

2 February 2018

Rt Hon Frank Field MP  
Rachel Reeves MP  
Chairs of the Work and Pensions and BEIS Select Committees  
House of Commons  
Westminster  
London  
SW1A 0AA

Dear Mr Field and Ms Reeves

## **Carillion**

Thank you for your letter dated 25 January 2018. Please find below responses to your questions on behalf of Deloitte LLP, its subsidiaries, with input from colleagues who led our work with Carillion.

### **1. Deloitte LLP engagements with Carillion Plc, subsidiaries and the Carillion Pension Plan**

We set out in Appendix 1, a summary of Deloitte LLP's engagements with Carillion Plc and its subsidiaries from 2008 to 15 January 2018, the date of Carillion's compulsory liquidation, including a breakdown of fees charged. For convenience, we have categorised the engagements by Deloitte service offering.

Please note we have not undertaken any engagements for the Carillion Pension Plan.

### **2. Deloitte LLP engagements with the Government concerning its contracts with Carillion**

We set out in Appendix 2, a summary of Deloitte LLP's engagements with the Government relating to contracts with Carillion Plc and its subsidiaries and the breakdown of fees charged. We are awaiting consent from one of the Government entities to enable provision of information relating to its engagement and we will provide details of this engagement once consent is received.

Please contact me should you require any further information.

Yours sincerely



**Nick Owen**  
**Chairman**  
Deloitte LLP

## Appendix 1– Deloitte Engagements with Carillion Plc and its subsidiaries since 2008

In order to collate the information set out in Appendix 1 we have undertaken a search of our Conflicts system to identify engagements where Carillion Plc or a subsidiary were listed as a Client. Where full details of an engagement were not available on the Conflicts system, the information provided has been supplemented by information obtained from the relevant engagement team/s. Details of the annual Fees Charged were obtained from our SAP system. In two cases below, for reasons of third party confidentiality, we have anonymised entity names to 'a third party'.

### 1 Risk Advisory Engagements

Client Name	Description of services	Year	Fees Charged (£) <sup>1</sup>
Carillion Plc	Internal Audit services – a series of individual projects as recorded in the annual Internal Audit plans where the scope was approved by Carillion’s Audit Committee.  We would be happy to provide further details in relation to the Internal Audit services provided, if it would be helpful.	2009	36,982
		2010	730,129
		2011	766,000
		2012	770,500
		2013	847,646
		2014	766,709
		2015	703,705
		2016	815,000
		2017	799,500

Client Name	Description of services	Year	Fees Charged (£)
Carillion (Am) Ltd	Secondment to the client to fill the role of acting Head of Internal Audit, on a temporary basis whilst the client determined the forward model for the provision of Internal Audit to the group.	2008	9,565

Client Name	Description of services	Year	Fees Charged (£)
Carillion Construction Ltd	Internal Audit of cost overruns on the North London Line contract.	2010	11,117

Client Name	Description of services	Year	Fees Charged (£)
Carillion Plc	Independent review of the client's current processes relating to the performance management of agency staff supplied by Carillion Rail Resourcing, and a review of the process on how accidents and incidents are	2014	73,329

<sup>1</sup> Please note that the fees charged per year are exclusive of VAT and are reported here as at the date the invoice was sent to the client. These do not represent paid amounts and we are aware that certain of these fees have not been paid.

	followed up where agency staff are involved. The review formed part of the client's requirements to fulfil recommendations made by the Department For Transport's Rail Accident Investigation Branch.		
	Rail Agency follow up inspection.	2014	21,940

<b>Client Name</b>	<b>Description of services</b>	<b>Year</b>	<b>Fees Charged (£)</b>
Carillion Plc	Secondment of Security resource to perform the interim role of Chief Information Security Officer.	2014	37,788

<b>Client Name</b>	<b>Description of services</b>	<b>Year</b>	<b>Fees Charged (£)</b>
Carillion Services Ltd	Carillion Telent analytics - Provision of advisory services to obtain an understanding of key issues in four specific areas (reallocations, DFEs [Departures from Estimates], Inventory and Cranes), analyse data, redesign processes, design governance and reporting frameworks, and provide training to relevant staff.	2014	68,909

<b>Client Name</b>	<b>Description of services</b>	<b>Year</b>	<b>Fees Charged (£)</b>
Carillion Plc	A review of a third party's controls operated on behalf of the client in compliance with the Data Protection Act 1998.	2015	194,155

<b>Client Name</b>	<b>Description of services</b>	<b>Year</b>	<b>Fees Charged (£)</b>
Carillion Plc	A proof of concept to demonstrate the power of operational analytics to improve operational performance of some facilities management contracts.	2015	116,097

<b>Client Name</b>	<b>Description of services</b>	<b>Year</b>	<b>Fees Charged (£)</b>
Carillion Services Ltd	Support of an operational review of three contracts to understand the specific drivers of operational performance against Service Level Agreement Metrics for various contracts.	2016	291,140

<b>Client Name</b>	<b>Description of services</b>	<b>Year</b>	<b>Fees Charged (£)</b>
Carillion Services Ltd	Creating a dashboard and using analytics to help the client better manage their contract with a third party.	2017	30,070

## 2 Audit<sup>2</sup>

Client Name	Description of services	Year	Fees Charged (£)
Alfred McAlpine PLC (subsidiary of Carillion from 2008)	Statutory audit of Alfred McAlpine pension for 2007 <sup>3</sup> .	2008	13,575

## 3 Tax

Client Name	Description of services	Year	Fees Charged (£)
Carillion Plc	Provision of services to the Remuneration Committee including benchmarking services, assisting with preparing reports, incentive schemes and preparation of papers for Remuneration Committee.	2008	27,360
		2009	5,100
		2010	7,441
		2011	63,575
		2012	20,163
		2013	25,500
		2014	36,536
		2015	52,448
		2016	37,867
		2017	79,685
2018	12,401		

Client Name	Description of services	Year	Fees Charged (£)
Carillion Plc	Design and implementation of an alternative car fleet selection policy.	2012	20,319

<sup>2</sup> We are engaged as the Statutory Auditors for two Joint Venture companies (between Carillion and Amey) known as CarillionAmey Limited and CarillionAmey Housing Prime. For one year ending 31 December 2015, we were engaged as Statutory Auditors of Aberdeen Roads Limited, Aberdeen Roads Holdings Limited and Aberdeen Roads (Finance) Plc. The Aberdeen Roads companies were a joint venture of which Carillion owned one third. These Joint Venture companies have not been included in this analysis as they are not subsidiaries of Carillion. It is possible that there may be other examples of work undertaken for Joint Ventures that are not included in Appendix 1.

<sup>3</sup> Please note for the audited period referenced in this engagement Alfred McAlpine was not a subsidiary of Carillion.

<b>Client Name</b>	<b>Description of services</b>	<b>Year</b>	<b>Fees Charged (£)</b>
Carillion Plc	Licence Fees for the client's use of Deloitte's Abacus Tax Software.	2008	5,500
		2009	5,600

<b>Client Name</b>	<b>Description of services</b>	<b>Year</b>	<b>Fees Charged (£)</b>
Carillion Plc	Provision of expatriate tax compliance and consulting services relating to inbound and outbound assignees to and from the UK.	2017	15,738
		2018	9,436

#### **4 Consulting**

<b>Client Name</b>	<b>Description of services</b>	<b>Year</b>	<b>Fees Charged (£)</b>
Carillion Plc	Undertaking an asset and liability modelling exercise across the client's pension funds.	2008	7,600

<b>Client Name</b>	<b>Description of services</b>	<b>Year</b>	<b>Fees Charged (£)</b>
Carillion (Ambs) Ltd	Developed the organisational design of the new help desk.	2008	60,452

<b>Client Name</b>	<b>Description of services</b>	<b>Year</b>	<b>Fees Charged (£)</b>
Carillion Energy Services Ltd	Provision of process transformation services as part of the Eaga [previous name for Carillion Energy Services Ltd] Business Transformation programme to increase efficiency and decrease costs.	2010	576,366
		2011	150,468

<b>Client Name</b>	<b>Description of services</b>	<b>Year</b>	<b>Fees Charged (£)</b>
Carillion LGS Ltd	Provision of three workshops for Carillion Highways Maintenance Ltd.	2011	53,139

<b>Client Name</b>	<b>Description of services</b>	<b>Year</b>	<b>Fees Charged (£)</b>
Carillion Plc	Supported the client in developing a solution to pension auto-enrolment.	2012	9,995

<b>Client Name</b>	<b>Description of services</b>	<b>Year</b>	<b>Fees Charged (£)</b>
Clinicenta Ltd	Conducted a diagnostic to determine the key processes, stakeholders and other factors affecting theatre and surgeon utilisation, and presented a high level implementation plan based on those findings.	2013	69,342

<b>Client Name</b>	<b>Description of services</b>	<b>Year</b>	<b>Fees Charged (£)</b>
Carillion Services Ltd	Assisted in the determination of the client's five year strategy and the prioritisation of its strategic initiatives. Looking at market review and "where to play" and "how to win" strategy.	2013	8,333
		2014	89,896

## 5 Financial Advisory

### 5.1 Advisory Corporate Finance

<b>Client Name</b>	<b>Description of services</b>	<b>Year</b>	<b>Fees Charged (£)</b>
Carillion Utility Services Ltd	A market sizing exercise for a potential new product the client was developing, to understand the potential value of the product, and a review of potential companies who may have been interested in acquiring the product or setting up a joint venture.	2015	204,995
		2016	323,146
		2017	25,979

### 5.2 Forensic

<b>Client Name</b>	<b>Description of services</b>	<b>Year</b>	<b>Fees Charged (£)</b>
Carillion (Am) Ltd	Privileged investigation on instruction of client's external solicitors.	2008	5,000 <sup>4</sup>

<b>Client Name</b>	<b>Description of services</b>	<b>Year</b>	<b>Fees Charged (£)</b>
Carillion Plc	Privileged investigation on instruction of client's external solicitors.	2009	299,908

<sup>4</sup> We worked on this engagement throughout 2007 and charged the client fees during this year. We have only included fees charged in 2008 as per the Committee's request.

<b>Client Name</b>	<b>Description of services</b>	<b>Year</b>	<b>Fees Charged (£)</b>
Carillion Plc	Provision of expert accounting evidence in a dispute.	2012	9,500
		2013	2,500

<b>Client Name</b>	<b>Description of services</b>	<b>Year</b>	<b>Fees Charged (£)</b>
Carillion Plc	Provision of advice to manage a data breach and scanning mobile phones for the presence of a particular data file.	2015	54,000

### 5.3 Real Estate

<b>Client Name</b>	<b>Description of services</b>	<b>Year</b>	<b>Fees Charged (£)</b>
Ask Real Estate Ltd	Provision of planning consultancy advice in relation to preparation of a planning application and nvironmental impact assessment for a large-scale residential development at land at Greengate, Salford.	2016	3,500 <sup>5</sup>

<b>Client Name</b>	<b>Description of services</b>	<b>Year</b>	<b>Fees Charged (£)</b>
Ask Central Ltd	Provision of town planning consultancy advice with regards to the client's proposals to redevelop land adjacent to Manchester Central for a mixed use scheme. Services included advising on an updated Strategic Regeneration Framework and preparing a planning application(s) for the proposals.	2016	72,185
		2017	47,990

<sup>5</sup> Ask was not a subsidiary of Carillion when the engagement was taking place but it had just become a subsidiary when we sent our final invoice to the client of £3,500 on 29 Feb 2016. We have therefore, not included details of fees charged prior to this when Ask was not a subsidiary of Carillion.

#### 5.4 Restructuring Services

Client Name	Description of services	Year	Fees Charged (£)
Carillion Plc	Supporting our clients in their consideration of the Group's 31 December 2017 covenant waiver request, including meetings with the Group's CRO and advisers, review of the EPM (insolvency analysis) report prepared for the Group and discussions with our clients' legal advisers, all in the context of the overall restructuring timetable put forward by the Group. This work concluded prior to the Christmas break in December 2017. Thereafter, we had begun to discuss with our clients their objectives and requirements for a medium term financial restructuring, and attended the Group's business plan presentation to lenders on 10 January 2018, as we were engaged to support them through the restructuring process. This work came to an end however, on 15 January 2018.	2017	319,456

#### 5.5 Transaction Services

Client Name	Description of services	Year	Fees Charged (£)
Carillion Plc	Preparation of a due diligence report and related reporting accountant work in connection with the acquisition of Eaga.	2011	360,839

Client Name	Description of services	Year	Fees Charged (£)
Carillion Plc	Provision of financial due diligence support and sector/market input to the client and ICP on the potential acquisition of assets that formed part of the Government Pipelines and Storage System being put up for sale by the UK Government.	2015	40,079



## Appendix 2– Deloitte LLP Engagements with the Government relating to contracts with Carillion and its subsidiaries since 2008

### 1 Financial Advisory – Advisory Corporate Finance

In order to collate the information set out in Appendix 2 we have undertaken a search of our Conflicts system to identify engagements where Carillion or a subsidiary were listed as an "Other Side Entity". Where full details of an engagement were not available on the Conflicts system, the information provided has been supplemented by information obtained from the relevant engagement team/s. Details of the annual Fees Charged were obtained from our SAP system.

By way of background on the NHS Trust engagements, our involvement in each case has been in relation to a contract (the "Project Agreement") entered into by the Trust and a Special Purpose Vehicle ("SPV"). The SPV will typically be formed by the equity investors in the relevant project, which is managed pursuant to the Project Agreement. Under the Project Agreement, the SPV is responsible for managing the performance of the various project contracts to ensure all are completed as required. Failure to do so entitles the Trusts to make deductions to the amount it is paying the SPV under the Project Agreement.

Client Name	Description of services	Year	Fees Charged (£)
Great Western Hospitals NHS Foundation Trust	Supporting Great Western Hospitals NHS Foundation Trust on the feasibility of refinancing or restructuring a Private Finance Initiative ("PFI") contract. Providing support to the development of an initial feasibility study and subsequently a business case examining options for the restructure of the PFI project under the existing Project Agreement.  Our work included an analysis of the existing Project Agreement under which Carillion provided the Facilities Management services to the SPV. This was a piece of work internally for the Trust and we had no contact with the SPV.	2015	20,000

<b>Client Name</b>	<b>Description of services</b>	<b>Year</b>	<b>Fees Charged (£)</b>
Sandwell & West Birmingham Hospitals NHS Trust	<p>Provision of procurement support to the Sandwell and West Birmingham Hospitals NHS Trust in relation to their Hospital PFI scheme. The support was from the Outline Business Case through to Financial Close of the project. Our work included shadow tariff modelling, value for money assessment, business case support, bid analysis and negotiation support.</p> <p>The final Project Agreement between the Trust and the SPV included Carillion as partial equity investors, Construction contractors and Lifecycle and Facilities Management providers.</p>	2007	5,055
		2008	70,973
		2009	57,915
		2010	28,913
		2011	41,672
		2012	658
		2013	135,584
		2014	179,202
		2015	236,975
		2016	14,859

<b>Client Name</b>	<b>Description of services</b>	<b>Year</b>	<b>Fees Charged (£)</b>
Royal Liverpool and Broadgreen Hospitals NHS Trust	<p>Provision of support to the Royal Liverpool and Broadgreen Hospitals NHS Trust in relation to the procurement of their Hospital PFI scheme. The support was from the outline business case to financial close of the project. Our work included shadow tariff modelling, value for money assessment, business case support, bid analysis and negotiation support. Some interaction with Carillion representatives during negotiation meetings but this was led by the Trust.</p> <p>The final contract the Trust signed with the SPV included Carillion as partial equity investors, Construction contractors and Lifecycle and Facilities Management providers. Any work we undertook associated with the contracts was in relation to the Project Agreement which is an agreement between the Trust and the SPV.</p>	2006	5,980
		2007	13,250
		2008	86,915
		2009	68,940
		2010	77,910
		2011	106,125
		2012	120,902
		2013	101,645
		2014	20,855