
From: BAILES Christian <Christian.Bailes@sfo.gsi.gov.uk>
Sent: 03 June 2010 10:44
To: ELLIS Josh;
Cc: Annewen Rowe; Alistair Cook;
Subject: Re: SunGard contract extension

Follow Up Flag: Follow up
Flag Status: Flagged

Josh

Thanks for bringing this to wider attention.

I agree that this matter is more about 'crossed wires' than anything else. I would be grateful if you would keep us all posted in respect of how we manage this going forward and I am happy to help in any way I can.

Thanks

Chris

----- Original Message -----

From: ELLIS Josh
To:
Cc: 'Annewen.Rowe@attorneygeneral.gsi.gov.uk' <Annewen.Rowe@attorneygeneral.gsi.gov.uk>;
'alistair.cook@attorneygeneral.gsi.gov.uk' <alistair.cook@attorneygeneral.gsi.gov.uk>;
@attorneygeneral.gsi.gov.uk>

Sent: Wed Jun 02 19:00:54 2010

Subject: Re: SunGard contract extension

- thanks for this.

I have a feeling that some wires may have been crossed here, which does not appear helpful. Let's by all means revert next week, and I can clarify what has been discussed - which is more around our standard service review and ensuring schedule 2.1 reflects the current needs.

Please liaise with , my PA to organise a catch up.

Much thanks

Josh
Josh Ellis
Chief Information Officer,
Serious Fraud Office.
Mobile:

Sent from my wireless device.

----- Original Message -----

From:
To: ELLIS Josh
Cc: Annewen Rowe <Annewen.Rowe@attorneygeneral.gsi.gov.uk>; Alistair Cook

Sent: Wed Jun 02 18:44:46 2010

Subject: SunGard contract extension

Josh,

I understand that the SFO have been negotiating with SunGard on extending the IT support contract for a further three years.

Please can we speak before anything is signed. We need to ensure that this complies with the guidance on contract extensions sent to Finance Directors by HM Treasury on 26 May 2010, that this offers best value to the AGO and and that this fits in with our business planning.

Regards,

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From: DavidA.Jones@cps.gsi.gov.uk
Sent: 08 June 2010 11:06
To: josh.ellis@sfo.gsi.gov.uk;
Cc: @cps.gsi.gov.uk; Annewen Rowe; Christian.Bailes@sfo.gsi.gov.uk;
phillippa.williamson@sfo.gsi.gov.uk
Subject: RE: Sungard Extension and the AGO Shared IT Report

Follow Up Flag: Follow up
Flag Status: Flagged

Josh I have no knowledge of the point in question. The only issue is that we have to review all on going projects and proposed projects and report our findings by mid Jul through AGO. Connect Annewen's e mail of Friday I have been asked to coordinate the AGO response through activities on the shared services agenda. Once I have met with we can expect some rapid review action. Any extension or new proposal to deliver the service currently provided to you by SunGard will be subject to that review reporting multi laterally to AG, Chief Sec to Treasury and Cabinet Office Minister. Clearly we are not going to be in the full blaze of CO and HMT attention but our recommendations (excluding stop) will be subject to their confirmation.

See you soon

David

DAH JONES
Chief Information Officer
Floor 5 North
Rose Court
2 Southwark Bridge
London SE19HS

DavidA.Jones@cps.gsi.gov.uk

D

M

F

From: ELLIS Josh [mailto:josh.ellis@sfo.gsi.gov.uk]
Sent: 08 June 2010 10:55
To:
Cc: Jones David A (Chief Information Officer); Rowe, Annewen; BAILES Christian; WILLIAMSON Phillippa
Subject: RE: Sungard Extension and the AGO Shared IT Report

Thanks for the note. I am currently out of the office today, but will pick this up tomorrow on my return. It is rather interesting that there appears to be "public knowledge" of an apparent decision made by the SFO Board, which simply has not happened.

I would be interested in understanding from where such rumours are being circulated, as they are rather unhelpful in the current climate. Perhaps we could pick up on this offline?

I will revert to you tomorrow once I have discussed this matter with Chris and Phillippa.

Kind regards

Josh

From @RCPO.GSI.GOV.UK]
Sent: 08 June 2010 10:46
To: ELLIS Josh
Cc: cps.gsi.gov.uk; DavidA.Jones@cps.gsi.gov.uk; Rowe, Annewen
Subject: Sungard Extension and the AGO Shared IT Report

Josh

Given the existing moratorium on contract extensions applicable, I am told, from May 26th, it is possible the Sungard 3-year extension currently approved by SFO Board will not now be going ahead.

If this is the case, then obviously it will take some time to look at alternatives from July 2011.

Alternatively, your strategy may be to appeal to HM Treasury to approve such an extension, in which case I am sure you will be discussing this with Annewen directly, to ensure Ministerial support.

It would be sensible to put some mention of your proposed strategy in the Shared IT report that is to go to the Strategic Board shortly, for consistency.

I would be grateful for your advice as to what you think would be appropriate.

Many thanks

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From:
Sent: 22 July 2010 09:06
To: Annewen Rowe
Cc: 'Jones David A (Chief Information Officer)';
Subject: RE: ICT Moratorium

Annewen

The latest position is as follows:

-
-
- I reminded SFO about this on Monday, and Josh has responded he will have his submission ready in time, but to date I have no visibility
-
-
-

Kind regards

From:
Sent: 29 July 2010 16:53
To: Annewen Rowe; 'josh.ellis@sfo.gsi.gov.uk'
Cc: 'Jones David A (Chief Information Officer)'; Lorraine Rogerson;
Subject: RE: Sungard

I agree that how IT support is provided to the AGO, SFO and is not the immediate concern and does not need to be included in tomorrow's submission.

I think that we need to have decided whether we wish to make a business case for extending the SunGard contract to either the ERG or the ICT Moratorium by the end of September. Regardless of how we wish to proceed, I think that we are going to need to know what the option would cost. Because of the timescales involved I think that these discussions with the need to start soon. Who is best placed to take this forward?

Regards,

From:
Sent: 29 July 2010 16:34

To: Annwen Rowe; 'josh.ellis@sfo.gsi.gov.uk'
Cc: 'Jones David A (Chief Information Officer)'; Lorraine Rogerson;
Subject: RE: Sungard

Annwen and Josh

I have just had a word with [redacted] of SFO and I am content that no submission on Sungard is needed for tomorrow.

This is mainly because SFO and AGO are not actively pursuing the Sungard extension.

We agreed the Sungard extension cannot proceed as it needs to be caught in one or other spending review.

It remains my belief it will be the ICT Moratorium, [redacted] believes it will be the ERG spending review.

As SFO and AGO are not proceeding with it at present I believe we have time to obtain advice from the Cabinet Office on which review is pertinent subsequent to 31st July which [redacted] has undertaken to do.

Kind regards

From: Annwen Rowe
Sent: 29 July 2010 15:45
To: 'josh.ellis@sfo.gsi.gov.uk'
Cc: 'Jones David A (Chief Information Officer)'; Lorraine Rogerson
Subject: RE: Sungard

Many thanks - Josh - can I leave you to discuss as you need with [redacted] and others please - particularly the submissions needed for tomorrow?

I think that consideration of Sungard extension has so far been limited to SFO but that's really a different issue from the ICT moratorium considerations save for any review that is made necessary by the CO requirements.

Again, happy to assist if need be.

Kindest regards

Annwen

From: [redacted]
Sent: 29 July 2010 14:20
To: Annwen Rowe; 'josh.ellis@sfo.gsi.gov.uk'
Cc: 'Jones David A (Chief Information Officer)'; [redacted]
Subject: RE: Sungard

Annwen

It is my understanding that if the Sungard contract with AGO and SFO, scheduled to terminate in July 2011, is up for consideration by the Boards of SFO and AGO for extension then this should be first submitted to the ICT Moratorium, and it would then go to the Boards with Cabinet Office's blessing.

I believe the ICT Moratorium will continue, possibly for the remainder of the year, possibly longer, so when SFO and AGO decide to do something about the Sungard contract, extension or not, then the submission becomes part of that process. This activity does not involve CPS in any way, and should therefore be lead by Josh and [redacted]. I do recognise, however, we are all at the beck and call of the Minister irrespective of which LOD we work in!

Kind regards

From: Annewen Rowe
Sent: 29 July 2010 12:33
To: 'josh.cllis@sfo.asi.aov.uk'
Cc:
Subject: Sungard

Dear both

I promised that I would put you in touch (and Josh) on the question of Sungard (from the point of view of ICT reviews) and also with [redacted] and [redacted] from the point of view of contract extension discussions.

Please let me know if I can help at all

I shall be on leave from Monday and so am copying in

Kindest regards

Annewen

From: ELLIS Josh <josh.ellis@sfo.gsi.gov.uk>
Sent: 30 July 2010 15:41
To:
Cc: Annewen Rowe
Subject: ICT Moratorium Review submission: SFO
Attachments: ICT_Moratorium_SFO_PROJECT001.xls

Follow Up Flag: Follow up
Flag Status: Flagged

Please find attached the sole submission from the SFO. The Project relates to the Autonomy Implementation which is underway. This is the only ICT project at the SFO which falls within scope of the ICT Moratorium Return.

Please note that both Richard Alderman (AO) and Phillippa Williamson (CEO), the only people able to countersign my submission are not available. I have however made significant effort to ensure accuracy, and do not anticipate there being any material comments to what is written.

I presume that as per the reminder letter from John Suffolk you are coordinating the central release of these submissions to the ICT Moratorium email address.

Should you have any questions or comments, please do not hesitate to give me a call or email me. I out of the office now, but will be able to pick up on my blackberry.

As an aside, going forward, it would be useful for my records if you could let me know which email address is better to catch you on; CPS or AG?

Kind regards

Josh

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SFO

Elm House 10-16 Elm Street London WC1X 0BJ
Director: Richard Alderman

Attorney General's Office
20 Victoria Street
London
SW1H 0NF

FAO: Annewen Rowe

9th August 2010

Reference: IT Managed Services

Dear Annewen,

I am writing to you in relation to the current status of the IT Managed Services contract, given the recent focus which this topic has generated.

The contract with SunGard Vivista (our current provider) was set up as follows:

- The contract was concluded in July 2006, with a 5 year term, ending in July 2011.
- There is, within the contract, opportunity to extend for a further 3 years.
- The contract is predominantly geared around the requirements for the SFO, reflecting the stakeholder weighting
- The contract is based upon a fixed + variable costing model. The SFO, by virtue of size, commands the lion's share of the contract cost (approximately 80%)
- The SFO is the named Authority within the contract, with the AGO (and by virtue of that the) being a named 3rd party beneficiary of services.

As you may be aware, since the commencement of my tenure, I have proactively collaborated with SunGard's senior management to ensure that we are being provided with the service levels that we would expect. SunGard has responded extremely well to some major technology transformations within the SFO, driven as part of the Autonomy implementation project, and have demonstrated value for money in their attitude to re-training their own staff and being pragmatic and flexible in their approach to reacting to the changes, which might otherwise be cumbersome and bureaucratic.

As you know the contract is up for review (termination or extension) in July 2011, which is less than 12 months away. For the past 3-4 months, I have been in detailed discussion with SunGard's senior management around the SFO's requirements for the future.

SunGard, reflecting the current financial climate, the Coalitions programme, and the need for suppliers to be seen to provide value for money, have put forward a proposal which clearly demonstrates their maturity as a provider. The proposed revision to the services provided (under schedule 2.1, which is open to review and change as per the terms of the contract) can be reflected at the high level as:



SFO

Elm House 10-16 Elm Street London WC1X 0BJ
Director: Richard Alderman

In addition to a clearly enhanced service, which would have commanded a pricey Change Control Note in former times, the proposal also outlines a significantly simplified pricing model, which is based on a single bill driven by headcount, rather than a combination of minor invoices and the primary one determined by a servers + headcount model. This takes into account the changes in our technology, and will greatly decrease our administration overhead in managing the billing.

The annual cost with SunGard in 2008/2009 was approximately £1.4m, and current year, and the proposal going forward look at the cost being £840,000 per annum. This equate to £2.52m over the next 3 years.

I have considered the various options available to us. Of these, an invitation to tender, review of requirements in anticipation of a re-negotiation, or change to an alternative supplier be carried out, would incur a significant impact on resources within IS&T and for other stakeholders around the business. There would also be considerable administrative (and potentially cost) overheads in managing any and all HR and TUPE related matters.

Furthermore, there is a high potential for any goodwill and flexibility from SunGard to be retracted, were it to look like we are moving away from them.

These factors would significantly impact the Autonomy Implementation Project which is the single most important business-wide project that is currently underway. The Autonomy Project, in its current trajectory is set for a 56% ROI. One of the contingent factors, on which this ROI and project cost is based is the continuing support and flexibility of the Managed IT service provision.

For these reasons, I have come to the conclusion that the only viable way to ensure the success of the Autonomy Project, ensure cashable benefits are realisable, minimize the time and cost impact to the organisation around a re-scoping/re-tendering exercise, would be to extend the contract for a further 3 years.

In light of the proposal, I have therefore taken the liberty of extending the contract, which was done on 06/08/2010, for the SFO. This will provide a Managed IT service for the SFO until the end-of-life of life of the Autonomy Project, and benefits and cost-saving, which I firmly believe are in line with the Coalition's Programme.



SFO

Elm House 10-16 Elm Street London WC1X 0BJ
Director: Richard Alderman

In light of not consulting with the AGO (and/or the), I have ensured that by extending for and on behalf of the SFO, I am in no way restricting the choice and preference of either the AGO or the . I have been provided with advice that will enable the AGO to either terminate in July 2011, if they so wish, or take advantage of an extension as they see fit.

I am passionate about ensuring the successful delivery of a value-for-money IT service provision, and firmly believe that the service provided for the fee tendered constitutes significant value for money, and that the Autonomy Project, on which the SFO's success and capability to deliver cashable benefits resides.

Yours faithfully

Josh Ellis

Chief Information Officer, SIRO

Direct Tel:

Email: josh.ellis@sfo.gsi.gov.uk

From: Annewen Rowe
Sent: 16 August 2010 13:18
To: 'ELLIS Josh'
Cc: Lorraine Rogerson; 'WILLIAMSON Phillippa'; 'BAILES Christian';
Subject: FW: SGV contract
Attachments: RE: Sungard; ICT Moratorium Review submission: SFO
Follow Up Flag: Follow up
Flag Status: Flagged

Josh

Could you let me know what has happened here please and what the implications are? I confess to being somewhat perplexed given email of the 29th July (attached) and your own submission to CO concerning Autonomy (also attached).

Was CO approval obtained to the extension of the contract? I gather that there have been no discussions with AGO - what of ? This took place while I was on leave so I would much appreciate an urgent update today please.

Kindest regards

Annewen

Deputy Director, Finance and Strategy
Attorney General's Office
20 Victoria St
London SW1H 0NF

Tel:
Mob: \

From: Jones David A (Chief Information Officer) [mailto:DavidA.Jones@cps.gsi.gov.uk]
Sent: 12 August 2010 08:03
To: 'rachel.gentry@cabinet-office.x.gsi.gov.uk'
Cc: Annewen Rowe
Subject: Re: SGV contract

Thanks Rachel not intending to stir for the sake of it and I am sure Josh and you will find a sensible route through but unfortunately I have no formal line management role here and hence can only (and reluctantly) bring potential anomalies to your and the AGOs attention.

Yours

David

From:
To: rachel.gentry@cabinet-office.x.gsi.gov.uk <rachel.gentry@cabinet-office.x.gsi.gov.uk>

Cc: Annewen Rowe <Annewen.Rowe@attorneygeneral.gsi.gov.uk>; Jones David A (Chief Information Officer)
Sent: Thu Aug 12 07:51:01 2010
Subject: FW: SGV contract
Rachel

I am responsible for pulling together the ICT Moratorium results from the Attorney General's family of departments, including the Serious Fraud Office, under the guidance of Annewen Rowe and David Jones. I can confirm that SFO have been made fully aware on several occasions the ICT Moratorium does apply to contract extensions of existing ICT contracts of value of over £1M.

I have recently received the enclosed email from Josh Ellis, who is CIO of the SFO, which seems to indicate the SFO have approved a contract extension without awaiting approval from the Cabinet Office.

I have been advised to bring this to your attention at once.

You may wish to contact the SFO CIO directly for confirmation (his email is josh.ellis@sfo.gsi.gov.uk). Of course, it may just be a misunderstanding, but it may also be important to have Cabinet Office advice immediately also.

If I can be of any further assistance, please let me know.

Kind regards

From: ELLIS Josh [mailto:josh.ellis@sfo.gsi.gov.uk]
Sent: 09 August 2010 10:38
To:
Subject: SGV contract

Just so that you are aware, given your liaison role in the Shard Services working group, following an Executive Board discussion, and an assessment of our risk exposure, it is abundantly clear that we needed to ensure operational resilience for the lifecycle of the Autonomy Project. The SFO has therefore signed a 3 year extension of the existing contract. Please note that this does not affect the ability for the AGO and/or the to terminate, if they wish, in July next year. Similarly I am sure SunGard would be more than comfortable to negotiate an extension with yourselves, should that be the route you wish to take.

Much thanks

Josh

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From: Annewen Rowe
Sent: 18 August 2010 13:59
To: 'ELLIS Josh'
Cc: 'BAILES Christian'; 'WILLIAMSON Phillippa'; Sue Patten; ; Lorraine Rogerson;
Subject: RE:
Follow Up Flag: Follow up
Flag Status: Flagged

Josh

We have not been successful in our attempts to speak thus far - and thank you for your response below.

Would you please send over copies of:

- documents now sent to HMT and
- a copy of the new contract with SGV

Also, what is the status of the renewal in the absence of authority and what happens if that authority is not forthcoming? I fully understand your concerns about the necessity for uninterrupted IT provision but in explaining what has happened to the AG we will also need to set out the reasons for the immediate urgency given that the existing contract does not expire until July next year and the discussions underway within the LODs vfm project, the reasons why HMT/CO approval was not sought in advance and the process for the making of that decision. In addition, and as a separate concern, the reasons for not consulting AGO or on the extension given that AGO was a party to the original contract.

We also need to understand what options are now available to AGO and upon the expiry of the existing contract. I'd be grateful if you would please expand on what you say below.

Kindest regards

Annewen

From: ELLIS Josh [<mailto:josh.ellis@sfo.gsi.gov.uk>]
Sent: 17 August 2010 14:17
To: Annewen Rowe
Cc: BAILES Christian; WILLIAMSON Phillippa
Subject:

Annewen,

I have just returned from a meeting at the Cabinet Office to address the matter of the SGV extension, and therefore unable to have given you an update this morning.
To answer your questions, in reverse order:

2. Following a meeting where the Strategic and Operational Risk Register was reviewed, it was clear to me that an uninterrupted provision of IT services over the next 3 years was a Critical Success Factor for the Autonomy Implementation, and similarly to ensure the SFO remains a Going Concern. Therefore as a matter of urgency, I moved ahead with the extension.

3. The conversation today with the ICT Moratorium team has been to address the (lack of) approval. As such, I shall be submitting directly to their team a request for exemption, as it would appear at first glance that approval may have been granted, had we applied for it. Therefore work is underway to retrospectively seek approval for an exception so that we may close this matter off.

I will naturally keep you informed as to the progress and status of the exception request, however expect this to be tick-in-the-box exercise. I have been informed that the process is slow and so we may not hear anything this side of September.

Kindest regards

Josh

Josh Ellis | CIO & SIRO | SFO | Elm House | 10 - 16 Elm Street | London | WC1X 0BJ |

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Serious Fraud Office

Elm House
10-16 Elm Street
London WC1X 0BJ

The Rt Hon Dominic Grieve QC MP
Attorney General
Attorney General's Chambers
20 Victoria Street
London
SW1H 0NF

Direct Line

Direct Fax

E-mail: richard.alderman@sfo.gsi.gov.uk

Your Ref:

Our Ref: RA

Date: 3 September 2010

Dear Attorney,

IT CONTRACT

Your officials have asked me about the recent extension to our IT contract and I thought I would write to you to explain what we did and why.

First of all you will know that the SFO is committed to producing reductions in expenditure each year. We have lived with reducing budgets in each of the years since I arrived in the SFO. Over my four year period of office I anticipate that we will have taken 45% of the costs I inherited out of the budget.

You will also know that the SFO has agreed to the 25% reduction in our budget over a four year period as part of the CSR process that the Treasury requires from each department. This is an important contribution that we are making and I am sure that this will help you as you discuss LODs funding with your ministerial colleagues.

Reductions of costs of this magnitude require a relentless approach to the costs of the organisation. We keep asking ourselves whether it is essential that we do something and if so, whether there are cheaper ways in which this can be done. The reductions that we have been able to make show how vigorous this process is in the SFO and how much progress we have been able to make. As Accounting Officer I have to say that I have been very pleased with the cuts we have been able to make while improving outcomes.

Recently we had an opportunity to take additional costs out of our IT budget. This involved negotiating a substantial reduction in our IT costs of £0.75m over a period of three years and extending the contract at this reduced cost, together with ensuring business continuity for important ongoing cases. The opportunity was available to us for only a short space of time. Clearly, as Accounting Officer, and bearing in mind what we are doing to reduce costs and manage ongoing organisational risks, it was an opportunity that I needed to consider. I was, of course, conscious of the changes to be made as a result of ECA and flexibility has been built in to deal with this.

I understood the Cabinet Office IT review process to be concentrating on commitments of funds for the future that would increase public expenditure. I entirely understand this and regard it as a very important discipline in tackling public sector costs generally. The review



process did not seem to me to apply to circumstances in which an Accounting Officer is taking action to reduce costs.

I understand that the Cabinet Office accept that it is not clear whether the review process applies in these circumstances and that further clarification to Departments is likely to be needed. This will be very helpful and will ensure that the position is clear for the future. Whether that position will be that arrangements to reduce costs should also be included in the review process or just those that increase them will be for the Cabinet Office to decide.

The new guidance, if it is to cover reductions in costs, will also need to set up a fast track process for Departments which have an unexpected and short term opportunity to reduce costs. This was the position for the SFO.

In taking the action that I did, the SFO will save a substantial amount. This is one of the component parts of the reduction that we will need to make in order to meet the demands placed on us, particularly as part of the CSR process.

It is very regrettable if you have been put to any difficulty with the Cabinet Office or the Treasury as a result of this. Officials here are talking to the Cabinet Office about what happened and providing them with the help that they need. They will also be talking about the clarification of the rules that is likely to be needed.

I am happy to discuss with you when we next meet. Once again, I regret if any embarrassment is caused to you.

*Yours,
Richard*

RICHARD ALDERMAN
Director

THE RT HON DOMINIC GRIEVE QC MP



AGO

Attorney General's Office

Attorney General

20 Victoria Street
London
SW1H 0NF

Richard Alderman
Director of the Serious Fraud Office
Serious Fraud Office
Elm House
10-16 Elm Street
London
WC1X 0BJ

www.attorneygeneral.gov.uk

Date: 5th September 2010

Dear Richard,

SFO IT CONTRACT

Thank you for your letter in response to my request for an explanation of the SFO's actions in extending the ICT contract with Sungard in contravention of guidance recently issued by the Treasury.

I was very disappointed to learn that one of my Departments was the first Department in Whitehall to breach the guidelines.

I have reviewed the guidance issued by the Treasury and consider it to be very plain and straightforward. I am therefore concerned that your officials should have interpreted it as you set out. I would be grateful to receive your explanation, as Accounting Officer, about the process in place within the SFO that allowed this to happen and the actions you have taken to ensure that this should not happen again.

I also understand that my officials have yet to receive copies of the contract extension documents. I look forward to receiving them.

Yours sincerely,

THE RT HON DOMINIC GRIEVE QC MP

2008/48/10

PARLIAMENTARY QUESTION FOR WRITTEN ANSWER
ON 5 OCTOBER 2010

QUESTION: **MP: Ian Austin**

Ian Austin To ask the Attorney General, what the monetary value is of contracts the Law Officers' Departments have awarded to each (a) management consultancy and (b) IT company since 7 May 2010. [16193]

[16193]

MEMBER'S CONSTITUENCY: Dudley North

ANSWER: **ATTORNEY GENERAL:**

Although no new contracts have been awarded since 7 May 2010 there has been a renegotiation of an existing IT contract. There are existing contracts for interim management support from the commercial sector and an IT project for a new case management system which is in its final stages of implementation.

Since 7 May 2010 no management consultancy work has been commissioned.

Background Note:

We have re-negotiated a contract with an existing IT provider since 7 May 2010. The contract was due to expire in June 2011. A routine review and discussion of our strategic risk register in June revealed an urgent need for action before then. We considered and costed four options and having considered all the options, renegotiation represented the best value for money. It represents a saving of £0.75m over a three year period, with an annual window of opportunity to review the services being provided and so make further savings where possible. It includes all change control notes, re-scoping the provision of services and incorporates gratis project days.

The SFO have support from the commercial sector for interim management/support and coaching/mentoring. These services were covered by OGC Frameworks and the SFO has completed the OGC Departmental return for Consultancy, which shows the authorisation of expenditure and that since 7 May 2010 no contracts have been awarded for over £20k.

Drafting Official:

Approving Official:
Phillippa Williamson



SFO

serious
fraud
office

To Annewen Rowe, AGO
From Chris Bailes, Chief Capability Officer
Date 05 October 2010
Subject Departmental Return

Sent by fax to:

Annewen,

Please find attached our completed return for recruitment spend for the months of July, August and September 2010.

The consultancy spend for that period is a "nil" return.

If you have any queries, please do get in touch.

Thanks

Chris

Chris Bailes
Chief Capability Officer
Serious Fraud Office



From:
Sent: 09 October 2010 17:20
Cc: Sue Patten; Annewen Rowe
Subject: Meeting Note: Richard Alderman re: BAE 7th October

Note of the SFO meeting - anything to add or change?

7th October, AG's Room, HoC
Present: AG, SG, Richard Alderman, Sue Patten, Annewen Rowe,

Sunguard: AG wrote on the 14th Sept asking for an explanation of how the problem came about and has requested a response. RA was waiting for the CO to come to a conclusion on its considerations first, but it has not been forthcoming so will send a response in the next couple of days.

Principal Private Secretary
Attorney General's Office
20 Victoria Street
London
SW1H 0NF



FAO: Amewer
Rowe

Serious Fraud Office

Elm House
10-16 Elm Street
London WC1X 0BJ

The Rt Hon Dominic Grieve MP QC
Attorney General
Attorney General's Chambers
20 Victoria Street
London
SW1H 0NF

Direct Line

Direct Fax

E-mail: richard.alderman@sfo.gsi.gov.uk

Your Ref:

Our Ref: RA

Date: 18 October 2010

Dear Attorney,

Serious Fraud Office IT contract extension

When we spoke on 6 September you asked me to send you a more detailed summary of the circumstances surrounding the extension of our contract with SunGard, our IT provider. This note sets out the position. Let me repeat at the outset though the apology I have given to you before. I myself made the key decisions here and I am responsible for them. I had not appreciated that this would cause you any difficulty or embarrassment. I regret this very much and apologise for the embarrassment you have been caused in your discussions with your ministerial colleagues.

A The driver for extending the contract

Our existing contract with SunGard was due to expire in July 2011. All things being equal, we would have begun considering the future of our IT provider at least six months before this in order to provide continuity of service. However, earlier this summer our Chief Information Officer (CIO) approached me to tell me that there was now an opportunity to reduce the costs of this service significantly. Our CIO came from the private sector recently and has a track record (which he has demonstrated as well in the SFO) of cost reduction and delivery focus.

I was aware of the drivers from the Cabinet Office to take out costs from contracts and the large sums that were being saved as a result of their decisive action with a number of suppliers. It seemed to me that this was the example to follow. I did not unfortunately link this with the other Cabinet Office driver to seek Cabinet Office approval for any new IT arrangements.

I instructed the CIO to look urgently at this with my senior colleagues here. I was conscious of the fact that our bargaining position would not be strong for long and that the longer this was left, the greater the risk that prices would go up rather than down because of changes in the bargaining strength of the parties. My colleagues were also particularly concerned about the risks for us in 2011 if we did not take action now. This was because we have a number of cases in the court system for the second half of 2011 (particularly Polly Peck).

I left it to the CIO and my senior colleagues to progress this although the CIO checked with me from time to time to confirm that I was still content with the action being taken.



B The options considered

We considered and costed four options.

1. **Maintaining the existing contract** and extending it without renegotiating services, etc. This was our baseline against which we compared the other three options.
2. **Renegotiating the existing contract** – we discussed our existing contract with SunGard and investigated ways of improving the value for money it offered.
3. **Retendering** – this option anticipated savings of 5%.

Added to the rather disappointing savings this option offered, we had to consider two issues:

- the impact of a lengthy and complex scoping exercise (given the complexity of our business and our reliance on technology) on our back office functions which we are paring down in line with Spending Review commitments
- our ongoing requirement for continuity of IT support beyond the initial term of any contract (as described in section A).

4. **Shared service** – this model anticipated savings of 20%. However, as our business relies heavily on the volumes of digital material we need to process to support our cases, we need high-end connectivity and continuous access to systems which, under a shared service model, would be offsite. This is something we explored some time ago. External hosting works very well and cheaply for certain business uses but it is not suitable where the organisation routinely transfers vast quantities of data on a daily basis. The costs escalate very dramatically for this and we have costings to show this. This option does not provide value for money. Put simply, the costs of the connectivity needed to prevent significant degradation of our existing business performance would outweigh any other savings made.

Having considered all the options, taking out costs through renegotiation represented the best value for money. It represents a saving of £0.75m over a three year period, with an annual window of opportunity to review the services being provided and so make further savings where possible (for example as a consequence of ECA). It includes cancellation all change control notes, re-scoping the provision of services and incorporates gratis project days.

Liaison with the Cabinet Office

We had discussed our contract with SunGard with the Cabinet Office. A letter from John Suffolk (HMG CIO/SIRO) of 15 June stated, "We do not require information on live services



that are business as usual, as these will be covered by the Efficiency and Reform Group (ERG) contract renegotiation". It should also be noted that at the time of the ICT Moratorium submissions, we had not yet identified the cost reduction opportunities and so were not actively pursuing the matter of the contract. It was on that basis therefore that we did not make a submission. It was not clear to me as well that the Cabinet Office guidance covered cost saving negotiations although I may have misunderstood the guidance.

The timing of our review of this brought into focus the opportunities to reduce costs as well as the risk we were exposed to in terms of our business continuity. It also highlighted the need for immediate action, despite the ICT Moratorium deadline having already passed.

Once the contract extension had been signed, our CIO informed the LODs' liaison officer () who escalated the matter. Our CIO met with Rachel Gentry, part of the ERG and ICT Moratorium team to explain the chronology and the situation. It was at this point that the Cabinet Office clarified the position regarding submissions and it was agreed that we would submit a retrospective project report and exception request form. This was duly done and we have complied with all follow up requests for information from the ICT Moratorium team.

I am very pleased to say that on 21 September the Cabinet Office advised us that they were recommending to Ministers that the contract extension should be approved. They followed this up with a request for further documentation which we have provided. We are now awaiting confirmation of the recommendation.

Chronology

The timeline clarifies when the actions described above took place.

Date	Commentary
June/July	CIO briefs Director on opportunities to take costs out of contract. CIO authorised to proceed.
29 July	We confirm with AGO (Annewen Rowe) that we are working on our report which will include the Autonomy implementation project.
30 July	We submit our ICT moratorium report to the AGO for the Autonomy Project
2 August	SFO Executive Board instructs the CIO to discuss options with SunGard.
6 August	SFO extends contract with SunGard.
9 August	We write to LODs' liaison officer outlining the action we have taken and why.
12 August	LODs' liaison officer refers the issue to the Cabinet Office team.



16 -26 August	Correspondence and discussions between the AGO and SFO over the reasons for extending the contract.
17 August	SFO CIO meets with Cabinet Office officials to discuss the contract extension.
3 September	Richard Alderman writes to the Attorney explaining why we were obliged to extend our contract and that, as result of extending it for three years, the SFO stands to save a further £0.75m in costs. Copies of the Cabinet Office spreadsheets sent to AGO.
6 September	Richard Alderman speaks to the Attorney. Copies of contract, etc sent to Annewen.
21 September	The Cabinet Office advises us that they are going to recommend to Ministers that the contract extension is approved.

I regret again the embarrassment you were caused over the extension of this contract. I hope that my comments have helped clarify the circumstances surrounding it.

Yours,
Richard

RICHARD ALDERMAN
Director



AGO

Attorney General's Office

Attorney General

20 Victoria Street
London
SW1H 0NF

From: , CPS
Head of Shared Services

To: Annewen Rowe,
Head of Shared Services, AGO

CC: David Jones, CIO, CPS

Date: 19th October 2010

Subject: Cabinet Office ICT Moratorium, Sungard Extension

Thank you and David for asking me to manage the ICT Moratorium submissions for the AGO family. In response to your request for a written summary of the interaction with SFO on the Sungard Extension, I can submit the following chronological information. This is probably more detailed than needed, but I hope you can draw out what you need to construct a more succinct brief.

For background, you should be aware I knew of the Sungard contract with SFO and its termination date beforehand, as Sungard were also providers to RCPO, and there was much cross-over of their support staff.

Date (2011)	Description
3 June 08:55	E-mail to all LODs including Mr. Ellis for SFO identifying impact of MS FD(10)16 from HM Treasury issued on May 26th. Contains the words: - <i>In effect this inhibits any IT contract extensions</i>
3 June 10:53	E-mail from me to A Rowe, AGO referring HM Treasury's paper contains the words: - <i>It may be important this is brought to Josh Ellis' and the SFO Board's attention. I understand he is on the brink of signing an extension contract with Sungard which would breach those rules</i>
8 June 10:46	E-mail from me to J Ellis on the impact of the freeze of contracts from May 26 th . Contains the words:- <i>Given the existing moratorium on contract extensions applicable, I am told, from May 26th, it is possible the Sungard 3-year extension currently approved by SFO Board will not now be going ahead.</i> <i>Alternatively, your strategy may be to appeal to HM Treasury to approve such an extension, in which case I am sure you will be discussing this with Annewen directly, to ensure Ministerial support.</i> [Note: at the time I thought that the SFO Board had already approved the extension]
8 June 10:55	Reply from J Ellis confirming the SFO Board had made no such decision
8 June 11:06	E-mail from D Jones to J Ellis contains the words: -

	<p><i>The only issue is that we have to review all on going projects and proposed projects and report our findings by mid Jul through AGO.</i></p> <p>And</p> <p><i>Any extension or new proposal to deliver the service currently provided to you by SunGard will be subject to that review reporting multi laterally to AG, Chief Sec to Treasury and Cabinet Office Minister</i></p>
8 June 11:15	<p>E-mail from D Jones to me, spelling out our joint understanding:-</p> <p><i>The important thing is that Josh knows we know about the 3-year extension which has not yet been signed. Needed to be done today, just in case</i></p>
16 June	<p>E-mail from me to J Ellis containing the Cabinet Office pro-forma requesting submissions for the ICT Moratorium, copied to D Jones, contains the words:-</p> <p><i>All contract extensions or modifications above £1M. This will include the SunGard 3-year extension at SFO and AGO, for which we can apply for an exception using the pro-forma</i></p> <p>And</p> <p><i>On the contract extension, you could decide not to proceed. This would then be entered into the "Stopped Project List" enclosed (Annex A). Alternatively, you may wish to go for an Exemption (Annex C). Please let me know which you would prefer, and how I might help.</i></p>
9 July	<p>A reminder sent by me to Mr Ellis as no submissions had been received, and the Cabinet Office requirement was for submissions by 31st July.</p>
12 July	<p>E-mail from A Rowe to J Ellis requesting information contains the words:</p> <p><i>Josh - most grateful of you could give the latest position on SunGard contract/discussions please.</i></p>
20 July	<p>A further reminder sent by me to J Ellis regarding submissions, none of which had been received, contains the words:</p> <p><i>You will also be pleased to hear that a new set of regulations, specifically targeting contracts such as SunGard's, were issued by the CO on 12th July. These require any contract extensions etc for infrastructure to be approved by the CIO Council Implementation Steering Group. We are fortunate in the LODs in that, even though we are so small, we have a representative on the ISG in the shape of David Jones, so hopefully that will help. If you haven't received the paperwork directly (usefully entitled "ICT Moratorium and Project Review & Changes to the Approval of Common Infrastructure IT/IS Departmental Plans"), please do let me know and I will send you a copy.</i></p>
20 July	<p>Reply from J Ellis: -</p> <p><i>All in hand - apologies - busy times. You will have it in advance of the 30July 2010.</i></p>
23 July	<p>E-mail for me to j Ellis forwarding the reminder from J Suffolk, Cabinet Office, on the need to complete the project information by 31st July</p>
29 July 08:06	<p>E-mail from me to J Ellis contains the words: -</p> <p><i>Can you please let me know if SFO will be submitting any projects, so I can advise CO accordingly?</i></p>
29 July 12:03	<p>E-mail from A Rowe to J Ellis contains the words:-</p> <p><i>I'd be most grateful please for confirmation whether SFO will be making any submissions so</i></p>

	<i>that we can keep the AG informed.</i>
29 Jul 14:03	<p>E-mail from me to A Rowe and J Ellis contains the words: -</p> <p><i>It is my understanding that if the Sungard contract with AGO and SFO, scheduled to terminate in July 2011, is up for consideration by the Boards of SFO and AGO for extension than this should be first submitted to the ICT Moratorium, and it would then go to the Boards with Cabinet Office's blessing.</i></p> <p><i>I believe the ICT Moratorium will continue, possibly for the remainder of the year, possibly longer, so when SFO and AGO decide to do something about the Sungard contract, extension or not, then the submission becomes part of that process.</i></p>
29 July 16:34	<p>E-mail from me to J Ellis and A Rowe contains the words:-</p> <p><i>I have just had a word with [one of J Ellis staff] of SFO and I am content that no submission on Sungard is needed for tomorrow.</i></p> <p><i>This is mainly because SFO and AGO are not actively pursuing the Sungard extension.</i></p> <p><i>We agreed the Sungard extension cannot proceed as it needs to be caught in one or other spending review.</i></p> <p><i>It remains my belief it will be the ICT Moratorium spending review. believes it will be the ERG</i></p> <p><i>As SFO and AGO are not proceeding with it at present I believe we have time to obtain advice from the Cabinet Office on which review is pertinent subsequent to 31st July which has undertaken to do.</i></p>
30 July	E-mail reminder from me to J Ellis, requesting submissions by tomorrow.
30 July	<p>E-mail from J Ellis to me contains the words:</p> <p><i>Please find attached the sole submission from the SFO. The Project relates to the Autonomy Implementation which is underway. This is the only ICT project at the SFO which falls within scope of the ICT Moratorium Return.</i></p> <p>[Note: the Autonomy project was submitted to the Cabinet Office, and was given permission to proceed.]</p>
9 Aug	<p>E-mail from J Ellis to me contains the words: -</p> <p><i>Following an Executive Board discussion, and an assessment of our risk exposure, it is abundantly clear that we needed to ensure operational resilience for the lifecycle of the Autonomy Project. The SFO has therefore signed a 3 year extension of the existing [Sungard] contract.</i></p> <p>I passed this information on to D Jones and A Rowe to obtain confirmation directly from J Ellis.</p>

From: Annewen Rowe
Sent: 21 October 2010 19:08
To: 'BAILES Christian'
Subject: consultancy

Importance: High

Chris

Many thanks for a helpful conversation on Tuesday.

We agreed that you would forward the email correspondence with OGC which will contain the pages missing from the hard copy report that you gave me when we met. Those pages will supply the information that will enable us to consider any necessary next steps, including whether the contracts may need to be aggregated and also whether any of them extend over longer than three months and thus require AG approval for that reason.

You mentioned that the consultancy work covered, among other things:

- Changes to the assurance process
- The intelligence function
- Leadership and management processes, training, the application of case acceptance criteria, review and process
- A people program - leadership development
- An SCS development program, for example, for the head of domain role.

What response did you receive from OGC? I forgot to ask!

You were also going to confirm the current position on consultants.

There seems to be a discrepancy with the consultancy return sent to us on the 5th October (attached). Perhaps the draft response to the recent written PQ on management consultancy (which indicated nil expenditure since May) could also be reconsidered? I will forward an electronic copy in the morning if helpful. The response has not yet been submitted to Parliament.



Departmental
Return

Kindest regards

Annewen

Annewen Rowe

From: Annewen Rowe
Sent: 09 November 2010 11:01
To: 'BAILES Christian';
Cc: 'WILLIAMSON Phillippa'; Peter Fish
Subject: RE: Consultancy Spend
 Chris

Further analysis of the spreadsheet you have just sent across reveals that the totals differ substantially from those previously reported.

The spreadsheet you have sent today indicates consultant spends of £316k for May to July, £162k in August and £12k in September. The previous reports to OGC, copied to us in July and on the 2nd November indicate spending of £556k approved before the 24th May for contracts ending on the 30th June, £40k in August and £248k in September. Please confirm which of these returns has been confirmed as accurate by as Head of Finance.

October and November figures are still awaited.

Kindest regards

Annewen

From:
Sent: 09 November 2010 10:30
To: Annewen Rowe; 'BAILES Christian';
Cc: 'WILLIAMSON Phillippa'; Peter Fish
Subject: RE: Consultancy Spend

It may be helpful to think of this from the point of view of the Public Accounts Committee or Parliament questioning the AG on the Law Officer's Departmental spend, so it would be useful to think about it in those terms for this afternoon.

The key questions they would ask are how much was spent in total on consultants - no matter how that is badged - and why could that work not be done by SFO staff or civil servants from other Departments, particularly bearing in mind the consultancies used are not specialists in fraud work. The AG is likely to pick out any one of the spends on the spreadsheet and ask you what the output was specifically for that spend, so it would be useful if you could be prepared for that line of questioning.

From: Annewen Rowe
Sent: 09 November 2010 10:15
To: 'BAILES Christian';
Cc: WILLIAMSON Phillippa; Peter Fish
Subject: RE: Consultancy Spend
Importance: High

Chris

Thank you for this.

I'm afraid that October and November to date remain outstanding - the PQ is about the "monetary value

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of contracts awarded" - there is no end date so the information sought is about contracts to date.

As we have also discussed, it would be most helpful, essential even, to have precise details of what each contract covered and the work delivered. In addition, why the spending was essential for the delivery of SFO's business, why it could not feasibly be done by SFO staff and whether the rates paid were within OGC guidelines.

Kindest regards

Annewen

From: BAILES Christian [mailto:Christian.Bailes@sfo.gsi.gov.uk]
Sent: 09 November 2010 10:04
To: Annewen Rowe;
Cc: WILLIAMSON Phillippa; Peter Fish
Subject: RE: Consultancy Spend

Annewen,

I attach an extract from the Spend Tracker element of the OGC returns from 24 May to September.

To clarify, the return submitted for the month of September encompasses invoices raised for the months of July and August and, as such, there was no spend in September in excess of £250k. The individual spends with PA for the 3 month period July – September were £237,765 and £120,483 for Corven. *Different to that recorded*

The extract details various spends incurred, including but not limited to, work carried out around the implementation of the Assurance Framework; interim support for the design of line management training; executive training and development; support to establish the improved intelligence model; support in assisting the development of the Strategic Threat Assessment; and support for the implementation of succession management.

We have discussed at length our differing views in respect of our contention that this work is for bespoke, time-bound activities that, whilst having interdependencies, are also separate from each other in respect of frontline delivery. We also discussed whether this work should be deemed as management consultancy or whether they should be regarded as "contingent labour" or "interim labour". As you know, we have also had a useful debate regarding our perception that the spends with both PA and Corven should not be aggregated as they are standalone.

We believe that the SFO's stance is consistent with that of the OGC Guidance (and the further note issued by of OGC on 1 November) in that this work was (to our view) predominantly focussed on the delivery of frontline activity, by individuals engaged on behalf of the SFO as opposed to providing "objective advice" on a variety of separate subjects.

We maintain this position and look forward to discussing further later today.

Kind regards

Chris

Chris Bailes | Chief Capability Officer | SFO | ELM | 10- 16 Elm Street | WC1X 0BJ |

From: Annewen Rowe [mailto:Annewen.Rowe@attorneygeneral.gsi.gov.uk]
Sent: 08 November 2010 18:25
To: BAILES Christian
Cc: WILLIAMSON Phillippa; Peter Fish
Subject: RE: Consultancy Spend

Thank you - I look forward to receiving Chris' response.

Kindest regards

Annewen

09/11/2010

From: [redacted]@sfo.gsi.gov.uk]
Sent: 08 November 2010 17:49
To: Annewen Rowe; BAILES Christian
Cc: WILLIAMSON Phillippa; ; Peter Fish
Subject: RE: Consultancy Spend

Annewen,

Chris and Phillippa have only had the opportunity to meet very late on this afternoon to discuss the matters you raise in your email of 5 November.

Therefore, I have drafted a response for Chris which he will in all likelihood turn his attention to later this evening. I will ensure that he responds in detail first thing tomorrow.

Many thanks

[redacted] | Personal Assistant to Chris Bailes, Chief Capability Officer and Josh Ellis Chief Information Officer | SFO | Elm House | 10-16 Elm Street | London | WC1X 0BJ |

From: Annewen Rowe [mailto:Annewen.Rowe@attorneygeneral.gsi.gov.uk]
Sent: 08 November 2010 16:09
To: Annewen Rowe; BAILES Christian
Cc: WILLIAMSON Phillippa; ; Peter Fish
Subject: RE: Consultancy Spend
Importance: High

Chris

Noting our meeting with the Attorney and the Solicitor tomorrow, I wondered when you expect to be in a position to supply the information referred to below?

Very happy to discuss if it would assist.

kindest regards

Annewen

From: Annewen Rowe
Sent: 05 November 2010 17:30
To: 'BAILES Christian'
Cc: WILLIAMSON Phillippa; Peter Fish
Subject: RE: Consultancy Spend

Chris

I enclose copies of all the OGC returns that we have received from the SFO since May of this year. They cover the period up to the 30th June, then August and September. We have not received returns for July or (as yet) October. The latter is due before the 10th of this month.

As mentioned in my emails of the 22nd October and 3rd November, could you please supply details of the PA consulting contracts so that it is possible to understand whether they should be aggregated and AG approval sought? As previously mentioned, a spend of over £1/4m during September alone with PA consulting is very likely to cause the Attorney to raise questions.

In order that the AG can be given a complete picture, could you let me know please how much has been spent by the SFO with PA (and Corven given recent correspondence) to date since 24th May of this year, no matter how it has been classified thus far? In addition, what plans are there for the remainder of this financial year? I recall that a sum of £913k was allocated to consultants/contractors for 10/11 in the pre CSR submission to the Law Officers

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Further in addition, please indicate whether the payment rates in each case were within OGC guidelines.

Turning to the PQ. The question asked of the AG is what the monetary value of contracts the LODs have awarded to each a) management consultancy and b) IT company (sic), since 7th May 2010.

The response that you have asked us to recommend to the Attorney with respect to consultancy is that the SFO have not awarded any management consultancy contracts since the 7th May.

The return for the period up to 30th June indicated that all the contracts on which more than £20,000 had been expended were terminated on 30th June. Some contracts under £20k are listed including one to PA Consulting.

The individual spend "under £20k" list in the August and September returns all post date that first return in which they are not mentioned. It follows therefore that they must be new contracts, including the 16 for PA consulting. Either the PA payments represent at least 15 new contracts to them alone since the end of June or they should be aggregated in various ways and not only represent new contracts but also submitted for AG approval as expenditure over £20k.

The OGC guidance has no specific "management consultancy" category. Therefore this must be interpreted to include all forms of consultancy reported or reportable to OGC. The Law Officers must be in possession of all the material in order to put them in a position to be able to decide how they wish to respond to Parliament.

I therefore look forward to receiving all the information requested by midday on Monday. The PQ response is already substantially late.

Private Office have indicated that the Law Officers will want to meet with you to allow them the opportunity to discuss and explore the response to the PQ and to ensure that they are satisfied with it. Private Office will be in touch to arrange that.

Kindest regards

Annewen

From: BAILES Christian [mailto:Christian.Bailes@sfo.gsi.gov.uk]
Sent: 04 November 2010 08:49
To: Annewen Rowe
Cc: WILLIAMSON Phillippa
Subject: RE: Consultancy Spend

Annewen

Thank you for your email earlier this afternoon.

I feel that further reassurances are necessary regarding copies of the SFO OGC returns forwarded to you yesterday in respect of consultancy spend.

As you will know from our discussions on 19 October, it was our (SFO) assertion that whilst we have commissioned "bespoke interim frontline delivery" support from PA Consulting during July and August this year, the SFO has not entered into any new contracts for management consultancy since May 2010. The work was commissioned through the pre-existing MDC framework process and this is why our returns to the AGO for that period were submitted as nil spend.

When we met in October, I recall we agreed that the variety of differing advice notes which had been circulated regarding reporting of management consultancy spend had actually raised more questions across OGDs than they had answered. I therefore agree with your comments in the earlier email that we need to ensure that there is no confusion (at the very least between ourselves) going forward and I am confident that we will be able to achieve this as a result of our meeting. It is helpful that the broader approach has also been further clarified in the recent note from Sir Gus O'Donnell on the subject.

For the purposes of further clarity, it is the SFO's position that the data provided to the OGC for July and August on the 'consultancy spend tracker' was provided to illustrate expenditure with a consultancy company during that period but certainly not to indicate (from our perspective) consultancy contracts for "management consultancy".

All the work itemised in these returns was for bespoke 'interim management support' to assist in the frontline

09/11/2010

delivery of core business activity. I can also confirm that the expenditure set out in the return was for work undertaken during July and August.

You also asked me to reflect on our response to the draft PQ which you helpfully attached to your email. I would be grateful if you would reinsert the following amended sentence into the Background Note in respect of the SFO. In the sentence ending "services being provided" please follow on with a further sentence to the effect that "**The SFO has also engaged some limited assistance from the commercial sector for bespoke interim management support to assist in the frontline delivery of its core activities**".

Kind regards,

Chris

Chris Bailes | Chief Capability Officer | SFO | ELM | 10- 16 Elm Street | WC1X 0BJ |

From: Annewen Rowe [mailto:Annewen.Rowe@attorneygeneral.gsi.gov.uk]
Sent: 03 November 2010 13:31
To: BAILES Christian
Cc:
Subject: RE: Consultancy Spend

Chris

Thank you for this. As I mentioned in my email of the 22nd October, could you supply details of the PA consulting contracts please so that we can discuss whether they should be aggregated and AG approval sought? An apparent spend of over £1/4m in one month with a single consultancy firm is very likely to cause the Attorney to raise questions.

In light of the recent letter from the Cabinet Secretary, the Attorney will expect to see all the details of consultancy spending in any event. He expects spend on consultants in future to be nil and would want to any exceptions to be discussed

The AG will expect to discuss this with the Director at the RBM to make sure there is no confusion in future.

I am slightly puzzled that the spend should have been reported to the OGC as the SFO Departmental Return for Consultancy in August and September but reported to AGO as a nil spend on consultancy for the months July to September - it is a recipe for considerable confusion as I'm sure you would agree.

I enclose the draft PQ that I also mentioned - I assume that you would want to redraft in the light of the consultancy returns made to OGC? It would be helpful if, in future, the sign off process for relevant PQs could include you so that there is no further confusion.

Kindest regards

Annewen

From: @sfo.gsi.gov.uk
Sent: 02 November 2010 16:19
To: Annewen Rowe
Cc: BAILES Christian
Subject: Consultancy Spend

Annewen,

Please see below for Chris's commentary together with the two returns that went to the OGC which I understand relate to the conversation you had with him yesterday.

Many thanks

09/11/2010

| Personal Assistant to Chris Bailes, Chief Capability Officer and Josh Ellis Chief Information Officer | SFO | Elm House | 10-16 Elm Street | London | WC1X 0BJ |

Please find attached the returns sent to the OGC in respect of spend with consultancy commissioned since May 2010. This illustrates the detailed breakdown of contract work the SFO has commissioned between May and September 2010.

At our meeting on 19 October we had a useful discussion on the interpretation of the various guidance notes which have recently been issued defining management consultancy work.

You will recall I advised that our returns to the OGC listed those activities where we had commissioned interim management or specialist technical support from companies generally regarded as consultancy firms but that we did not consider the work provided to be consultancy. Instead the packages of work were deemed bespoke by nature and were commissioned to deliver particular operational outcomes over a specific period of time.

As we discussed it is for these reasons that the SFO sent in 'nil returns' in respect of requesting AG permission for "consultancy" spends in excess of £20k or, moreover, details of any expenditure on "consultancy" during the period May to September 2010.

I trust this assists.

Chris

Chris Bailes | Chief Capability Officer | SFO | ELM | 10- 16 Elm Street | WC1X 0BJ |

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09/11/2010

Consultancy Spend Tracker - Sign Of. rification



July

Protect - Commercial (when completed)

Please Complete Contact Details

Department Contact Name

Chris Bailes

Email

christian.bailes@sfo.qsi.gov.uk

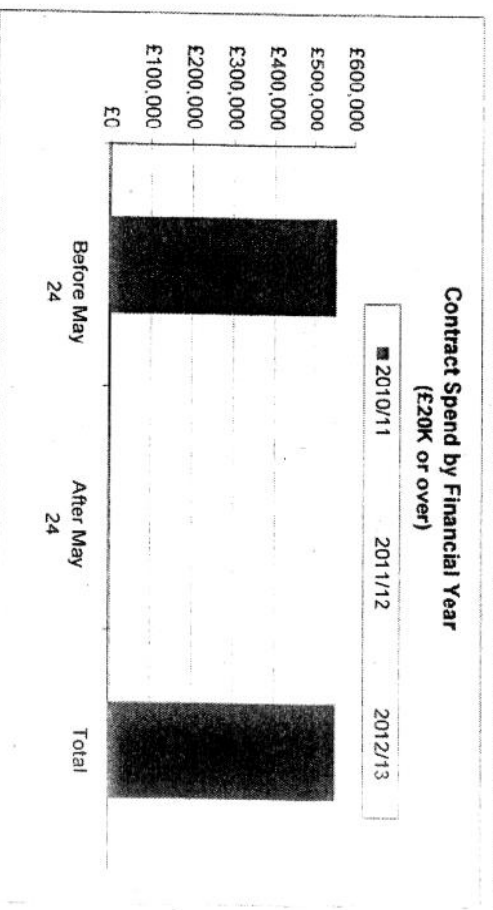
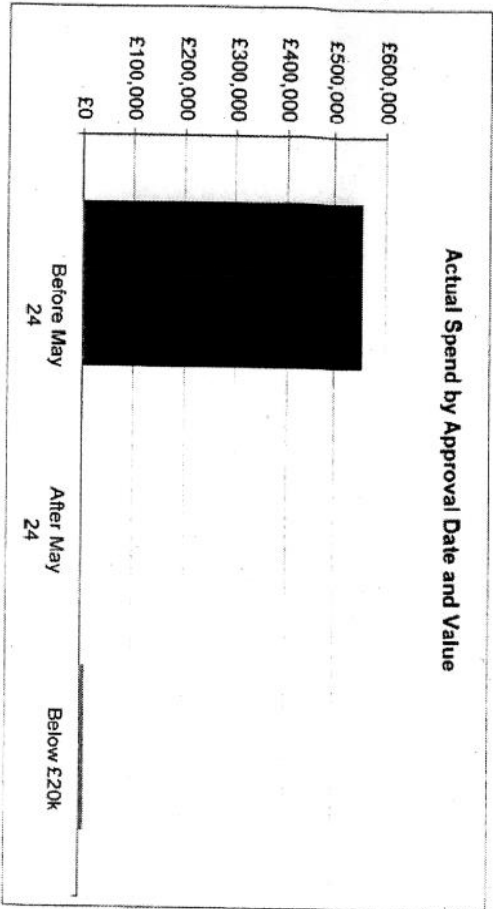
Telephone Number

Please check:

1. You are comfortable with the overall totals below
2. Data input errors are resolved.

Overall Totals

	2010/11	2011/12	2012/13	Total approved spend (£)	Actual Spend to date (£)
Contracts Approved Before 24 May	£556,698	£0	£0	£556,698	£556,698
Contracts Approved After 24 May	£0	£0	£0	£0	£0
Other Spend (below £20K)					£8,925



Data Input Errors

Input warnings have been recorded against 5 row(s) of your data. Please check tab Spend by Contract, Column AM

Todays

Consultancy Spend Tracker - Spend by Organisation
 Protect - Commercial (when completed)

Guidance

Please select your Department from the drop-down list.
 For each organisation reporting to your department, please enter the Consultancy Spend in FY 2010/11 divided by Consultancy Type.
 Please list any extra organisations reporting to your Department in the rows beneath the Core Department entry.
 Please enter into the Uncategorised column any spend which you are unable to subdivide your spend into categories.

Department: Serious Fraud Office

Organisation	Month of Activity	Finance	IT/IS	Strategy	Legal	Property & Construction	Human Resources, Training & Education	Marketing and Comms	Organisation and Change Management	Procurement	PPM	Technical	Uncategorised
CORVEN CONSULTING LTD	May-July								£38,965				£33,314
CORVEN CONSULTING LTD	May-July			£33,314					£34,540				
CORVEN CONSULTING LTD	May-July												

PA CONSULTING SERVICES LTD	May-July								£15,800				
PA CONSULTING SERVICES LTD	May-July								£16,030				
PA CONSULTING SERVICES LTD	May-July								£16,030				
PA CONSULTING SERVICES LTD	May-July								£11,450				
PA CONSULTING SERVICES LTD	May-July								£16,030				
PA CONSULTING SERVICES LTD	May-July								£8,015				
PA CONSULTING SERVICES LTD	May-July								£16,325				
CORVEN CONSULTING LTD	August								£13,664				
PA CONSULTING SERVICES LTD	August								£16,030				
PA CONSULTING SERVICES LTD	August								£13,740				
PA CONSULTING SERVICES LTD	August								£15,800				
PA CONSULTING SERVICES LTD	August								£4,580				
PA CONSULTING SERVICES LTD	August								£16,030				
PA CONSULTING SERVICES LTD	August								£15,900				
PA CONSULTING SERVICES LTD	August								£16,030				
PA CONSULTING SERVICES LTD	August								£8,015				

Consultancy Spend Tracker - Spend by Organisation
 Product: Commercial (when complete)

Guidance
 Please select your Department from the drop-down list.
 For each organisation reporting to your department, please enter the Consultancy Spend in FY 2010/11 divided by Consultancy Type.
 Please list any extra organisations reporting to your Department in the rows beneath the Core Department entry.
 Please enter into the Uncategorized column any spend which you are unable to subdivide your spend into categories.

* Accruals are an outline prior to invoices being generated

Department	Serious Fraud Office												
Organisation	Month of Activity	Finance	IT/IS	Strategy	Legal	Property & Construction	Human Resource, Training & Education	Marketing and Comms	Organisation and Change Management	Procurement	PPM	Technical	Uncategorised
CORVEN CONSULTING LTD	July							E22,269					
PA CONSULTING SERVICES LTD	July												
PA CONSULTING SERVICES LTD	July								E15,800				
PA CONSULTING SERVICES LTD	July								E16,030				
PA CONSULTING SERVICES LTD	July								E11,450				
PA CONSULTING SERVICES LTD	July								E16,030				
PA CONSULTING SERVICES LTD	July								E16,030				
PA CONSULTING SERVICES LTD	July								E3,015				
PA CONSULTING SERVICES LTD	July								E16,326				
CORVEN CONSULTING LTD	August								E16,326				
PA CONSULTING SERVICES LTD	August								E16,030				
PA CONSULTING SERVICES LTD	August								E13,740				
PA CONSULTING SERVICES LTD	August								E16,030				
PA CONSULTING SERVICES LTD	August								E16,800				
PA CONSULTING SERVICES LTD	August								E3,590				
PA CONSULTING SERVICES LTD	August								E16,030				
PA CONSULTING SERVICES LTD	August								E16,800				
PA CONSULTING SERVICES LTD	August								E16,030				
PA CONSULTING SERVICES LTD	August								E3,015				
ACCRUAL PA CONSULTING SERVICES LTD	September								E120,000				
CORVEN CONSULTING LTD	September								E48,340				
ACCRUAL CORVEN CONSULTING LTD	October								E48,340				
ACCRUAL PA CONSULTING SERVICES LTD	October								E120,000				
ACCRUAL PA CONSULTING SERVICES LTD	October								E1,544				



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To	Attorney General
From	Phillippa Williamson, Chief Executive Serious Fraud Office
Copied to	Richard Alderman, Chris Bailes, Peter Fish, Annewen Rowe
Date	10 November 2010
Subject	Consultancy

Purpose

The Attorney met with Phillippa Williamson (Chief Executive of the SFO) and Chris Bailes (Chief Capability Officer of the SFO) on Tuesday 9 November. This note provides:

- further briefing on our interpretation of the official guidance on 'consultancy' as provided by the Office for Government Commerce (OGC). This interpretation has informed our approach to engaging consultants and interim managers.
- background on the reasons why the SFO has engaged consultants and interim managers.
- copies of all SFO invoices for expenditure with consultancy firms from 24 May 2010 to 30 September 2010. 24 May 2010 was the date from which Ministers became responsible for authorising certain consultancy expenditure.
- copies of our returns to the OGC.

Although we noted the Attorney's comment at the meeting that it was for the SFO to determine how it runs its business, we hope that this additional operational information helps the Attorney's thinking around the Parliamentary Question from Ian Austin MP on consultancy costs; the returns the SFO makes to the OGC; and the SFO's return on consultancy spend to the Cabinet Secretary.

The meaning of 'consultancy'

There has been understandable confusion around Government departments about the meaning of 'consultancy'. This is reflected by the fact that the Cabinet Secretary had to clarify things in October this year.

According to OGC guidance, consultancy is, "The provision to management of objective advice relating to strategy, structure, management or operations of an organisation in pursuit of its purposes and objectives ... Consultancy may include the identification of options with recommendations, or assistance with (but not the delivery of) the implementation of solutions."

We have interpreted this literally, that is, it is permissible to engage consultants to give advice and to help implement such things as new processes, procedures and training programmes, but that consultants should not deliver these things.

The fact that consultants should not be involved in delivery, left us with a gap we needed to fill. We had new ways of working, etc to deliver but did not have the necessary leaders to do this. The OGC guidelines, however, also state that consultancy firms can supply interim managers. We have therefore



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engaged interim managers in this way, liaising directly with the consultancy firms and negotiating very competitive rates.

Background to the SFO's use of consultants

The independent review of the SFO by Jessica de Grazia in 2007-08 highlighted a number of fundamental weaknesses in the SFO. The Attorney General at the time supported the recommendations in the report and tasked the Director with taking them forward. As the report had highlighted a lack of management capability in the organisation, it was clear that outside support would be required. This was done in a number of ways – secondments and transfers from other Government departments, interim managers and consultants.

The SFO relied heavily on consultants during 2008-09 but this was all done within budget. They were fully engaged on the Transformation Programme that has led to significant improvements in the SFO's performance. Examples include:

- increased conviction rates up from 68% in 2007-08 to 78% in 2008-09 and 91% in 2009-10.
- the reduction in the average time it takes the SFO to investigate a case, down from 44 months before 2008 to a current level of around 25 months.
- the SFO delivering better results at a lower cost to the taxpayer than before. Even before the recent CSR, the SFO had already delivered on significantly reduced funding (£54m in 2008-09, £44m in 2009-10 and £37m this year).

This reliance tailed off during 2009-10 as the SFO built up its in-house capability. This was recognised by the Cabinet Office Capability Review team.

In 2010-11 the SFO continues to use consultancy firms but not for 'consultancy' services as such; we use them as a source for interim managers. This is reaping benefits as these managers are bringing greater transparency to the way we run our business and cases, and are identifying significant, real-time savings - for example, the way we resource investigations/prosecutions, gathering and developing Intelligence to support our casework and quality assuring our work. Even without the CSR, the SFO would have been committed to finding savings like this wherever possible (as it has over the past few years) but in the post-CSR climate, it is even more important than ever that savings are identified. Our current three-year business plan, developed before the CSR, reflects our ambition to implement strategies that will deliver considerable savings fully supporting our CSR commitment to achieving 25% reductions.

Invoices

A review of the attached invoices will show that they are all for a specific piece of work to be done by separate individuals and delivered by a specified deadline. All are under £20k. As such, we did not believe that we had to refer them to the Attorney General for approval. Invoices are only paid on delivery of the product.



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Returns to the OGC

A consolidated return is attached. Where appropriate, expenditure to consultancy firms in respect of invoices for interim managers has been moved to the correct category of 'Uncategorised' (and not to either 'Human Resources, Training and Education' or 'Organisation and Change Management' as before).

The return does, however, now include additional details (as requested) for consultancy and interim manager expenditure approved before 24 May 2010. One item is included under 'Human Resources, Training and Education', one under 'Organisation and Change Management' and three under 'Uncategorised'.

We hope that this clarifies our approach to 'consultancy' spend and meeting our OGC commitments.

PHILLIPPA WILLIAMSON
Chief Executive

**SUMMARY OF 'COPIES OF ALL SFO INVOICES', ETC, APPARENTLY ATTACHED TO PHILLIPPA WILLIAMSON'S NOTE OF
10 NOVEMBER 2010 TO ATTORNEY GENERAL**

Invoices

Agency	Date	Description of work	Amount
Corven	1 June 2010	Support to the Director	£23,306.29
Corven	1 July 2010	Developing Prosecutorial Framework & Coaching of Executives	£28,998.25
Corven	1 August 2010	Developing Prosecutorial Framework & Coaching of Senior Executives	£26,165.52
Corven	1 September 2010	Developing Prosecutorial Framework	£12,134.81

Agency	Date	Description of work	Amount
PA Consulting	3 September 2010	Executive Training and Development: Myers Briggs Training and Assessment for the Serious Fraud Office July 2010	£18,565.00
PA Consulting	3 September 2010	Interim support for the implementation for an Assurance Framework for the Serious Fraud Office July 2010	£18,835.25
PA Consulting	3 September 2010	Interim support for preparatory work to introduce future operational capability for the Serious Fraud Office July 2010	£18,835.25
PA Consulting	3 September 2010	Interim support for the design of line management training for the Serious Fraud Office July 2010	£18,835.25
PA Consulting	3 September 2010	Interim support for the design of line management training for the Serious Fraud Office July 2010	£18,835.25
PA Consulting	3 September 2010	Interim support to establish the improved intelligence model for Serious Fraud Office July 2010	£13,453.74
PA Consulting	3 September 2010	Interim support to assist in the development of the Strategic Threat Assessment and Prevention and Disruption approach for the Serious Fraud Office July / August 2010	£18,835.25

PA Consulting	3 September 2010	Executive Training and Development: Top Down Thinking for the Serious Fraud Office August 2010	£18,565.00
PA Consulting	3 September 2010	Interim support for the implementation of staff mentoring and coaching scheme for the Serious Fraud Office August 2010	£18,565.00
PA Consulting	3 September 2010	Interim support for the implementation of succession management for the Serious Fraud Office August 2010	£18,835.25
PA Consulting	3 September 2010	Interim support for the preparatory communications for future operational capability arrangements for the Serious Fraud Office late August 2010	£5,381.50
PA Consulting	3 September 2010	Interim support to develop an impact assessment for future operational capability for the Serious Fraud Office August 2010	£16,144.50
PA Consulting	3 September 2010	Interim support to develop future operational capability options and recommendations for the Serious Fraud Office August 2010	£18,835.25
PA Consulting	3 September 2010	Interim support to manage the Counter Fraud Operations Board for Serious Fraud Office August 2010	£18,835.25
PA Consulting	3 September 2010	Interim support to test new arrangements for future operational capability for the Serious Fraud Office late August 2010	£18,835.25

Reports

Agency	Date	Description of work	Amount
PA Consulting	2 June 2010	Invoice & achievements letter - Consultancy support from 1 April – 28 May	£271,552.77
PA Consulting	2 June 2010	Invoice & achievements letter - Internet and Intranet support from 1 April – 28 May	£35,608.38
PA Consulting	13 July 2010	Invoice & achievements letter - Consultancy support from 1 June – 2 July	£150,336.62
PA Consulting	13 July 2010	Invoice & achievements letter - Internet and Intranet support from 1 June – 2 July	£29,469.00
PA Consulting	9 September 2010	Summary of achievements – July & August	No costs included

Proposed work – no invoices

Agency	Date	Description of work	Amount
PA Consulting	14 September 2010	Further Executive Training and Development: Additional Top Down Thinking and Myers Briggs Training and Assessment for the Serious Fraud Office September 2010	£18,565.00
PA Consulting	14 September 2010	Interim support for the launch and mobilisation of the new Assurance team, working to the new Assurance Framework and to facilitate a workshop on legislative tools for the Serious Fraud Office September 2010	£16,145.00
PA Consulting	14 September 2010	Interim support to drive forward elements of the people programme and build HR capability	£10,763.00
PA Consulting	14 September 2010	Interim support to develop improved and clarified roles and responsibilities across the future operational teams of the Serious Fraud Office in September and early October 2010	£18,835.00
PA Consulting	14 September 2010	Interim support to develop proposals for changes to the operational architecture of the Serious Fraud Office September 2010	£18,835.00
PA Consulting	14 September 2010	Interim support to develop high level policies and processes for the future operational teams of the Serious Fraud Office September 2010	£14,799.00
PA Consulting	14 September 2010	Interim support to develop high level procedures for the future operational teams of the Serious Fraud Office September and late October 2010	£12,108.00

From: @sfo.gsi.gov.uk>
Sent: 12 November 2010 11:27
To: Annewen Rowe
Cc: WILLIAMSON Phillippa; Peter Fish; BAILES Christian
Subject: RE: Consultancy Spend
Attachments: SFO Consolidated Return.xls

Follow Up Flag: Follow up
Flag Status: Completed

Further to my earlier email, please see attached updated consolidated return which incorporates the commentary below into the spreadsheet document.

Apologies for the earlier omission.

| Personal Assistant to Chris Bailes, Chief Capability Officer and Josh Ellis Chief Information Officer |
SFO | Elm House | 10-16 Elm Street | London | WC1X 0BJ |

From:
Sent: 12 November 2010 11:17
To: BAILES Christian; Annewen Rowe
Cc: WILLIAMSON Phillippa; Peter Fish;
Subject: RE: Consultancy Spend

Dear All,

The Formatting on the email sent by Chris seems to have gone a little awry and so, for ease, I have copied it into the attached Word document.

Many thanks

| Personal Assistant to Chris Bailes, Chief Capability Officer and Josh Ellis Chief Information Officer |
SFO | Elm House | 10-16 Elm Street | London | WC1X 0BJ |

From: BAILES Christian
Sent: 12 November 2010 11:05
To: Annewen Rowe
Cc: WILLIAMSON Phillippa; Peter Fish;
Subject: RE: Consultancy Spend

I am a little perplexed by your comments below in respect of the SFO apparently not complying with agreed deliverables following the meeting earlier in the week with the AG. I do not accept there is any difficulty in respect of what we have agreed to provide.

We appear to continue to debate the specific aspect of the provision of contracts for the work listed on the expenditure schedule provided on Wednesday evening.

During the conversation on Tuesday we undertook to provide documentary evidence to support the work we commissioned primarily with PA and Corven listed on the schedule, particularly as this formed the lions share (90% of the overall value of expenditure of £1,116, 698 - see below). Copy invoices; covering letters which articulate the work commissioned and additional supporting documentation outlining that work and the products supplied as a result of each piece of work was sent across on Wednesday evening (and paper copies of these were left with the AG on Thursday am as promised).

So, every effort has been made to provide substantial evidence to support the operational work commissioned (particularly with PA) since Wednesday.

Generally, it is not common business practice to issue contracts for small; short and timebound bespoke pieces of work for interim management support - so this is the 'contract' documentation in this context.

In respect of all other work with each individual supplier, I have provided below some further detail of the work carried out to support the invoices already provided to you.

Generally, our overall approach from the outset in entering detail on the OGC spreadsheets from which all this data derives has been very cautious. As explained previously, none of the SFO entries on the spreadsheet are for 'the commissioning of management consultancy' but are rather instructions for interim specialist support during the period. The data was drawn from our returns sent in to the OGC during the relevant period and we submitted that data in the

honest belief it needed to be reported to comply with the OGC guidelines which refer to all payments to consultancy companies. Those guidelines for completion do not however clarify clearly how the type of service being supplied by those companies should be dealt with.

Total costs:

I have summarised below the total costs involved to date and analysed it for you:

Total value of invoices for and accrued payments from April to October 10 is: £ 1,116,698

Less: Total relating to being: £ 5,400

Less: Total spend prior to 7 May 2010 £ 58,069

Balance: £ 1,053,229

From that total, the balance of expenditure can be split into the following types:

Payment for interim management: £ 1,052,829

In summary, we have provided all available documentary evidence we have in our possession to support our position as expediently as we were able to in order for the Attorney to consider his response to the PQ from Ian Austin MP and the return to Gus O'Donnell.

Kind regards

Chris

Chris Bailes | Chief Capability Officer | SFO | ELM | 10-16 Elm Street | WC1X 0BJ |

From: @attorneygeneral.gsi.gov.uk

Sent: 11 November 2010 19:07

To: BAILES Christian; Annewen Rowe

Cc: WILLIAMSON Phillippa; Peter Fish;

Subject: RE: Consultancy Spend

Chris,

Thanks, the AG was intending to look at the information this evening, but I will let him know that you have been unable to meet that deadline. I was under the understanding that you had agreed to provide all of the paperwork relating to the consultancy spend by close of play Wednesday. You have not called or written to explain that there would be a delay to that and yet I am in the office at 7pm on Thursday still waiting for the information.

The AG is no longer interested in 'the higher level'. We need the underlying information for each spend. If 'commissioning contract letters' exist why have these not been sent over as requested by close of play Wednesday? I assume that this means there are no actual contracts?

The AG will make a judgement call tomorrow on what to include in the PQ based on the information he has available to him. We will also need to decide what information to provide to the Cabinet Secretary in advance of his PAC hearing on Wednesday. If the SFO cannot provide adequate documentation relating to their expenditure we will need to highlight that.

If the Attorney does not have that information despite having requested it there will need to be a very good reason. I really can't understand why this is all so difficult.

If any of this is unclear then please do call me.

From: BAILES Christian [mailto:Christian.Bailes@sfo.gsi.gov.uk]
Sent: 11 November 2010 18:49
To: Annewen Rowe
Cc: WILLIAMSON Phillippa; Peter Fish;
Subject: Re: Consultancy Spend

I am on a train at present so am not able to respond fully as I cannot open the spreadsheet. I will however look to assist in helping to further populate this data first thing in the morning.

At the higher level, I indicated at the meeting earlier in the week that the entries on the spreadsheet were in respect of commissioned activities with specialist companies for technical services on the 'interim (workforce) delivery basis' and not management consultancy as defined by the OGC guidance (we included this data on our OGC returns as many regarded themselves as consultancy specialists). In most cases commissioning (contract) letters were raised as is routine practice in respect of the engaging interim support on relatively short term activities (and I promise to provide these where readily available - as I have done for the PA work). Invoices were then submitted and paid as the work was completed.

To assist you in further briefing the Attorney, I will ensure some further commentary is added in to the spreadsheet tomorrow morning to describe the other work referenced against other individual entries, particularly where no invoice or letter has as yet been provided.

Chris

From: @attorneygeneral.gsi.gov.uk>
To: ; BAILES Christian; Annewen Rowe <Annewen.Rowe@attorneygeneral.gsi.gov.uk>
Cc: WILLIAMSON Phillippa; Peter Fish <Peter.Fish@attorneygeneral.gsi.gov.uk>;
Sent: Thu Nov 11 17:46:18 2010
Subject: RE: Consultancy Spend

Thanks

I'll have a look. However the key information for the Attorney will be the contracts behind these invoices which Chris indicated at the meeting on Tuesday were available and which he said he would forward yesterday. It's this background information which will let the Attorney take a judgement call on how to categorise the spending.

If these are not available, I'd appreciate being told so out of courtesy rather than hanging on in expectation. Filling in the table as I set out below would be the most useful therefore at this stage.

Please let me know when you think this will be available. You'll appreciate that I need to arrange to get this to the Attorney whenever that may be.

Thanks,

From: [redacted]@sfo.gsi.gov.uk]
Sent: 11 November 2010 17:37
To: BAILES Christian; Annewen Rowe
Cc: WILLIAMSON Phillippa; Peter Fish;
Subject: RE: Consultancy Spend

I am attaching the invoices for all those matters that are neither PA nor Corven

Many thanks

[redacted] Personal Assistant to Chris Bailes, Chief Capability Officer and Josh Ellis Chief Information Officer | SFO | Elm House | 10-16 Elm Street | London | WC1X 0BJ |

From: [redacted]@attorneygeneral.gsi.gov.uk]
Sent: 11 November 2010 15:42
To: BAILES Christian; Annewen Rowe
Cc: WILLIAMSON Phillippa; Peter Fish;
Subject: RE: Consultancy Spend

Chris,

At the meeting you mentioned that there were contracts for these spends but we do not appear to have copies of them. I do not think we have the invoices for all of the spends marked on the Consultancy Tracker spreadsheet either. Would you be able to send them through please?

To reassure the Attorney that his PQ response is a comprehensive account of expenditure based on all of the information, I would be grateful if you could add a comment to each of the entries on the spreadsheet to set out if the Attorney has a copy of the invoice and the contract. If we do not have either of those documents, I'd be grateful if you could add an explanation into the comment box. It is based upon this information that he will categorise the spend as management consultancy or otherwise and decide whether to include it in the PQ response or not and also in Gus' briefing.

For those entries with no documentation he may choose to err on the side of caution and include them.

I would be grateful if someone could do this this afternoon to enable the AG to consider overnight tonight. Do let me know if this is a problem,

Many thanks,

	B	C	D	E	F	G
11	on 10.11.10 at 10.40. we have upated the form to include expenditure in r					
12	ne SFO prior to 24.05.10 and Is highlighted in blue below					
13						
14	Serious Fraud Office					
15						
16	Month of Activity	Finance	IT/IS	Strategy	Legal	Property & Construction
17	May					
18	June					
19	May-July					
20	May-July	£1,045	e.g. Invoice - yes Contract -			
21	May-July					
22	May-July					
23	May-July	£1,275				
24	May-July					
25	May-July				£212	
26	May-July		£51,764			
27	May-July					
28	May-July					
29	May-July					
30	May-July					
31	May-July					
32	May-July					
33	May-July					
34	May-July					
35	May-July					
36	May-July					
37	May-July					
38	August					
39	August					
40	August				£122	
41	August		£2,625			
42	August		£16,263			
43	August		£7,161			
44	August					
45	August					
46	August					
47	August					

Page

From: BAILES Christian [mailto:Christian.Bailes@sfo.gsi.gov.uk]
Sent: 11 November 2010 09:18
To: Annewen Rowe
Cc: WILLIAMSON Phillippa; ; Peter Fish
Subject: Consultancy Spend

Annewen

Thanks.

I have reinstated the accrual for October in respect of both PA and Corven.

I have also amended the accrual figure for PA in September to the actual invoiced value of £84500 (and attached the relevant paperwork).

You will note from the Ministerial Submission sent through last evening from Phillippa that, following our useful discussion with the AG earlier in the week, we have adjusted the expenditure for PA and Corven in to the uncategorised column as we felt this better reflected our position in respect of this being for the employment of interim labour (albeit provided by management consultancy firms).

I will be sending though a body of material (contained in a couple of emails) to enable the AG to more fully evaluate the work undertaken (and delivered) by PA and Corven during the relevant period. I have also arranged for a hard copy bundle to be delivered to 20VS shortly. It is accompanied by a brief explanatory table entitled 'SFO Interim (Leadership) Support Activities' outlining the various documents with a short narrative introducing each document.

I understand from that he has set aside an hour today for the Attorney to consider the additional material we have provided and trust this clarifies sufficiently.

Kind regards

Chris

Chris Bailes | Chief Capability Officer | SFO | ELM | 10- 16 Elm Street | WC1X 0BJ |

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From: John Peck
Sent: 17 November 2010 19:08
To: Duncan Parish; Peter Fish; Annewen Rowe; Sue Patten;
'Paul.Jenkins@tsol.gsi.gov.uk'; 'jonathan.jones@tsol.gsi.gov.uk'
Subject: AG and Richard Alderman 1-2-1

All,

Quick note of the meeting that the AG had with Richard Alderman this afternoon. Bullet point 5 has the major action points ahead of the further meetings next week.

John

17.15 on 17 Nov

AG, Richard Alderman

Meeting was for 25mins

- AG - There have been a number of issues that have come up in your absence that cause me serious concern. PQs and consultancy. I have spoken to PW about it and raised this real problem with her too. I am the Minister responsible for SFO and in reporting I have to follow Cabinet Office (CO) guidelines. The simple fact is - if CO say its consultancy spend - it is. A nil return from your office is a major difference to £1m. Major problem if I cant act as your advocate when answering CO because I don't know what's happening. I must have understanding, complete understanding of LODs expenditure and I don't feel that has happened here.
- AG - Nearly a nil return - that would have been to mislead Parliament. This is a source of anxiety to me.
- RA - There are a number of issues and relationships that I've been worried about for some time. It thought they were containable but I now have added further concerns. I feel I need to talk to Paul Jenkins about the matter first and I've also sent a note to Peter Fish too. I feel its far better to talk to PJ first and I'm seeing him on Monday. My starting point is that we must try to keep you out of these problems first.
- I don't interfere with SFO prosecution decisions. I do have to take the flak for you though - both justified and sometimes not-justified. To do my job, I must know what's going on. Particularly financial superintendence at the current time. We are both small Depts, if I cant be your advocate, because I don't know what's going on, that's not a good position. Want to avoid this kind of situation in the future.
- AG - I want to help but I need to be diligent. **I will send you a note of the topics we must discuss further when we meet up next week. You may well want to send a note over to me too.** I would like to work this out.

- RA - We cannot carry on like this. 3/4 of my colleagues are not operational - they are bombarded by emails from AGO. We face a 25% cut in budget, I am already releasing people and there is a higher burden on my staff. I don't want to drop the ball on a case and I don't want to do anything that will have an impact on you.
- AG - That's what we need to talk about next week. The buck stops with me in Parliament. You may well want to protect me, which is nice, but I need the information. Accurate information. I need to know if there are relations problems. Outside of this, I don't think we have had a major issue in the last 6mths.
- AG - My major issues are finances and the running of the LODs here. My office don't really know what's going on - it's a real concern with the finances.
- RA - There are other issues. I would like to speak to Paul Jenkins first. Issues of interpretation; perception; and the fact that CO guidelines are not always clear. We speak to other Government bodies, like us in scale, and they say something similar. The AGO can sometimes take a different view.
- AG - Changed subject a touch and highlighted the challenge that we face with the CSR agreement. It's a considerable challenge maintaining the service.
- RA - We need to explore the meaning of superintendence here and how it can be carried out in the right way. As I've said, 3/4 of my people are effectively out of the working loop (I mean SFO operational matters) and we even push-back on other issues and cases. The AGO does not have an audit function over the SFO, that's the NAO. If this continues, I may need more people to comply with the AGO demands.
- AG - I am told by the CO to comply and that is a Govt-wide obligation. I cant just say "it's a problem".
- RA - CO are particularly concerned about management consultancy. How do you define this? We buy-in people to carry out our core work. Its an effective option. Your officials take a different view. Some others take a similar view to us on this.
- AG - I have looked at the figures and submissions myself and they are management consultants. When it comes to finances, I and my Dept need to know about things like this.
- RA - If our interpretation is wrong. We are guided by the CO. I do not want to see genuine good faith discussions transferred into disagreements.
- AG - There has been an erosion of trust - from both sides. This is something we must remedy.
- RA - I am concerned too. At official level this is something we need to talk about further. I am disappointed about what has happened here.
- AG - I want it resolved, better relationships must come.
- RA - I feel that support, generally, for the SFO is sadly lacking. Its beyond the issues we have discussed here. These are examples though.
- AG - I suggest you identify some examples of what you mean for me.

- RA - But as I've said I always try to keep Ministers out of these difficulties.
- AG - That's kind, but with problems of this type I am there to provide leadership. That is my role, that is my job.

End

DOMINIC GRIEVE QC MP



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19 November 2010

Dear Richard,

When we saw each other earlier this week, I said I would write setting out the topics I would like to discuss when we meet again on Wednesday. I appreciate that you may also wish to send me a note once you have spoken to Paul Jenkins on Monday.

3. Consultancy

I remain very concerned about the time it took for the SFO to provide the information necessary to answer the PQ on consultancy. Having been received on the 16th September, the question was due for answer on 11th October, however it was not until after my meeting with Phillippa and Chris that I received enough information to be able to answer the question to my satisfaction.

I must say that the information provided has also raised concerns about SFO's approach to this expenditure. As I mentioned in the meeting I understand that cabinet Office is likely to regard a significant amount of the expenditure as "consultancy" for the purposes of the spending control process. In any event, Cabinet Office have also re-confirmed that the same approvals process applies to a consultant, consultancy firm, consultancy framework agreement, or existing consultancy contract which is being used to provide interim labour. Accordingly, I expect all external expenditure of this kind to be dealt with in accordance with the approvals process, whether SFO regards it as consultancy or interim labour.

I also expect to be consulted on expenditure of this kind even if it falls below the £20,000 threshold. In relation to PA consulting and Corven for example, there are a series of invoices which total significantly more than £20,000. I have obligations to both the rest of Government and Parliament on spending controls and it is imperative that I am fully sighted to be able to meet those obligations. Whatever the strict legal position on whether these arise under separate contracts, the nature and scale of overall expenditure with these firms is such that I expect to be consulted in advance for any new commissions.

I have wider concerns about the level of overall SFO expenditure with consultancy firms and what this means for the sustainability of the SFO business model in the current SR period. I need to understand what it is that the consultancy firms bring that the SFO cannot itself provide, and how far the use of consultants is essential to SFO's core business. To the extent that what is being supplied is considered as interim labour, the use of consultancy firms rather than specialist providers appears on the face of it to be a very expensive option.

I would also like confirmation at our meeting of how much SFO are planning to spend on consultancy firms (whether for consultancy or interim labour) between now and the end of the financial year and some indication of when to expect to receive detailed requests for approval. I would also like confirmation of whether SFO are planning any such expenditure in the next financial year.

As part of that it would be useful to discuss the position of Corven in the context of the work on the Economic Crime Agency and the related tools and powers. I have not approved the use of a consultancy firm for this work, which has in itself been commissioned by myself and the Solicitor. I would like an explanation including details of any liability or expenditure at the meeting on Wednesday.

Finally on this point, I would like an explanation of the Governance procedures in place within the SFO for the authorisation of expenditure with consultancy firms, and for ensuring that central requirements on spending controls are complied with. From my meeting on the 9th and the subsequent information provided, I have concerns about the process for commissioning the work referred to in the response to the PQ. I would like to be satisfied the proper procurement procedures have been followed.

4. SunGard Contract and the Cabinet Office requirements

You will appreciate that the Efficiency and Reform Group in the Cabinet Office is led by my colleague Francis Maude. I am keen that all of the Law Officers' Departments abide by the rules and processes which have been set out by that group and I am accountable to the House and to other Ministers when those rules are broken or the processes are not followed. I would like to discuss the conditions which the Cabinet Office have put in place

regarding approval of the SunGard contract and the plans the SFO have to meet those conditions.

A handwritten signature in black ink, appearing to read "Dominic Grieve". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

DOMINIC GRIEVE QC MP

Annwen Rowe

From:
Sent: 23 November 2010 20:10
To: Peter Fish; Annwen Rowe; Sue Patten
Subject: SFO response in advance of RBM

Doc No RA/318/LS 1
The Rt Hon Dominic Grieve QC MP
Attorney General
Attorney General's Office
20 Victoria Street
London
SW1H 0NF
Direct Line
Direct Fax
E-mail: richard.alderman@sfo.gsi.gov.uk
Your Ref:
Our Ref: RA
Date: 23 November 2010

Thank you for your letter of 19 November.

Thank you also for the time you gave me last Wednesday. I found our meeting very helpful. I was particularly struck by your invitation to me to acquaint you more fully with issues that I have been trying to deal with at official level. Thank you for this invitation. I shall cover some of these issues in this letter although there are others that trouble me which we might also touch on at tomorrow's RBM.

The purpose of dealing with these issues though both here and in the meeting is to look for a way forward. We need to do this and to move on. It is clear that the current approach is not working and I have been reflecting personally on what more I need to do to help you and the help that the SFO needs from you.

I am sorry that the letter is rather late but a lot of time has been taken in recent days, including the weekend.

You will appreciate that I and my senior staff have been very distracted of late.

We will clearly need to discuss further the matters you raise when we meet on Wednesday. The briefing note we sent AGO last Friday (and copied here for ease) already covers most of these issues – for example, our plans for implementing the Spending Review and case updates. However, I thought it would be useful to explain the progress the SFO is making, the challenges we face and to clarify a few matters regarding consultancy and interim support spend before Wednesday's meeting.

The progress we have made

To begin with I think that it would be helpful to summarise the transformation that has been happening in the SFO and the progress we have been making. I am not sure this context is always recognised and yet it is key to understanding where we are and why. Since being appointed Director of the SFO in April 2008 my aim has always been to make the SFO a leaner, better performing organisation. The SFO was in an exceptionally poor state in April 2008 and was, in fact, much worse than was suggested in the Jessica de Grazia report

Doc No RA/318/LS 2

We have already achieved much. For example we have dramatically reduced the time it takes us to investigate cases (from 42 months when I took over at the SFO to 33 months in 2009-10 with an aspiration of 12 months by the end of 2012-13) while increasing our conviction rate from 61% in 2007-08 to 91.7% in 2009-10. We have also recovered more compensation for victims and achieved the first civil recovery orders for the SFO and corporate fines which have seen tens of millions of pounds being channelled back into the criminal justice system. And we have achieved all this at less expense to the public purse. Our outturn in 2006-07 was £43,369k, in 2009-10 it was £40,007k.

We have moved to a far more flexible model which involves core permanent civil service staff augmented as required by a range of interims to support cases, forensics, IT, etc. We have reduced our permanent staff over a period of time to develop a much more agile and flexible workforce. This means that we do not (unlike some departments) have to pay off permanent

civil servants now to meet the challenges of the CSR. The fact that we have achieved this means that we have not had to ask you for additional funding for early severance. The mix of key permanent staff and flexible interims is also a key component of living within the CSR settlement.

We are now dealing with more cases than ever before as the briefing material attached shows. This is because of our more efficient ways of working. This is testimony to our continuing approach not only of living within reduced budgets but also finding further savings when we can. We have also achieved this in the face of significant resistance from a relatively small but very influential group of colleagues – and ex-colleagues - who have a dated view of the civil service and the purpose of law enforcement and who have regularly sought to undermine the new SFO by briefing the press and others against the SFO and its new management.

What we also had to do is to sort out some of the most difficult investigations and prosecutions in the CJS in a very public environment and where the courts have not yet developed the approach we need. There is much public pressure on us as well to undertake further big City cases whether involving fraud or corruption.

The burden of all of this falls on my very small senior management team (some four or five senior civil servants). We have to lead the transformation while constantly pushing for faster delivery of cases and getting involved in the detail of the cases as well. The great majority of staff in a small organisation such as the SFO are frontline operational staff working on cases. I do not want to draw them away from cases to deal with other issues and so it is for my senior colleagues to pick up issues from the AGO and Whitehall.

The final difficulty is that of managing an organisation where staff know that the current operating model will come to an end shortly and are desperately worried about their jobs. Senior managers have to spend considerable amounts of time trying to reassure staff in the absence of any communications from the centre about these issues. I do not detect any understanding outside the SFO of the sheer difficulty and time consuming nature of this. Again it is a burden that falls personally on to my most senior colleagues.

Doc No RA/318/LS 3

Ian Austin PQ

You have said that we were late in providing information. We have heard this as well from your Private Secretary. Let me explain the SFO perspective on this.

We received the PQ from Ian Austin on 16 September 2010. The deadline for replies was 5 October. We sent ours on 4 October 2010. From then until 11 November when Phillippa Williamson and Chris Bailes met with you, officials from both our offices were in dialogue about the nature of our spend on interim support. During this period we were not aware that the PQ response was inadequate for your needs or that any information was still outstanding. These further discussions focused on our use of consultancy firms to provide interim support and our respective offices' different interpretations of the OGC guidance.

The PQ was not shown to us in draft. This was unfortunate. When I saw it I wrote immediately to AGO colleagues on 16 November pointing out that the answer to the PQ was inaccurate. It states that the value of the extension to our contract with SunGard Vista is £3,142,000. It is in fact £2,372,000. The note also says that the Cabinet Office Minister has conditionally approved £731,500 of this for 2010-11. This is not correct as the extension only begins in the second quarter of 2011. Funding for 2010-11 is already in place. We would have pointed this out if we had seen a draft before publication.

I am also concerned that the Answer gives the impression that all of the non-IT expenditure was in relation to management consultancy. While payments were made to firms who provide management consultancy, the payments were not in respect of management consultancy. I shall comment on this in more detail below.

Use of consultancy firms

I need to put this in perspective. There is a lot of interest from AGO about support we have obtained from PA Consulting and Corven. We currently have the equivalent of four FTEs from across these firms out of around a total of 70 interim support staff. The vast majority of interim support comes from others who are recruited on a temporary basis to fill skills gaps. I commented above about how we have reduced the cost of permanent civil servants whilst making the SFO more flexible by using interim support.

Officials in other departments we speak to all agree that the guidance from the OGC on consultancy and interim support spend is unclear. There have been differences in the way offices have been interpreting this. Interestingly we were talking to NAO colleagues recently and they, too, have been unclear on the guidance and have had to ask for clarification. I also

believe that at yesterday's meeting of the LODs' Finance Directors, the directors too were struggling to find clarification and the OGC themselves said that the position was unclear. Gus O'Donnell's letter of 27 October now provides helpful clarity on the matter. It is clear from this that we were not alone in regarding interim support as being separate from management consultancy.

We shall be complying with the clear guidance that has now been given. We shall be seeking your views on projected spends of over £20k in accordance with the new rules.

Doc No RA/318/LS 4

We have many fine people in the SFO. They are able investigators, accountants and lawyers, but like many counterparts across the civil service, they lack the change management, project management, process improvement and people skills required in a modern business. I needed to bring in these skills to the SFO through interim support in order to transform it and implement the improvements required by the Jessica de Grazia report. The Cabinet Office Capability Review commented on our lack of internal capability in this area where we had key issues to address. I was able to do this in part through transfers and secondments into the SFO but I also had to buy-in these skills from consultancy firms on an interim basis. I am convinced that we would not have transformed the SFO so quickly, fundamentally and safely had we not had access to these skills.

Just a few examples of how this support has helped us include:

- 1 an **improved Intelligence function** – which is now sourcing up to 25% of our cases
- 1 an **enhanced victim and witness support service** – which has been well received by victims and witnesses themselves and the voluntary sector
- 1 **reducing the costs of investigations and improving the quality of casework** – which can be seen in the reduction in the time it now takes us to investigate cases, and our new assurance standards
- 1 **management training** – which has given most of our managers the first 'real' management training they have ever received and helped them to understand that management is fundamental to their role, and not an 'add on'.

Working with senior managers, interim support staff from consultancy firms and other companies come up with solutions to problems, implement them and instruct internal staff how to maintain the new process for the future. By using such experts wisely, as we have done, you can achieve a 'skills transfer' so that future improvements can be done in-house. I am confident that the interims we have engaged have transferred very valuable skills to a considerable number of our staff. In due course we will have our own internal sustainable capability, but not yet.

You have commented that this is more expensive than using permanent civil servants. We need to look at this in context. Recruiting new civil servants and paying indefinitely for their salary, pension, accommodation, etc will inevitably be more expensive than engaging temporary support. And there is a question as well about where we would find the skills we need. These skills are more readily found in private sector organisations. No period of induction or training is needed. The individuals are of high calibre and are very flexible. They come in to do a job we cannot do and then they leave us having transferred their skills as appropriate.

The SFO does not have the money to recruit permanent staff to do the work of these temporary support staff for short duration expert tasks, even if prospective employees had the skills the SFO requires and recruitment restrictions enabled me to bring them into the civil service. I certainly do not have the money in our CSR plans to pay the exit costs once these specific tasks are complete and in a small organisation I cannot maintain in-house specialist capability in every subject, even where it is not available elsewhere in the civil service. If I could not use some interim support in this difficult transformational period it would place my CSR settlement at risk and I would have to advise that we were adding significant risk to our most complex cases.

Doc No RA/318/LS 5

We have already submitted a business case for future interim support up to March 2011. This estimated a total spend of £300k to help establish a shadow Economic Crime Agency. It is possible that additional spend on this type of support may be required in 2011-12 although we shall have to wait for further ministerial decisions on this.

As to Corven, they have been providing relatively limited interim support on the new tools work for the Economic Crime Agency. They have produced specific pieces of work on each of the identified new tools and pulled together ideas and thinking on each of these areas from

across the law enforcement community in the UK and overseas. They have also facilitated workshops with colleagues from the MoJ, SFO, CPS, judiciary, expert defence practitioners and elsewhere; analysed the output and have drafted position papers and business cases for each tool. These will be presented to ministers and handed over to the appropriate MoJ/Home Office section to take forward through to formal consultation and implementation. The feedback we have received about Corven's performance has been excellent, not least from the MoJ senior officials who will in due course lead on preparing the necessary legislation.

Corven have almost two years of experience in developing work on this work area. This expertise does not lie within the SFO or elsewhere across the LODs. The involvement of this support on an interim basis has enabled us to progress this work rapidly and effectively. MoJ colleagues have noted the considerable progress that has been made and they appreciate the approach and level of engagement we are now providing on this.

SunGard Contract

There is information about this in the Briefing Pack. We shall need to discuss this because there seems to be much confusion around the actual position and as a result I have concerns about the Cabinet Office response. I shall not set these out in this letter because it is already too long.

Let me conclude by saying again that I regret the difficulties that you have been caused. I am very anxious to find a way through this and to establish the relationship of trust and confidence that needs to exist between the AGO and SFO. Peter Fish and I have started to think about how we take this forward. We both want to see a radical improvement that looks to the future and not to the past.

It will be good to talk through these issues with you tomorrow.

RICHARD ALDERMAN

Director

Principal Private Secretary
Attorney General's Office
20 Victoria Street
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SW1H 0NF

From:
Sent: 06 April 2011 12:54
To: Annewen Rowe; Sue Patten; Peter Fish; Private Office;
Subject: SFO RBM - APs

All,

Key action points I noted

IT/SunGard

- RA - Cabinet Office have now signed-off this contract, Francis Maude was content with the extension. They said that they wouldn't be interested in such a minor issue in the future.
- RA - Apology to Peter Fish for not yet having the chance to reply to his letter on the matter.