



Public Administration Select Committee

Oral evidence: [Citizen and Public Services](#), HC 800

Tuesday 28 January 2014

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Members present: [Mr Bernard Jenkin](#) (Chair); [Alun Cairns](#), [Paul Flynn](#), [Sheila Gilmore](#), [Robert Halfon](#), [David Heyes](#), [Greg Mulholland](#), [Lindsay Roy](#), [Mr Andrew Turner](#)

Questions 101-232

Witnesses: **Ian Downie**, Managing Director, Strategic Partnerships, Serco, **Sean Williams**, Managing Director of G4S Contact Employment, Investigation and Resourcing Solutions, **Joe Hemming**, Senior Vice-President, Public Sector, Atos and **Patrick Smith**, Market Director, Central government, Capita, gave evidence.

Q101 Chair: May I welcome this panel of leading contractors to this session of evidence on citizens and public services? Can I advertise our twitter hashtag, which is #publicservices, for anyone who wishes to follow this session? If anyone wants to tweet suggested questions as the session is in progress, sensible suggestions will be put in front of me. Could I invite each of you to identify yourselves for the record, please?

Ian Downie: I am Ian Downie from Serco. I am Managing Director of Strategic Partnerships within Serco, which is where we have partnerships with both Government and other partners providing those public services.

Joe Hemming: I am Joe Hemming from Atos UK and Ireland. I am the Senior Vice-President for the Public Sector.

Patrick Smith: I am Patrick Smith from Capita. I am Market Director for our work with Central Government.

Sean Williams: I am Sean Williams from G4S. I am the Managing Director of our Contact, Employment, Investigation and Resourcing businesses.

Q102 Chair: Thank you to each of you for being with us. With four of you, can I plead with you to keep your answers crisp and short? We will also endeavour to keep our questions crisp and short. Can I first ask about the issue of the role of contractors providing public services? Where do you see your responsibility when it comes to citizens, who are the Government's customers, even if the Government is your customer?

Sean Williams: Citizens are absolutely at the heart of what we do. If I talk specifically about one of the businesses that I run, our Welfare to Work business, it is currently supporting about 95,000 long-term unemployed people to find sustainable jobs. Our customer is, essentially, the Department for Work and Pensions, but when we talk about our service users, we refer to our customers as the jobseekers, so the people who we are helping into jobs. The service has to be built around their needs, aspirations and the needs of employers. Although the customer, the person who ultimately pays us, is the Department for Work and Pensions, really our customer is each and every jobseeker who we are supporting in that transition from work into employment. That is the case across the range of public services that G4S delivers. If you look at our prisons, it is those people we are looking after and keeping safe and secure in those prisons. If you look at our secure training centres, it is the children we look after.

Patrick Smith: We use a number of different terms. We talk about clients, which tends to be the procuring authority. We work with our procuring authority clients to design services, which can be both back-office—which can be essentially around training for civil servants and the like—but also frontline services as well. When we get involved in frontline service delivery, very much part of the procurement process is to identify areas where the service can be improved and designed around the needs of customers and frontline service recipients. That is also true with our work with the private sector, where we work with retailers to design services that work for their customers. Where we are involved in frontline customer service work, it is important that you work with your client, be it a procuring authority, retailer, utility or a mobile phone company.

Joe Hemming: I would echo most of the things that my colleagues have said. The only thing I would add, because of Atos's particular technology background, is that we have a real passion for delivering services to the citizen in a way that continues to satisfy the way the citizen wants to be served. That is something that through our industry experience we can provide.

Q103 Paul Flynn: Just remind me—I am having a reality problem—at Atos, you are saying you are delivering services that—

Joe Hemming: From a technology perspective, yes.

Paul Flynn: Yes. Do you live in some sort of bubble somewhere or in some parallel universe? I am just curious. I just doubt what I am hearing.

Chair: We will come back to that in a later question about the detail of your services.

Ian Downie: We are in a very similar position in that we deliver direct services to the public, for example in the railways—Merseyrail, Northern and DLR, and things like that—and others where we deliver services into Government itself, for example the MOD, where we do back-office services. The client is the customer who gives you the contract, but it is the end users who determine, more often than not, whether you retain that contract. The KPIs most often measure how you are delivering the service to the end users.

Q104 Chair: In the case of tagging offenders, for example—both Serco and G4S have been involved in that—who are your customers? Is it the offenders? Who do you think of as the citizen in that contract?

Sean Williams: In the case of tagging, clearly the customer is the Ministry of Justice but looking after those individuals and treating them with respect is extremely important in any of those services that we deliver. Keeping people safe and secure is extremely important.

Q105 Chair: What lessons do you think each of you have learned from the recent controversies about charging for tagging offenders who were no longer being tagged? You have been through the mill with the Public Accounts Committee and everything; what are the lessons you have drawn out of it?

Ian Downie: There were several lessons to be drawn out of that. There are many around dealing with the client, rather than dealing with the customer, and treating them with respect. The issues were not in dealing with the individuals who were being tagged; the issues were in dealing with the department and we have learnt several lessons from that.

Q106 Chair: Which are?

Ian Downie: The interpretation of the contract, for one, and the way in which you deal with the contract not as a legal document but as an issue whereby you are trying to deliver a service, and standing back from the letter of the law within the contract, you recognise that in doing the right thing, you are doing the right thing for the client as well as for the end customers.

Q107 Chair: Are you saying that the contract was written in such a way that it was within the contract that you should be charging for offenders whom you were no longer tagging?

Ian Downie: Yes, there were ambiguities in the contract and the interpretation of that, so yes. However, those should have been dealt with earlier with our client and resolved through contract changes.

Q108 Chair: And the other lessons? What you are saying is common sense and the spirit of honest contracting is more important than the letter of the contract.

Ian Downie: That is right. Working to the spirit of the contract was the byword when I joined Serco over 20 years ago, and that is the way we run our business normally. This is an aberration.

Q109 Chair: What other lessons? You mentioned several lessons.

Ian Downie: The lessons internally, on the governance structures within our business, are that we did not spot these aberrations within our business. We are looking to actively change our governance structures in those areas where they were failing, because in other parts of our business, they were plainly succeeding. We did not have a common thrust across our business in the way in which we governed it. We were let down in a few areas.

Q110 Paul Flynn: Chairman, just a point of order: I recognise that the person is speaking a language that is derived from English, but it is almost incomprehensible. Could we define aberration please?

Ian Downie: It is not the way that Serco would normally behave. We would normally act in the spirit of the contract.

Q111 Paul Flynn: You have made mistakes? You did things that were wrong?

Ian Downie: We did things that were wrong, yes.

Q112 Paul Flynn: Bad?

Ian Downie: Yes.

Q113 Paul Flynn: You cheated the public purse. That is an aberration, is it?

Ian Downie: It was for Serco, yes, because we would not do that. That is not part of our inherent DNA, and I have been with Serco for over 20 years.

Paul Flynn: That is a remarkable confession. Please carry on, but although you asked for brief answers, we want answers in plain English that are understood by the majority of us, rather than your throwing disconnected adjectives at us that seem to be used in a very odd way.

Q114 Chair: We are used to questions with very heavy irony. Mr Williams, what lessons do you think were learnt?

Sean Williams: I cannot talk in detail about our electronic monitoring contract; it is not an area of the business that I am responsible for. What I can say is that it is extremely important to deliver public services with accountability, and that accountability comes from transparency. In the case of our electronic monitoring contract, as Ashley Almanza said to the Public Accounts Committee, clearly things went very wrong. Clearly things happened that should not have happened.

I would bring up the point around an aberration. It is really important to note that G4S is a business that employs 630,000 people. We deliver hundreds of contracts. It is absolutely right that, where we mess up and do wrong on a contract, it is focussed on, picked up and we learn the lessons from that, but I do not think that should be the only thing we look at. We should also look at the other services we deliver and take that picture in the round. Where wrongdoing has happened, we should absolutely apologise for that and we should put that right.

Q115 Chair: What I am hearing, which is quite an important point, is that as contractors you consider it your responsibility, however inadequate the contract management is in Government, to ensure that you are delivering value for the taxpayer?

Sean Williams: Undoubtedly.

Q116 Chair: How should the public contractor—the procuring authority—audit the values of the businesses that they are contracting with? Because you cannot put that in a contract, can you? How do you do that?

Sean Williams: The values come out in the behaviours.

Q117 Chair: But in a tendering process where it has to be done, in the end, by numbers, how does a contracting authority ensure that the values of our public services—which we recognise we are in politics for—are incorporated into the behaviour of contractors?

Ian Downie: For example, the Nuclear Decommissioning Authority is going round at the moment tendering for a contract. We have put case studies in and they are going to talk to all of our customers and the users of those services to test out whether what we say in our proposal is correct or not. It is a very good way of testing whether you deliver what you say.

Q118 Chair: That is a different question from values, is it not? Have you been asked this question before?

Patrick Smith: No.

Q119 Chair: But it is what the public wants, is it not?

Patrick Smith: When we contract, we agree governance arrangements, and within those governance arrangements there are formal things around the contract and service levels. Other performance measures can come into it. In some of our local authority contracts, there are things around social value, our commitment to community, and jobs and economic growth commitments.

Q120 Chair: You are saying it would not be beyond the imagination of procuring authorities to write a values clause into the contract. It might not have much—

Patrick Smith: —contractual—

Chair: —enforceability through a court, but it would be an invocation for people to behave in a good way?

Patrick Smith: Yes, the spirit of collaboration.

Chair: That might be quite a good recommendation for us to make about contracting to avoid this kind of misunderstanding.

Patrick Smith: Yes.

Joe Hemming: In a number of contracts that we have today, as well as the value for money and the competitive aspects of the tendering process—a good example is the recent contract we were awarded by NS&I—there is a customer charter, which is an agreement on behaviours. There is a customer charter in the contractual arrangement that describes some of the behaviours and values that the parties will apply and how that will work for the customer experience. You are right that there is a way that can be captured in the contract.

Q121 Robert Halfon: As a general question to begin with, why should public services be provided by private companies and not the state? What advantage do private companies give that the state may not?

Sean Williams: You want to see a diverse economy. You want to see services delivered by as many different people as you can, and then you can see what works and does not work. By bringing in external companies, be they private-sector companies, the voluntary sector or different parts of the public sector, you get diversity, innovation and competition. All of those things drive performance.

Patrick Smith: There are a number of things that the private sector can bring. We can bring a focus on performance management and measurement. We can bring investment, flexibility and skills in terms of the design and redesign of a service. We can bring technology. We also bring infrastructure, so we, as a business, have something like 70 business centres. With those centres, we can bring efficiency to be able to use those centres in a way. It varies; outsourcing is not a public-sector phenomenon. It is a business phenomenon. The private sector do it just as much as the public sector do it. It is a re-evaluation of what is core service for a given organisation, be it public, private or voluntary. Some organisations go through and reassess what is the area of focus that they should be doing. Yes, they still have to deliver those services, but they might choose not to deliver them themselves.

Q122 Robert Halfon: If a citizen wants to get different food or cheaper food, they have the choice to shop at different supermarkets. With you, if we take Atos as an example, they have no choice. If they do not like the test, and the majority of my constituents think your service is appalling, they do not have a choice. They cannot go to another company, because there is only one contractor. How does that differ, apart from money, from what the state could provide to these citizens?

Joe Hemming: There are two areas. First and foremost, through the service that you are referring to, we do record customer satisfaction. In fact, for the areas that Atos is responsible for, we do regularly record high customer satisfaction scores of up to 88% from visitors to our assessment. It is also important to understand that there are always going to be, in any set of circumstances, decisions where local, national or regional provision is a decision of the Government in the way it orchestrates that. However, it makes sense for a common experience, economies of scale and not creating a market. One of the issues is that, if you fragment that market, you create separate employment markets through creating wage inflation, etc. There are times when it makes sense to do it nationally, and there are times when it makes sense to do it regionally, locally or, indeed, within Government.

Q123 Robert Halfon: Looking at the figures that you all have had individually from the taxpayer, starting from £570 million up to £1.8 billion, it seems like you have become versions of Government Departments. You might be private sector in name, but the consumer has no say. There is no localism. You may have all the satisfaction surveys you want, but people know all about satisfaction surveys and I know what goes on in my constituency. People have no choice and it is not localised. It seems that you, the big corporates, sew up all the taxpayers money. I cannot see anything different between what you do and what the state does. We might as well have the state funding it all because not all

of you but some of you do not provide a good service and the consumer has no redress. At least with the state, the taxpayer has redress because he can vote for a different Government or whatever it may be.

Sean Williams: Can I pick up and give you a very practical example? It is very easy to talk about these things in theory. On our work programme, we deliver through 26 core subcontractors. Those subcontractors come from the private, voluntary and public sectors, so we subcontract to a number of local authorities. You ask where the localism is in those public services.

Q124 Robert Halfon: But why can it not simply go to the subcontractors in the beginning? Why does it need to go to a big corporate?

Sean Williams: That is a very good question and a number of our subcontractors are prime contractors themselves. When they deliver in our supply chain, with our management, they perform better than they do on their own. We bring the performance management, the selection of those subcontractors, the evolution and the best practice sharing of those subcontractors. Again, I do not want to give a theoretical argument; I am simply telling you the science, which is that with us they perform better than without us. Again, you can speak to our subcontractors about this.

Of those 26 subcontractors, as I say from a mix of the public, private and voluntary sectors, we have the best performance data there has ever been on the performance of employment programmes. For the first time, we are looking at apples with apples. What sector you come from makes absolutely no difference to how good you are in providing services to unemployed people. We have voluntary sector organisations at the top of our league tables and at the bottom. We have the public sector at the top of our league tables and at the bottom.

What matters is a diversity of provision. What matters is great management. What matters is localism for those suppliers who really understand those jobseekers and the employers. As a managing agent, as a prime contractor, we bring the ability to reward those organisations that do well—give them more jobseekers or more flows—and indeed take away business and remove underperforming subcontractors. I am not arguing for only private, public or voluntary service provision. I am arguing for a mixed market, because a mixed market will give you the best results.

Chair: That was a very comprehensive answer but it was very long.

Sean Williams: Apologies.

Chair: It was very helpful.

Q125 Robert Halfon: When I speak to local contractors, they say that the big boys in essence cream off the profits, take huge amounts from the taxpayer and they are just subcontracting anyway. Therefore, the money should be given directly to the local people who actually know what is going on on the ground, and the consumer—the member of the public—has much more say about what is going on. What kind of metrics do you use to judge whether or not you are, apart from customer satisfaction surveys, doing stuff on the ground that the customers are content with?

Patrick Smith: Is that the customer, the client, or the customer, the citizen?

Chair: You tell us.

Patrick Smith: When we enter into or negotiate before contracts are awarded, we look to understand the value that is being sought. Is it around measurable performance improvement? Is it around measurable cost reduction? Is it around measurable customer/citizen satisfaction? Is it around measurable performance user satisfaction? For example, on the teachers' pension scheme, we are measured on the service we deliver in administering the scheme to 1.2 million teachers who are in the pensions scheme. They feed back performance. There are big customer satisfaction feedback loops that we get. We are responsible for managing £1.8 billion of public money that goes out in terms of pension payments. We take the customer there, the pension scheme member, very seriously and we have to manage the relationship with them and the Department for Education, which is the accounting body.

Q126 Chair: Two one-liners from the other two witnesses on the question: how do you measure your accountability to those your contracts are intended to serve?

Joe Hemming: We do not feel unaccountable. A lot of the contracts that we have signed, in fact all of them now, have payment by results. In addition, I can give you an example where we are proactively engaging with the citizen rather than the customer, if I can call a department that. A simple example is NS&I, where we are doing a transformation as well as saving £400 million for the British taxpayer over the next seven years. We are building a customer experience lab—sorry for the jargon—which is an invitation to NS&I customers to come in and help shape the way those services are built so that we deliver those services back to the customers of NS&I. It is a very real scenario where we are actively engaging with the customer's customers, if I can call it that, or the citizen, to shape those services.

Ian Downie: There is a very vast array of performance measures, but sometimes the output measures are the best. Doncaster Prison has a new form of contract: payment by results. The reoffending rates are the most critical items coming out of prisons in terms of prisoners leaving and then reoffending very quickly and going back into prison. Doncaster Prison has set up a contract whereby 10% of our revenue is put at risk around the recidivism or reoffending rate. We have to show an improvement of 5% or more in order to get paid. We are looking to achieve that and we look as though we will be achieving that. There is a real challenge in that.

Q127 Lindsay Roy: You mentioned skills and expertise. What is different that you bring to the table that you do not find in the public sector?

Patrick Smith: We can bring a fresh approach and a real analysis of current performance. We can look at ways in which we can improve performance through various techniques: technology, business-process reengineering and then workforce, and how we capture and motivate the workforce. Also, it is through really understanding customer analytics, so it is accepted policy—the Nudge Unit in Number 10—to look at customer insight, really understand what drives the customer and make the customer transaction or customer service as efficient and effective as possible.

Q128 Lindsay Roy: Are you saying that does not happen in best practice in the public sector?

Patrick Smith: I am not saying it does not. When procuring authorities come, they look to see whether the private sector can have an offer that can exceed an insourced business-case route.

Q129 Chair: I would just observe that you are all finding it quite difficult to explain this accountability to the public aspect of your businesses. How much is that a reflection of the fact that you do not think about this enough?

Sean Williams: We are massively accountable to the public. If I looked at our mechanisms—our customer-feedback and complaints mechanisms—we have not had a single complaint upheld by the Independent Case Examiner on our employment programmes.

Q130 Chair: May I ask the other witnesses? It is quite difficult to explain, is it not? Why is it so difficult to explain if it is such an obvious part of your business?

Patrick Smith: It varies between local authorities. There are probably differences from central Government when we are contracting at a local commissioning level. When you go and contract with a local authority, we do have a number of big partnership arrangements with the likes of Birmingham and Swindon. We are dealing right in there with the Council.

Q131 Chair: But that does not answer my question. Why is this so complicated to explain? Mr Downie?

Ian Downie: On the railways, when we took over Merseyrail, it was known as the Miseryrail for its performance. In the customer surveys that we do on an annual basis and that are done nationally in national passenger surveys, Merseyrail was the lowest of those organisations and franchises when we took over. They are now almost always in the top quartile, if not top of the list, of performing franchises as assessed by the passengers. This is a national measurement.

Another way of looking at it is in terms of how many passengers are travelling on the railway. Merseyrail is up by 40% in terms of passenger transport from when we took over.

Q132 Chair: I can see the point you are making, but it does not answer my question as to why this is so complicated to explain. It is a problem for Government and for contractors. A lot of the public do not have faith in the way that contractors operate. They think you are in it for the money and not for the public. You struggle to explain this. Why do you think that is? Why do you think the public has this scepticism about what you do?

Sean Williams: It is very easy to just report the bad things that happen rather than the good things that happen.

Chair: That is one answer.

Joe Hemming: I also feel that, whilst there have been great movements forward in the areas of transparency, one of the things that could be more helpful is if the whole end-to-

end process—so that is Government contracts, etc.—was made transparent to the public in a more simplistic way.

Q133 Chair: Do you recognise that this is a critical business challenge for all of your businesses?

Joe Hemming: Absolutely, and in the area of transparency, we welcome it in that we see it as an aid to us as an industry.

Patrick Smith: It is reliant on and we must work with procuring authorities with which we can work in a very collaborative and transparent manner, because the procuring authority, ultimately, is the commissioner.

Q134 Mr Turner: What examples can you provide of ways that you have enabled citizens to get involved in the design and delivery of public services?

Joe Hemming: I have already given an example of that, which was the National Savings and Investments example, where part of the transformation programme is, as well as a cost-saving programme for NS&I, also about ensuring that they as an organisation are fit for purpose, dealing with their customers and citizens in a way that the citizen wants to be dealt with. Part of that is regular interaction with their customers, so as we transform and provide, via NS&I, new services to their customers, their customers get the opportunity through the customer experience facility that we have set up in Glasgow to share their comments with us. Then we take that, along with our colleagues in NS&I, and there is real leadership and management commitment to enact that to provide a service back to the customers and citizen in the way that they want it provided.

Q135 Mr Turner: What percentage of the customers are sufficiently concerned to be involved?

Joe Hemming: We will always manage the process in such a way that we get a true representative example.

Mr Turner: Yes, but what percentage?

Joe Hemming: I will leave that to somebody else.

Patrick Smith: It will vary from service item to service item, so I cannot think that there is a generic one answer. The service for, for example, a council tax inquiry is very different from a service inquiry for a pension inquiry.

Q136 Mr Turner: Give me an example that you are producing.

Patrick Smith: Of what?

Mr Turner: One of the ways in which you are improving your public services.

Patrick Smith: One I can think of, off the top of my head, is the JSA online service. DWP recognised recently that we had moved from 20% of applications for an interview for JSA

being set up online to 80%. That is a benefit to those who want interviews; they can just do it online. It is a benefit to DWP and it is a benefit to the taxpayers.

Ian Downie: If I can give another practical example in environmental services, often when we go out and bid for contracts, whether it be in railways or environmental services, we will do a survey of users beforehand. We shape our answer when we are putting our proposal in to our client around the answer we get back.

If I look at environmental services, for example, we do a quarterly telephone survey of our customers as to what service they are receiving and how they can receive a better service. This has led to a better quality of service because, for example, they used to put the different recycling bins out on different days of the week—one bin for each of the different days. The feedback from our customers was that this was very awkward. They would much prefer to put all the bins out on one day, and so we changed the level of the service. Another bit around that was to do with the food container, which was collecting smells. Smells were being retained within the container, and so putting in a bag was another change to the service. Those are practical ways in which the citizen is affecting the service they are delivered.

Q137 Mr Turner: You phoned a proportion; are those the people who wished to be phoned, are they people you chose to phone or are they a scientific selection of people?

Ian Downie: They are a random selection of people.

Q138 Mr Turner: What happens if they are not there?

Ian Downie: We go on to phone until we have 250 responses.

Q139 Mr Turner: What you really have are the people who are there, the convenience of the customer at home when you decide to contact them, not the other way round?

Ian Downie: Yes, but we also get feedback from customers if there is poor service. There is a helpline they can ring if they are getting a poor service. This is a proactive going out and asking the wider audience but is not self-selecting by ringing in and having a problem, if that makes sense. We get both sets of feedback.

Patrick Smith: There is one other example I would like to get out. We now are undertaking, in one of the geographic lots, the personal independence reassessments. Our model is very heavily predicated on undertaking those assessments in people's homes. That is real customer convenience. That is an example where we are going out and it makes it easier. We check that people are ready to receive an assessment in their home and the like. That is, we think, a beneficial customer advantage.

Q140 Chair: How much is an agreement between the contracting authority and you about how to engage the citizen, customer or user reflected in the contract?

Sean Williams: There are requirements for complaints and feedback processes. There are requirements to publicise where people can go to give feedback outside of the service. There are requirements for us to measure against, for example, minimum service levels.

Joe Hemming: For us, it is pretty much the same. We have well-documented procedures that are part of the contractual schedules as to how complaints and feedback are acted upon; they are part and parcel of our obligations in providing a service.

Patrick Smith: Some of these are probably in legislation as well.

Q141 Chair: Whose responsibility is it to ensure that the citizen or service user is engaged in that way?

Ian Downie: It is our responsibility. It may form part of the contract, but we often go way beyond what is actually specified in terms of data collection within the contract.

Chair: It is also the contracting authority's responsibility. It must be a shared responsibility.

Ian Downie: Very much so, yes.

Q142 Lindsay Roy: We have said it is difficult to gauge standards. To what extent have you reached the standards expected and how do you know?

Sean Williams: Most of our contracts have very clear standards set. They have very clear numerical key performance indicators, and we are either meeting those standards or we are not. In most cases, those standards are then published and we are held publicly accountable for them. There are very clear standards in the contracts around what we are to deliver.

Q143 Lindsay Roy: Are you saying they are quantitative rather than qualitative indicators?

Sean Williams: They are a mix.

Patrick Smith: They are a mix, yes.

Lindsay Roy: Could you each tell us a bit more, very briefly?

Patrick Smith: Customer satisfaction could be one. I mentioned the teachers' pensions scheme. We run a scheme called Constructionline, where we run customer satisfaction on the members of the Constructionline database. The vast majority are small and medium-sized enterprises. Customer feedback loops and performance measurements are part of the quarterly and monthly KPI reviews.

Sean Williams: There are some very hard KPIs. On our scheme to help troubled families in Manchester, it is the number of progress measures we achieve, which is the number of concrete steps that we have taken to move somebody and turn a family around. On the Work Programme, it is the number of sustained job outcomes we achieve and the number of people we help into work at six months, so hard outcomes alongside the more qualitative outcomes.

Joe Hemming: Ours are very similar to my colleagues here. We experience increasingly, almost invariably, payment by results, so less and less fixed income and more and more variable income, which is a measure of the volumes in the contract that are being processed. Then there are a number of soft measures, so there may be customer satisfaction. More recently we have had one or two contracts where the ability to adopt a

change—because clearly some of these contracts are quite structured and rigid and, therefore, there is a requirement to be agile—is measured as well.

Ian Downie: I agree with everything that has been said so far—the mix of the hard and soft measures. The requirement to be able to change the measures as you go through a contract and the willingness of the contractor to accept those changes is critical. As you go through the process of providing a service, you learn that you actually want a slightly different service than was originally envisaged within the contract, and you need the ability to change that without any trouble.

Chair: We are going to have to go faster.

Q144 Lindsay Roy: How do you ensure the evaluation and the monitoring is robust?

Sean Williams: We have a range of different internal and external audits and outside checks.

Chair: It does not require all of you to answer all of the questions.

Q145 Lindsay Roy: Understandably you have focussed on customer satisfaction. What about the client? How effective is the DWP oversight of public service? What methods do they use to gauge the quality of your service?

Patrick Smith: It is normally set up in the contract, in terms of quarterly, monthly or whatever the performance review timetable is. I do not think it is appropriate to go into the different departments, but generally Government adopt very common standards in terms of the way they manage contracts.

Sean Williams: You asked specifically about the DWP; we have monthly performance reviews. There are performance improvements notices for any contracts that are not hitting, which can go to daily phone calls. There is the provider assurance team, which comes in and checks that the contract is being delivered. There is a range of mechanisms the department uses to ensure we are delivering what we said we would deliver.

Q146 Lindsay Roy: Can each of you give an example of where you have been held to account by the Government?

Ian Downie: We have a joint venture in Glasgow Council. This is really innovative and quite unusual in that you have the council members sitting on the joint venture. They are elected members sitting on a joint venture with us, hearing the KPIs every month and challenging us and our performance in that forum every month. Are we being held to account? Absolutely.

Joe Hemming: Part of our fees on a number of contracts, as I have said already—NS&I is the example that springs to mind—is contingent upon us delivering what we have contracted to deliver. Most of our contracts are linked to some form of payment by results.

Lindsay Roy: I wanted an example where you have not stepped up to the mark.

Joe Hemming: Okay. An example of that would be—it is very public—the quality issues on WCA.

Q147 Sheila Gilmore: Did you say you did not step up to the mark or you did?

Joe Hemming: We have remedied the issue but at great expense.

Q148 Lindsay Roy: Have you an example of where you did not step up to the mark?

Patrick Smith: The most recent one the Public Accounts Committee reviewed was around the court interpreters' contract. They came back to us last week, and I am pleased to say it has made some good recovery and good progress.

Q149 David Heyes: The thing we are really interested in is that each of your companies, in one way or another, has been caught out and highly embarrassed by malpractice. What brought about you being caught? That is what we want to get at, because that is where we need to strengthen things. What accountability method was it? Was it whistleblowing? Was it audit procedure? How were each of your malpractices discovered?

Sean Williams: We deliver a range of difficult, complex public services. When you deliver a range of difficult public services, things might go wrong in an area, but that should not distract from the fact that we might be doing very good work in the vast majority of our areas. I cannot talk specifically for electronic monitoring but, as I understand it, it was part of the re-contracting process that alerted the authority and us that there was a significant difference of opinion on the billing, which then led to our understanding.

Patrick Smith: Things go wrong in big organisations, be they public, private or voluntary. It is the ability to respond when things go wrong.

David Heyes: But how do you get caught out?

Patrick Smith: How do you get caught? It can be a customer. It can be a contract manager. It can vary as to what triggers it and what drives the incident. But generally, noise occurs, and it can either be noise from the public or from the contract manager. It can be noise from service users if it is a support service. Ultimately, someone is not getting the service they expect.

Sean Williams: Whistleblowing, audit, public scrutiny.

Patrick Smith: Yes, it varies.

Q150 Paul Flynn: Mr Downie, you said that you increased the number of passengers by 40%. Over what period was that?

Ian Downie: It was over a 10-year period.

Paul Flynn: Which 10-year period?

Ian Downie: From 2000 to 2012.

Q151 Paul Flynn: Do you realise that the increase in rail passengers generally between 1987 and 2010 was 80%? Where does your claim relate to how passengers went up generally? I have another figure from you from 1952, where the increase was nearly 300% to 2008.

Chair: I was not even born then.

Ian Downie: I can come back to you with this.

Q152 Paul Flynn: I would just like to examine the quality of the answers that you have given. This was a piece of hyperbole—a piece of bull. It is something one would expect from, say, a timeshare salesman. You have given a figure, in isolation, not related to what was happening with others. Did you say 40% in the hope that you would impress us, when in fact it is a vacuous exaggeration of your success, if success it is, because the passengers have been increasing anyway? In the Lords recently there was a debate and one distinguished Lord described Capita as Grabita, and another equally distinguished and restrained Lord said, “No, it is really called Crapita.” Why did they say that?

Patrick Smith: It is a *Private Eye* thing. *Private Eye* have used that particular term for many years I believe.

Paul Flynn: This is not *Private Eye*. These are two very distinguished, very senior members of the House of Lords.

Patrick Smith: I do not know why.

Q153 Paul Flynn: It is entirely unjust, is it?

Patrick Smith: I am very proud of the organisation that I work for.

Q154 Paul Flynn: Do you think Crapita is the perception the public have of your services?

Patrick Smith: It is a very easy label to give to the company.

Chair: It may not be parliamentary language. You have made your point.

Paul Flynn: I will take it up with the Lords then. I am only quoting them. These are not expressions that I would ever dream of using myself. I will have to ask people what it means.

Sean Williams: I think it is my turn now.

Q155 Paul Flynn: We heard your splendid sales talk. What preparations did you make before you came to this Committee?

Sean Williams: Yesterday I had a two-hour session with our media team, who took me through the sort of questions you might ask.

Q156 Paul Flynn: Did they tell you to make your answers as long and as opaque as possible?

Sean Williams: They told me not to talk too fast and not to keep my answers as long as they had been, so I am clearly not succeeding, Paul, and I apologise.

Q157 Paul Flynn: Did they suggest that your answers should come anywhere near the truth?

Sean Williams: Absolutely. Paul, you will never get anything other than 100% truth from me.

Paul Flynn: I did not recall any mention of the Olympics contract you had.

Chair: Mr Flynn, I think you should be careful about the implications of the questions you are asking.

Q158 Paul Flynn: You failed to mention the Olympics contract in your splendid introduction.

Sean Williams: That is right. We run hundreds of contracts, and quite rightly there is scrutiny in the public perception of the electronic monitoring and the Olympics contracts.

Q159 Paul Flynn: What happened there? Didn't things go slightly wrong in the Olympics? Things were less than perfect in the Olympics and the contract you had.

Sean Williams: Undoubtedly, Paul, big mistakes were made in the Olympics. We did not provide the number of guards we were supposed to provide for the Olympic Games. We of course provided 100% security for the Paralympic Games. As I understand it, we provided 70% of the guards for the Olympic Games, but there was a big shortfall. As part of the accountability for that shortfall and mistake that we made, we paid for that mistake.

Q160 Paul Flynn: Would you regard this as a disaster? You present a picture instructed by the people who trained you to come before this Committee to give us glowing adjectives but not to deal with the reality of what G4S is doing.

Sean Williams: Paul, all I am telling you is that we deliver hundreds of contracts and it is absolutely right to focus on two very high-profile contracts that went very wrong. It is absolutely right to do that. However, if you then forget the hundreds of contracts that deliver a fantastic public service every day; if you forget the work we do in our prisons and our children's homes; if you forget the 35,000 long-term unemployed people we have moved from unemployment into a decent sustainable job; if you do not look at it in the round, you are presenting what is, unfortunately, a very misleading picture. You then ask why the public have this picture. It is because they are given a very misleading picture.

Q161 Paul Flynn: Oakwood prison is known to the prisoners as Jokewood Prison. There was an incident there. Could you describe what happened?

Sean Williams: Yes, Oakwood is an extremely good example, because Oakwood did not get a very good report, and that is something that we need to put right. However, a few days ago, the report on Parc Prison came out, which described it in glowing terms as an excellent prison. Nobody reported that. Nobody talked about Parc. You are not asking

me about Parc Prison; you are asking me about Oakwood. Parc, when we first started it, had a significant improvement plan to get it where it is today. I am absolutely confident that we will rectify the issues at Oakwood Prison to get it as good as Parc Prison and all the other prisons that we run. Again, this is a good example of you selectively picking examples that put us in a negative light. It is right that there is public scrutiny. It is right that we repair those. But you need to have a three-dimensional view of the services we deliver, because we deliver hundreds of complex, difficult public services.

Chair: I can assure our witness that Mr Flynn treats the public sector in exactly the same way.

Sean Williams: I expect no different.

Paul Flynn: That is your answer is it?

Sean Williams: That is my answer.

Q162 Paul Flynn: Did you expect this Committee to come in and ask you how many wonderful things you had done today?

Sean Williams: No, I expect you absolutely to focus, as I focus in the management of my staff, on the things that are going wrong and the things we need to do better. However, there is an honesty in at least seeing that in the context of all of the other services that we deliver. That is all I would suggest.

Chair: One more question Mr Flynn.

Q163 Paul Flynn: Come on, I have not started. On Oakwood prison, you first of all said that the incident, which you played down in language by suggesting it was not of great consequence, lasted five hours and in fact that was revised later. Do you remember to what?

Sean Williams: Paul, I am not responsible for Oakwood prison. If you ask me the question, I can get you a full, written response, but I am sorry I do not know the details because I am not responsible for Oakwood.

Q164 Paul Flynn: It took nine hours—your figure came up later. It was said by Nick Hardwick, who knows about these things, that it is much easier to get hold of illegal drugs in Oakwood than it is to get hold of a bar of soap. Is that an example of the efficiency of the organisation?

Sean Williams: I cannot talk for Oakwood prison. What I can tell you is, if there are areas for improvement—and if that is true, there clearly are—those will be acted upon.

Q165 Chair: To what extent is this a problem in state-owned prisons as well as contracted prisons?

Sean Williams: Again, I am not an expert on the prison estate.

Q166 Sheila Gilmore: I want to say something about the transparency of contracts. One of the difficulties that many observers have in judging whether your contracts are working well

or not is not knowing what those contracts are. Certainly, in the DWP Select Committee, we had some difficulty in ascertaining whether, for example, the Atos contract for the WCA contained any penalty clauses and exactly what the targeted times and so on were. I can understand the issue of all the contracts being tendered, but once it has been granted, should that not be publicly available?

Joe Hemming: Speaking for ourselves, absolutely there is a great benefit to industry, the public sector and the citizen by being as transparent as possible.

Sheila Gilmore: You would have no objection to these contracts being published once the decision has been made as to who has been contracted.

Joe Hemming: We would only benefit from the clarity of our roles.

Q167 Sheila Gilmore: Who is holding that up? Is that Government who is holding that up? Is it Government who will not make it public?

Joe Hemming: We respond to all information requests that we get and all Freedom of Information requests we get through the department. We comply with NAO, PAC and all requests for data. In fact, most of the time we give more comprehensive answers than the customer asks.

Q168 Sheila Gilmore: If a Select Committee were to say, for example the Work and Pensions Select Committee, “We would like to see the contract you have entered into with Atos or Capita for the personal independence payment,” you, Capita and Atos, who are involved in this, would be quite happy for it to be published?

Patrick Smith: I would need to look at the contract.

Sheila Gilmore: We have asked but have not had the answer. We have been told we cannot see that.

Patrick Smith: If there was anything in the contract—and I do not know the details of that contract—that undermined our competitiveness, we would have concerns about that being put into the public domain. In terms of the other stuff, we have no qualms at all.

Q169 Sheila Gilmore: Can I move on? I am going to ask Mr Hemming about this in particular. In relation to the WCA, a high level of decisions have been overturned on appeal. That creates a cost for the DWP in administering those appeals and tribunals that were ruled out initially by the MOJ; the cost is passed back to the DWP and they have to meet those costs. That is a substantial cost that rests with Government due, it would appear, to the poor quality of the assessments in the first place. Where is the balance of risk between Government and Atos?

Joe Hemming: I know you want short answers but it is really quite important to your point about transparency that I explain Atos’ role in the end-to-end process. We take requests from claimants from the DWP. We book and undertake assessments against criteria determined by the DWP. We produce a report. That report, which is an important part of the management information system, is delivered to the DWP. The DWP then takes a decision, not exclusively on the basis of the report, as to whether a claimant is entitled to benefits. If the claimant or citizen then appeals the decision, that goes back to

the DWP. We do not necessarily have visibility of that. It then goes through a process where the MOJ are engaged, and at some point that claimant may reappear.

Q170 Sheila Gilmore: You are aware that the majority of recommendations from Atos become the decision. Not all; I accept that—not all. The proportion that are not has, in fact, risen since Professor Harrington made his first report. Nevertheless, the majority are based on your recommendation. Fundamentally, that is what proceeds on through the system. That is what underpins it, is it not?

Joe Hemming: First and foremost, the quality of the report is absolutely fundamental. I accept that. It is important to understand that through an analysis of the appeals—as was stated recently by Robert Devereux of the DWP— 60% of the appeals are upheld because of new information that becomes available.

Q171 Sheila Gilmore: That has been much debated. Does that not, in itself, suggest that the information is not being asked for at the outset and properly looked at? I have constituents who have taken information to a WCA in the form of documentation and been told it could not be looked at.

Joe Hemming: I am not deep enough into the process to be able to answer that question.

Q172 Sheila Gilmore: In terms of the balance of risk, we have a situation here where an additional cost is being imposed at Government level. Is there any sharing of that cost with the contractor?

Joe Hemming: On a more progressive note, we would advocate—and I know the department would share our view—that looking at that appeals process, and how to make it more effective, less of a cost burden, and more importantly less of a stress, worry and anxiety to the citizen, would be a welcome addition to the service.

Q173 Sheila Gilmore: In July 2013, nearly five years into your contract, the DWP had to put in extra training—or ask you to put in extra training—for staff carrying out these assessments, and brought in another external company to advise on process. Why, after nearly five years' experience, was that necessary?

Joe Hemming: First of all, we originally got the contract in 1998, so we have been performing it for a considerable time and always at a high-quality standard. There was a period—as you rightly point out—where the quality standards were not of the requirement of the contract. We addressed that, and we addressed that at our own cost and expense. All the training you refer to was rightly funded by Atos.

To your point about how those events came about, when you are performing a service for such a long time, where there has been a considerable amount of legislative change and a considerable amount of increased volumes, it should not but it does happen.

Q174 Sheila Gilmore: But those increased volumes should surely have been anticipated in the contract at the outset. I accept that you have been contracted to do assessments for other benefits prior to the WCA. However, we have the WCA coming in in 2008; we then have

your contract being extended at the point when the rollout to existing incapacity benefit claimants was being anticipated to take place over a period of some two and half years. Surely, that question of volume should have been anticipated as part of that contract rollout. I have not seen your contract, so I do not know whether that is the case or not, but that goes back to my previous question.

Joe Hemming: It is fair to say that forecasting volumes was a feature of the contract, and it is a feature of the contract that did not work as effectively as it should have done.

Q175 Sheila Gilmore: But the number of people to be transferred from incapacity benefit potentially to employment support allowance or not, depending on the outcome, is a given number. It was a known number, because it just is a known number. I am really unclear as to why volumes became a problem for you.

Joe Hemming: First of all, it is not my area of expertise. But more importantly it is a complex subject in the sense that we would have to take you through how that works.

Q176 Sheila Gilmore: We are working blindly when we do not know a lot of the time what was in these contracts. We can only see the outcome, and having had experience with a particular form of test since 2008, and then taking on an extended contract, you still had to be retraining staff last summer. Does that not suggest a failure in the basic training process that you are using?

Joe Hemming: No. What it suggests is that there were scope changes and investment in retraining and a refresh was needed. That is what we did.

Q177 Sheila Gilmore: Since then, Atos and Capita have been contracted for the introduction of personal independence payment. In the first eight months, which we are now at, very long delays have been experienced. Many MPs have been raising this recently from experiences of their constituents. Instead of meeting the 30-day target, which we understood was to be the position, from referral by the DWP to going back to the DWP, people are waiting four or five months. The minister told the Work and Pensions Select Committee that this was, in part, because all assessments were being internally audited by contractors before they could be sent back. My question would be, why did you bid for this work? Why did you undertake it? Why did you say you were ready to roll in April or June last year if, as it seems, you were not? That is a long delay. This is a real delay for people who have made an application for a benefit and are not getting it. They may get it backdated—

Joe Hemming: This is a new benefit.

Sheila Gilmore: You knew that when you were contracting.

Joe Hemming: This is a new benefit. We bid for it, and if you look at the capacity that we have created today, what we are experiencing is that the assessment time—so that is the time that our medical specialists are involved—is almost twice what was originally assumed under the original business model. We are working hard to improve efficiencies to make sure that we deliver more capacity in less time. We have been transparent about that with the department. Basically, this is really about making sure that we give a quality experience without trying to shorten—

Q178 Paul Flynn: Did you say a quality experience should be given to your victims?

Joe Hemming: To produce a quality assessment.

Paul Flynn: That is your view, is it?

Joe Hemming: Yes.

Paul Flynn: Thank you, yes.

Q179 Sheila Gilmore: It is about having got the contract right in the first place. To take on a new contract like that and to then say within a few months, “Our assessments are taking double the time and we didn’t have that in the business model,” suggests that you and the DWP did not properly sit down and work this out in advance, does it not?

Chair: How fair is that?

Joe Hemming: There is a lot of experience out there that was brought to bear in those contracts.

Chair: That sounds like “quite fair”—that is not an unfair judgment.

Joe Hemming: But there are aspects that we are finding as we go, because it is a new benefit, that are taking longer.

Chair: I have a lot of colleagues who want to ask some supplementaries on this.

Q180 Greg Mulholland: Can I ask a very simple question? Do you think, considering the very high level of negative publicity that there is around Atos through the work capability assessments, that it is ever possible that you can get the confidence of the public back on this issue or, indeed, frankly on any other public service contract?

Joe Hemming: We have been serving the British Government for 40 years. The vast majority of the services we provide are of high quality. We are extremely proud of the work that we do. I take the point about the high profile nature of these particular services but, again, I go back to the comments that were made by some of my colleagues earlier on: we seem to focus on those one or two areas that are exceptionally high profile. I understand that. However, taken in the round, we are very proud of the company. We believe we deliver great value for money and great services to the British Government and to the British citizen. Yes, ultimately, we do.

Q181 Greg Mulholland: You say you are very proud of the company. I worked in the private sector before becoming an MP. This particular contract is doing your brand immense damage. Would it not be better just to pull out and say, “That’s not for us”? Surely the Atos name is now severely damaged for good. Surely, you need to get out altogether and then think about the future of the company.

Joe Hemming: I am recognising all the reputational issues that you raise but, at the end of the day, we made a commitment. We will not walk away from that commitment.

Q182 Robert Halfon: Let me just give you a micro-example. I am just, again, referring to Atos. I have had numerous constituents over the years who have had very difficult experiences with your company. They are not scroungers; they want to get back to work. There are worse cases. A constituent who is disabled goes to an Atos centre. There is no parking. They have to walk upstairs. The booking is at the wrong time. They are not clear what is happening because the doctor's English is not perfect. Going back to the original thing, what real redress does a constituent have against a big corporate like that that makes these kinds of errors, apart from going to his MP, because there is no other service that is providing it?

Chair: Which your customers do in their hundreds and thousands.

Robert Halfon: I have countless real cases like that.

Joe Hemming: It is wrong for me to comment on examples, but we have processes and procedures in place, so that I know—and I know that you have visited one of our MECs—that we write out to each of the claimants. We make them aware of the facility, where the facility is, what the access is and we ask them to tell us whether that creates any difficulty. There are adverse circumstances, but they are not as frequent as you have made out.

Q183 Lindsay Roy: Mr Hemming, you will be aware because of the gravity of the situation that, as of last week, 24,000 people at the centre in Glasgow have claims awaiting processing—24,000. They have been denying people access to benefit payments. How did this arise and what are you doing about this fiasco?

Joe Hemming: Sorry, I cannot comment on that.

Q184 Lindsay Roy: Have you been sanctioned?

Joe Hemming: No. You say I am aware, but I am not totally au fait.

Q185 Lindsay Roy: Are you aware of it?

Joe Hemming: No, no I am not.

Lindsay Roy: Why would you not be aware of it, because this is a major transgression?

Chair: Mr Hemming, you are not aware of these 24,000? These are 24,000 people waiting for an Atos assessment.

Lindsay Roy: No, they are waiting for it to be processed to go to DWP through the Jobcentre.

Chair: By Atos?

Lindsay Roy: Yes.

Joe Hemming: Maybe that is why I am not aware.

Q186 Chair: What are you going to do with this information now that you have it?

Joe Hemming: I will go back, I will investigate and I will provide—

Q187 Chair: How surprised are you that this number of people waiting to be processed exists in just one city?

Joe Hemming: Surprised but not familiar is the answer to the question.

Chair: This comes as a surprise to you?

Joe Hemming: To me personally, yes, but maybe not to my colleagues.

Q188 Lindsay Roy: How do you propose to gauge the level of customer satisfaction from these people?

Joe Hemming: As I said before, it is really important to understand the process and our role in this.

Lindsay Roy: What are you going to do about it? That is what I am asking.

Joe Hemming: We will go back and inquire where this is, what our role and responsibility in it is and what we can do to help.

Q189 Chair: Can you write to the Committee with an explanation?

Joe Hemming: Yes.

Chair: If you need more information from Mr Roy, please could you obtain that directly from him.

Q190 Lindsay Roy: You said you have got a passion to deliver high-quality services. Do you expect to retain contracts on the basis of client satisfaction?

Joe Hemming: It is clear in this particular instance that the Department has decided to go down the route of re-competing at the end of the term of this contract and will do a framework contract similar to PIP. Our ability to retain is based on our willingness to compete, the reputational issues that have already been raised and putting together a compelling proposition.

Q191 Lindsay Roy: How surprised are you that I have given you this information—that you did not know about it?

Joe Hemming: Surprised.

Q192 Paul Flynn: On the 17th of this month, a colleague, Michael Meacher, gave an example of a young man whose benefit was cut by you by £70 a week, which made it very difficult for him to live. He died three months later. Within a month after that, a message was received by his parents saying that a mistake had been made and his benefit was restored. Have you been in contact with his family since Michael Meacher published the details?

Joe Hemming: First and foremost, as I said, it is not for me to comment on individual cases. It is very sad and our sympathies go out, because we are dealing in an area where illness and sickness is prevalent. Again, I go back to—and I have to reiterate this—the fact that our role is to produce the reports. We do not take the decision as to whether people are in or out of benefits. Whilst our deepest sympathies go out, we can only be responsible for that which we are responsible for. This is my point about transparency and

the issues of reputation. This is where I believe that there would be great benefit if our role in the whole process was clear and understood, because it is an end-to-end process for which we are not the decision-makers.

Q193 Paul Flynn: 32 people die every week it is being claimed—that is a huge figure—as a result of decisions made by Atos and the subsequent results of those decisions. Have you seen that claim? Do you regard it as a serious matter? You believe that your customer satisfaction records show that you are doing a wonderful job.

Joe Hemming: There are many claims out there. Again, our sympathies go to any individuals or families that are affected by that. At the end of the day, as I have said consistently, we are a part of the process; we are not the decision-makers.

Q194 David Heyes: Each of your companies to one degree or another provides services through subcontractors. I think Mr Williams referred to 26 core subcontractors, for example. I guess these are largely voluntary sector, charity, social enterprises or small and medium enterprises of one type or another. Why is that? Can we have just a brief word from each of you on why you deliver the services in that way?

Sean Williams: Absolutely. I deliver the services on the Work Programme that way because those organisations are the best placed to deliver those frontline services. They deliver a fantastic job to our jobseekers. They get the most people into sustainable employment. They understand the local labour market. They understand those jobseekers and are able to support them. It is important to understand what the prime contractor brings.

Let me talk about a specific example. Newhaven Community Development Association are our top performing subcontractor—a small charity in Newhaven. They are absolutely fantastic at finding jobs for people and supporting people. We are absolutely fantastic at supporting them with management information and data security—essentially, sucking out the bureaucracy. They can focus on the things that they are good at: helping people into work. We can focus on the things that we are good at: managing that supply chain, the data requirements and the performance, etc.

Patrick Smith: We are not currently in the Welfare to Work programme, but we are looking at the NOMS offender management opportunities that are coming to market. We recognise there that there are charities that have real expertise on how to avoid reoffending. We want to work with those organisations because they do not necessarily have the national scale, the IT skills or the performance management metrics regimes that we can bring. There is a great opportunity for voluntary and private to work together.

Joe Hemming: As I say, 70% of our portfolios are in the IT space, so we do not have as much experience as some of our colleagues in working with charities. We have no objection to it, and wherever that is viable to do, that is what we do.

Ian Downie: I totally agree; we act as an integrator on a lot of our contracts for that kind of charitable voluntary sector, as well as in relation to SMEs—small and medium enterprises—which otherwise could not contract with Government. Government is quite difficult to contract with in terms of the length of time it takes to go on to a contract and the cash flows associated with it. By supporting the small and medium enterprises and

voluntary sector in that way, it allows that diversity in the supply chain and gives that absolutely local knowledge that Sean was talking about. As a national provider, we can put an overlay in there in terms of the project management, the skills, the quality and the safety, whilst then engaging with these smaller organisations and helping them improve as well their quality of service.

Q195 David Heyes: Some would argue the contrary. I think Mr Halfon earlier referred to big contractors creaming off the profits. I tend to agree with that. Others who have given evidence to us have said that your companies use small and medium enterprises, charities and voluntary organisations as bid candy: to put a favourable gloss on and to cover for your horribly tarnished reputations.

Sean Williams: The data just does not support that position. It is a great ideological position to hold, but the empirical data does not support that position. If we look at the performance of prime contractors on the Work Programme, if you look at us, we are the second-highest performing prime contractor out of the 18. In every single area in which we operate, we are the top performing prime contractor.¹ The data show that the prime contractor model works. The issue of bid candy is extremely important. We are currently using on the Work Programme everyone who goes in our bid as one of our Tier 1 providers, or we have got rid of them for underperformance. A very good way of doing this is to hold organisations accountable—I will come back to the transparency point—and publish the tenders that people wrote, as happened on the Work Programme. If you put an organisation in your bid and say you are going to use them, you need to use them and you should hold us accountable for that.

Patrick Smith: Open-minded, progressive charitable organisations understand and can see and work in collaborative ways with the private sector.

Q196 Mr Turner: You suggested that dealing with public sector jobs is prolonged and unnecessarily prolonged. Could you give some indications of how it could be made less lengthy.

Ian Downie: There are lots of innovative ways in which it could be made less lengthy. If you take the MOD for example, when they let Defence Business Services, which does all their back office for their HR, financial and security vetting, the whole process took less than 12 months. That is a major outsourcing. There is a management service component—a very innovative contract—but they were able to get it from the launch to contract within a 12-month period.

Mr Turner: That compares with?

Ian Downie: Seven years. It can be very difficult and very expensive. Small organisations cannot deal with that and cannot deal with the cash flows.

Q197 Lindsay Roy: Mr Hemming, do you expect to be sanctioned for failure to meet contractual obligations in respect to the example I gave you?

¹ In the contract areas we operate there are only 2 prime contractors, G4S and one competitor. I.e. there are just two, not four prime contractors.

Joe Hemming: First of all, let us find out more detail and check whether it is part of our contractual obligations.

Lindsay Roy: Well, it is an Atos assessment.

Chair: I think you have answered as best you can, but we are looking forward to having more details. I should just correct the record: the 24,000 in the Glasgow office is held for the whole of Scotland, not just for Glasgow.

Q198 Robert Halfon: How would you improve the engagement of the system with public services and give them more of a say? How would you create a level playing field, so that smaller contractors have the same bite of the cherry in terms of procurement as you big guys do?

Patrick Smith: Firstly, improvements can be made around the way procuring authorities work and the guidance they get. There is good work going on around the Commissioning Academy, which is a Cabinet Office initiative that looks at these kinds of things and tries to promote better practice around the whole commissioning and procurement cycle. We should have a very simple but common approach to building customer service design and public service values into our contractual approach.

Joe Hemming: Another really good example that deals with some of the issues of accessibility to smaller organisations is the G-Cloud initiative, which has been structured around smaller, defined offerings that can be ordered by departments without a lengthy procurement process. Certainly, it enables smaller and more of a variety of organisations to play in that space. At a recent invitation-to-tender session that we had, there were 60 competitors interested in bidding. I can say from personal experience that is probably twice as many as there might have been five to 10 years ago. There is definitely more to be done, but we can see progress in that.

Sean Williams: There are three key areas: one is we need much more honesty in the public debate. We need to show the good with the bad, but also the bad with the good. We need much more honesty. On that comes the transparency—

Paul Flynn: Could you lead by example? I mean, we are listening to vacuous nonsense.

Chair: Order, Mr Flynn.

Sean Williams: Paul, that is entirely unfair. For example, with HMP Oakwood and HMP Parc, you only ask me about HMP Oakwood; you do not ask me about HMP Parc.

Chair: We have been around this before. I do not want to do it again. Can you answer Mr Halfon's question please?

Sean Williams: Apologies. We need honesty in the debate and we need to show real honesty. With that honesty comes transparency about what organisations are actually delivering and where they are not delivering. Absolutely, there needs to be robust performance management of underperformance. That means the removal of underperforming contractors and holding organisations to account through the contracts and other mechanisms, which we do see but we need to see more of.

Chair: This has been a very intensive session and I appreciate our witnesses have been put under a degree of pressure. We are very grateful for your candour and testimony today. Thank you very much indeed. If you want to add anything to what you have said today or to your written evidence, please do send it in and we will take it into account. Please can we have our next panel of witnesses? We are miles behind.

Examination of Witnesses

Witnesses: **Danny Kruger**, Chief Executive, Only Connect, **Charlotte Ravenscroft**, Head of Policy and Research, NCVO, and **Kerrie Eastman**, Chief Operations Officer, Streets2Homes, gave evidence.

Q199 Chair: A reminder of the hashtag, which is #publicservices on Twitter. Could I ask each of our witnesses to give their names for the record, please?

Danny Kruger: I am Danny Kruger. I am the Chief Executive of Only Connect.

Charlotte Ravenscroft: Good morning. I am Charlotte Ravenscroft, Head of Policy and Research at the National Council for Voluntary Organisations.

Kerrie Eastman: I am Kerrie Eastman. I am Chief Operations Officer at Streets2Homes.

Chair: Treasury Questions start at 11.30. We might run over a little bit, but we need to be over in little more than half an hour, so we need to be very brief. I am very sorry about this, but we need to be quick with our questions.

Q200 Robert Halfon: Good morning. How do you think that local charities and small community groups can engage the citizen to have more power over the services they use, and more say?

Kerrie Eastman: From our point of view, we can connect at a grass-roots level because we have a knowledge of the local area. Also because we are not a statutory provider, there is less fear there for our more vulnerable clients.

Charlotte Ravenscroft: Certainly most charities are based at a local level and it is in their DNA to be working with their local community. Often charities are set up by people who have had a personal experience that they want to address, so they often involve service users the whole way through their work, for example on their trustee boards. It is just a fundamental part of what they do.

Danny Kruger: I would agree with that. There is a useful distinction between what might be called formal citizenship, whereby a demographic or perhaps a commercial contractual accountability is built into the service that is provided, and the more informal nature of engagement, which is a more useful way in which local people can be involved. What really matters is the relationship between the local people who might be using the service, volunteers and staff who are trying to bring it, and those who are funding it. If the

relationships between those parties are real, we have a functioning system, even if the super-accountability arrangement—or commercial arrangement—is not there. It is all right to have a bit of informality locally.

Q201 Robert Halfon: Do you think that a lot of the contracts go to big private corporates or big, as they are known, Tesco charities—the big, ginormous charities—and that often grassroots charities that are really local and who, as you say, do not get statutory support are at a disadvantage and do not have the resources to go to procurement and funding and so on?

Kerrie Eastman: That is not the case with us. We work very well with our local authority and we do get grant funding from them to pick up on their non-priority.

Charlotte Ravenscroft: There has been quite a positive policy agenda around trying to involve more voluntary organisations in the delivery of public services under this Government, as well as the last. However, in practice, what NCVO hears from a lot of our members is that there are barriers facing charities, at a local level in particular. Some of those barriers include things like a big shift from grant funding to contract funding and they involve contracts getting larger, to a scale where charities either are not able to bid or would need to be bidding as a subcontractor rather than the main provider. Despite the Social Value Act, which is an excellent piece of legislation, unfortunately we are seeing a shift away from the consideration of quality to a consideration of price. Because of the pressure particularly that councils' finances have been under, they are looking to secure the cheapest deal, rather than necessarily the best quality. Some of our charities can be undercut by other bidders.

Danny Kruger: Because of the funding cuts, the contractors—commissioners—in local authorities are being forced back into their core service: their statutory requirements. Therefore, we see a reduction in the proportion of funding that is going from local authorities and coming to charities. So, in the era of the Big Society—this relates to research from the Centre for Social Justice that came out recently—a smaller proportion of council money is going to charities than previously. That is not because there is any great desire to restrict charitable funding; it is because local authorities are required to deliver statutory services and so they are cutting what they regard as peripheral.

The challenge is for commissioners to see the difference between procurement and commissioning. They need to distinguish between simply issuing a very prescriptive tender for a specific service that needs to be delivered according to certain specifications within a set price, and thinking more holistically about the outcomes that need to be achieved, which is more of a commissioning approach. I hope that would encourage them to think about the alternative providers locally that could be involved in the delivery of the service. A bit more imagination and courage on the part of commissioners would see the proportion of money that goes to local charities rise again.

Q202 Robert Halfon: What should Government be doing to help grassroots charities and community charities? What are the major obstacles and what could be done to help—just national Government?

Charlotte Ravenscroft: The single biggest difference that would help charities is more pre-procurement dialogue. As Danny was saying, any commissioning process should be involving charities in considering what the needs are of the community or the citizens

being served. They need to consider how services are currently working for them and how they can be improved. In order to achieve that most significant change, which is upfront dialogue and discussion, we need strong political leadership at both national and local levels to say that is an entirely desirable part of the commissioning process.

We also need to see more training and support for commissioning and procurement staff. There are positive policy changes, like the Social Value Act, but they are not being brought to fruition by all public bodies. We need to make sure that there is appropriate training and support for the staff who will need to implement those policies.

Finally, there are some policy opportunities at the moment that the Government should be pursuing. For example, the European Union is about to raise procurement thresholds quite substantially, which will mean that, below procurement thresholds, local authorities and other public bodies can use more innovative and engaged commissioning processes. The Government needs to give a really clear steer that that is a desirable thing to do and that they encourage that. They could also look at implementing some of the other EU proposals, like banning the use of price as the sole consideration when awarding a contract. Honestly, with any public service that is providing services to citizens, any commissioner should always be concerned with quality, with the social value that can be achieved and the price that is being offered. That is how you get good value for money.

Chair: A very full answer. Can we have shorter answers please?

Q203 Mr Turner: My question, Ms Ravenscroft, is connected with your answer earlier on, when I think you said that you are better negotiating and relating with small local charities rather than big national charities. Have I expressed you correctly?

Charlotte Ravenscroft: I was saying that charities operate at different scales and the majority of charities primarily serve their local communities. However, there are, obviously, charities operating at scale and that are able to deliver public services at scale. Barnardo's is a good example. They are the largest provider of children's centres in the country. However, when we are talking about their involvement in public services, the majority of charities would be either local services or specialist.

Q204 Mr Turner: When you have small charities, that seems to be fine, but when you only have large charities, which in some areas seems to be the case, it is very difficult for local charities to intervene and sometimes compete. Why is that?

Charlotte Ravenscroft: As I mentioned, there is a trend in commissioning terms to be aggregating contracts. There are much bigger contract lots to be bid for, in which case there are barriers to small or medium-sized charities that may like to bid for them. We do see some successful models where larger charities are bidding for the contracts and then working with a network of smaller local and specialist providers. An example of that is the Salvation Army, which has a contract with the Ministry of Justice around human trafficking. They are working with 10 smaller local and specialist providers to deliver that service.

Q205 Mr Turner: Can I ask, Mr Kruger, what would you do to involve these smaller charities much more than is the case at the moment?

Danny Kruger: There are two things: one easy and one difficult. The easy one is to do what the Ministry of Justice is doing with the transforming rehabilitation contracts that are being issued this year, which is to allow what they call Tier 3 providers—the small, local, grassroots organisations—to be involved in multiple bids. The problem with the Work Programme contracts is that you basically had to cosy up to the prime bidders in advance of the bid and basically back the right horse if you were going to deliver the work locally. Now, under TR, you are allowed to be involved in multiple conversations, which is very useful for us. We only serve London. If were to be in the wrong bid, that would be a shame. That is a good principle that the Government is adopting.

My difficult answer—the grand, biggest one—is that rather than relying on the European Union to enforce good practice, we need to be going in the other direction, which is to stop issuing these vast national contracts or regional contracts full stop. The great problem, as we were hearing from the previous panel, is that those problems are not particular to the commercial sector; they are particular to large organisations that administer billions and billions of pounds of public money under centralised contracts. My simple solution to everything is localism.

Contracts need to be more local and even more local than regions. Within London, local authorities should have more power to commission and more flexibility to do so. You need to engage the local taxpayer. My answer extends to rebalancing local finance. I do not know if that is within the remit of this Committee, but local taxpayers should be paying for local services more directly, rather than everything coming up through the Treasury and down again. Local people need to be properly involved in holding services to account, so that commissioners, providers and the local public are all in a proper relationship. That is the big answer.

Q206 Alun Cairns: Mr Kruger, in your answer before Mr Turner asked and in your answer to him, you talked about the process and you cited the fact that the cuts will have forced commissioners to take a more centralised approach. Instead of focusing on the process, would you accept that focusing on good examples of outcomes where an organisation or a local authority has pursued a much more local approach is a much better way of encouraging other commissioners to follow a similar model?

Danny Kruger: I think that is right, where there is flexibility. I am talking in these grand terms, but we deliver very small amounts of work all over London. There are contracts in the single thousands in some cases—little fees and grants we get. At that level, there is a great opportunity for flexibility and innovation. You see some pretty bad practice on the part of people who are handing out that money, especially around the end of the financial year. Equally, you see some really good innovative work. I just think contracts should be smaller and more local, and then you have got the opportunity for good practice to be experimented with and, you hope, spread. That is the advantage of the federal model in America, where different states can experiment and good practice can be spread. The problem with the UK is that everything is so centralised and one big mistake applies across the country.

Alun Cairns: As we heard from previous witnesses.

Q207 Sheila Gilmore: Some of the questions on commissioning covered social value. To what extent have any of you been involved, say at a local level, in setting the specification? Quite often that is where problems lies, even at a local level. If there is a specification for an advice service for a whole city, for example, then it can be difficult. Have you ever had a chance to be involved at that early stage?

Charlotte Ravenscroft: I have not personally, but referring to my earlier answer, the most important change that we would like to see is that cultural change, where commissioners are working with the local voluntary sector early on before they decide how they want to go about contracting a service. If they reach out to the voluntary sector, they can certainly have a better understanding of a service user's needs, how the service is working in the community and what some of the gaps are. I absolutely agree with you. That is the key critical change that we want to effect and it is mainly a cultural change. It is, to a large extent, a local change that needs to happen as well as national.

Kerrie Eastman: When our local authority is setting its priorities when it is being reviewed, we all sit around the table with it and have homeless partnerships meetings as well to discuss the issues that are coming out. When we review the action plan, we identify new services that are going to be needed in the area. We also review any established formal and informal working practices going on already. If there are any changes to services or anything—for instance, it has been identified in our area that we need a night shelter—we were part of the consultation. It has now gone for consultation with the councillors and will be released in the next few weeks. Then we would be able to bid for that, hopefully, for a grant.

Q208 Chair: How much does the instability of continuous contracts affect you? You rely on the relationship with the council for the stability of your business, yet the contract comes to an end. It must be very difficult for you to plan your business when you do not know whether you are going to have your contract renewed. How do you deal with that?

Kerrie Eastman: That is awkward, but charities like my own have different funding streams. The local authority is not our main funder by a long shot; they are quite a small funder. We have different projects running because our clients have very complex needs. Although we are a homeless centre, our main thing is getting people back into housing. There is also pathway planning with them and getting them back into employment, education and training. We integrate them back into society, so we have all different funding streams to fund the different projects.

Danny Kruger: I agree it is about having diverse income streams, so that you are not putting all your eggs in one basket. Again, it is about the relationship locally that ensures that you basically get a sense of whether work is going to be commissioned in the next cycle.

Coming back to Ms Gilmore's question, there has been a really good example for us of engaging with commissioners early on in relation to the Tri-borough, where three of the councils in west London have amalgamated their commissioning. They issued a contract that actually anticipates the transforming rehabilitation work that the Government is issuing nationally about helping short-sentence prisoners rehabilitate before they are released and subsequently. There were a lot of conversations between them, little players

like us and the medium-sized charities, Catch22 and Turning Point, which eventually won the bid that we are in.

That was quite a well-designed process. It was very difficult for the council because they were trying to be innovative but there are all these rules around procurement regarding transparency, or rather confidentiality. They could not share a lot of the details that they would like to have shared with us about what the service would look like and what the finances would be. Of course, there is TUPE, which was the main obstacle to the whole process, whereby the independent providers have to take on the public sector staff, or rather the staff transferred over from the previous contract. That was more of a problem. However, there was a very good attitude on the commissioner's side about engaging with the potential providers of the bid.

Q209 Lindsay Roy: Can you tell us briefly how well the current model of subcontracting for charities and voluntary organisations matches the aspirations set out in the Big Society initiative?

Danny Kruger: Personally, I do not think it does match the aspirations. I think the aspirations were for a transformation in the way that social action was organised and public services delivered. There have been some important legislative changes in areas we have not looked at particularly today—schools being one. There has been the Public Services (Social Value) Act and so on. Good things have happened in this building, but the cultural change that we hoped for has not yet permeated fully down. As I said, there are some very good local commissioners, but I do not think we have seen yet the full transformation that we would see if small organisations had more of a sense of access to public money and in terms of local responsibility. We are still a way away from that, and I am very unhappy if all we see at the end of this Parliament is a large-scale transfer of power and money from a statutory monopoly to a commercial oligopoly. That would be a shame.

Q210 Chair: Why do you think that has not been achieved?

Danny Kruger: It is a question of time. I am not saying it will not happen. There are lots of good signs that there is going to be change. There are good straws in the wind that we can see. I raise two particular problems: one is around access to capital. In these difficult times, there has been a real problem with small organisations like ours having the resources to invest in the innovation and upfront capital costs involved in delivering large-scale work. We need to be professional and have some capital to deliver the work. The other is about leadership. Big Society has gone off the agenda politically and I regret that because, even in tough times, when obviously the priority has been deficit reduction, we could have seen a greater emphasis on encouraging the sort of social transformation that needs to happen. Perhaps we will see it come around in the next election campaign—a revival of Big Society rhetoric. I would be pleased if that were to happen.

Q211 Lindsay Roy: Is there anything else that needs to be done to bring about that cultural change? You have itemised three things already.

Danny Kruger: There is a role for the citizen and the private sector in general—not just the commercial organisations, but citizens and philanthropists, trusts and foundations.

This change is not just about public money; in fact, it specifically needs to be about mobilising the resources of the whole of society. I would like to see a greater emphasis on intelligent social investment, rather than simply charitable philanthropy, although that is really important too. This is a very positive development of recent years but we need to see more of it: private money flowing into social action to capitalise work in advance to pay for outcomes. I would like to see a mixed economy of the finance. That would be a big part of delivering the Big Society too.

Q212 Lindsay Roy: Will charities be inhibited from lobbying under the Lobbying Bill?

Danny Kruger: I am afraid I do not know anything about the Lobbying Bill. I think we are too small to have paid attention to it. I am sorry, but I do not know anything about it.

Q213 Paul Flynn: Thank you very much for your evidence. It is a refreshing change from the snake oil salesmen that we were exposed to in the first half of this meeting. Apologies to snake oil salesmen perhaps; “charlatans” is possibly a better word. Mr Kruger, you are clearly disappointed in things that have happened with the Big Society and so on. You wrote that political leadership is needed to bolster social entrepreneurialism and to galvanise the public to step up to their responsibilities. How is that to be done? What is wrong with the political leadership now?

Danny Kruger: I do not know how it should be done, but I guess I would like to hear the Prime Minister talking about the Big Society again, which he did in his Christmas message, which was encouraging. There is money and there are people. There has been a great investment of public money in social enterprise and social investment through Big Society capital and other initiatives to stimulate our sector. While there have been these terrible cuts, especially locally, there has been some investment from the top—from the Cabinet Office and the Treasury—in our sector and in the growth of the new social economy. That is all good.

The other side of it is the people. It still remains a shame that the brightest and best are not coming into our sector. They are not necessarily chasing the money either; they are going into the media and the creative industries. All that is great stuff; they need the brightest and best too. However, it would be great if we could see more people coming into our sector. TeachFirst is a great example. That is a really good indication that, if high-quality good graduates want to work in the social sector, they are going to work in schools. I just wish we had more of a sense of status and there being a really great career for people who want to work in the front line and strategically in the social sector.

Q214 Paul Flynn: Trying to breathe life into the Big Society is rather like resuscitating a corpse. It has not been a great political success. Do you think Labour should revive the Third Way perhaps as well?

Danny Kruger: The Big Society was a great success and remains one. We are talking about a brand with immense cut-through. Of course, it is going to be mocked and despised because it is a political initiative. Actually, I think that it resonated with people and they understood it intuitively. It connected with people and their aspirations to see a more connected Britain. There is the opportunity to revive it, but we have to see the evidence of it working on the ground, otherwise it would look a bit silly.

Q215 Paul Flynn: Ms Eastman, could you tell me how things are from your point of view? Do you see the Government as having devolved a power resource into the community in a practical way?

Kerrie Eastman: Harlow is one of the most deprived areas of Essex. I think it is in the top five, unfortunately. We do have the pots of funding there sometimes to deal with the issue. At local authority level, do you mean, or Government? Local authority, yes, they are understanding of the issues at a local level and are willing to work with us.

Q216 Paul Flynn: We have been told about accountability. Regarding the people you deal with, if their views were to be taken into account more, would there be some improvement?

Kerrie Eastman: With our clients?

Paul Flynn: Yes.

Kerrie Eastman: Yes.

Q217 Paul Flynn: This has been emphasised to us by Which? and many others on the part of it. Ms Ravenscroft, what measures would you like to see adopted to ensure that this is done—that local people can challenge Government decisions? What, in practical terms, can be done?

Charlotte Ravenscroft: I will give two examples of where charities are doing this really well. I went to visit a very small charity called the Daffodil Advocacy Project in Redbridge recently. It works with adults with learning disabilities and helps them to navigate what are quite complex services locally. I was speaking to the service manager, and she explained to me that many of their service users do not use speech, so it takes time to build up relationships with them, understand how they express their preferences and make sure that they are able to interact with local public services, make decisions about their housing tenure, their health care and how they would like to live their lives.

There are lots of very fantastic charities like Ms Eastman's and that project in Redbridge that are actively helping citizens inform, shape and experience public services in a different way. There is an absolutely fantastic opportunity to do more of that kind of work, which will help at the margins where people are not able to access mainstream services. We would like to see more of a transformative impact, where, as commissioners get a better understanding of their community's needs, they can think about changing those services, designing them differently, making them more accessible and working with the voluntary sector to deliver those services where appropriate. There is huge potential, whether it was the Big Society narrative a couple of years ago or the political consensus that there is, to hugely transform public services by building on citizen engagement.

Q218 Paul Flynn: You strike a rare note of optimism. Do you really think there will be a serious improvement within 10 years?

Charlotte Ravenscroft: We need to get the delivery right. There is a supportive and enabling policy environment, but delivery at the moment is inhibiting the Government and the broad political ambitions.

Q219 Chair: How is it inhibiting those ambitions?

Charlotte Ravenscroft: As I mentioned earlier, it is in relation to things around the funding environment in particular, for example the shift from grants to contracts. Not everything needs to be a contract. If you are the only charity that can deliver a highly specialist service locally, commissioners need to remember they can use grant funding. Payment by results and large contracts are excluding many charities from being able to bid to provide services.

Q220 Robert Halfon: Do you feel that, because you are a smaller charity, when it comes to getting the contracts and the grants, the bigger charities or the bigger companies have an advantage because they have more resources? There is not necessarily a level playing field; it is much harder for you to access funding than it is for them.

Kerrie Eastman: With certain things, yes.

Robert Halfon: Could you give an example?

Kerrie Eastman: Housing associations: we have put a bid in for a night shelter, but if a housing association comes along as well, even though we could probably deliver it better, they might get the bid.

Q221 Robert Halfon: Why would they? Because they have more—

Kerrie Eastman: Because they might have a building—things like that—where we would not.

Charlotte Ravenscroft: We have many examples where our members tell us that specific procurement requirements are put in place that are completely disproportionate. They require them to have a certain level of turnover or a certain ratio of turnover to the contract size, or they are required to have a high level of indemnities, insurance or ISO standards.

Q222 Robert Halfon: What could be done? Kerrie is saying that they may have more expertise.

Kerrie Eastman: No sorry, not more expertise. They have got the initial funding. They have got more resources to start off with. Like with payment by results, we cannot do that in a charity like ours, because you have to have the results before you can get paid. We cannot do that.

Robert Halfon: What is the answer?

Chair: Can I just add an element to this? A lot of services that are contracted are actually a contracting of statutory functions like social services care, for example. How could grant funding be used to deliver services that are statutorily required to be provided? Is that possible?

Charlotte Ravenscroft: There are circumstances where obviously you need a competitive tendering process and contracts are appropriate. But I am saying that there can be a mixed economy, where there are also grants for particularly local highly specialised innovative services. What needs to happen—the main change that needs to happen—is cultural. It is

about commissioners having a discussion with their local voluntary sector upfront early on because they will realise that maybe a charity they would like to bid would not be able to bid if they put in place a payment-by-results basis or some of the stringent requirements I have been talking about. They would understand better the local market of providers.

Q223 Chair: So, in fact, a county council like Essex could take the pressure off its statutory social services by grant funding charities and local organisations who provide more of a supportive role but do not necessarily deliver the statutory services? Is that the sort of thing you imagine; am I on the right track?

Charlotte Ravenscroft: There are circumstances where that can work. For example, Turning Point has a service where they support the commissioning process itself by recruiting community researchers, who go out into the community and interview people about their experiences of the services and how they could be improved. That kind of thing can inform the design of the mainstream services, which may or may not then be delivered by a charity when they are ultimately delivered. However, they will be more responsive to citizens because they have worked with local communities and the voluntary groups around which they often mobilise.

Q224 Chair: Mr Kruger, maybe you could answer this. Why do you think the pressure on public finances is not actually creating an incentive to innovate in these ways? It seems to restrict people's views of possibilities.

Danny Kruger: You can react in two ways. The situation you have just described whereby a council grant funds organisations to deliver services is what it does to itself: it grant funds its own departments to deliver services without any expectations around outcomes or value. It might do internal reviews, but it is basically just paying for the inputs of the work. Charlotte is right: sometimes that is appropriate. However, there is no reason why that cannot be delivered by an external organisation.

I think the pressure of the public finances, as I say, can cut in two ways. Some councils will circle their wagons and restrict their activity and innovation in order to defend the status quo as much as possible. Bear in mind that what we or I am talking about is a threat to the local monopoly of the statutory sector. There will be officers in councils who do not like this agenda and who see innovation as a threat to their empires. There are other councils—I have mentioned the Tri-borough, which is the three inner-west London councils—who are responding to the funding pressures by innovating, and they have to, not least if they are to deliver the statutory requirement around children's centres, for instance. Things have got to change, and they recognise that is going to happen by innovation and outsourcing in a good way.

Charlotte Ravenscroft: There is more opportunity for councils to get better value for money in these constrained times. For example, City of York Council wanted to commission a new café provider in their council building, and in order to get the best possible outcome from procuring that service, they consulted with the community and put in provisions around: "This café should also provide employment pathways for people who are out of work." In addition to getting a café, they have ultimately contracted with a charity called United Response, which works with adults with learning disabilities. It is creating jobs in the local community for people who are significantly at a disadvantage in

the labour market. In doing that, they have spent the same amount of money they might have spent with any other café provider, but they have got the added social benefits of having worked with a charity. There are many ways in which councils can do more.

Q225 Chair: How can we better spread this kind of imagination?

Charlotte Ravenscroft: There is a definite role for political leadership and for the sharing of innovations, particularly across councils. The LGA would have a significant role to play in helping to share experiences.

Q226 Chair: A lot of this is not just about cost containment; it is about risk mitigation and that somehow going for bigger established contractors reduces risk. How accurate do you think that is? Is it a false perception?

Danny Kruger: It is a bit of a false perception. It is legitimate that commissioners expect a certain level of professionalism and accountability for the use of public money, but we waste so much in unnecessary compliance, box ticking and hoop jumping even before contracts are issued, let alone once they are in place.

Q227 Chair: Kerrie Eastman, how did you persuade Harlow that a small organisation like yours was not a risk?

Kerrie Eastman: It was because of the experience we had had of working with the homeless. Who better to try to get them into accommodation?

Q228 Chair: Even though you were small, you had a track record?

Kerrie Eastman: Exactly, and building up our reputation gradually. Gradually, they have trusted us more and more and more. We have even been successful with another service, even though that was payment by results almost. We now work in partnership with them.

Charlotte Ravenscroft: We spend a lot of time thinking about financial risks in this process, and actually there is a real risk of failure to deliver a quality service. The bigger financial risk in the long term for the Government will always be that, if the services are not meeting needs, those needs eventually escalate and get worse. The cost of providing acute services is often far greater than providing preventative ones.

Chair: Finally, Mr Kruger, the Open Public Services White Paper is all about devolving to local communities and to citizens. On a scale of one to 10, how devolved are we now?

Danny Kruger: I would say we were devolved four, with the prospect of more. The current trend of direction is very positive, but there is a lot to do.

Q229 Chair: How quickly do you think you can do this? What are the constraints?

Danny Kruger: If there was a real mandate issued at the next election by whoever wins the election to implement a real social transformation involving the devolution of power to local communities, we could see things happen quite radically in the next Parliament.

Q230 Chair: How disappointed are you that, in many cases, powers have been devolved and they have not been used responsibly or indeed there is no take-up, particularly in certain kinds of communities?

Danny Kruger: There is a problem with low take-up. Again, it comes back to leadership, not just politically but by the powers that be locally among the private sector and the public sector to encourage people to take the opportunities that are available to them.

Q231 Lindsay Roy: Is one or 10 the top of the scale?

Chair: I think four was—

Danny Kruger: 10 is the top.

Chair: 10 is fully devolved and one is fully centralised.

Lindsay Roy: It is below average?

Chair: It is we are not there; we are a long way off.

Charlotte Ravenscroft: It is important that we talk about localism and devolving from a national to a local level, but it is also really important what happens at a local level, because where we are seeing larger aggregated contract sizes at a local level, it is not realising the aspiration that was there for what could be achieved with more local services. One of the key things your Committee could helpfully recommend is more training and support for local procurement and commissioning staff to particularly share good practice.

Q232 Chair: Whose responsibility is it to provide that training?

Charlotte Ravenscroft: At the moment, for example, the Cabinet Office is providing the Commissioning Academy. It is going to reach a limited number of commissioners over the next couple of years. It is a very good start. They should ramp it up, build on it and try to make sure that they are reaching as many of these commissioning and procurement staff as possible at a local level, so that those ambitions can be realised when power is devolved.

Chair: Are there any other comments? If I may say so, I think we saved the best until last. It has been very helpful. If you have other thoughts or recommendations you think we must include as a result of this morning's session, please send them into us. We would be very grateful for that.

