



Ministry  
of Justice

The Right Honourable  
**David Gauke MP**  
Lord Chancellor & Secretary of  
State for Justice

Sir Richard Heaton  
Permanent Secretary  
102 Petty France  
London  
SW1H 9AJ

8 May 2019

Dear Richard,

### Working Links

Thank you for your letter of 8 May about the proposal to provide financial support to the Permitted Subcontractors who face losses following the collapse of Working Links and its Community Rehabilitation Companies (CRCs). I am grateful for the scrutiny and advice that you and other officials in the Department have given me on this complex matter.

I recognise the issues that this course of action causes for you as the Principal Accounting Officer and for the Chief Executive of HMPPS. However, as you set out in your letter to me, there are issues that weigh in my decision to an extent that you are not able to accommodate.

In particular, I have listened carefully to the arguments put forward by these organisations that the Government has a moral 'duty of care' (though we do not, I accept, owe a legal duty of care) to make good these losses. In making that claim, these organisations stress the unique circumstances of this first-generation probation outsourcing, the comfort given by my predecessors about how the Government would steward this market, their status as 'Permitted Subcontractors' in our contract structure, and the extent to which these organisations were delivering frontline statutory services on behalf of Government.

I intend to put in place a more stable and resilient probation system, which works effectively to protect the public and tackle reoffending. In that context, there is clearly value in maintaining a diverse and varied market of providers able to address the complex needs of individuals in the probation system. Organisations such as these will be key in the future market for probation services; if our failure to stand behind them results in their departure from the market, this could make it difficult for our reformed service to properly do its job from inception.

Against this backdrop, I have concluded that in these particular circumstances, as they relate to the collapse of Working Links and their CRCs, it is reasonable for Government to protect Permitted Subcontractors from the losses they have incurred. I direct you to process these payments once the scale of their exposure is verified.

You rightly draw to my attention the risks of repercussion from providing this support, specifically in acting outside of the Department's Managing Public Money obligations, and potentially setting expectations that we would act in the same way if presented with a similar scenario in the future.

To mitigate this risk, you and I have agreed that we will remind Directors in other CRCs and their supply chain of the responsibilities set out in their contracts, and their duties to ensure appropriate financial controls and risk management approaches are in place within their organisations.

I am absolutely clear that this is a unique response to a unique and specific set of circumstances. There should be no expectation that I would agree to replicate this approach in future.

A handwritten signature in black ink, appearing to read 'David Gauke', written in a cursive style.

**RT HON DAVID GAUKE MP**