thing to say that this person has been with DEFRA for three years on a daily contract and becomes institutionalised and all the rest of it, which in some ways creates tensions between them and other civil servants doing the same job. That is quite different from people doing a project, and I wonder whether that is something that ought to be managed pretty tightly, albeit accepted sometimes.

John Manzoni: I think it should.

Q75 David Mowat: If you take the project-based type, if it's used well—you called it consultants—you might just hire people to do something by a specific time, albeit in a joint team, and they are completely accountable for it. The whole notion of day rate goes away, or it could do—I know there is a balance. Mr Manzoni, I am interested in your 47 or 32 people earning over £1,000 a day. You mentioned McKinsey and Ernst & Young and all those sorts of people, so does that include them?

John Manzoni: No, those are usually specific individuals, in this case—

Q76 Chair: So those are on £1,000 a day, just to be clear?

David Mowat: Yes.

John Manzoni: They will be more of the interim—

Q77 David Mowat: So they are not consultants, negotiators or procurement specialists? There must be many hundreds of people across the civil service, under the consultancy contracts, whether with McKinsey, PA, Ernst & Young, Deloitte or anybody you mentioned, earning more than £1,000 a day, but your number of 47, or 32 as it now is, are those who are on contracts.

John Manzoni: Yes, temporary staff.

Q78 David Mowat: I think the fact that that came out in my questioning rather reinforces the need to distinguish between those two types of activity. It is a very basic distinction.

Q79 Chair: Clare Moriarty wants to make a point here.

Dame Clare Moriarty: We get back to the complexity of the definitions. You were drawing a distinction between the first category of people, who were very much accountable for what they were delivering, and the people filling gaps. One of those 32 is working within the DEFRA group, a specialist who is managing the turnaround of a specialist high-containment facility for testing pathogens, where the facility has deteriorated—

Q80 Chair: Could you repeat that slowly?

Dame Clare Moriarty: That person is managing the turnaround of a specialist high-containment facility for testing pathogens. This is within the animal and plant health area, where we have facilities that have suffered from under-investment and where conditions have deteriorated. We have secured investment funding through the spending review, and we absolutely need to make sure that delivers what we need. This individual has a very specialist set of skills, which we can't procure for less than that.

Chair: We get that it is a very specialist area.

Dame Clare Moriarty: But that person is absolutely accountable for delivery of the task of producing that turnaround. The lines are never—

Q81 David Mowat: Yes, but “accountability” is a difficult word, of course. Normal people in normal jobs are accountable for things. Your staff are accountable. You're right that it doesn't mean that it is project-based in that sense. You are right that how it is done is quite complicated. I asked for the balance between times when you hire third parties to come in and do something very specific, with the knowledge that they will leave after it, and those that are longer term. You didn't give me an estimate, so is that something that you could come back to?

John Manzoni: Clare has reminded me. Looking at the £1.16 billion or whatever it was in the Report, the general answer is that about 30% of that is on consulting and about 70% is on the contingent labour.

Q82 David Mowat: So £700 million of it is filling gaps in the workforce, or temporary staff or whatever?

Dame Clare Moriarty: But the vast majority of those people will be doing something for a specific period of time and will then leave. To give you some random examples, some are lock assistants. To look after the canals, you need people to run the locks, and you don't want to recruit people on a permanent basis. They are categorised as part of this big mass of temporary staff. We are in the process of bringing people in to help really get on top of the £2.3 billion flood investment programme. Because we are starting that very quickly, we need some short-term resources—

David Mowat: I completely agree.

Dame Clare Moriarty: But it is absolutely short term. They do it, and then they go.

Q83 David Mowat: The only point I am making is that of the £700 million of spend on people who are actually in headcount-type roles, albeit ones you do not necessarily choose to employ, it would be quite useful if you knew how many had been with you for more than five years, three years or one year, or whatever. That is a management discipline that you might think about.

Dame Clare Moriarty: Yes. Agreed.

Q84 David Mowat: Going back to the other approximately one third, I know that there is a general tendency in all of this to say that we don't want third parties and we want to have those skills ourselves. However, in many situations you don't necessarily want to have those skills yourselves all the time, because you want people you can have and then get rid of. There is a commercial value in that. That is why the market exists. Going back to the example of universal credit, which apparently has a business case of £100 million a week according to the Treasury numbers, it would be of great value to the country if that was delivered two weeks early, for example. In instances like that, you could say that we ought to be using third parties to deliver it more quickly, if we can. Is there a process to make sure that happens under the business case management of these sorts of programmes?

John Manzoni: There is always a business case. This is under the spend control, and indeed there is a particular control on consultancy. For consultancy cases, which go through the Cabinet Office, there is a business case that examines that, and it wouldn't get approved if it wasn't value for money to hire a consultant as opposed to doing something else. The alternative is always judged because there is a proper business case assessment, which is one of the things Mike was talking about.

Q85 David Mowat: Yes, because it might lead you to the conclusion that you should have more third parties, not fewer, if you really believed that could cause it to be delivered earlier, because that is what you should be doing.

John Manzoni: Yes.

Q86 David Mowat: Is that culturally were the civil service is?

Dame Clare Moriarty: In that sort of situation it is often less about consultancy and more about the business model for delivery; whether we are contracting things out, and what is delivered in house versus what is delivered by third parties. In relation to any major contract, we would certainly expect to need legal, financial and technical advice to make sure we get the best value for money, because you can pay quite a high price for not having the right eyes on multi-billion pound programmes.

Q87 David Mowat: My final question is just for clarity really. These numbers don't include what we traditionally call outsourcing, do they? That is entirely different, isn't it? What about consultancy effort associated with outsourcing?

John Manzoni: That would be in here.

Q88 David Mowat: It would be in here, but what about the actual outsourcing contract?

John Manzoni: No, that is much bigger.

Q89 Chair: I just want to pick up on a couple of points that have been mentioned. Mike Parsons, I want to ask you about the reskilling of civil servants, because you have the surge team, and I know from my experience as a Minister that people can move from passports to immigration and vice versa. Can you explain how well that is working and whether you are planning to do more of that, or are you skilling people up in some of the "functions"—to use John Manzoni's word—that the centre and the civil service are trying to promote?

Mike Parsons: In terms of casework, I should say that we have started and are building on that. We have used visa caseworkers to help out with passports, and we have used passport caseworkers to help out with visas, because the peaks and troughs of those workloads differ. That has been a success, so we intend to build on it, increasing cross-skilling and cross-training.

Q90 Chair: Presumably that helps because there is some co-location of those two groups of staff in some parts of the country.

Mike Parsons: It will become much easier when we move fully to digital processes. At the moment there is a restriction because of where the work is and the need to manage people and work. It will become much easier when passport and visa processes are fully digital.

Q91 Chair: Can you just be clear on that? If I worked in the Passport Office, in future at my own desk in my office could I work on visas, or for DWP? Is that the vision?

Mike Parsons: For the Home Office, the vision is absolutely to be able to use our caseworkers flexibly and increasingly to train people to work on more than one product and use the workflow to manage that.

Q92 Chair: Would the IT enable that without having physically to move people?

Mike Parsons: Not at the moment, but that is the ambition and we are moving in that direction.

Q93 Chair: What is the timescale on that?

Mike Parsons: We hope to have the technology in place in the next 18 months to two years so that caseworkers have the same desktops, and then we need to replace some of the core caseworking systems, but we think that we can move the applications online much more quickly than that, which will really help. We have already made a start, and we intend to build on that. We are also using HMRC's surge team; we have used it in Border Force to help with queue management and with the Syrian resettlement programme. We have bids in to use that again this year. We are doing more internally and we are engaging with some of the cross-Government mechanisms.

In terms of specialist resources, as has been said before, with things like commercial and project management we are getting better at working across Departments, spotting where we can move staff to fill skills gaps. Again, we have a way to go—I won't use the word "journey"—but as we are looking at each of the professions, we are seeing examples of where we are moving resources around, and I want to build on that.

Q94 Chair: It is some time since I was at the Home Office, but it was well known to be quite low-paying. I remember members of staff who couldn't afford to travel into zone 1, because it was not worth their while when they lived outside zone 5—that was the pay scale they were on. Clearly there has been a reduction in civil service staff since then, including at the Home Office. Are you looking to reskill some of those lower grade civil servants so that they earn more and do more, so that they can do these flexible roles, or are you skilling them up for a particular function?

Mike Parsons: Yes, as has been described, we are looking at apprentices, but that does not necessarily mean young apprentices. We are looking at building people's skills and making jobs more rewarding. You mentioned retention, and if we can skill people to work across several products, that will make their job more rewarding. It is also worth saying that, in terms of case-working functions, most of our staff are based outside London in Liverpool, Sheffield and Croydon. To recruit digital staff, we have decided to set up a digital hub in our Sheffield office, and we are finding that much easier than recruiting such staff in central London. It is a question of looking at geography and, as you say, to consider opportunities to skill up existing staff.

Q95 Chair: I think we as a Committee are very interested in the idea of another IT project. I can sense Richard Bacon getting very excited about another major IT project, so we will be interested to watch that one. If you have not read his book, I will give it a quick free plug, especially if you are managing that project. To return to the point that I raised earlier, Mr Manzoni, and before you laugh too much, Mr Bacon wrote a serious book, and I hope that you have learnt it off by heart by now, you have talked about it always being better in the future and about growing your own

through the functions. If we are where we are now with this level of spending on consultants and temps, where would you want the civil service to be in five years' time? Do you have a target?

John Manzoni: The answer is no, I don't have a target.

Q96 Chair: Do you have a ballpark figure for how much spending you would like to see in this area?

John Manzoni: To be honest, I have not actually thought about that, so it would be a bit foolhardy to give you a number.

Q97 Chair: If you cannot give us a number, what would success look like to you?

John Manzoni: I think that success in specific disciplines, the ones that I have mentioned—

Chair: You don't need to repeat them. We have got that.

John Manzoni: Success means that we will have both at senior and at junior levels career paths, and people coming in and out. Deployment, as Mike has said, is already starting to happen, so that means that we can move people across to the critical needs. That means that we will have much more matrixed structures, where key skills can be moved across the civil service to the points of most need. Success would mean that we have throughout our structure in those particular skills people who are present and skilled. We do not have that today, and that is what I believe will be success.

Mr Bacon: On that point, obviously you must protect the continuity of the provision of public services, although there have been plenty of cases where that has failed disastrously with the old model, so what I am about to propose is not a huge risk. From looking at the way in which big consulting firms are organised, and indeed the NAO has increasingly organised itself, I have sometimes wondered, and I don't know whether this would be too radical or if it were, whether it would be worth trying in one Department, whether any thought has been given to taking a Government Department and apart from a very small number of core administrative staff, essentially recasting the entire staff around projects and tasks that need delivering. You do not leave until the project is done, and you get promoted within the project—there might be the odd milestone where you might move on, as happens in the private sector. Basically, I am suggesting that you completely redesign how you organise a Department.

John Manzoni: It is a discussion that is going on in the private sector, and some companies with which I am familiar in that sector have, in certain dimensions, organised themselves functionally. If you go to Exxon, which spends about \$50 billion a year building things, it does it centrally. In that case, the company has decided that the central deployment of those skills is functional. I think we are long way away from that, and there are debates about which functions to centralise and which not to centralise, and about taking accountability away from the line. I would say that that model is there in a minority, and I am not about to recommend it now to the Government. However, we are moving to that because we want to get more functional axes and more clarity along that dimension, but I am a big fan of line accountability, so I think that it is a spectrum. Some companies do run some things completely functionally.

Chair: In terms of accountability, David Mowat raised the important issue of tracking through individual staff. Do consultants and temporary staff in your Departments have the same security passes as permanent staff, or do they have a different colour of badge so that they are easily identifiable?

Dame Clare Moriarty: They are identifiable; temporary staff have “contractor” on their badges.

Q98 Chair: So they all have something. Is the same true in the Home Office and the Cabinet Office?

Mike Parsons: Yes.

John Manzoni: Yes.

Q99 Chair: Okay, that is helpful to know. In terms of tracking through, presumably there is a line in the budget that tracks the different funding, but do you know at a glance what is happening with individual temporary staff? If someone has stayed on longer than they should have, would you be able to pick that up through your normal finance processes?

Dame Clare Moriarty: At the moment I can’t lay my hands on that information in DEFRA. I think that we should have it, and certainly when I was at the Department for Transport we got to the point where we could see exactly when people had been appointed and when they were due to leave.

Q100 Chair: So why can’t you do that now at DEFRA? Is it an IT problem?

Dame Clare Moriarty: It has not been done historically, so I have started asking questions about what information we have and how we track through. I am having some interesting conversations about how we can improve the management information on consultants and temporary staff.

Q101 Chair: Mr Parsons?

Mike Parsons: I have the information for the main Home Office, but not for the group, because the arm’s length bodies make their own decisions.

Q102 Chair: Mr Manzoni, are you providing central guidance on that?

John Manzoni: Not as far as I am aware.

Chair: Could you check on that?

John Manzoni: Yes. In fact, I can’t believe that we don’t provide that.

Q103 Chair: I ask that in part because when I first arrived in Whitehall I was surprised at how many people had been knocking around for a very long time—they had become part of the furniture—and on very highly paid temporary contracts. That is why different badges were introduced in some places. It is quite amazing to me that nearly a decade later you can't all track through. It would be helpful to know about that.

Mr Manzoni, you talked earlier about improving the client role generally, and I suppose you mean in contract management. It seems to me that this is at the core of that; if no one is watching to see whether someone leaves at the end of a contract, that is part of the problem. What are the top three things that you are trying to get Departments to do in that regard?

John Manzoni: I wasn't thinking about individuals in that particular case; I was thinking about how we employ consultants. I think that is important, because in many ways that is where quite a lot of money is spent, and we can get much better value. That is important in this matter. In fact, as we evolve the control process—because a lot of this is caught in the Cabinet Office control process—we are planning to sit down with the Departments on a quarterly basis and say, "Look, what is the forward pipeline for this?" That will encourage—

Q104 Chair: Okay, so the first of those three things is planning the long-term pipeline.

John Manzoni: Yes, sitting down with the quarterly pipeline, and I think the clients around consultants—I will stop at those two, until I think of a third.

Q105 Chair: Well, if you think of a third, do write to us, because we would like to see a little more of a plan on this.

John Manzoni: We will get that in the quarterly reviews. That will be swept up in the quarterly pipeline conversations with the Departments. We will say, "What are you planning to use for consultants and temporary staff?" Rather than them individually coming into control processes, we will be able to look at them in a more proactive fashion.

Q106 Chair: Clare Moriarty wants to come in on that.

Dame Clare Moriarty: I may have done a disservice to the information that is available in DEFRA. We do have very detailed information about every single individual and what role they are in, which is mostly managed at local level. Where I think we can improve is by getting really high-class, top-level management information that brings the longest cases immediately to attention—

Chair: Warning flags, essentially.

Dame Clare Moriarty: Yes. Huge amounts of information is now held. The introduction of the controls in 2010 led all Departments to do a vast amount of work to ensure that they really did understand and were managing people much more proactively.

Q107 Chair: It sounds as though there is still more to do. I have just a couple of final points. We have touched a bit on the big six getting a lot of the work, and obviously there has been some coverage of that in some of the specialist journals. Mr Manzoni, what are you going to do to really break this, because it is an issue—Clare Moriarty touched on this earlier—that a contractor who does not have the specialist skills will have to contract down to a smaller organisation, and then to a smaller one? That is quite cumbersome, and that is one of the drawbacks of the central framework. We all have companies in our constituencies that would love to bid for Government contracts and would do a good job, but the cost and timescale of procurement, or of being on a framework, is difficult. Is there just an inertia in the civil service against contracting out to lots of small companies because it means a lot more work?

John Manzoni: Actually, we are actively involved in this conversation right now. In the technical space, we have something called the digital marketplace. As I have already said, 80% or 90% of what is going through the G-Cloud, which is a framework sitting in a digital marketplace, is people. Sometimes they are bundled into services, and sometimes they are individual people. As I have already said, 50% of that £800 million is SMEs.

Q108 Chair: I hope that is right, because my constituents in Shoreditch will tell me very quickly if it is not.

John Manzoni: We are going to do the same thing on what we are calling the Crown marketplace. We want to do the same for many of the other categories of spend. The first framework that we are going to look at is Contingent Labour ONE. So we are on this. I must say that I think the big six will still do quite a lot of the management consultant-type things, but I think that we will make substantial inroads as we re-procure a new framework for Contingent Labour ONE through a digital or Crown marketplace. I think that we will make a big step change on this.

It is quite a sophisticated ask, for the following reason. Right now we have three lots on our Contingent Labour ONE. One of them is Capita. There are actually 350 suppliers on that lot, so it is not as if it is just their mates. We do need some intermediary in this matter to do the PAYE and all the administrative stuff that goes with hiring people, but I think that there is space to create what is called a work intermediation platform; to disintermediate this market, basically. An accountant will be able to look at Government and say, “Oh, they need three days of accounting next Saturday” and then bid for it. Or they might say, “Oh, they need a nurse next Thursday.” We need to construct the right commercial framework that allows that to happen yet still has somebody in the middle doing the PAYE, the checks, the security and all that.

Q109 Chair: Like G-Cloud but across the piece?

John Manzoni: Like G-Cloud but for non-technical staff. Those do exist in the world, but it takes quite a sophisticated commercial—

Q110 David Mowat: Something occurred to me while you were speaking earlier. Are temporary staff—the two thirds of the number—on the Department’s headcount formally?

Dame Clare Moriarty: They are off the payroll, but when we count the number of people working in the Department we will include them.

Q111 David Mowat: So they are on the headcount. Some organisations use that technique to keep their formal headcount low. You don't do that in the civil service, do you?

Dame Clare Moriarty: No. Temporary staff are on the headcount but off payroll.

Q112 Mr Bacon: You said earlier, "We need an intermediary to do all the admin and PAYE." Who is that intermediary at the moment?

Chair: Capita, isn't it?

John Manzoni: Yes, in CL1 it is, and at a very low margin.

Q113 Mr Bacon: Yes, but it could be a civil service mutual organisation, couldn't it? A bunch of civil servants with a lot of experience in financial management, admin and audit, accounting and what not could say, "We could do that." That could happen, couldn't it?

John Manzoni: Possibly. That is all being thought through right now, so I don't want to pre-empt what is going on.

Q114 Chair: My final point—Stewart Jackson might want to come in on this—is about individuals on personal service contracts. How many of them are on personal service contracts because they need liability insurance? If you do not know, do you have a ballpark figure? Is that one of the reasons why they are on personal service contracts? Mr Manzoni, do you know?

John Manzoni: I am afraid I don't.

Chair: Is it something you have looked into?

John Manzoni: No. What I do know is that we have recently introduced new rules about how people pay their—

Chair: So you don't know.

John Manzoni: I am not familiar with the personal service contract, so I will have to get back to you on that.

Q115 Chair: I ask because one of the things we have heard is that you can't get liability insurance as an individual—well, you can, but your assets and house are at risk, so that might be a perverse reason to do it. I understand that the people on those contracts have to declare to the Departments that they are paying the right amount of tax.

John Manzoni: Yes, they do, because otherwise—

Q116 Chair: You are all nodding. How do they do this? Mr Jackson might like to come in on this as well.

Dame Clare Moriarty: There is quite a heavy process, so at least every six months we have to go to every single person, and if people have been off payroll for a period of more than six months, we have to be able to give the assurance that they are paying.

Q117 Chair: How do you get that assurance?

Dame Clare Moriarty: In my department, when people start, they are asked to provide the assurance that they are low risk in terms of IR35, so that they are paying the right amount of tax. That requires a collection of paperwork that they may need their accountant to provide—it depends on their circumstances. That is all then lodged and we keep tabs, and then we go back on a six-month basis to check that they are still compliant.

Q118 Chair: Is that the same—

Mike Parsons: Yes, that is exactly the same. Every six months a questionnaire is filled in.

Q119 Chair: That is standard?

John Manzoni: I think we actually issued the guidance.

Q120 Chair: So from that assurance—bits of paperwork—how do you know, though, that it is true that someone is paying the right tax? And what is the right tax in that situation?

Dame Clare Moriarty: I am not familiar with the fine detail of it, but I know that we require certain independent certification. People have to demonstrate that they are low risk in HMRC terms for IR35, so there is a procedure that they go through, which may require their accountant to provide a certificate. There is a known point at which people have provided enough assurance, because it is essentially for HMRC.

Q121 Mr Jackson: Is that a contractual relationship with each individual person who is contracting for you?

Dame Clare Moriarty: When people are appointed, it is written into their contract that they must provide that information.

Q122 Mr Jackson: Across the whole of Whitehall.

Dame Clare Moriarty: Yes.

Q123 Chair: It seems to me that someone could say what they wanted. Certain assurances are given, but it is not watertight.

Dame Clare Moriarty: It is the same process by which people provide assurance directly to HMRC, so we gather the information that HMRC tell us that they would normally regard as providing that assurance. If people do not provide that assurance, we have to provide information about them and our contract with them direct to HMRC, and they then investigate.

Q124 Mr Jackson: Who is not going to provide that assurance? I am contracting with Defra, and you say, “Do you think you are paying the right level of tax?” I am not going to say, “Well no, actually, I don’t think I am.”

John Manzoni: We require third-party verification.

Dame Clare Moriarty: Yes, it is third-party verification.

Q125 Mr Jackson: Yes, but what is the third party? If you are saying that you are leaving it to the tax authorities, HMRC, that is obviously a separate issue, and that is fine as it stands. In terms of your responsibility as an accounting officer to ensure that they are discharging their responsibilities as a taxpayer, as a contractor, what specific measures are you taking to ensure that they are fully compliant with their tax responsibilities?

Dame Clare Moriarty: To be honest, on that level of detail, I rely on my finance team to give me good advice. We can provide an explanation in writing.

Mr Bacon: You may remember that this caused an enormous difficulty with the health service, local government and the BBC. It became a major story. The chief executive of the Student Loans Company was employed on a contract with his own company. The question I would start by asking is, “What is the advantage to the person involved in doing it? If there is no advantage, why would they do it?” I can quite understand why a SAP specialist, who is earning quite a lot of money each day, but might choose not to work for seven weeks, and then to work five days or whatever, might want to have such an arrangement, but there would be many cases where they would not want that. The obvious step that you as an accounting officer might take is to say, “How do I assure myself as an accounting officer? I know—we’ll have spot audits. We will make it a contractual term that they open themselves to spot audits, which they may or may not experience.” Is that what you do? Do you have spot audits?

Dame Clare Moriarty: The honest answer is that I don’t think we have spot audits. There is a process that I will write to you about.

Chair: Mr Parsons may want to come in on this.

Q126 Mr Bacon: Yes, indeed. Do you have spot audits?

Mike Parsons: I don’t know who has spot audits—

Q127 Mr Bacon: On that point, before we move on, would it be outwith the range of possibilities, or would it be perfectly plausible for you as people offering contracts, to say, “If you want this money, if you want the Queen’s shilling and you are going to take this contract from us, one of the conditions is that you have to be available for a spot audit should it be required, in terms of the tax”? Is that the sort of thing that you could introduce into the contractual terms?

John Manzoni: I am always hesitant, because I don’t think we know what—

Q128 Mr Bacon: I was really asking the Department, actually.

Dame Clare Moriarty: I think it might be possible. Whether or not it would be necessary would depend on the level of assurance that we consider we get from the procedures that are currently in place, and that is the bit that we will need to write to you about.

Mike Parsons: The contracts were changed in order that contractors have to provide the information and fill this questionnaire in every six months, and enable us to follow up and ask them for more evidence when the questionnaire indicates that we need more evidence. So that is part of the CCS framework contract that requires contractors—

Q129 Mr Bacon: What I am really saying is that their having supplied the answers and I, like Mr Jackson, being a sceptic, I would then later want the capacity to say, “Oi, you. Show me you’re not lying!” You ought to be able, since you’re paying them the money, to ask them for that unexpectedly, on an unannounced, unwarned and occasional basis, shouldn’t you?

Mike Parsons: We follow the guidance as issued by HMRC and the Treasury—

Q130 Chair: I think Mr Manzoni hasn’t thought of that. Is that a fair summary, Mr Manzoni?

John Manzoni: Until we know what we do, it is rather hard to promise that we will do something else.

Chair: At the moment, I have got a list of three things that you are going to write to us about. That is one of them. Also Defra, but if we could ask the Home Office as well, to confirm that skills audits have only taken place since 2014, to the best of your knowledge. If that is what you are saying now, we trust that, but if you find afterwards that that is wrong, then please let us know. And then, from the Cabinet Office, the figures—we talked earlier, Mr Manzoni, and we can send you a letter with detailed questions if your officials have not got notes—on the Departments or projects that are not using the CCS and some further delving into that. If you could give us what information you have, we may come back with further questions, but if we could have those details in the next seven to 10 days that would be very helpful in our timings.

Unless any other Members have got any other points to raise, I will thank you very much for coming along. This is obviously a hugely important concern for taxpayers, because, one, it is important that public services are working and delivering the services, so therefore the skills are necessary, but that has to be at a reasonable cost. So, money spent on consultants and temporary staff that is not well spent is a waste of taxpayers’ money.

However, we hear great promises about the future shape of the civil service and a lot of what has been promised today is what will come in the future. But we have been looking at this for the last five years, so we hope that next time you come in front of us we will see more progress on this, and we will be watching it closely. Also, there is this issue around smaller companies getting contracts, because that is something that all of us hear about in our constituencies, and colleagues from around the House raise it with us as well.

Thank you very much indeed for coming along. The transcript will be online in the next couple of days; the Report will be published at some point after the February recess. Thanks very much.