Written evidence submitted by the national Council of Voluntary Organisations (NCVO) (IGA 05)

Pacac inquiry into Government Accounts

About NCVO

NCVO champions the voluntary sector and volunteering. We connect, represent and support voluntary organisations.

Each day, millions of people make a difference to the causes they believe in through voluntary organisations and volunteering.

This thriving voluntary sector and volunteer movement are essential for a better society – especially in times of challenge and change.

That’s why, inspired and empowered by our 12,000 members, we champion the voluntary sector and volunteering. We do this by connecting, representing and supporting voluntary organisations, from the smallest community groups to the largest charities.

We connect organisations with the people, partners and resources they need to make the biggest difference.

We represent the voluntary sector and volunteering to government – using the best research, we demonstrate their true value and help influence policy-makers.

We support voluntary organisations by generating and identifying the best knowledge and expertise.

Summary

This paper provides evidence for the PACAC inquiry into government accounts.

NCVO believes that transparency of government financial information around public services spending could be improved, enabling taxpayers to better scrutinise government, and improving government accountability for and stewardship of public services markets. These reforms could also have wider advantages, including enabling stronger financial risk management and due diligence by commissioners, and improved official statistics to inform the role of the voluntary sector in public services provision and its financial sustainability.
NCVO recommends two relatively simple and low-cost reforms to current government practice around transparency in open public services:

- The addition of a charity and/or company number to the award notice on the Contracts Finder website; and

- The inclusion of a standardised transparency clause in the Crown Commercial Service Model Services Contract.

**Introduction - the voluntary sector and public services**

1. The voluntary sector has substantial experience delivering public services. In 2013/14 the sector received £15bn from government bodies, of which 81% was earned through contracts or fees. The majority of the sector’s income from government comes from relationships with local government, with £7.4bn incoming from this source. Central government and the NHS accounted for £6.8bn, while the remaining £0.9bn came from the EU, international governments and international agencies like the UN.

2. Further information on the voluntary sector can be found in NCVO’s UK Civil Society Almanac.

**Improving scrutiny of financial information from the Government**

1. How can financial scrutiny of Departments in both Parliament and outside be improved?

3. NCVO believes that transparency surrounding government spending on public services could be improved, increasing government accountability for and stewardship of public services markets.

4. Greater transparency could also have wider advantages. This would include stronger financial risk management and due diligence by commissioners. For example, it would enable them to examine the relevant charity’s accounts at the Charity Commission if they had concerns about malpractice, or wished to understand what other funding the charity was receiving from government or other sources.

5. Increased transparency may also improve official statistics surrounding the role of the voluntary sector in public services provision and its financial sustainability.

6. Government would benefit from a better understanding of who it is awarding contracts to. Although central government contract awards over £10,000 are made public on the Contracts Finder website, the information provided is patchy and it is not currently possible to aggregate the data in an automated way. NCVO
recommends that the following information is provided as standard in contract award notices, in a format compatible with the government’s Open Data Principles: supplier name, supplier company and/or charity number, length of contract, total value of contract.

7. In order to fully understand the supplier market, a second level of information is required: sub-contracts. This is particularly important for understanding voluntary sector provision and that by other SMEs as many of these organisations are forced to join supply chains due to the large size of some government contracts.

8. This government aims to increase its spending with SMEs to 33% by 2020. However, a recent NAO report found that the government statistics on SME spend are unreliable. In particular, figures on indirect spend (i.e. that with subcontractors) are based on a formula that has repeatedly changed.

9. NCVO recommends the insertion of a modified transparency clause into the Crown Commercial Service Model Services Contract in order to ascertain accurate figures on the role of SMEs and voluntary sector organisations in public service delivery.

10. NCVO participated in a taskforce convened by the Institute for Government seeking to develop an enhanced transparency clause for insertion into the Crown Commercial Service Model Services Contract.

11. We believe that the enhanced transparency clause should have the following characteristics:

a. Suppliers would be required to provide the commissioning authority with regular ‘transparency reports’ which include information about the services and performance. NCVO recommends that the proposed transparency reports include the following supply chain information: supplier names, supplier company and/or charity numbers, length of contracts, total value of contracts and, where appropriate, supplier role in good or bad performance against key indicators.

b. Transparency reports should include a narrative account of performance against key indicators contained in the government contract. This account should include the perspectives of organisations delivering the frontline service and users of that service.

c. Transparency reports should be published as updates on contract award notices on Contracts Finder in a format compatible with the government’s Open Data Principles.

d. Sub-contractors should be given the right to comment on transparency reports in advance of publication in order to ensure the government and the public receive a full and accurate account of the role played by all major partners involved in delivering the contract. This, together with the inclusion of user feedback
(collated from routine monitoring), will guard against the risk of a prime provider providing a partial or inaccurate account of its own performance, and maximise the potential of transparency reports as a tool for informing and improving future government commissioning decisions.

e. NCVO recommends that ‘gagging clauses’ are routinely removed from government contracts as part of the process of inserting the transparency clause. Otherwise, a scenario could arise where a ‘gagging clause’ is prioritised over a transparency clause because the information to be disclosed – for example on poor performance or value for money – is judged to adversely affect the reputation of the commissioner or prime contractor. We believe the public interest is served by full disclosure of the facts about how taxpayers’ money is being spent through government contracting, even if such disclosure adversely affects the reputation of the contractor or commissioning body.

f. The requirements of the clause must be made explicit from the outset of pre-procurement dialogue between the commissioner and potential providers in order to ensure full and mutual understanding of disclosure expectations, and to prevent unnecessary disputes arising later. Its requirements should also be made explicit in any formal procurement documentation (e.g. Pre-Qualification Questionnaires, Contract Notice) including written commitment from bidders to accept the detailed terms of the transparency requirements. As well as appearing in the contract itself, it should form part of all other significant contract management documentation used throughout the delivery phase.

g. In most cases, routine disclosure of information that is already held by the commissioner and/or provider appears unlikely to entail significant additional cost to either party. Where significant additional costs are likely to arise to the provider from clause compliance (for example, where the requirements are disproportionate to the size of a provider organisation or a contract) accurate estimates of these costs should be included in bids submitted at the outset. NCVO recommends that commissioners be made responsible for covering these additional costs as part of funding provided for the contract.

h. Where significant additional costs arise during contract delivery (for example, through a party failing to provide the appropriate information or requesting information that is not required under the clause) NCVO recommends that these are covered by the responsible party.

i. Non-compliance with the transparency clause should be treated as a material breach of contract which, if unremedied, may lead to termination of contract (with suitable intermediate steps before this). This will remove the risk of a provider continually delaying the publication of information that the public has a right to know in order to protect its own reputation by releasing the data at a more opportune moment.
j. The clause should require providers to deliver a final transparency report on expiry or termination of the contract and to place a duty on the authority to ensure that this and other transparency information remains available to the public indefinitely through the Contracts Finder website. This is both so that any failure to comply does not lapse automatically and as there may be a reasonable presumption that public interest in the contract will not cease as soon as it ends.

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