



▶ John Tizard

Ethical change is long overdue

Outsourcing firms should meet the same standards of probity as the public sector and be truly transparent as a condition of holding contracts

The Committee on Standards in Public Life recently suggested companies providing public services should meet the ethical standards expected of the bodies that use them, and embed ethics in their approach to service delivery (see page 10).

The report is timely given the Carillion saga and the debate on the efficacy of public sector outsourcing and questions raised over its value.

The CSPL rightly stresses that all providers, regardless of sector, should comply with the Nolan principles. It also calls on the government to extend the Freedom of Information Act to providers of publicly funded services. This is long overdue. The act should cover all aspects of public sector commissioning, procurement and contract management.

Commercial confidentiality is no excuse for hiding information about decisions and use of resources. Transparency is essential if public bodies and providers are both to be held to account.

While I endorse the CSPL recommendations, I would go further and mandate that, for all deals over a threshold value (perhaps the EU procurement threshold), all contracts are made public, operational and financial performance is published (quarterly or monthly), and audited independently every year, and contract variations and/or renegotiations are made public immediately. The business case for outsourcing a contract should also be published and subject to consultation prior to procurement; this should show there is a strong public interest case.

Bidders should have to be able to show their governance is exemplary; they should publish details of senior executive remuneration and tax policies and practice, and show ownership structures (and publish any changes to these immediately). Bidders should have to make their

approach to ethical leadership public, along with performance management, induction and ongoing professional training on ethical issues. Whistleblowing procedures should be in place to ensure access to and responses from providers, procurers and inspectorates; the National Audit Office and other inspectorates should have access to providers' internal information.

Any company that does not to comply with ethical standards should not be awarded public contracts. And, if such a company holds contracts, these should be terminated.

The CSPL should also address the ethics of relationships between public officials and politicians – locally and nationally – and providers. I am not suggesting there is corruption, but relationships that get too cosy can and will dampen objectivity.

Outsourcing companies and major accountancy and consultancy firms actively seek to influence government policy, and to develop relations with current and potential public sector clients. This is understandable, but there must always be transparency.

Stronger regulations and best practice are needed to protect the public interest given there is a revolving door where senior staff move or are seconded into roles between providers and the public sector. Such activity can be mutually beneficial but there must be no opportunity for suspicion let alone actual abuse of this.

Any change will affect non-profit providers. Many charities provide advocacy and help shape policy, as well as contract with and receive grants from the public sector. There is a strong case for them being treated in a different way from large businesses.

The CSPL proposals, while modest, would place serious additional demands on an already under-resourced public sector. They would also require significant cultural change on the part of both the public sector and providers. Nevertheless, they should be implemented without delay. Carillion shows us why. ●

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◀ Given the Carillion collapse, it is essential that contractors act in an ethical way