



Work and Pensions Committee
Business, Energy and Industrial Strategy Committee

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From the Chairs

Rt Hon David Lidington
Minister for the Cabinet Office
Cabinet Office
70 Whitehall
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29 May 2018

Dear David,

Carillion

The Work and Pensions and Business, Energy and Industrial Strategy Committees published our joint report into Carillion on Wednesday 16 May. In respect of the role of Crown Representatives, our report concluded:

The assignment of a Crown Representative to Carillion served no noticeable purpose in alerting the Government to potential issues in advance of company's July 2017 profit warning. The absence of one between August and November 2017 cannot have increased the Government's ability to keep itself informed of the direction of the company during a critical period before its collapse.

And, looking at the role of Crown Representatives more widely, we recommended:

That the Government immediately reviews the role and responsibilities of its Crown Representatives in the light of the Carillion case. This review should consider whether devoting more resources to liaison with strategic suppliers would offer better value for the taxpayer.

We were therefore interested to read Carillion's Crown Representative's risk assessments released by the Public Accounts Committee on 23 May 2018¹. We would be grateful if you could respond to the following questions about those risk assessments:

1. The focus of the risk assessments is understandably on Carillion's contracts with central Government. There is little evidence that much, if any, consideration is given to contracts strategic suppliers hold outside of central Government, yet we saw with Carillion the importance of those contracts to the survival of the business. Whilst Crown Representatives cannot be expected to have such detailed information about these contracts, what consideration has

¹ Public Accounts Committee, Forty-First Report of Session 2017-19, [Government risk assessments relating to Carillion](#), HC 1045

been given to widening the scope of the risk assessments to include a broader range of risks to the strategic supplier, including contracts with third parties?

2. Carillion reported in their 2016 accounts revenue from the UK Government of £1.7 billion, yet the risk assessments refer to annual revenue from central Government of only £377 million. Key contracts such as the £235 million Royal Liverpool Hospital contract were not factored into these assessments because the Government isn't a direct participant in the contract. As we have seen, the impact on key public services as a result of contracts like that going wrong can be substantial. Do you agree that such risk assessments should factor this exposure into the overall rating?
3. The financial data used in these risk assessments appears to be out-of-date. The September 2016 assessment is still quoting Carillion's total revenue figure from the 2014 accounts despite the 2015 accounts having been published back in March 2016. Is this an isolated case or are all strategic supplier risk assessments based on out-of-date financial data?
4. Despite the huge financial difficulties that Carillion was in by late 2017, the PAC report makes clear that although an initial decision was made to designate Carillion as high risk, the Cabinet Office did not confirm that rating before the company collapsed. What was the rationale for that initial decision and why did the Cabinet Office not confirm that decision in a timely manner?

The questions above only reinforce the impression we have that there is an urgent need to review the role of the Crown Representatives to ensure that issues with other strategic suppliers can be spotted and dealt with at an earlier stage. We would be grateful if you could confirm whether Cabinet Office agrees with this assessment.

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