



Cabinet Office

1 Horse Guards Road
London
SW1A 2HQ

www.cabinetoffice.gov.uk

Meg Hillier MP
Chair of the Public Accounts Committee
Public Accounts Committee
14 Tothill Street
London
SW1H 9NB

8 September 2016

Dear Meg,

The Public Accounts Committee published its report on the General Practice Extraction Service (GPES) on 31 December 2015 and requested that the Cabinet Office undertake a full review of Atos's relationships as a supplier to the Crown.

The Government accepted the Committee's recommendations in the Treasury Minutes in respect of the PAC report on GPES which was published by HMT on 3 March 2016. We confirmed we would write to the Committee summarising the findings of the review.

I can confirm that this review has been completed and as an overall conclusion, the Cabinet Office found the Atos contracts that were reviewed were performing within the normal operational parameters of large technology contracts, and that Atos provide an appropriate level of professional support across all of the contracts reviewed.

Please find enclosed further detail on the review conducted and actions underway within the Cabinet Office to support continuous improvement and to address concerns raised by the Committee.

If you require any further information please do not hesitate to contact me.

Yours sincerely

Gareth Rhys Williams
Government Chief Commercial Officer

Annex A - Cabinet Office review of Atos contracts with central Government

Background

The Public Accounts Committee (PAC) took evidence on the General Practice Extraction Service (GPES) on 26 October 2015. Following the hearing, PAC published its report on 31 December 2015 and in the report recommended that “the Cabinet Office should undertake a full review of Atos’s relationships as a supplier to the Crown.”

The PAC asked the Cabinet Office “to note carefully this example of sharp practice (*with respect to GPES*) when determining what obligations a duty of care on contractors should entail and what sanctions would apply when performance falls short.” The PAC were not satisfied that “Atos provided proper professional support to an inexperienced client.”

In response to this recommendation, the Cabinet Office has undertaken a review of all Atos contracts with central Government with an annual spend over £10 million in the fiscal year 2015-16, and of Atos’s relationships as a supplier to the Crown.

Overall Conclusion

Detailed findings from the review can be found on pages 2 to 4 of this letter but as an overall conclusion, the Cabinet Office found that the Atos contracts that were reviewed were performing within the normal operational parameters of large technology contracts. With respect to PAC’s request “to note sharp practice when determining what obligations a duty of care on contractors should entail”, we found that Atos was providing the appropriate level of professional support across all of the contracts reviewed.

Scope of the Review

In conducting this review, the Cabinet Office identified 12 contracts in central Government with an annual spend over £10m across 8 Departments, including one executive agency, one non-departmental public body (NDPB) and several arm’s length bodies (ALB). The total expenditure

in 2015-16 across the 12 contracts under review amounted to over £500m per annum which is more than 80% of Atos's work with central Government.

No:	Department	Contract Name
1	Department for Work and Pensions (DWP)	Personal Independence Payments (PIP)
2	Department for Work and Pensions (DWP)	Government Gateway Agreement
3	Department for Work and Pensions (DWP)	ICT in support of medical assessments
4	HM Treasury (HMT)	National Savings and Investments (NS&I)
5	Ministry of Justice (MOJ)	Development, Innovation and Support Contracts (DISC) Infrastructure Services Agreement
6	Ministry of Justice (MOJ)	End User Computing Services (EUCS)
7	Nuclear Decommissioning Authority (NDA)	Shared Service Alliance
8	Home Office (HO)	IND Procurement of Infrastructure Development and Support (IPIDS) Agreement
9	Home Office (HO)	Contain Agreement
10	Department of Health (DH)	Information Management Services (IMS 3)
11	Ministry of Defence (MOD)	Strategic Partner Framework Defence Core Network Services (DCNS01)
12	Driver and Vehicle Standards Agency (DVSA)	ICT Managed Services Agreement (IS2003)

Of these 12 contracts, 9 can be categorised as traditional hardware and infrastructure support contracts including some or all of the following services: desktop; networks; helpdesk; data centres; and applications management. One of the contracts provides health service assessments, one contract provides an end to end business outsourced service and one contract is a consultancy framework agreement to advise on future strategy and implementation of IT services.

There was no software development contract in the live contracts reviewed of a similar nature to the General Practice Extraction Service (GPES) contract.

How the Review was conducted

All Departmental contract owners responded to the Cabinet Office's comprehensive data request about the performance of their contracts covering operational and financial indicators. Individuals with overall contract responsibility were nominated by Departments and interviewed. Atos Client Executives and Account Directors for each contract were also interviewed independently. Site visits were undertaken to see at first-hand the operation and delivery of two of the contracts.

Further meetings were held with senior executives at Atos, the National Audit Office (NAO), the Infrastructure and Projects Authority (IPA), and the Health and Social Care Information Centre (HSCIC) to provide details of their relationship with Atos to help inform the review.

What we found during the Review

All of the Atos contracts reviewed were performing within the normal operational parameters of large technology outsource contracts. Whilst KPIs are indicative and not always the only measure of performance, 10 of the 12 contracts met over 90% of their key performance indicators in the 12 month period from June 2015 to May 2016. We did not see any evidence that KPI measures were materially out of line with operational requirements and this was confirmed by contract owners. There was also evidence that KPIs were reviewed and revised across many of the contracts to reflect current delivery requirements.

There are 2 contracts where the performance fell below 90% in the period under review. One of the contracts has been the subject of a detailed improvement programme over the last 18 months and there is evidence that this has been successful with performance levels in the most recent months exceeding 90%.

The other contract where performance fell slightly below 90% was where the contract was coming to an end and was in a transitional phase leading to contract exit. There was evidence that the supplier was working well within the existing service constraints and there were no serious performance issues identified or highlighted by the customer; current performance was a reflection of the final stage in the lifecycle of the contract and the challenges of transitioning the service to a new supplier.

The PAC asked the Cabinet Office to “note carefully the example of sharp practice” with respect to the GPES contract, and we considered this in our review of the portfolio of Atos contracts. We did not see any examples of behaviour that might be described as sharp commercial practice in the course of this review and the Departmental staff interviewed did not have any issues in this regard. There were differing levels of financial transparency across the contracts but upon further investigation we did not see any examples of Atos making profits out of line with the marketplace on any of the contracts reviewed. There were examples to the contrary in some of the Atos contracts where they were working at risk and beyond their contractual obligations to act in the client's interests.

Specific examples include expediting change control notices at the client’s request in advance of formal approval, taking financial risk ahead of contract extensions and proactively supporting the redeployment of resource to assist in the avoidance of client cost. On one contract, a notice period for a number of major decommissioning events lapsed and Atos continued to deliver the services flexibly to the client’s requirements until the service could be safely decommissioned.

Additionally, in all instances where Atos did not meet monthly performance targets, service penalties were incurred and charged to Atos. It was evident that when operational performance fell short appropriate sanctions were applied.

The enquiry was limited to the investigation recommended by the PAC regarding Atos's professional support. It should be noted that many of Atos's contracts are for complex services and are delivered in challenging operational circumstances. While we do not have concerns over Atos's support or current performance with regard to these contracts, we continue to monitor their operational performance in cooperation with the Departments concerned. These contracts include PIP at the DWP and DISC/EUCS at the MoJ.

Observations from the Review

The Cabinet Office undertook this review of Atos contracts using the broad framework of the NAO published Good Practice Contract Management Framework (HC 65, Session 2008-09).

There are examples of good practice in contract management across the Atos portfolio. Where the evidence suggests that contract management is inconsistent the Cabinet Office is discussing improvements with the contract owners in the Departments concerned.

What the supplier is doing now

Atos has proactively and constructively engaged in this review and has provided information as requested, sometimes over and above their contractual commitments. It is clear that Atos values its relationship as a supplier to the Crown; it has a comprehensive approach to the governance of all the contracts reviewed and the Atos leadership team shows commitment to its customers.

In response to the PAC hearing Atos has undertaken a number of initiatives to address PAC's concerns. The Atos corporate programme "Client at the Heart" aims to deepen the client-focussed culture within the organisation by embedding a set of values and action plans to deliver improved service for each contract they run, including all government contracts.

In addition, whilst employees have always been recognised for achievement in quantitative and qualitative objectives, financial targets vary but typically account for only a small proportion of total reward packages. We see this as evidence that Atos client executives are incentivised to provide the appropriate professional support.

What the Cabinet Office is doing now

There are a number of initiatives underway within the Cabinet Office to improve the management of suppliers and address concerns raised by PAC.

In response to PAC's recommendation that the Cabinet Office determine what obligations a duty of care on contractors should entail, the Cabinet Office is developing a Supplier Code of Conduct to specify the behaviours expected of suppliers providing services to the Crown. This Supplier Code of Conduct will sit alongside the commercial contracts that are already in place and will be applied to all new commercial relationships. The Supplier Code of Conduct will be published later this year.

The PAC also recommended that the Cabinet Office undertake annual reviews of all strategic suppliers. The Cabinet Office has now developed terms of reference for these reviews. We will complete the review of half of all strategic suppliers by the end of 2016 and the remainder by June 2017. The Crown Representatives will lead these annual reviews with support from Cabinet Office staff and learnings will be shared across government.

The Cabinet Office will continue to support Departments to improve their contract management and commercial capability in line with the Commercial Standards published by the Cabinet Office in February 2016.