



Work and Pensions Committee Business, Energy and Industrial Strategy Committee

House of Commons, London, SW1A 0AA

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From the Chairs

14 February 2018

Anne Ramsay
Company Secretary
The Hospital Company (Sandwell) Limited
Russell Square House
10-12 Russell Square
London WC1B 5EH

Dear Anne,

Our Committees are currently investigating the collapse of Carillion. In their evidence to us, and in wider reporting before and after the collapse, former directors sought to blame four contracts for the rapid decline of the company, including the Midland Metropolitan Hospital Project. In his evidence to us on 6 February, the former Chief Executive of Carillion, Richard Howson, sought to blame issues with the building service design (an extract is attached).

We would be grateful for your responses to the following questions:

1. Who was responsible for the building service design?
2. What delays did the delays and errors to the design cause to construction?
3. Was the cost of any remedial works entirely covered by Carillion?
4. Was there no insurance in place to cover such eventualities and, if not, is that unusual?
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? And are you confident that the work carried out by Carillion was otherwise of adequate quality?

It would be helpful to receive a response to our inquiries by Wednesday 21 February.

Yours sincerely,

Rt Hon Frank Field MP
Chair, Work and Pensions Committee

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

Q528 **Stephen Kerr:** Can you say a word on the contingency planning around outstanding payments?

Richard Howson: In my experience—and I did work in the Gulf for five years, so I have lived with this personally—the only way to ensure that you are paid reasonably in the Gulf is through personal relationships with your customers. There is no point writing nasty letters; there is no point appointing lawyers. It is about being there and the give and take of delivering and receiving cash. Msheireb changed its CEO in 2014, and we had better traction on cash flow once that new CEO was in. Sadly that stopped at the end of 2016, which was damaging.

Q529 **Heidi Allen:** I am interested in the wiggle room, day to day, that the company had, just to cope with day-to-day costs, suppliers, et cetera. Your working capital ratio has never been more than 1.1 since 2004. How is that a sensible way to operate? It strikes me that, for example, in the case of the Royal Liverpool Hospital, with the beams issue, you had no wiggle room. You had no means of dealing with that, because you were absolutely on your knees financially the whole time. I would argue, on that, that you can surely push back to the engineer who designed it and get some recompense that way. Talk to me—particularly Richard Howson and Philip, to start with—about whether you were comfortable working in an organisation that operated in this way.

Richard Howson: The headroom on the facilities decreased over time. You can see that from our financial results. Notwithstanding that, as we looked at the cash flows through each year, they were reasonable in respect of what I was anticipating and what we were anticipating as we were delivering those contracts. Certainly, during 2017, the non-payment on Msheireb, the emergence of problems with concrete beams on Liverpool causing delay and cost, and then the issues with Midland Metropolitan Hospital, where the building services design, which was delivered six months late and then did not work, adding additional cost, put pressure on that working capital.

<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/work-and-pensions-committee/carillion/oral/78103.html>