



Work and Pensions Committee

Business, Energy and Industrial Strategy Committee

House of Commons, London SW1A 0AA

Tel 020 7219 8976/5777 Email workpencom@parliament.uk / beiscom@parliament.uk

From the Chairs

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Charles McLeod MBE
Director, McLeod Partnerhips Ltd
1st Floor, 12 Old Bond Street
London W1S 4PW

Dear Mr McLeod

Our Committees are currently investigating the collapse of Carillion. In our evidence session on 6 February, Richard Howson cited cracked concrete beams in Royal Liverpool Hospital as a factor in the company's demise. The exchange is appended to this letter. We would be grateful if you could please clarify:

1. Who (a) designed and (b) supplied the beams?
2. What delays did the beams cause to the construction of the new hospital?
3. Was the cost of remedial works entirely covered by Carillion?
4. Was there no insurance in place to cover such eventualities and, if not, is that unusual?
5. Mr Howson implied that less competent contractors than Carillion may have attempted to "cover up" the cracks. What would have been the (a) safety and (b) legal consequences of such a cover-up?
6. What was the effect of the delays on payments to Carillion?
7. Do you have any further comments on your experience working with Carillion?
8. Do you expect another contractor to be able to complete the hospital and, if so, when? Is there any chance of the hospital having to be demolished? And are you confident that the work carried out by Carillion was otherwise of adequate quality?

With best wishes and we look forward to hearing from you,

Rt Hon Frank Field MP
Chair, Work and Pensions Committee

Rachel Reeves MP
Chair, Business, Energy and Industrial
Strategy Committee

Q445 **Rachel Maclean:** How do you account for the lack of challenge and preparing for a potentially disastrous scenario?

Richard Howson: I am going to choose Royal Liverpool, which you touched on in the last session. Why did the forecast deteriorate in Q2 on Royal Liverpool? We had found a cracked beam. It was an enormous beam in a plant room that was surrounded by plant. If I had walked you around Royal Liverpool a year ago, it looked finished: paint on walls, ceiling tiles in, carpets down. We decided to remodel the whole structural frame, using independent engineers to see if there was the potential for more cracked beams. There were eight cracked beams that needed remedial works, and it took us two months to ascertain that. It then took us four or five months to do the remedial works to these large concrete beams. That caused a delay to the end of the year, which added over £20 million of cost to our completion.

Q446 **Frank Field:** You are making your case worse. This is almost a parable for the company. You complete the contract and then you find cracked beams all over the place, so you had to repair those. That is the model of what we have been getting this morning.

Richard Howson: I am illustrating how the cost projection changed in Q2 of that year.

Q447 **Frank Field:** I am suggesting you are telling us a parable that is appropriate to the whole company's business model: there you go ploughing on, and then at the last minute all these difficulties appear. The idea that you have been doing this major reconstruction and then you find the cracks in poor old Royal Liverpool seems incredulous.

Richard Howson: It is a very exceptional event, to find beams that crack that have been designed by a professional designer. As a competent contractor—and it goes back to my pride in Carillion—we did not just cover it up. We properly rectified, even though it cost, and those beams would probably never fail in their cracked state. We chose to rectify them because that is—

Frank Field: It is a parable for the company.