Dear Ms Hillier,

Further to the Public Accounts Committee on the Transforming Rehabilitation programme on January 17th 2018, I wanted to write to you in order to help the Committee with a number of queries put forward by your colleague Caroline Flint MP. Naturally, we followed the session with interest.

Mrs. Flint asked your witnesses about the possibility of administrative costs incurred by Community Rehabilitation Companies (CRCs) being used to bolster parent companies, and used Interserve as the example. Mrs. Flint questioned whether the £16.5m administrative expenses from our Cheshire and Greater Manchester CRC – run by Purple Futures - was going back to our parent company, Interserve.

By way of background, Purple Futures has run five CRCs since 2015 and created a probation specific shared services function to serve the CRCs. All of the administrative costs, which cover the provision of staff, property, new IT systems and other shared services, are used to deliver quality probation services for the UK government.

At Interserve we have centralised some shared costs to create efficiencies and savings, which is common practice in large organisations. This results in a cost recovery charge from Interserve to the CRCs.

In the case of the Cheshire and Greater Manchester CRC, of the £16.5m referenced, £11.3m were CRC specific costs and are for the provision of staff, property costs such as rent, rates and utilities and MoJ provided IT systems. The remaining £5.2m is a charge from Interserve to the CRC for the provision of central IT, centralised staff, procurement support and insurance costs.

In light of Mrs. Flint’s comments comparing Purple Futures’ administrative costs with Sodexo - it is important to note that different companies categorise costs in different ways, and of course the idea of there being a considerable degree of variance between CRCs nationally was one that the witnesses touched upon regularly during the session.

We are also very happy to help the Committee with another concern raised by Mrs. Flint regarding whether Interserve was in a similar position to Carillion, following its poor financial performance and ultimate liquidation. It is important to note that Interserve is in a stable position, indeed the Cabinet Office stated on the same date as the Committee inquiry session that it does not believe that any of its key suppliers are in a similar position to Carillion. The Cabinet Office stated:

"We monitor the financial health of all of our strategic suppliers, including Interserve. We are in regular discussions with all these companies regarding their financial position. We do not believe that any of our strategic suppliers are in a comparable position to Carillion."
I hope the Committee finds this information helpful. We await your final report with interest and would request that our clarifications are reflected in the final document.

Please do not hesitate to contact me if I can be of further assistance.

Yours sincerely

Ian Mulholland
Managing Director, Public Sector
Interserve

cc.
Yvonne Thomas, Managing Director - Citizen Services, Interserve Plc
Dominic Sandbrook, Second Clerk, Public Accounts Committee
Sir Geoffrey Clifton-Brown MP
Richard Heaton CB, Permanent Secretary, Ministry of Justice