



Business, Energy and Industrial Strategy Committee

Work and Pensions Committee

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From the Chairs

David Chapman
Official Receiver
The Insolvency Service

9 September 2019

Dear David,

Carillion

We last wrote to you in November 2018, almost a year after Carillion's collapse. At that time, you, as the Official Receiver, had taken over the company's liquidation, with the High Court appointing PwC as Special Managers. We were grateful for your reply to our letter in December 2018, but note that there has been no online update on Carillion from the Official Receiver since August 2018. We would be grateful for a further update on the following points:

Recoveries

Your December 2018 letter noted that realisations to date were at £413m (including trading receipts) across the sixty-six legal entities in compulsory liquidation and where you were appointed as liquidator. You also noted that "a number of recoveries" were still expected.

- 1. Could you provide an update on what further recoveries have been made since your letter of December 2018, and how many more are still expected?**

As we noted in our November 2018 letter, Carillion's collapse was expected to result in the largest ever hit to the Pension Protection Fund (PPF). Your December letter noted that it was "too early to tell how much will be paid to the PPF as a dividend as this depends on the outcome of a number of the future recoveries as well as the level of creditor claims that are received and admitted in the relevant legal entity to which the PPF has a claim".

- 2. Could you provide an update on how much is expected to be paid to the PPF?**

Special Managers

PwC were appointed as Special Managers to support the work of the Official Receiver in January 2018. In your March 2018 letter to us, you noted that:

It remains difficult to say at this stage when PwC's role as special managers will come to an end [...] Internally, we are working on a planning assumption that all ongoing trading activity by the company will be concluded by 30 June 2018. If that remains the case, PwC's role in relation to

the liquidation would be expected to reduce significantly by that date [...] You will note that there has already been a significant reduction in the numbers of staff deployed by PwC from around 200 at the date of liquidation to around 100 currently. Numbers would be expected to continue to reduce at a similar rate as work streams are concluded.

The response to our joint Report on Carillion from the Chief Executive of the Insolvency Service noted that "it is expected that PwC's final bill will be in the region of £50m for their work as special managers, representing around 10% of the total gross costs of the liquidation".

Your December 2018 letter noted that, for the 2018 calendar year, you expected PwC's fees to be around £44.2m.

- 3. Might you please confirm the final cost of PwC's fees for the 2018 calendar year?**
- 4. Might you please confirm the cost to date of PwC's fees for the 2019 calendar year?**
- 5. With the liquidation trading phase ending in August 2018, do you now have a clearer idea of when PwC's role as Special Managers will come to an end?**
- 6. How many PwC staff are currently working on Carillion's liquidation, and for how many hours per week?**

You also noted that you expected the net cost of the liquidation to be £72m, compared to the National Audit Office's June 2018 estimate of around £148 million.

- 7. Might you please let us know whether the expected net cost of the liquidation is still estimated at £72 million?**

Carillion employees

The Official Receiver's update of August 2018 noted that the liquidation trading period had ended, with employment preserved for over 80% of the original workforce and total redundancies at 2,787. Your December reply to our joint letter amended this to 2,913 redundancies as at 30 September 2018.

- 8. Please could you confirm whether any additional people have been made redundant through liquidation, and if so, how many?**

Investigation

We would be grateful for an update on the Insolvency Service's investigation into the directors and former directors of the company. In particular, when does the Insolvency Service expect to complete its work?

We would also welcome any other relevant updates on your work or the progress of investigation that you are able to provide to us.

Best wishes and we look forward to hearing from you,



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



Rt Hon Frank Field MP
Chair of the Work and Pensions Committee