



House of Commons
Committee of Public Accounts

Transforming contract management: progress review

Thirty-second Report of Session 2015–16



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*Report, together with formal minutes relating
to the report*

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The Committee of Public Accounts

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Summary

In 2014 the previous Committee concluded that government would not achieve value for money from its contracts unless it improved its contract management. While government has made encouraging progress in some areas, the pace of change is disappointing. We expect the Cabinet Office to raise its game, be more assertive and challenge those departments that are lagging behind, as well as supporting them where necessary. Given the increasing scale and complexity of government's contracts, departments need to focus on the governance, systems and assurance frameworks around their major contracts, as well as recruiting more commercial staff. The government also needs to tackle the longstanding problem of a civil service culture that does not place enough value on commercial expertise. We expect the Cabinet Office and individual departments to accelerate the pace of change and be able to demonstrate tangible improvements by the end of this parliament, so that we see a civil service which is first rate at managing commercial contracts. In the meantime we will continue to hold departments and their contractors to account for their performance, with a particular interest in safeguarding the interests of vulnerable users of public services.

Introduction

The Government spends nearly £200 billion a year with private and voluntary providers. This includes relatively simple contracts to provide goods or established services, to innovative, high-profile commissioning arrangements delivering services directly to the public, such as health and justice services. In 2013, following issues with overbilling in the Ministry of Justice’s electronic monitoring contracts with G4S and Serco, the Government commissioned a series of reviews of contract management across departments. The reviews found widespread problems in contract management, including poor governance, record keeping and capacity issues. The previous Committee reported in 2014 that “problems with contracting are widespread, long standing and rooted in the culture of the civil service”. Since then the Cabinet Office has led a cross-government programme to improve commercial capability.

Conclusions and recommendations

1. **There are encouraging signs of change but the current pace of progress with reform is disappointing.** The Cabinet Office and the Treasury jointly led commercial capability reviews of the 10 largest spending departments in central government in 2014–15. The reviews set out recommendations to each of the departments, including on staffing models, accountability and commercial skills, with departments reporting progress monthly to the Cabinet Office. To date, just 37 of the total 96 recommendations have been completed, and the Cabinet Office rated government’s progress as a whole to be “two to three out of five”. We continue to see regular problems with the government’s ability to manage contracts effectively; recent examples include military flying training, health and disability assessments, and the GP extraction service. Departments must increase the pace of progress significantly, or issues with commercial capability will continue to undermine value for money. The Cabinet Office told us that momentum is building but it could not give a timeline for when reform would be complete, other than it would hope it would be by the end of this parliament. It has requested all departments produce a ‘capability blueprint’ by March 2016, which includes a timeline for completing their remaining recommendations as well as setting out what their future commercial organisation will look like and how and when they will get there.

Recommendation: *All departments must understand the importance of getting contract management right, redouble their efforts and step up the pace to improve their contract management and commercial capability. By the end of 2016, the Cabinet Office should report back to us with an overview of progress made by each department, identifying any departments which fail to produce credible plans.*

2. The centre of government is not effectively challenging departments on slow progress. The Cabinet Office is responsible for leading the commercial capability reform programme across government. This includes coordinating initiatives across departments, providing support such as with recruitment and by issuing guidance, tracking and challenging departments’ progress, and holding them to account. However, the Cabinet Office has struggled to exert its authority and allowed some departments to fall behind. For instance, early in 2015 it asked the seven lower spending departments, covering about £5 billion of commercial contracts, to self-assess their commercial capability but four have not completed them yet. The Cabinet Office acknowledged that it had limited resources, and took its attention off following up the reviews to focus on the challenge of recruiting commercial staff instead. It is apparent that some departments have simply not taken the need to improve their commercial capability seriously enough.

Recommendation: *The Cabinet Office needs to step up in its role of holding departments to account for their progress, as well as supporting them where it can. By the end of 2016, the Cabinet Office should set out and implement a process for how it will intervene if departments do not cooperate, including reflecting this in performance appraisals of Departmental permanent secretaries and Commercial Directors.*

3. **There are indications that the culture is starting to change, with senior management in the civil service taking contract management and commercial capability more seriously, but there is more to do.** One of the main conclusions of the government's commercial capability reviews was that there was insufficient focus on managing the contracts once the deal had been signed. The previous Committee reported that government was starting to take the issue seriously, and we accept that the culture is starting to improve. Culture change includes raising the commercial competence of staff outside of departments' commercial functions, such as senior contract owners in operational roles, and staff in policy roles. The Ministry of Justice told us that changes to its organisational culture are underway, that it would be a recipe for disaster if knowledge of how contracts worked were confined to commercial specialists, and that senior contract owners would be answerable to the Minister for the success of these contracts. The Home Office similarly told us that the person directly accountable to the Accounting Officer for the delivery of an effective contract is the senior contract owner. However, there is a risk that contract owners might not be effectively held to account by their line management within a wider civil service culture which does not sufficiently value commercial expertise.

Recommendation: *Departments should ensure that operational contract owners are held to account by their Director General and Accounting Officer. By the end of 2016, they should also put in place a system of independent challenge outside of the line management structures whereby contract owners confirm they understand their responsibilities, and are challenged on aspects of contract and contractor performance.*

4. **Commercial roles in the civil service are not attractive enough to potential candidates. Progress in recruiting commercial staff has been slow.** The Cabinet Office's submission says some departments report vacancy and interim rates of 15% or more, and it admitted that recruitment has been more challenging than expected. Government has now hired several staff, including through a fast track commercial programme and apprenticeship scheme, but key senior-level posts such as at least one departmental commercial director are still unfilled, and retention continues to be an issue. Part of the wider problem is pay, and the Cabinet Office is developing a new pay and grading structure to address this, but it is unlikely to be able to rival salaries in the private sector. The government must therefore challenge existing practices and tackle other elements of job satisfaction and the rewards available.

Recommendation: *The Cabinet Office should improve the status of commercial roles, including consulting with departments on whether departmental Commercial Directors should sit on Departmental Boards; and increasing the weighting of commercial competence when considering senior civil service promotions.*

5. **Departments are not always holding contractors to account for meeting the needs of users, especially vulnerable groups, and there is a risk that the user's voice is not heard.** Recent events have shown that government continues to rely on whistleblowers and journalists to bring contracting issues to light. For example, undercover footage by the BBC Panorama documentary showed G4S staff at the Medway Secure Training Centre mistreating children. Similarly, the Home Office did not follow through on the risk of people being identified as asylum seekers

because the contractor had painted their doors red, despite the issue being raised by this Committee two years ago and G4S's reassurance that it would look into the issue. We are concerned that users have no way to report alleged instances directly to the department other than through the contractor; and it is far from easy in practice for vulnerable groups such as asylum seekers and children to raise complaints. It is disappointing that the government did not accept the previous Committee's recommendation to improve whistleblowing procedures by including a standard term in contracts requiring suppliers to have whistleblowing policies in place, and including a requirement for contractors to nominate designated officials within departments to receive disclosures from whistleblowers. The government must strengthen the way in which it holds contractors to account and take additional measures to ensure vulnerable users are protected.

Recommendation: *Departments need to be clear with their contractors that they will be held to account, by Parliament as well as the department, for meeting user needs and being responsive if issues come to light during the running of the contract. Departments should ensure this is also codified in their contracts with these service providers.*

Each department should ensure that users are clear on what they can expect from contractors and should publicise a direct route through which users, especially vulnerable groups, can escalate issues.

6. **Departments' assurance arrangements over contract and contractor performance are still lacking.** The previous Committee repeatedly made recommendations on what needs to be in place to manage contracts effectively, including greater transparency of performance and costs, and use of open book accounting and internal audit. Without this, departmental Accounting Officers cannot be assured that contractors are performing and users' needs are being met. We were also concerned to see the Panorama footage of the Medway Secure Training Centre showing G4S staff were pressurised to lie about incidents in order to avoid fines to the company. Departments report progress regarding the use of open book accounting and internal audit, but there is still not a consistent approach across government. The Ministry of Justice reports a greater rolling programme of contract audits than the Home Office which relies more on its quality assurance function within the operation and management of the contract. The Ministry of Justice told us open book would be in place for "nearly all" its contracts, and the Home Office told us it would largely be used on "big and complex" contracts. But neither provided facts or figures demonstrating the extent of compliance with these general principles. The Cabinet Office told us that it expected to publish guidance on the use of open book in late February 2016.

Recommendation: *By the end of 2016, all departments should review their contract assurance frameworks and introduce a rolling programme of assurance, including greater transparency and effective use of open book and internal audit, to ensure contractors deliver what they are supposed to and that there is no scope for misreporting.*

1 Progress with improving government's contract management and commercial capability

1. In 2014 the previous Committee of Public Accounts published two reports on government's management of contracted out services.¹ We took evidence from the Cabinet Office, Home Office and Ministry of Justice on the basis of their written submissions updating us on progress since then.²

2. In 2013, following issues with overbilling in the Ministry of Justice's electronic monitoring contracts with G4S and Serco, the government commissioned a series of reviews of contract management across departments.³ The reviews found widespread problems in contract management, including poor governance, record keeping and capacity issues.⁴

3. The previous Committee's report in March 2014 concluded that there was significant scope for government to improve its approach to contracting out public services, and set out five areas for improvement: transparency, contract management and delivery, competition, capability and public service standards.⁵ The Committee's further report in December 2014 acknowledged that the government was working to improve the way it manages its contractors, but found that "problems with contracting are widespread, long standing and rooted in the culture of the civil service", and concluded government will not achieve value for money from its contracts until it pays much more attention to contract management.⁶

4. In response the Cabinet Office established a cross-government programme to improve commercial capability. In 2014–15, jointly with the Treasury, it conducted commercial capability reviews of 10 largest spending central government departments, accounting for around £39 billion or almost 90% of central government spending on commercial contracts. The Cabinet Office asked the remaining seven departments, accounting for the remaining £5 billion, to complete self-assessments using the same methodology.⁷ The Cabinet Office told us that three had been completed as at January 2016, and four were underway and would be complete by April 2016.⁸

1 [Committee of Public Accounts report, *Contracting out public services to the private sector*, Forty-seventh Report of Session 2013–14, HC 777 14 March 2014](#); [Committee of Public Accounts report, *Transforming contract management*, Twenty-third Report of Session 2014–15, HC 585, 10 December 2014](#)

2 [Cabinet Office \(TCM0003\)](#); [Ministry of Justice \(TCM0001\)](#); [Home Office \(TCM0002\)](#)

3 [HM Government, *Cross Government Review of Major Contracts*, Autumn 2013](#); [Ministry of Justice, *Contract Management Review Findings and Recommendations Report*, December 2013](#)

4 [C&AG's Report, Cabinet Office, *Transforming government's contract management*, Session 2014–15, HC 269, 4 September 2014, paras 3, 9](#)

5 [Committee of Public Accounts report, *Contracting out public services to the private sector*, Forty-seventh Report of Session 2013–14, HC 777 14 March 2014](#)

6 [Committee of Public Accounts report, *Transforming contract management*, Twenty-third Report of Session 2014–15, HC 585, 10 December 2014, summary](#)

7 [Qq 15, 20–21](#)

8 [Cabinet Office \(TCM0006\)](#)

5. The commercial capability reviews found some consistent themes:
- Commercial capability was overwhelmingly focused on the procurement process at the expense of crucial market shaping and contract management activities;
 - Too few senior experienced commercial people and conversely too many junior, inexperienced commercial people without deep commercial expertise;
 - Vacancy levels in key commercial functions were high, leading to use of interims/consultants in core commercial roles;
 - A need to improve the commercial skills and awareness of policy officials who were not commercial specialists; and
 - Lines of accountability for commercial decision-making needed to be strengthened.⁹
6. Departments are responsible for acting upon the reviews' recommendations to reform their own commercial arrangements, and all are at different stages of progress.¹⁰ There are some examples of good practice, but overall just 37 of the 96 recommendations of the commercial capability reviews have been implemented so far.¹¹
7. The Cabinet Office asked the seven departments with lower spending to self-assess their commercial capability, but four have yet to complete this.¹² At least one department currently does not have a Commercial Director and several have not yet confirmed alignment with resources and commercial requirements or implemented a formal change programme to track the implementation of recommendations.¹³ The Cabinet Office explained that some of these recommendations have now been superseded by its request for departments to produce 'Capability Blueprints' by March 2016.¹⁴ The Cabinet Office told us that these blueprints will set out the optimum organisational design for future commercial functions in Departments, and should answer questions such as: "How do you construct your commercial organisation? What's the pipeline of things coming at you?"¹⁵
8. The Cabinet Office, Home Office and the Ministry of Justice agreed that there was still work to do. The Home Office told us that there was a requirement for more commercial capability. "As we have disaggregated some of the big procurements, we have had to bring in more system integration and commercial capability. We are managing more contracts and we are managing more relationships between suppliers directly rather than handing all that over to a big prime provider, for example."¹⁶ The Ministry of Justice considered that its commercial capability had improved but there was further to go, referencing the maturity matrix in Tim Breedon's December 2013 report: "At the time Tim Breedon did his review, we were scoring two, which is described as informal on almost everything. I think now we are on three, three and a half and four on each of the scores, so we are unquestionably making progress, but if you are still on a score of three out of five it is

9 [Cabinet Office \(TCM0003\) para 8.1](#)

10 [Q 5; Cabinet Office \(TCM0003\) para 8.2](#)

11 [Qq 11, 27](#)

12 [Cabinet Office \(TCM0006\) Annex A, 23](#)

13 [Cabinet Office \(TCM0003\) para 8.2.;](#) [Cabinet Office \(TCM0006\) Annex A; Qq 36–44](#)

14 [Qq 19, 22](#)

15 [Q 22; Cabinet Office \(TCM0003\) para 14.5 iii](#)

16 [Q 56](#)

pretty uncomfortable”.¹⁷ The Cabinet Office admitted disappointment that things are not moving faster, and was not able to say with certainty that reform would be complete by the end of this Parliament.¹⁸ However, it was confident that things are improving and told us “Some are going faster than others and some are more frustrating than others, but I honestly think that we are building momentum in the right dimensions.”¹⁹

9. We challenged the Cabinet Office as to why it, as the centre of government, had not effectively held departments to account for slow progress, particularly the four Departments yet to complete a self-assessment of their commercial capability.²⁰ Given that the NAO and the previous Committee reported in late 2014, we also asked why it has taken until February 2016 for the Cabinet Office to publish the government’s high-level ‘commercial standards’ which are intended to be the gold standard across all departments.²¹ The Cabinet Office told us that it had limited resources and had shifted these to focus on the challenge of recruiting commercial staff, admitting that “we took our attention off the reviews and on to the recruitment; and that allowed the system not to be held to account every month ... I don’t think we followed up as hard as we might have, of the seven that were doing their own reviews.”²²

10. The Cabinet Office also attributed the delay in publishing the standards to the lack of a coherent centre of government, and pointed to underlying cultural issues preventing the Cabinet Office from exerting its authority with departments.²³ The Cabinet Office told us that departments are ultimately accountable for improving their commercial capability and “if you have a cultural change to make, just because the Cabinet Office happens to ask a bunch of questions doesn’t mean that everybody jumps to attention.”²⁴ The Cabinet Office admitted that in order to “inquire of departments in an intelligent and helpful yet challenging way”, it needed to improve its own capability: “The centre of Government can easily become shrill, and unless the centre of Government has the right capabilities inside it and can interact in a mature and sensible way with Departments, it is just not effective.”²⁵

11. Accountability lies in departments but the Cabinet Office does have some formal ways to influence behaviour. The Cabinet Office told us that the Chief Executive of the Civil Service can influence the appraisal of Departmental permanent secretaries, and the Government Chief Commercial Officer can influence the appraisals of Commercial heads in departments.²⁶ The Home Office permanent secretary told us that in appraising his Commercial heads “I would ask my Chief Commercial Officer and it would definitely involve the head of the Government Service and probably my Chief Operating Officer for whom he works.”²⁷ The Ministry of Justice agreed but also told us that it does not rely on the centre for momentum, as it has to take this seriously “because we deliver £3 billion of

17 [Q 57; Ministry of Justice, *Contract Management Review Findings and Recommendations Report*, December 2013](#)

18 [Qq 26, 29–33](#)

19 [Q 59](#)

20 [Qq 18, 23–26](#)

21 [Qq 9–10](#)

22 [Qq 25, 27](#)

23 [Qq 9, 25–26](#)

24 [Q 25](#)

25 [Q 26](#)

26 [Qq 50–52](#)

27 [Q 52](#)

business through contracts, because we were scarred by the monitoring fiasco a couple of years ago and everyone knows it is absolutely near the top of the stuff we have to get right. That ought to be the case in every Department.”²⁸

12. The Cabinet Office highlighted three departments that have made significant progress—the Ministry of Defence, the Department for Work and Pensions, and the Department of Energy and Climate Change—and four for which it still has concerns—the Department of Health, HM Revenue & Customs, the Home Office and the Ministry of Justice.²⁹ Going forward, the real test will be if departments manage to submit their commercial ‘Capability Blueprints’ by March 2016. The Cabinet Office’s current assessment is that “they won’t all do it, but most of them, I believe, will.”³⁰

28 [Q 52](#)

29 [Qq 11–13](#)

30 [Q 22](#)

2 Changing civil service culture

13. We asked if the culture within Whitehall has started to change, given this Committee previously reported that central government had long neglected contract management because “the glamour was in procurement in the civil service and not actually in running contracts”.³¹ The Ministry of Justice, told us that changes to the organisational culture were underway, although they would take longer to embed than improvements in systems and processes.³² The Cabinet Office also considered that culture was now improving, but there was still a long way to go.³³

14. Part of the culture change required involves raising commercial awareness beyond the specific commercial directorates within departments—a priority issue identified by the commercial capability reviews. The Home Office told us that it had focused a lot of its attention on building commercial capability outside the commercial specialist function and in the businesses, such as in the Passport Office and UK Visas and Immigration, stating that it would “require the people at the top of those organisations to be not necessarily commercial specialists but commercially savvy, because they are running public service businesses and they are also running them depending on big third party suppliers.”³⁴

15. The Ministry of Justice set out a three tier model for commercial expertise in the civil service, with firstly the commercial specialists, and then “people who know how to run contracts but are not in a commercial function, and there I think we have further to go—people in all sorts of business delivery areas who own contracts and need to have experience of running contracts. Then there is the general commercial awareness that policy people should have, for example. That is, in a sense, the hardest cultural nut for Whitehall to crack.”³⁵

16. One way in which senior management can demonstrate the importance of commercial expertise is by holding contract owners, who are usually in operational roles outside of the department’s commercial directorate, properly to account for managing commercial contracts. Both the Ministry of Justice and the Home Office told us that they have identified owners for every large contract, and explained how each contract owner reports up their management line.³⁶ The Ministry of Justice explained that “the head of the commercial function is this professional adviser, but a really good contract owner, who could well be at Director General level, would be the person who is absolutely answerable to the Minister for the success of the contract. I would not want you to think that this specialism is confined to the commercial function and the rest of the Department gets on freely without knowing how these contracts work; that would be a recipe for disaster.”³⁷ The Ministry of Justice described its system of ‘attestation’ which is overseen by its new Commercial and Contract Governance Committee comprising the department’s senior leadership, including representatives from business areas, finance, HR and Internal Audit. The Committee reviews high-risk, high-value contracts and requires senior contract owners, who are in operational roles, to “confirm that they are meeting their

31 [Committee of Public Accounts report, *Transforming contract management*, Twenty-third Report of Session 2014–15, HC 585, 10 December 2014 para 7; Q 3](#)

32 [Ministry of Justice \(TCM0001\) para 61](#)

33 [Q 2](#)

34 [Q 58](#)

35 [Q 58](#)

36 [Qq 81–82](#)

37 [Q 79](#)

responsibilities, alongside performance, financial and risk management evidence and highlight any areas of concern or non-conformance.”³⁸ The Home Office agreed that the authority and accountability for delivery of a successful contract lies with the senior business contract owner, so that “the authority and accountability rests with the person who is responsible for delivering the outcomes.”³⁹

17. In our view the private sector places more value on commercial skills than the public sector, with policy roles much valued in the civil service and more likely to lead to promotion than being, for example, “the guy who makes sure Serco has done what it is supposed to have done.”⁴⁰ Through the ‘recruitment hub’ established by the Cabinet Office, government has been able to set up a fast track commercial programme with a clearer career path and apprenticeship scheme, but most departments are carrying significant vacancies with some departments reporting vacancy and interim rates of 15% or more.⁴¹ Key senior-level posts especially, such as at least one departmental commercial director, are still unfilled.⁴² Retention also continues to be an issue, with the Home Office’s previous commercial director being an example of an external appointment that did not work out.⁴³

18. The Cabinet Office told us that external appointments into commercial roles typically receive around £30,000 more than civil servants in equivalent roles, with senior commercial specialists coming in at Director level and being paid at the level of a Director General.⁴⁴ The Home Office confirmed that some of its staff who came in from the private sector were “to roles that are formally Director level roles but are paid more, at least in headline terms, than some of my Directors General. We essentially detach the salary scales when we look at big programme management or commercial skills.”⁴⁵ In addition, the Cabinet Office told us it is working on proposals to reform the existing pay and grading structures.⁴⁶

19. We questioned if contract owners were at a sufficiently senior level and whether Commercial Directors should sit on departmental boards, especially given the Cabinet Office told us it is doing work to increase “senior engagement [and the] voice of commercial at the executive table”.⁴⁷ The Cabinet Office told us it was watching the situation to see whether it should recommend that Commercial Directors were at Director General level and sit on Departmental boards but that the current priority was to build skills and experience first as “part of the culture change is that you bring your particular expertise to the table as opposed to having to be a particular grade to be at the table.”⁴⁸

38 [Ministry of Justice \(TCM0001\) paras 5–8](#)

39 [Q 80](#)

40 [Qq 58–59](#)

41 [Cabinet Office \(TCM0003\) para 8.2; Q 7](#)

42 [Cabinet Office \(TCM0006\) Annex A](#)

43 [Qq 13, 36–37](#)

44 [Qq 73–75](#)

45 [Q74](#)

46 [Cabinet Office \(TCM0003\) paras 4.3 and 18.7](#)

47 [Q 5](#)

48 [Q76](#)

3 Holding contractors to account

20. Increasingly the private sector is delivering public services on behalf of government and direct to the user, notably in areas such as health and justice. These are complex public services serving vulnerable groups and there need to be adequate controls and safeguards in place to protect users. The Committee of Public Accounts has made it very clear over the years that, when a private contractor is spending taxpayers' money and delivering a public service, they should be held to account.⁴⁹

21. In its February 2015 response to the previous Committee's December 2014 report the Government disagreed with the Committee's recommendation that senior executives in contractors should be formally accountable to Parliament, arguing that Parliament is able to hold Departments to account for service delivery through Accounting Officers and Senior Responsible Owners.⁵⁰ At our evidence session in February 2016 the Cabinet Office clarified that it had, we assume as opposed to disagreeing in principle, "only disagreed with the legal point of being accountable to Parliament. They cannot be because, as directors of a company, they are legally bound to be accountable to the company in the round—not even to the shareholders. They cannot legally be held accountable anywhere else." We made it clear that we will continue to call private contractors before the Committee when appropriate.⁵¹

22. On 11 January 2016 undercover footage from the BBC Panorama documentary showed children at the Medway Secure Training Centre being mistreated by G4S staff and staff being pressured into telling lies in order to avoid fines to G4S. The Ministry of Justice stated that "what went on was totally unacceptable" and explained its first response was to ensure the safety of the children in the centre. It told us that Kent Police and Medway Council's child protection team has launched an investigation, and the Secretary of State has set up an Improvement Board, which is tasked with "improving the oversight, scrutiny and challenge of monitoring arrangements in the centre."⁵² We questioned why the department's own systems had not brought these problems to light and the Ministry of Justice admitted that it was a troubling question, and that it is indeed conceivable that there might be problems in other contracts which are not being picked up.⁵³ It told us that the Improvement Board is scheduled to complete its work by the end of March 2016.⁵⁴

23. Reports in the media have alleged that asylum seekers in Middlesbrough have been targeted because their accommodation is identifiable by the doors being painted red.⁵⁵ The previous Committee raised the issue of the red doors two years ago and the then G4S Care & Justice Services Managing Director said, "I cannot comment on the doors being painted red, but I will take that point away."⁵⁶ We challenged the Home Office as to why neither the department nor the contractor seemed to have done anything about it. The Home

49 [Q 144](#)

50 [HM Treasury, Treasury Minutes: Government responses on the Eighteenth, the Twenty First to the Twenty Fourth, and the Thirty Third reports from the Committee of Public Accounts: Session 2014–15, February 2015, Cm 9013, recommendation 7 of Twenty-third Report: Transforming contract management; Cabinet Office \(TCM0003\) para 11.1 recommendation 7](#)

51 [Qq 144, 145](#)

52 [Q 84](#)

53 [Q 93](#)

54 [Q 119](#)

55 [Q 97](#)

56 [Q 49 in PAC oral evidence: Asylum Accommodation 5 February 2014, followed by Committee of Public Accounts report COMPASS: Provision of asylum accommodation, Fifty-fourth Report of Session 2013–14, HC 1000, April 2014](#)

Office acknowledged that concerns about red doors were raised in the Committee, but said concerns (about the doors) were not raised when about half the homes in Middlesbrough were inspected last year. It stated that “We have not had reports there of harassment or antisocial behaviour linked to it.”, while accepting the ‘basic point’ that “we do not want asylum seekers visibly identified.”⁵⁷ When pushed to confirm that there were no definitive, provable cases of intimidation or violence against asylum seekers, as a result of the red doors issue, the Home Office said “Not that I am aware of”.⁵⁸

24. Consequently we questioned the effectiveness of the mechanisms through which vulnerable users, like the children at Medway and asylum seekers, can raise issues of concern. The Home Office did not agree with our view that it was difficult for an asylum seeker to complain, and told us that “They do have the ability. A hotline is provided to them. There are many very capable refugee organisations that monitor their accommodation quite carefully and look after them, and, when accommodation is being inspected, they have the opportunity to raise any concerns that they have. That is the data on which we need to rely.”⁵⁹ The Home Office subsequently provided further information about how asylum seekers can raise complaints with the contractor G4S, with the charity Migrant Help, and directly with local and national Departmental UK Visas and Immigration staff.⁶⁰

25. The Ministry of Justice told us how the arrangements are supposed to work in children’s centres: “..there are two avenues. One is the monitor, who is employed by the Youth Justice Board for the Secretary of State. That person is on site, so it is a direct route to us. The second is that Barnardo’s is engaged not just as any NGO but as a service provider who is available physically and on the telephone to children in the centre. It ought to be the case that incidents can be reported and come to our attention very quickly. If it turns out that that was broken, I am extremely concerned and will have to act on it, but that is how it ought to work.”⁶¹

26. There is not an easy enough route for users to complain directly to the department. Although there are other avenues, the main hotline available to asylum seekers is provided by the contractor G4S. In its April 2014 report on accommodation for asylum seekers the previous Committee expressed concern that the system for asylum seekers to register complaints was not working effectively and the Home Office accepted then that the quality and reliability of management information on complaints was poor.⁶² The Ministry of Justice also accepts that the situation in Medway was not picked up through its existing routes.⁶³ The Committee recommended in March 2014 that “Departments should include a standard term in contracts requiring suppliers to ... nominate designated

57 [Qq 99, 110](#)

58 [Q 108](#)

59 [Q 111](#)

60 [Qq 112–118; Home Office \(TCM0009\)](#)

61 [Q 119](#)

62 [Committee of Public Accounts report COMPASS: Provision of asylum accommodation, Fifty-fourth Report of Session 2013–14, HC 1000, April 2014, para 16](#)

63 [Qq 85–87](#)

officials within departments to receive disclosures from whistleblowers.” That was after noting that although legislation enables contractors to do this, none did.⁶⁴ However, the government disagreed, arguing that the existing framework was enough.⁶⁵

27. The previous Committee recommended in December 2014 that the Cabinet Office should “mandate the inclusion of open book provisions in all government service contracts and set clear expectations for how these provisions should be utilised to manage the contract throughout its life.”⁶⁶ The NAO also published a report in July 2015 which showed that only 31% of government contracts had open book clauses. It also set out the different ways in which open book accounting can be used, including in fixed price contracts.⁶⁷

28. The Cabinet Office assured us that transparency and open book is a direction government was going in, and that it will publish guidance on the use of open book by the end of February 2016.⁶⁸ This will not recommend including open book clauses in all contracts but it will set out the conditions under which it should be used, depending on factors such as the level of competition available in the market.⁶⁹ The Cabinet Office told us that open book contracts are not applicable in all cases but if applied correctly, they will save government money.⁷⁰ The Ministry of Justice expects ‘most’ of its contracts will be open book, and that it would go for an open book arrangement wherever it could, but that there will be some contracts where the sector is “unwilling to go into an open book arrangement”.⁷¹ The Home Office told us that it would expect to use open book for its ‘big and complex contracts’, where it was confident it would save money.⁷²

29. Internal audit is also an important part of Departments’ contract assurance arrangements. We questioned if internal audit arrangements were sufficient given existing procedures failed to uncover the problems at Medway or with asylum accommodation. The Ministry of Justice told us it has conducted 52 desktop qualitative reviews and 10 more in-depth audits of contracts in 2015 and that some of those audits have uncovered issues.⁷³ In contrast, the Home Office told us it carried out two contract audits in 2015, along with audits of the contract letting process (a sample of 23 contracts) and single tender actions (a sample of eight contracts).” The Home Office explained that its internal audit function adopts a risk-based approach on the most critical contracts, part of its three levels of assurance: “first, through the relevant operations line management who report to their Director General; second, through the commercial contract management teams, reporting to the Chief Commercial Officer; and third, through risk-based internal audit, which provides an independent examination of contracts.”⁷⁴

64 [Committee of Public Accounts report, *Contracting out public services to the private sector*, Forty-seventh Report of Session 2013–14, HC 777 14 March 2014](#)

65 [HM Treasury, *Government responses on the Forty Fifth to the Fifty First and the Fifty Third to the Fifty Fifth reports from the Committee of Public Accounts: Session 2013–14*, June 2014 Cm 8871, conclusion 11 of Forty-seventh Report: *Contracting out public services to the private sector*](#)

66 [Committee of Public Accounts report, *Transforming contract management*, Twenty-third Report of Session 2014–15, HC 585, 10 December 2014](#)

67 [C&AG’s Report, *Open-book accounting and supply chain assurance*, Session 2015–16, HC 91-I, 1 July 2015](#)

68 [Qq 121, 127](#)

69 [Q 124](#)

70 [Q 122](#)

71 [Q 128](#)

72 [Q 123](#)

73 [Ministry of Justice \(TCM0001\) Figures 2 and 3 and para 56](#)

74 [Home Office \(TCM0009\); Qq 100–107](#)

Formal Minutes

Thursday 17 March 2016

Members present:

Meg Hillier, in the Chair

Deidre Brock	Nigel Mills
Chris Evans	David Mowat
Caroline Flint	Stephen Phillips
Kevin Foster	Karin Smyth

Draft Report (*Transforming contract management: progress review*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 29 read and agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Summary agreed to.

Resolved, That the Report be the Thirty-second Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Monday 21 March 2016 at 3.30pm]

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Monday 8 February 2016

Question number

Richard Heaton, Permanent Secretary, Ministry of Justice, **John Manzoni**, Chief Executive of the Civil Service and Permanent Secretary, Cabinet Office, and **Mark Sedwill**, Permanent Secretary, Home Office

[Q1-145](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

TCM numbers are generated by the evidence processing system and so may not be complete.

- 1 Cabinet Office ([TCM0003](#))
- 2 Cabinet Office ([TCM0006](#))
- 3 Department for Environment, Food and Rural Affairs ([TCM0010](#))
- 4 Home Office ([TCM0002](#))
- 5 Home Office ([TCM0009](#))
- 6 Ministry of Justice ([TCM0008](#))
- 7 Ministry of Justice ([TCM0001](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website.

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2015–16

First Report	Financial sustainability of police forces in England and Wales	HC 288 (Cm 9170)
Second Report	Disposal of public land for new homes	HC 289 (Cm 9170)
Third Report	Funding for disadvantaged pupils	HC 327 (Cm 9170)
Fourth Report	Fraud and Error Stocktake	HC 394 (Cm 9190)
Fifth Report	Care leavers' transition to adulthood	HC 411 (Cm 9190)
Sixth Report	HM Revenue & Customs performance 2014–15	HC 393 (Cm 9190)
Seventh Report	Devolving responsibilities to cities in England: Wave 1 City Deals	HC 395 (Cm 9190)
Eighth Report	The Government's funding of Kids Company	HC 504 (Cm 9190)
Ninth Report	Network Rail's: 2014–2019 investment programme	HC 473 (Cm 9220)
Tenth Report	Care Act first-phase reforms and local government new burdens	HC 412 (Cm 9220)
Eleventh Report	Strategic financial management of the Ministry of Defence and Military flying training	HC 391 (Cm 9220)
Twelfth Report	Care Quality Commission	HC 501 (Cm 9220)
Thirteenth Report	Overseeing financial sustainability in the further education sector	HC 414 (Cm 9220)
Fourteenth Report	General Practice Extraction Service	HC 503 (Cm 9220)
Fifteenth Report	Economic regulation in the water sector	HC 505
Sixteenth Report	Sale of Eurostar	HC 564
Seventeenth Report	Management of adult diabetes services in the NHS: progress review	HC 563

Eighteenth Report	Automatic enrolment to workplace pensions	HC 581
Nineteenth Report	Universal Credit: progress update	HC 601
Twentieth Report	Cancer Drugs Fund	HC 583
Twenty-first Report	Reform of the rail franchising programme	HC 600
Twenty-second Report	Excess Votes 2014–15	HC 787
Twenty-third Report	Financial sustainability of fire and rescue services	HC 582
Twenty-fourth Report	Services to people with neurological conditions: progress review	HC 502
Twenty-fifth Report	Corporate tax settlements	HC 788
Twenty-sixth Report	The Common Agricultural Policy Delivery Programme	HC 642
Twenty-seventh Report	e-Borders and successor programmes	HC 643
Twenty-eighth Report	Access to General Practice in England	HC 673
Twenty-ninth Report	Making a whistleblowing policy work: progress update	HC 602
Thirtieth Report	Sustainability and financial performance of acute hospital trusts	HC 709
Thirty-first Report	Delivering major projects in government	HC 710
First Special Report	Unauthorised disclosure of draft Report in the previous Parliament	HC 539
Second Special Report	Network Rail's 2014–2019 investment programme: Office of Rail and Road Response to the Committee's Ninth Report of Session 2015–16	HC 905