



House of Commons  
Committee of Public Accounts

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# Strategic Suppliers

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**Fifty-Eighth Report of Session 2017–19**





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*Report, together with formal minutes relating  
to the report*

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## The Committee of Public Accounts

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The current staff of the Committee are Richard Cooke (Clerk), Dominic Stockbridge (Second Clerk), Hannah Wentworth (Chair Liaison), Ameet Chudasama and Carolyn Bowes (Senior Committee Assistants), Zainab Balogun and Kutumya Kibedi (Committee Assistants), and Tim Bowden (Media Officer).

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## Summary

Successive Governments have contracted out public services to the private sector and other third-party organisations.

Government contracts involve vast sums of public money, and have significant impacts on the lives of citizens. The Government cannot divest itself of responsibility when it contracts out the delivery of public services. Many of the companies that we have looked at rely on the public purse for a significant proportion of their revenue. Those companies need to be accountable to Parliament and taxpayers once they decide to take public money.

The Public Accounts Committee has too often seen examples of businesses which have bid for contracts in areas where their understanding of the sector is weak and their expertise is not well suited. The emergence of a small group of large companies which are expert at winning public contracts but who do not always deliver a good service is a concern.

Contracting out was originally for two reasons: to save money for taxpayers and to encourage innovation in the delivery of services. We have concluded that too often these are not being met. There is a wider public value to delivery of services than just the bottom line cost. The Social Value Act will be a test for Government about how it assesses the value of the billions of taxpayers' money it spends on outsourcing.

Companies incentivised to bid by strong financial margins are now concerned that margins are too tight. We heard from a number of strategic suppliers that are no longer bidding for contracts where they consider margins to be too low. Most deny "low balling" where they bid low for contracts. But the money that could be made on contract variances has delivered healthy profits.

We have seen the Government's assessments of its largest suppliers. These show how many contracts at any one point are performing badly but not so badly that termination is an option. We have chosen not to release these papers because, while much of the information is in the public domain, we are clear that revealing the Government's rating of a business could have a severe impact on its smaller supply chain businesses and on the jobs of many workers.

We have long raised concerns about the impact on the end user of services. Contracting out has become a transactional process that too often ignores quality of service and the knock-on cost of poor service on users.

If the Government wants to demonstrate a commitment to driving up value for money in contracting it should heed this report and the work of other Parliamentary committees.

# Conclusions and recommendations

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## Government's role in the market

1. The Government has allowed a culture to develop in which a small number of large companies believe that they are too big to fail pursued new business with little apparent consideration of their ability to deliver the right service at the right price. (Paragraph 22)
2. We welcome the Minister's announcement that the government will be issuing a 'playbook' to encourage new entrants and look forward to seeing the details of the proposal. However, the language used in the announcement suggests that the Cabinet Office does not intend to take the opportunity to equip itself with powers to enforce its 'playbook'. (Paragraph 31)
3. Recommendation: *We recommend that the Cabinet Office upgrade its 'playbook' and other guidance to the status of mandatory requirements.* (Paragraph 31)
4. The Government has created a merry-go-round procurement culture that encouraged a small number of companies to bid for contracts that they knew they would be unable to deliver for the agreed price. (Paragraph 35)
5. The Government's procurement process incentivised both Government and companies to focus more on the process of tendering and winning bids than on ensuring the right supplier could provide the right service at the right price. (Paragraph 36)
6. The Government has failed to use its unique position in the market to encourage competition in the market; and appears to have no plan or targets for the development of the markets in which it operates; nor does it have the underlying data necessary to develop such a plan. (Paragraph 37)
7. The Government is a uniquely powerful player in these markets but has failed to understand or manage the market. Public sector contracts cover a wide range of activities and are provided by a wide range of companies. Government has little understanding about how it influences the market and displays little strategic thinking into how it could, or should, be examining or influencing those markets. (Paragraph 38)
8. Recommendation: *We recommend that the Cabinet Office develop an approach to examining the market to provide it with better intelligence on the motivations and intentions of companies currently bidding for central government work.* (Paragraph 39)
9. Parliament and the public do not have access to straight forward, comprehensive and comprehensible information about government contracting. (Paragraph 42)
10. Transparency is key but still too many contracts are secretive or opaque. Quite frankly the taxpayer deserves better. A standard set of contract information should be made publicly available after a contract has been agreed. That information must

include the contract value, length and KPIs, together with a list of other public sector contracts won by the successful company. The Government should consider more “open book” methods of running contracts. (Paragraph 43)

11. The Government has committed to greater use of SMEs as direct contractors and announced measures to improve treatment of SMEs in the supply chain. We have, however, seen little evidence of action. We recommend that when the Government publishes details of its proposals to support SMEs it includes an assessment of the wider benefits of increasing the pool of potential suppliers to Government. (Paragraph 49)
12. Recommendation: *There is no excuse for small and medium supplier businesses not being paid on time. We recommend that the Government considers a project bank account approach and reviews the impact on small business. We expect the Government’s proposals for supporting SMEs to include measures to address:*
  - i) *Delays in payment*
  - ii) *Retention payments*
  - iii) *Preferred supplier discounts*
  - iv) *Increasing the use of Project Bank Accounts*
  - v) *Reducing the barriers to the direct bidding to Government*
  - vi) *Supporting consortia bidding.*

*We recommend that the Government consult with SMEs on the most appropriate way to incorporate these measures into contracts.* (Paragraph 50)

7. Our evidence has highlighted a concern that contracting bodies do not always have a sufficiently clear understanding of the service that they are outsourcing. (Paragraph 57)
8. Public bodies can consider outsourcing to be an opportunity to transfer problems to a private company. Transferring risk is illusory in most cases as the government retains the ultimate risk of failure to deliver certain services. (Paragraph 58)
9. Poor contract specification leads to uncertainty, which can cause cost increases, delay and failures to deliver. Imprecise scoping and poor information at the tendering phase can also lead to an adversarial environment that makes it more difficult to reach resolution. The Government needs to ensure that contracting bodies balance front line understanding of a service, project management skills and commercial and financial considerations when designing contracts. The Cabinet Office has a role in ensuring that this balance is achieved. (Paragraph 64)
10. Poor-quality Government data is a perennial concern for the Committee—Government needs to be clearer about the problem it is outsourcing and clear when its own data is flawed or incomplete. (Paragraph 67)

11. Recommendation: *We recommend that Government set out how it will improve the reciprocal due diligence between the Government and its suppliers. Government has a right to assure itself that a company is competent and capable of delivering the contracted service. The company also has a right to expect the Government to specify accurately what service it is contracting.* (Paragraph 68)
12. The introduction of a standard contract is welcome and appropriate for the majority of typical procurements. When the Government procurements are more complex, a more flexible and intelligent approach to contracting is required. (Paragraph 70)
13. Recommendation: *Standard contracts, which are beginning to be used by Government, should be used widely. Standard contracts should be designed to make it easier for SMEs to bid and make it clearer where variance occurs.* (Paragraph 71)
14. Recommendation: *The Government must ensure that the procurement process for more complicated projects includes a comprehensive sensitivity analysis and scenario planning.* (Paragraph 72)
15. Recommendation: *Government should look at the lifetime cost and value of a contract, not just the bottom line at the point the contract is commissioned. Government needs to get better at managing contracts through their life. To do this it needs to facilitate significant uplift in skills* (Paragraph 73)
16. Recommendation: *Government should consider using a partnering model, as used in construction to create co-dependent relationships, for major, risky contracts to incentivise suppliers to deliver effectively alongside Government, and to ensure Government has proper oversight and skin in the game on vital public services* (Paragraph 75)
17. Recommendation: *There is an attitude that money can be made from contract variance—so that when data is wrong at the outset this can be a way to boost income on a low margin contract. In the middle of this game, the user of the service too often loses out.* (Paragraph 78)
18. In certain sectors technical, social or legislative change may lead to contracts containing perverse incentives or illogical performance measures. The speed of technological change means that IT contracts are susceptible to changes in the external environment. (Paragraph 79)
19. Recommendation: *Departments should provide the Cabinet Office with a request to enable extensions for contracts. That request should set out the reasons for requiring the extension, the analysis of the benefits of extending rather than rebidding, and an analysis of the performance over the course of the contract and record of performance across all of the company's public-sector contracts.* (Paragraph 80)
20. The current procurement environment encourages Government and suppliers to place too much emphasis on price at the expense of quality. Tendering exercises must have an appropriate quality threshold and contracting bodies need to have sufficient understanding of the market to identify bids that are too low to enable the supplier to sustainably deliver to the required standard. (Paragraph 83)

21. Our evidence suggests that some companies have bid at a price that provides little or no margin with the expectation that subsequent variations will enable them to make a reasonable return. (Paragraph 84)
22. We have real concerns about a race to the bottom in pricing. A number of suppliers are now going through corporate cleansing and refusing to bid for contracts where the profit margins are low. Such cleansing has not stopped them doing this in the past. Too often suppliers will also pass cost-cutting down the supplier chain without due regard for long-term implications. Government has to be an intelligent customer and be clearer about the impact of pricing models on the long-term delivery of a project. A saving today can simply shunt costs into the future. (Paragraph 85)
23. Cabinet Office is obliged to consider wider social benefits of procurements under Section 3 of the Public Services (Social Value) Act. The underuse of the Act could be taken as further evidence that cost overrides any other consideration Government makes in awarding contracts. The enthusiasm of suppliers to see the Act better used gives Government an open goal to achieve more social value. (Paragraph 88)
24. Recommendation: *We recommend that there be an expectation of including a social value evaluation in Government procurements and that contracting bodies provide the Cabinet Office with an explanation if they wish to remove the provisions.* (Paragraph 89)
25. Recommendation: *Government should, as part of every procurement tender, require plans to add social value and ensure social value is a weighted criterion for contract awards* (Paragraph 90)
26. Recommendation: *Government should enshrine winning bidders' social value commitments into contracts and agree appropriate KPIs for monitoring delivery.* (Paragraph 91)
27. Recommendation: *We recommend the Government include terms in their standard contracts that provide assurance that the company has appropriate corporate governance and corporate social responsibility policies in place.* (Paragraph 92)

### Cabinet Office's role

28. Recommendation: *Government needs to step up its skill development within departments so that contracts are specified better from the outset* (Paragraph 95)
29. Recommendation: *We concur with their recommendation that the Cabinet Office establish a contracting centre of excellence that can collect best practice and learning and disseminate it across the wider public sector including the NHS and local government.* (Paragraph 100)
30. The Government needs to develop more robust challenge and scrutiny of contracts before they are let. We recognise there is progress here, but there are still too many contracts which do not collapse but still deliver poor services to the user. (Paragraph 101)

31. The Cabinet Office lacks sufficient leverage with other Departments. Departments continue to act in separate silos, failing to share information or adopt the appropriate multidisciplinary teams that combine frontline knowledge, commercial skills and project management. (Paragraph 102)
32. Recommendation: *Cabinet Office should ensure Departments adhere to Cabinet Office guidance and are required to respond to Cabinet Office challenge for large procurements. Where Departments want to deviate from Cabinet Office guidance, they should write to Cabinet Office ahead of opening a tender, setting out their justifications for that deviation.* (Paragraph 103)

### Crown Representatives and Risk Assessments

33. The Government's RAG rating system is not working, either as a carrot, or as a stick. The RAG rating system is a management tool that provides civil servants with a shorthand assessment of a supplier's performance. A decline in a company's RAG status appears to have no material impact, other than to trigger closer scrutiny from the Cabinet Office as set out in the Strategic Supplier Risk Management Policy. (Paragraph 107)
34. We do not accept Cabinet Office's rationale for failing to give Carillion a High-Risk rating. Given the caution with which Government treats risk assessments we believe it is highly improbable that a High Risk rating would become public. The Cabinet Office's decision not to do this undermines its own Strategic Supplier Risk Management policy. (Paragraph 108)
35. Recommendation: *We recommend that the Cabinet Office review the Strategic Supplier Management Policy and its application. If RAG ratings are to be of use they need to be applied consistently and based on objective assessment. The Cabinet Office should consider whether it is appropriate that a supplier can appeal against a rating.* (Paragraph 109)
36. We consider that the Cabinet Office overstated the potential impact of publishing the past risk assessments relating to the Government's remaining Strategic Suppliers. However, we accept that some material risk of damage exists and particularly to smaller supply chain businesses and their employees, and have therefore decided not to publish the documents in full at this time. (Paragraph 110)
37. Recommendation: *The Crown Representative system is at risk of under-resource and high staff turnover. The Cabinet Office should consider how to make the role sufficiently attractive to attract and keep individuals of an appropriate calibre.* (Paragraph 112)
38. The circle of civil servants working closely with Strategic Suppliers is small. It is important that in the cut and thrust of commercial discussions, undertaken on behalf of taxpayers, Crown Representatives do not get too close to suppliers. Without effective oversight of these relationships there is a risk that Strategic Suppliers become secretive 'sub departments' of Whitehall. (Paragraph 113)
39. Recommendation: *The Government should consider appointing an independent commissioner to provide independent assurance that suppliers are being held to the same standards across government.* (Paragraph 114)

## The Collapse of Carillion

40. The Joint Report from the Business, Enterprise and Industrial Strategy and Work and Pensions select committees sets out the key facts about Carillion's business approach, corporate governance and financial performance and reporting. The Committees' conclusions and recommendations are a damning litany of incompetence and self-delusion at the top of the company. Several aspects of the company's, and its advisers', activities continue to be investigated by outside regulators, including The Pensions Regulator and the Financial Reporting Council. (Paragraph 118)
41. The net loss to Government of carrying out the liquidation is currently estimated at £148m, but the final sum is uncertain. The wider costs to former Carillion workers, pensioners, investors, the supply chain, and other creditors remain unclear. Carillion's shareholders and lenders bore the brunt of much of financial penalty for the company's failure. Many of Carillion's subcontractors and suppliers took a very large penalty as Carillion had accrued significant credit through late payments which, even if the contract had been taken over, were unlikely to be paid. (Paragraph 119)
42. We welcome the Government's intention to introduce a requirement for suppliers to produce 'Living Will' contingency documents. (Paragraph 121)
43. Recommendation: *In response to this report, we expect the Government to provide more detail about how the policy will be implemented; what the documents would contain; and how their contents would be scrutinised, assured and kept up to date.* (Paragraph 122)
44. Recommendation: *More complex contracts are more likely to go wrong. We would expect the Cabinet Office to consider the burden of creating and maintaining the living wills and balancing that burden with the complexity of the project and the risk and impact of contract failure.* (Paragraph 123)

# 1 Introduction

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## Introduction

1. We and our predecessor Public Accounts Committees have reported on projects and programmes across the whole of Government and the wider public service. That work has frequently involved considering the quality and effectiveness with which private companies have delivered against public-sector contracts.
2. Successive governments have contracted out public services to large private companies. The Public Accounts Committee (PAC) has long been raising concerns about the state of Government contracting and its impact on public services.
3. The PAC's role is to examine the efficiency, effectiveness and economy of Government spending. This is taxpayers' money spent on public services—the citizen and user experience as well as the taxpayer is at the heart of our work. Our criticisms are not new but Carillion has sharpened thinking in Government.
4. We examine the worst failures. The House of Commons vote to release the Government's own risk assessments of large contractors has given the Committee an inside view of how contracts are performing across the piece. We also called in several the Government's strategic suppliers.
5. Outsourcing is at a significant crossroads. The collapse of Carillion has brought to a head concerns about Government's approach—both from a policy and a practical perspective.
6. Government maintains that the collapse of Carillion was managed successfully and demonstrates that no company is too big to fail. But it was clear that Carillion believed until the end that it was too big to fail.
7. Government has been keen to trumpet its delivery of a contingency plan which enabled most of the public services delivered by Carillion to continue the day after it went into liquidation. But it cannot rest on its laurels. It faced a huge task assessing the contracts at risk and the detail of the supply chain. Had Carillion collapsed in December there would have been serious problems—the game of brinkmanship was a close-run thing.
8. And although Government is now developing plans to manage any future collapse, the pool of suppliers is shrinking. A contingency plan in case of failure relies on there being other suppliers who could step in if a company collapses.
9. The knock-on effects of Carillion's collapse are yet to be fully understood. We need to be clear about the real costs to the public purse of the Government's management of the collapse and understand the impact on Carillion's supply chain and the SMEs it sub-contracted to.
10. The Government needs to consider how it responds to a number of its main suppliers experiencing severe financial pressure, and in the case of Carillion becoming insolvent. The market created and sustained by public sector contracts is not working—for the companies involved, for those who rely on those contracts being effectively delivered, or for the Government, which must ultimately pick up the tab.

## Background

11. Carillion plc, a major supplier to the public sector, collapsed on 15 January 2018. Nine days later the House of Commons debated and agreed a Resolution that required the Government to release confidential risk assessments of its main suppliers to this Committee. The risk assessments relate to companies with contracts across several Government departments worth more than £100 million per year, or deemed significant to a sector—designated as Strategic Suppliers by Government.

12. There are currently 27 Strategic Suppliers providing services across the public sector. The risk assessments, compiled every six weeks by Crown Representatives in the Cabinet Office, highlight significant concerns about performance against contracts; summarise financial and market information; and assign a Red-Amber-Green (RAG) risk rating.<sup>1</sup>

13. The risk assessments provided to this Committee offer an assessment of each company's financial status and performance against contracts, which are encapsulated in a Red-Amber-Green (RAG) rating, augmented by a Black 'High Risk' or exemplary Platinum rating.<sup>2</sup> The documents are compiled by each company's Crown Representative.<sup>3</sup> The Cabinet Office considers publication of the documents could affect market confidence and harm companies.<sup>4</sup>

14. We published our Report on the Government risk assessments relating to Carillion on 23 May 2018.<sup>5</sup> In that Report we concluded that, as the company was no longer trading, the documents did not contain live and material commercial risks.

## *This inquiry*

15. We announced our inquiry into Strategic Suppliers on 24 May 2018. We took evidence from John Collington,<sup>6</sup> Baroness Ruby McGregor-Smith CBE,<sup>7</sup> representatives of Interserve, G4S, Serco, Sodexo, Atos, Capita,<sup>8</sup> and the Cabinet Office.<sup>9</sup> We held a joint session with the Public Administration and Constitutional Affairs Committee to hear evidence from former executives from Carillion.<sup>10</sup> We received written evidence from most of the Government's current Strategic Suppliers and from other interested parties. We are grateful to all those who have assisted the Committee in this inquiry. We have drawn

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1 See [www.gov.uk/government/publications/strategic-suppliers](http://www.gov.uk/government/publications/strategic-suppliers) for the most recent list.

2 Q 718

3 The Crown Representatives are civil servants sitting in the Crown Commercial Service in the Cabinet Office. Each Strategic Supplier has a Crown Representative, who acts as their liaison with central government.

4 HC Deb, 24 January 2018, col 341.

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

6 Sector Director, Public Sector, Alexander Mann Solutions and former Chief Procurement Officer at the Cabinet Office

7 Former Chief Executive Officer, Mitie

8 11 June 2018: Peter Neden, Chief Executive Officer, Care and Justice Services and Public Sector, G4S, and Debbie White, CEO, Interserve; 13 June 2018: Rupert Soames, Group Chief Executive Officer, Serco, Philip Chalmers, Senior Vice President, Public Sector and Health, Atos, and Sean Haley, Regional Chair, UK and Ireland, Sodexo; 18 June 2018: Jonathan Lewis, Chief Executive Officer, Capita plc, Stephen Sharp, Executive Officer, Capita Government Services

9 John Manzoni, Chief Executive, Civil Service and Permanent Secretary, Gareth Rhys Williams, Government Chief Commercial Officer, and Coleen Andrews, Director, Markets and Suppliers, Cabinet Office

10 [Oral evidence taken on 27 February 2018](#), HC (2017–19) 851

on this Committee's and the National Audit Office's (NAO) previous Reports on public-sector contracting, and recent work by Public Administration and Constitutional Affairs, Work and Pensions, and Business, Enterprise and Industrial Strategy select committees.

16. This Committee's principal purpose is to hold Departments to account for the way that they spend taxpayers' money. Most of our work focusses on individual projects or programmes that are of concern. We are therefore familiar with individual public-sector contracts that have run into difficulties. In this inquiry we have had the opportunity to consider the contracting landscape across the whole of Government to identify how Government departments and the Cabinet Office might improve their performance.

17. This Committee is part of the established accountability regime for Government Departments as set out in *Managing Public Money*.<sup>11</sup> That regime requires Accounting Officers and Senior Responsible Officers to appear before the Committee. Companies that contract with Government have become increasingly familiar with being called to account for their actions in front of Parliament's select committees. Those companies have a different relationship to Parliament and a different set of priorities and pressures to civil servants, but are ultimately funded by taxpayers and provide a public service.

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11 *Managing public money* is the UK Government handbook on the handling of public funds and sets out department's responsibilities in respect of parliament. See HM Treasury, [Managing Public Money](#), July 2013 (with annexes revised as at March 2018)

## 2 Government's role in the market

### Competition in the market

18. The Government spends around £250 billion a year through commercial relationships, approximately a third of total government spending. The Government contracts for a wide range of goods and services, from relatively generic back-office functions to frontline activities, such as medical assessments for benefits claimants, through to highly specialised markets such as building nuclear weapons. The Government has a unique position in many of these markets owing to its spending power and undoubted ability to pay, although public procurement rules restrict the extent to which it can intervene in the market.<sup>12</sup> The Government also brings a unique perspective to contracts in the political context in which decisions are made and the accountability of Ministers, officials and suppliers for the delivery of public services and use of taxpayers' money.<sup>13</sup>

In markets with few potential providers there are value for money risks. These require different contracting approaches, such as the development of Single Source Contract Regulations in defence equipment procurement.<sup>14</sup> As at July 2017, 110 contracts have been brought within the Regulations, with a combined value of £23.9 billion. MoD staff have welcomed the opportunities under the new regime to improve contract management, including the ability to require full transparency of costs within suppliers' prices, which provides greater assurance on value for money.<sup>15</sup> Rail franchising has seen several high-profile failures. The Department for Transport (DfT) has attempted to broaden participation and encourage new entrants by simplifying pre-qualification processes, producing phased competition schedules, and reviewing the number and size of franchises.<sup>16</sup>

19. In more competitive markets, such as construction or facilities management, the Government's ability to 'buy in bulk' should create opportunities for better value through economies of scale. Even in these markets the number of companies that have successfully bid for central Government contracts is a relatively small number of large well-known suppliers that have pursued growth through acquisitions and expansion into new sectors.<sup>17</sup> This strategy led to a loss of focus on the companies' core expertise in favour of concentrating on winning contracts to maintain sufficient cashflow to offset balance sheet debt.<sup>18</sup> This trend has been reversed to some extent recently as companies have refreshed

12 [Oral evidence taken before the Liaison Committee on 7 February 2018](#), HC (2017–19) 770, Q4

13 See Committee of Public Accounts, Twenty-Seventh Report of Session 2015–16, [e-Borders and successor programmes](#), HC 643. The cancelled e-borders scheme was developed against the backdrop of the July 2005 London bombings and the award of the London 2012 Olympic and Paralympic Games.

14 Report by the Comptroller and Auditor General, [The Equipment Plan 2016–2026](#), Session 2016–17, HC 914, 27 January 2017; Committee of Public Accounts, Twenty-Eighth Report Session 2017–19, [Ministry of Defence: Acquisition and support of defence equipment](#), HC 724; Lockheed Martin UK (SSU0014)

15 Committee of Public Accounts, Twenty-Eighth Report Session 2017–19, [Ministry of Defence: Acquisition and support of defence equipment](#), HC 724

16 Report by the Comptroller and Auditor General, [Reform of the rail franchising programme](#), Session 2015–16, HC 604, 24 November 2015

17 Qq 396, 583, 667; *The Collapse of Carillion*, Briefing Paper 8206, House of Commons Library, March 2018, p. 18

18 Q 396; [Oral evidence taken before the Liaison Committee on 7 February 2018](#), HC (2017–19) 770, Q 7; See Business, Energy and Industrial Strategy and Work and Pensions Committees, Second Joint report of Session 2017–19, being the Tenth Report of the Business, Energy and Industrial Strategy Committee of Session 2017–19 and Twelfth Report of the Work and Pensions Committee of Session 2017–19, [Carillion](#), HC 679, p. 13; J. Ford 'Carillion's troubles were shrouded in a fog of goodwill' *Financial Times*, 18 June 2018.

their senior management and shed non-core parts of their businesses.<sup>19</sup> The Minister for the Cabinet Office has recognised that “competition for contracts has often favoured large suppliers,” with too much focus on price.<sup>20</sup>

20. Several of these companies have had significant financial problems and had to undertake large-scale debt reduction through public refinancing.<sup>21</sup> John Manzoni, Permanent Secretary at the Cabinet Office, acknowledged that the facilities management sector was not “in a healthy position” and both Government and the industry had to “build rather carefully back out of that”.<sup>22</sup> The Strategic Supplier risk assessments provided us with an insight into the health of those companies, and their performance against contracts.

21. In our report on Learndirect we considered the Department for Education’s failure to cancel the company’s contract suggested that the Government might have considered the company to be too big to fail.<sup>23</sup> The Carillion board appeared to be under that impression, right up to the point when the company failed.<sup>24</sup> We have recommended to Government that Departments “develop a framework for identifying any risk that a commercial provider becomes so large and essential to the delivery of public services that it cannot be allowed to fail, or requires special treatment if it begins to do so.”<sup>25</sup> The Cabinet Office has undertaken to provide a detailed response by the end of this year.<sup>26</sup>

**22. The Government has allowed a culture to develop in which a small number of large companies believe that they are too big to fail pursued new business with little apparent consideration of their ability to deliver the right service at the right price.**

## Encouraging and managing competition

23. The Government has committed to encouraging competition in the market.<sup>27</sup> To achieve that goal the Government will need to attract new entrants to the market. The benefits of greater competition, which can also improve innovation and efficiency, need to be balanced with the requirement to have sufficient established potential suppliers to deliver very large or complex projects and to maintain appropriate resilience in the system to ensure continuity of delivery.<sup>28</sup>

24. The British Institute of Facilities Management (BIFM) argue that Government is a key driver of procurement trends that affect not only its direct contracts but the wider procurement market.<sup>29</sup> Despite Mr Manzoni telling us that Government “should not be

19 Qq 130, 334, 337, 396, 583, 668

20 Cabinet Office, [Chancellor of the Duchy of Lancaster speech to Reform](#), 25 June 2018, accessed 12 July 2018

21 Qq 223, 232, 236, 401, 583, 667

22 Q 680

23 Public Accounts Committee, Twenty-Second Report of Session 2017–19, [The monitoring, inspection and funding of Learndirect Ltd.](#), HC 646, p. 3

24 See Business, Energy and Industrial Strategy and Work and Pensions Committees, Second Joint report of Session 2017–19, being the Tenth Report of the Business, Energy and Industrial Strategy Committee of Session 2017–19 and Twelfth Report of the Work and Pensions Committee of Session 2017–19, [Carillion](#), HC 679

25 Public Accounts Committee, Twenty-Second Report of Session 2017–19, [The monitoring, inspection and funding of Learndirect Ltd.](#), HC 646

26 HM Treasury, Treasury Minutes: Government response to the Committee of Public Accounts on the Twentieth to the Thirtieth reports from Session 2017–19, [Cm 9618](#), May 2018, p 21

27 Cabinet Office, [Chancellor of the Duchy of Lancaster speech to Reform](#), 25 June 2018, accessed 12 July 2018

28 Q 306

29 British Institute of Facilities Management ([SSU0015](#))

satisfied” with its relationship with the private sector”.<sup>30</sup> The Cabinet Office appeared somewhat complacent about the health of certain markets. Coleen Andrews, Director of Market and Suppliers at the Cabinet Office, told us that there were “more than enough suppliers in IT”.<sup>31</sup> She was content that for most big contracts there were between two and five final bidders and that suppliers were now more cautious about deciding what to bid on.<sup>32</sup> However, other outsourced sectors beyond IT do not have the same levels of competition, for example prison management or rail franchising.

25. Departments have attempted to increase the size of the market in the past. The NAO found that for its Transforming Rehabilitation programme, the Ministry of Justice intended to bring new suppliers into the market, and put extensive effort into attracting a diverse range of potential bidders. While more than 700 private, public and third-sector organisations registered an interest, only one of its contracts was won by a supplier from outside the private sector. Voluntary sector bidders were put off by the scale, fixed timetable and associated risks, and a lack of detail about the Ministry’s requirements for financial guarantees from bidders.<sup>33</sup>

26. In sectors such as IT expanding the market may be more achievable and will frequently mean engaging with SMEs.<sup>34</sup> The NAO has found that this process has not always been successful. The Ministry of Justice adopted a new commercial approach intended to support SMEs for its new generation electronic monitoring programme. However, high process burdens, financial risk and complex requirements made SME involvement more challenging.<sup>35</sup>

27. In our Report on Transforming Rehabilitation, we noted that, despite Government attempts to diversify the providers of public services, we had “repeatedly seen a narrowing of the private contractors bidding for, and running, services over time”.<sup>36</sup> The Minister for the Cabinet Office has announced that departments will be provided with “a ‘playbook’ of guidelines, rules and principles that will encourage new entrants to the market and build mixed markets of suppliers”.<sup>37</sup>

28. There are several reasons that current suppliers are exiting parts of the market or not bidding for particular contracts. Several of Government’s large suppliers operate internationally and less onerous contract conditions and better margins overseas have led to some companies restricting their exposure to the UK public sector.

29. Several of the existing Strategic Suppliers identified the cost and burden of the bidding process, and the level of financial guarantees required by the Government, as disincentives to bid. For new entrants, the concerns of the established suppliers are magnified by their size and lack of experience in the process. Contractors in certain sectors have also emphasised the squeeze on margins and the transfer of risk, including the higher reputational risks associated with operating in the public sector.<sup>38</sup>

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30 Q 680

31 Q 761

32 Q 762

33 Report by the Comptroller and Auditor General, [Transforming Rehabilitation](#), Session 2015–16, HC 951 28 April 2016

34 Q 680

35 Public Accounts Committee, Fifteenth Report of Session 2017–19, [Offender-monitoring tags](#), HC 458

36 Committee of Public Accounts, Seventeenth Report of Session 2016–17, [Transforming rehabilitation](#), HC 484.

37 Cabinet Office, [Chancellor of the Duchy of Lancaster speech to Reform](#), 25 June 2018, accessed 12 July 2018

38 British Institute of Facilities Management ([SSU0015](#))

30. David Lidington, the Minister for the Cabinet Office and Chancellor of the Duchy of Lancaster, has set out a number of initiatives to improve contracting and maximize the number of alternative suppliers and encourage new providers to enter the market.<sup>39</sup> The Minister recognised that “competition for contracts has often favoured large suppliers, with too narrow a focus on value for money”, and announced that the Government would set out a number of measures to remove barriers to encourage small business, mutuals, charities, cooperatives and social enterprises to bid for public sector contracts.<sup>40</sup>

**31. We welcome the Minister’s announcement that the government will be issuing a ‘playbook’ to encourage new entrants and look forward to seeing the details of the proposal. However, the language used in the announcement suggests that the Cabinet Office does not intend to take the opportunity to equip itself with powers to enforce its ‘playbook’. We recommend that the Cabinet Office upgrade its ‘playbook’ and other guidance to the status of mandatory requirements.**

## Information about the market

32. In 2010, when Francis Maude began to reform government contracting, he found that he was unable to find a record of what contracts were provided by each of the Government’s suppliers, and he had to go to the companies themselves to find out the level of involvement government had with each company. There has been an improvement in the quality and extent of the data held by Government, but it is still not good enough.<sup>41</sup>

33. The Government appears to have limited understanding of how some of these markets operate, and the role that it plays in sustaining the market.<sup>42</sup> There is a balance to be struck between tough negotiations and maintaining relationships with suppliers in the longer term. Unless the risks are understood and mitigated, there can be implications for competitiveness in certain markets because of suppliers exiting areas of public sector business, or new entrants being deterred.<sup>43</sup>

34. The Government should be more confident and assertive in forming the market. The approach will vary in different sectors but the Government’s aim should be to have smaller and less concentrated risks.<sup>44</sup>

**35. The Government has created a merry-go-round procurement culture that encouraged a small number of companies to bid for contracts that they knew they would be unable to deliver for the agreed price.**

**36. The Government’s procurement process incentivised both Government and companies to focus more on the process of tendering and winning bids than on ensuring the right supplier could provide the right service at the right price.**

39 Cabinet Office, [Chancellor of the Duchy of Lancaster speech to Reform](#), 25 June 2018, accessed 12 July 2018

40 Cabinet Office, [Chancellor of the Duchy of Lancaster speech to Reform](#), 25 June 2018, accessed 12 July 2018

41 Q 679; see National Audit Office, [Memorandum for Parliament: The role of major contractors in the delivery of public services](#), Session 2013–14, HC 810, 12 November 2013

42 See Report by the Comptroller and Auditor General, [Reform of the rail franchising programme](#), Session 2015–16, HC 604, 24 November 2015; Cabinet Office, [Chancellor of the Duchy of Lancaster speech to Reform](#), 25 June 2018, accessed 12 July 2018; Q 680

43 National Audit Office, [Memorandum to Parliament: Managing government suppliers](#), Session 2013–14, HC 811, 12 November 2013

44 [Oral evidence taken before the Liaison Committee on 7 February 2018](#), HC (2017–19) 770, Q26

37. **The Government has failed to use its unique position in the market to encourage competition in the market; and appears to have no plan or targets for the development of the markets in which it operates; nor does it have the underlying data necessary to develop such a plan.**

38. **The Government is a uniquely powerful player in these markets but has failed to understand or manage the market. Public sector contracts cover a wide range of activities and are provided by a wide range of companies. Government has little understanding about how it influences the market and displays little strategic thinking into how it could, or should, be examining or influencing those markets.**

39. **Recommendation: *We recommend that the Cabinet Office develop an approach to examining the market to provide it with better intelligence on the motivations and intentions of companies currently bidding for central government work.***

### Publicly available information

40. Our evidence identified a lack of clear data on the scale of the government's exposure to strategic suppliers, both in terms of contract value and the companies' involvement in the whole of the public sector.<sup>45</sup> The NAO's report into the collapse of Carillion identified lack of basic information as a barrier to the early stages of contingency planning.<sup>46</sup>

41. This Committee has previously recommended that the Government publish more information about contracts. In our report on Contracted out health and disability assessments, we noted that while information was collected to manage contracts there was a lack of information made available to claimants and the wider public. We recommended that the Department "publish quarterly national and regional data on contractor performance".<sup>47</sup>

42. **Parliament and the public do not have access to straight forward, comprehensive and comprehensible information about government contracting.**

43. **Transparency is key but still too many contracts are secretive or opaque. Quite frankly the taxpayer deserves better. A standard set of contract information should be made publicly available after a contract has been agreed. That information must include the contract value, length and KPIs, together with a list of other public sector contracts won by the successful company. The Government should consider more "open book" methods of running contracts.**

### Small and medium sized enterprises

44. Strategic Suppliers are, by definition, those suppliers with the largest value of contracts. It is unsurprising therefore that these companies are generally large entities, particularly if they operate in sectors, such as facilities management or construction, that

45 Report by the Comptroller and Auditor General, [Open-book accounting and supply-chain assurance](#) Session 2015–16, HC 91-I, p. 7; Report by the Comptroller and Auditor General, [Transforming Contract Management](#), Session 2014–15, HC 268, p. 42; Qq 61, 68ff.

46 Report by the Comptroller and Auditor General, [Investigation into the government's handling of the collapse of Carillion](#) Session 2017–19, HC 1002, 7 June 2018

47 Public Accounts Committee, Thirty-Third Report of Session 2015–16, [Contracted out health and disability assessments](#), HC 727, p. 5

have seen several years of aggressive acquisitions and growth. The process of tendering for Government work has also favoured companies with a track record of securing public sector contracts. Mr Manzoni acknowledged that “We are not doing as well as we would like on small and medium-sized enterprises elsewhere in Government procurement ... It is better than it was, but it is still not where we want it to be.”<sup>48</sup>

45. The Federation of Small Businesses argue that SMEs offer greater innovation, flexibility and responsiveness and better value.<sup>49</sup> The Government has an aspiration for greater SME involvement in public sector contracts and has announced further measures to improve access to government contracts. Our evidence suggests simpler and more transparent routes into public sector procurement, disaggregation of large contracts and more collaborative models, such as joint or consortia bidding, would enable SMEs to compete.

46. SME involvement in public sector work is not restricted to bidding for individual contracts. Many Strategic Suppliers have extensive supply chains that involve SMEs.<sup>50</sup> However, the FSB argue that “if simply operating as aggregators, strategic suppliers gain huge power in the marketplace with their suppliers, but it is the strategic suppliers—rather than Government—who will gain from this market power.”<sup>51</sup>

47. There may be benefits of SMEs contracting directly with Government. However, there are risks for government if they are acting as the aggregator for multiple suppliers. An SME contractor may also be less able to respond to change and variation in the contract conditions or terms, and Government unable to flex appropriately to compensate for the restraints faced by smaller businesses. For example, SMEs supplying the Ministry of Justice’s new electronic monitoring programme were asked to attend up to 40 meetings per week and give up their intellectual property for nothing—a wholly unrealistic expectation.<sup>52</sup> The National Audit Office found that the Department had failed to adapt its approach enough to take into account limited staffing and financial resources at SMEs with which it had contracted on the programme.<sup>53</sup>

48. While there may be a balance in the costs and benefits of Government contracting directly with SMEs there is no doubt that the Government plays a role in ensuring businesses throughout the supply chain are fairly treated.<sup>54</sup> The Chancellor of the Duchy of Lancaster’s recently announced initiatives include a requirement for “departments to follow for the first time a ‘playbook’ of guidelines, rules and principles that will encourage new entrants to the market and build mixed markets of suppliers”.<sup>55</sup> The Specialist Engineering Contractors’ (SEC) Group advocated several specific changes, such as the use of Project Bank Accounts, enforcement of the Public Contract Regulations on prompt payment and end or protect retention payments.<sup>56</sup>

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48 Q 680

49 Federation of Small Businesses ([SSU0016](#))

50 Q 631

51 Federation of Small Businesses ([SSU0016](#))

52 Committee of Public Accounts, Fifteenth Report of Session 2017–19, [Offender-monitoring tags](#), HC 458, para 15

53 Report of the Comptroller and Auditor General, [The new generation electronic monitoring programme](#), Session 2017–19, HC 242, Para 3.37

54 See Government Commercial Function, [Supplier Code of Conduct](#), September 2017, p6.

55 Cabinet Office, [Chancellor of the Duchy of Lancaster speech to Reform](#), 25 June 2018, accessed 12 July 2018

56 Specialist Engineering Contractors’ Group ([SSU0012](#))

49. The Government has committed to greater use of SMEs as direct contractors and announced measures to improve treatment of SMEs in the supply chain. We have, however, seen little evidence of action. We recommend that when the Government publishes details of its proposals to support SMEs it includes an assessment of the wider benefits of increasing the pool of potential suppliers to Government.

50. **Recommendation:** *There is no excuse for small and medium supplier businesses not being paid on time. We recommend that the Government considers a project bank account approach and reviews the impact on small business. We expect the Government's proposals for supporting SMEs to include measures to address:*

- i) *Delays in payment*
- ii) *Retention payments*
- iii) *Preferred supplier discounts*
- iv) *Increasing the use of Project Bank Accounts*
- v) *Reducing the barriers to the direct bidding to Government*
- vi) *Supporting consortia bidding.*

*We recommend that the Government consult with SMEs on the most appropriate way to incorporate these measures into contracts.*

## Outsourcing

51. Outsourcing has been pursued by successive Government to try to secure better value for money, reduce costs and improve quality of service. For Government, outsourcing may also provide access to greater innovation and transfer risk from the taxpayer to private companies.<sup>57</sup> We have not considered the arguments for or against the principle of outsourcing public services as this falls outside of the Committee's remit.<sup>58</sup> We are, however, concerned about the factors that drive the decision to outsource and the structure of subsequent tenders and contracts.

52. The Treasury's Green Book includes guidance to departments on evaluating projects and sets out the process for approving a project to ensure that it delivers value for money. The Green Book advises that risks should be "borne by the organisation that is best placed to manage and monitor" them.<sup>59</sup> Several of the Strategic Suppliers expressed concern about the scale of risk transfer encompassed in government contracts. Serco's CEO, Rupert Soames, told us his main concern was the transfer to unmanageable risk to suppliers "in direct contravention of what is in the Treasury Green Book and the Cabinet Office guidance".<sup>60</sup> For example, Government may require Suppliers to sign contracts that

57 See Public Administration and Constitutional Affairs Committee, Seventh Report of Session 2017–19, [After Carillion: Public sector outsourcing and contracting](#), HC 748; Cabinet Office, [Chancellor of the Duchy of Lancaster speech to Reform](#), 25 June 2018, accessed 12 July 2018; HC Deb, 27 June 2018, col 882

58 UK Parliament, [Our Role—Public Accounts Committee](#), accessed 12 July 2018

59 HM Treasury, [The Green Book: central government guidance on appraisal and evaluation](#), March 2018, p 30

60 Q 560

transfer the risk of any changes in the law or increases in taxes, even though Government has control over what those changes could be.<sup>61</sup> Rupert Soames further cited council tax rises as a risk transferred to suppliers, even though they are not best placed to manage it.<sup>62</sup>

53. Mr Manzoni also accepted that there was some merit in the Strategic Suppliers' concerns.<sup>63</sup> He told us that:

When outsourcing first began in industry, the presumption was that if you lobbed it over the fence they would sort the problem out. That rarely works. The private sector cannot sort your problem out. You have to be clear what your problem is and then contract in an intelligent way for it. I think we still have a bit of that going on occasionally—not across the board, but occasionally.<sup>64</sup>

54. The NAO has reported on projects where the Government has had to step in when the risks are too great for the private sector. In 2002, the NAO reported, for example, that the Ministry of Defence considered that it had transferred the risk of cost overruns associated with its nuclear submarine facilities at Devonport to the private sector. However, the Department ultimately funded the cost overruns as it had nowhere else to go and needed to ensure the supplier remained viable.<sup>65</sup> Mr Manzoni accepted that “there are certain risks that only the Government can take, and we need to be better at recognising what they are and not trying to outsource them.”<sup>66</sup>

55. Public sector contracts will often have a political context that does not exist in the private sector. Although Ministers may have little direct involvement in the contracting process they can put pressure on civil servants to make early commitments about what a project will achieve and to deliver results quickly.<sup>67</sup>

56. The NAO's Survival guide to challenging costs in major projects noted that Ministers may get involved in executive decision making, which can confuse accountability, and lead to decisions not being sufficiently tested. For example, our report on Hinkley Point C found that the financing structure of the deal had been determined as a matter of policy and that better value for money alternatives had therefore not been explored.<sup>68</sup>

**57. Our evidence has highlighted a concern that contracting bodies do not always have a sufficiently clear understanding of the service that they are outsourcing.**

**58. Public bodies can consider outsourcing to be an opportunity to transfer problems to a private company. Transferring risk is illusory in most cases as the government retains the ultimate risk of failure to deliver certain services.**

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61 Q 355

62 Q 374

63 Q 690

64 Q 690

65 Report by the Comptroller and Auditor General, [Ministry of Defence: The Construction of Nuclear Submarine Facilities at Devonport](#), Session 2002–03, HC 90: 6 December 2002; see Report by the Comptroller and Auditor General, Survival guide to challenging costs in major projects

66 Q 690

67 National Audit Office, [Survival guide to challenging costs in major projects](#), June 2018; Qq 740–741; see Committee of Public Accounts, Third Report of Session 2017–19, [Hinkley Point C](#), HC 393

68 Committee of Public Accounts, Third Report of Session 2017–19, [Hinkley Point C](#), HC 393

## Improving contracts

59. The NAO has published several guides to best practice in contracting and makes dozens of recommendations each year to support public bodies improving their approach to contracting. A consistent message from our witnesses and from the NAO is the need for greater engagement and clarity at early stages of a project.<sup>69</sup> Several Strategic Suppliers called for earlier dialogue with Government and opportunities for a more collaborative approach to finding solutions.<sup>70</sup>

60. As previous PAC Reports have said, there can be no certainty about what a project is likely to cost if its scope is uncertain and that once a project enters the planning phase costs may increase and departments may find themselves focussing on “trying to make a project appear successful rather than on delivering a successful project”.<sup>71</sup> In every case the contracting department needs to be very clear on what it wishes to achieve, particularly in fast moving areas such as I.T.

61. The NAO has warned departments of being too quick to arrive at a preferred solution and the political pressure to make early commitments about project cost, innovation or timing.<sup>72</sup> The Public Accounts Committee has seen the results of all these.<sup>73</sup> Ground-breaking projects are “inherently more risky and much more difficult to cost”.<sup>74</sup> John Manzoni told us that the complex contracts “tend to be first-of-a-kind” and that fewer should be going wrong in the future as “We need to pilot them and we need to run them in dual-mode and so on.”<sup>75</sup>

62. Baroness Macgregor Smith and John Collington both told us that the Government had been guilty of poor specification at the start of a contract.<sup>76</sup> John Collington added that Government had been over reliant on third-party consultants to develop a specification and recommended having more civil servants with relevant commercial experience to develop specifications. Those drafting contracts should also consult and take into account the views of those who will manage contracts in order to minimise the risk of writing a contract that is difficult to manage.<sup>77</sup>

63. This Committee is accustomed to seeing poor contract specifications leading to wasted public funds. The Government’s contracts for Community Rehabilitation Companies required major changes following gross misestimation of the scale and nature of the work, with lower-than-expected volumes and higher overheads for the suppliers running the

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69 See Sodexo ([SSU0018](#)); Interserve ([SSU0020](#)); Capita ([SSU0017](#))

70 CGI ([SSU0002](#)); Interserve ([SSU0020](#)); Q 220.

71 Committee of Public Accounts, Twenty-Seventh Report of Session 2015–16, [e-Borders and successor programmes](#), HC 643; Committee of Public Accounts, Fifty-Fourth Report of Session 2013–14, [COMPASS: Provision of asylum accommodation](#), HC 1000; National Audit Office, [Survival guide to challenging costs in major projects](#), 21 June 2018

72 National Audit Office, [Survival guide to challenging costs in major projects](#), 21 June 2018

73 Committee of Public Accounts, Fifty-Fourth Report of Session 2013–14, [COMPASS: Provision of asylum accommodation](#), HC 1000; Committee of Public Accounts, Twenty-Seventh Report of Session 2015–16, [e-Borders and successor programmes](#), HC 643; Committee of Public Accounts, Fifty-First Report of Session 2016–17, [HMRC’s contract with Concentrix](#), HC 998; Committee of Public Accounts, Twenty-First Report of Session 2017–19, [The Nuclear Decommissioning Authority’s Magnox contract](#), HC 461

74 National Audit Office, [Survival guide to challenging costs in major projects](#), 21 June 2018

75 Q 735

76 Qq 21, 104

77 Q 21

Companies. The changed contracts will cost the Ministry of Justice an additional £342 million from 2017 to 2022, and the Community Rehabilitation Companies themselves forecast losses of £443 million over the same period.<sup>78</sup>

**64. Poor contract specification leads to uncertainty, which can cause cost increases, delay and failures to deliver. Imprecise scoping and poor information at the tendering phase can also lead to an adversarial environment that makes it more difficult to reach resolution. The Government needs to ensure that contracting bodies balance front line understanding of a service, project management skills and commercial and financial considerations when designing contracts. The Cabinet Office has a role in ensuring that this balance is achieved.**

65. The NAO recommend departments calculate robust baselines against which to measure a project's performance.<sup>79</sup> Rupert Soames agreed that data received from Government was often inaccurate and that instructions by the Cabinet Office to Departments to collect accurate data were often ignored.<sup>80</sup> For example, our inquiry into the Nuclear Decommissioning Authority's contract for decommissioning 12 Magnox nuclear sites concluded that Government dramatically under-estimated the condition of the sites and had not independently assured its information. Government lack of due diligence on basic data led to the contract cost increasing from £3.8 billion to £6.0 billion, and ultimately being terminated 9 years early.<sup>81</sup>

66. The Public Administration and Constitutional Affairs Committee concluded that Government's due diligence processes were in urgent need of improvement, and that there were serious flaws with how Government carried out due diligence on Carillion.<sup>82</sup> Those flaws might not be limited to just one company. We asked witnesses what due diligence Government did on them and vice versa. Some could not fully recall what due diligence work had been done. Sodexo told us that due diligence on a prison was still "a point of contention" and that they had inherited a facility that was in a "poorer condition than we anticipated".<sup>83</sup> We are surprised that any contractor would not assure itself fully asset conditions during the contracting process.

**67. Poor-quality Government data is a perennial concern for the Committee—Government needs to be clearer about the problem it is outsourcing and clear when its own data is flawed or incomplete.**

**68. Recommendation: We recommend that Government set out how it will improve the reciprocal due diligence between the Government and its suppliers. Government has a right to assure itself that a company is competent and capable of delivering the contracted service. The company also has a right to expect the Government to specify accurately what service it is contracting.**

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78 Report of the Comptroller and Auditor General, [Investigation into changes to Community Rehabilitation Company contracts](#), Session 2017–19, HC 676, 15 December 2017. Committee of Public Accounts, Twenty-Seventh Report of Session 2017–19, [Government contracts for Community Rehabilitation Companies](#), HC 897

79 National Audit Office, [Survival guide to challenging costs in major projects](#), 21 June 2018

80 Qq 356–7

81 Committee of Public Accounts, [The Nuclear Decommissioning Authority's Magnox contract](#), Twenty-First Report of Session 2017–19, HC 461, 21 February 2018

82 See Public Administration and Constitutional Affairs Committee, Seventh Report of Session 2017–19, [After Carillion: Public sector outsourcing and contracting](#), HC 748, para 20

83 Qq 488–9

69. In response to concerns about variations in contract terms the Government has announced the introduction of a standard contract to improve consistency and reduce disputes about interpretation.<sup>84</sup>

70. **The introduction of a standard contract is welcome and appropriate for the majority of typical procurements. When the Government procurements are more complex, a more flexible and intelligent approach to contracting is required.**

71. **Recommendation: *Standard contracts, which are beginning to be used by Government, should be used widely. Standard contracts should be designed to make it easier for SMEs to bid and make it clearer where variance occurs.***

72. **Recommendation: *The Government must ensure that the procurement process for more complicated projects includes a comprehensive sensitivity analysis and scenario planning.***

73. **Recommendation: *Government should look at the lifetime cost and value of a contract, not just the bottom line at the point the contract is commissioned. Government needs to get better at managing contracts through their life. To do this it needs to facilitate significant uplift in skills***

74. In construction, partnering is a relationship of co-dependence between parties on a contract. It is often used on high-risk contracts to ensure coordinated planning and cooperation. Partnering contracts are done on a target cost basis that shares incentives and penalties between partners.

75. **Recommendation: *Government should consider using a partnering model, as used in construction to create co-dependent relationships, for major, risky contracts to incentivise suppliers to deliver effectively alongside Government, and to ensure Government has proper oversight and skin in the game on vital public services***

76. The Government has been accused of being reluctant to negotiate changes to contracts in response to information that was not clear at the start of the contract.<sup>85</sup> Baroness McGregor-Smith told us that in the private sector variations that are identified after the start of a contract would be subject to negotiation and a solution found whereas with government contracts there is insufficient flexibility to make changes.<sup>86</sup> This was also the view of Philip Chalmers, who told us that Government contracts leave little room for negotiation and that in recent times the Government has adopted a “take it or leave it approach” to contracting. This approach denies suppliers the option of genuine contractual renegotiation.<sup>87</sup>

77. The greater the size, and length, of contracts the greater the probability of variations being necessary. In certain sectors social or legislative change may lead to contracts

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84 Q 713

85 See Report by the Comptroller and Auditor General, [NHS England's management of the primary care support services contract with Capita](#), Session 2017–19, HC 632; Report by the Comptroller and Auditor General, [The Nuclear Decommissioning Authority's Magnox contract](#), Session 2017–19, HC 408; Report by the Comptroller and Auditor General, [Investigation into HMRC's contract with Concentrix](#), Session 2016–17, HC 915

86 Q 102

87 Q 421

containing perverse incentives or illogical performance measures. The speed of technological change means that IT contracts are susceptible to changes in the external environment.

78. **Recommendation:** *There is an attitude that money can be made from contract variance—so that when data is wrong at the outset this can be a way to boost income on a low margin contract. In the middle of this game, the user of the service too often loses out.*

79. **In certain sectors technical, social or legislative change may lead to contracts containing perverse incentives or illogical performance measures. The speed of technological change means that IT contracts are susceptible to changes in the external environment.**

80. **Recommendation:** *Departments should provide the Cabinet Office with a request to enable extensions for contracts. That request should set out the reasons for requiring the extension, the analysis of the benefits of extending rather than rebidding, and an analysis of the performance over the course of the contract and record of performance across all of the company’s public-sector contracts.*

## Price, quality and value

81. The Government’s approach over several years has led to the market concentrating in a small number of large suppliers that are effectively the only businesses able to compete for large, aggregated, public sector contracts. A focus on price has reduced margins for prime contractors, which have cascaded down the supply chain, placing some subcontractors on the edge of sustainability. The combination of risk transfer, poor data and specification with low margins has meant that some government contracts are not only financially unsustainable but may also be effectively undeliverable, even at a loss. When those conditions prevail, it is inevitable that quality is squeezed to such an extent that those reliant on the service will be negatively affected.

82. The Government has a responsibility to deliver value for money for the taxpayer and cannot ignore price. Similarly, the Government should not ignore quality. Gareth Rhys Williams, Government Chief Commercial Officer, explained that:

What we need to make sure is that the bid that we get is sustainable for the life of the contract. Now, it could well be that a vendor will bid at a marginal cost in order to take market share from one of their competitors. Well, as long as we believe that that’s sustainable, that actually generates good value for the taxpayer, as long as the vendor delivers the service. So it is not as simple as, “Are they absolutely profitable at a certain level?”<sup>88</sup>

83. **The current procurement environment encourages Government and suppliers to place too much emphasis on price at the expense of quality. Tendering exercises must have an appropriate quality threshold and contracting bodies need to have sufficient understanding of the market to identify bids that are too low to enable the supplier to sustainably deliver to the required standard.**

84. Our evidence suggests that some companies have bid at a price that provides little or no margin with the expectation that subsequent variations will enable them to make a reasonable return.

85. We have real concerns about a race to the bottom in pricing. A number of suppliers are now going through corporate cleansing and refusing to bid for contracts where the profit margins are low. Such cleansing has not stopped them doing this in the past. Too often suppliers will also pass cost-cutting down the supplier chain without due regard for long-term implications. Government has to be an intelligent customer and be clearer about the impact of pricing models on the long-term delivery of a project. A saving today can simply shunt costs into the future.

### **Social Value Act**

86. Section 3 of the Public Services (Social Value) Act 2012 requires that a public-sector authority must consider how a procurement might improve the economic, social and environmental well-being of the relevant area. Baroness McGregor-Smith told us that, as shared value models became more prominent, it was necessary “to start thinking about the impact the private sector has upon the communities where it works” and, whether through apprenticeships, working with “individuals who had been disadvantaged in some way” or improving diversity, additional social value was at the heart of a private sector’s work on public contracts.<sup>89</sup>

87. Strategic Suppliers were keen to tell the Committee about their commitment to social value as part of their company ethic and Corporate Social Responsibility Work.<sup>90</sup> They expressed concern about the consistency with which its requirements were applied.<sup>91</sup> The Government has indicated that greater use of the Act will be included in the measures the Cabinet Office will be implementing to improve Government contracting.<sup>92</sup>

88. Cabinet Office is obliged to consider wider social benefits of procurements under Section 3 of the Public Services (Social Value) Act. The underuse of the Act could be taken as further evidence that cost overrides any other consideration Government makes in awarding contracts. The enthusiasm of suppliers to see the Act better used gives Government an open goal to achieve more social value.

89. *Recommendation: We recommend that there be an expectation of including a social value evaluation in Government procurements and that contracting bodies provide the Cabinet Office with an explanation if they wish to remove the provisions.*

90. *Recommendation: Government should, as part of every procurement tender, require plans to add social value and ensure social value is a weighted criterion for contract awards*

91. *Recommendation: Government should enshrine winning bidders’ social value commitments into contracts and agree appropriate KPIs for monitoring delivery.*

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89 Q 127

90 Q 539–40, Q 611

91 BIFM ([SSU0015](#)), para 20

92 Cabinet Office, [Chancellor of the Duchy of Lancaster speech to Reform](#), 25 June 2018, accessed 12 July 2018

92. **Recommendation:** *We recommend the Government include terms in their standard contracts that provide assurance that the company has appropriate corporate governance and corporate social responsibility policies in place.*

## 3 Cabinet Office's role

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### Skills and oversight

93. Although significant problems remain, Departmental commercial capability has improved in recent years and the hiring of senior leaders from industry is having a positive impact on how Departments are engaging with suppliers.<sup>93</sup> The NAO's *Commercial and contract management: insights and emerging best practice*, published in November 2016 found a number of initiatives at government, departmental and contract level.<sup>94</sup> The NAO concluded that the impact of the changes at the Government and organisational level was only beginning to be seen on individual contracts and projects.<sup>95</sup>

94. John Collington, the former Chief Procurement Officer, told us that when he arrived commercial skills across departments were "inconsistent", but that "significant progress has been made in upskilling the commercial and procurement functions across the civil service over the past seven years".<sup>96</sup> This has included external recruitment, capability assessments of existing staff, continuous development, and the introduction of the commercial fast stream.<sup>97</sup>

95. The Chief Executive of the Civil Service, John Manzoni, told us that such changes were "beginning to work" allowing for "more sophisticated conversations" between Cabinet Office and Strategic Suppliers.<sup>98</sup> The NAO has found the Government is improving its commercial skills but found that there was tension between Cabinet office and departments leading to uncertainty for suppliers and departments about accountability and operating models.<sup>99</sup> The Cabinet Office deploys some Crown Commercial Service staff into Departments to reinforce linkages between Departments and the Centre, but also to "manage the pay and structures".<sup>100</sup> ***Government needs to step up its skill development within departments so that contracts are specified better from the outset.***

96. While improvements in commercial capability are welcome we remain concerned that expertise and guidance residing in the Cabinet Office is not being effectively promulgated, or followed by commercial functions in departments and the wider public sector. Departments are still not learning from each other's mistakes and sharing their own across government to avoid them happening again. Jonathan Lewis of Capita told us that whilst Cabinet Office guidelines were being put in place "they are not being universally adopted across Government Departments".<sup>101</sup> Rupert Soames, Group Chief Executive at Serco, told us:

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93 National Audit Office, [Memorandum to Parliament: Managing government suppliers](#), Session 2013–14, HC 811, 12 November 2013; National Audit Office, [Commercial and contract management: insights and emerging best practice](#), 14 November 2018

94 National Audit Office, [Commercial and contract management: insights and emerging best practice](#), 14 November 2018

95 National Audit Office, [Commercial and contract management: insights and emerging best practice](#), 14 November 2018

96 Q 20

97 Q 23; Q 826

98 Q 679

99 National Audit Office, [Memorandum to Parliament: Managing government suppliers](#), Session 2013–14, HC 811, 12 November 2013

100 Q 683

101 Q 647

“The Cabinet Office has issued specific guidance to Departments saying, “Thou shalt not do this. Thou shalt go and give accurate data. Thou shalt not go and impose onerous conditions”. The Departments go and gleefully ignore it.”<sup>102</sup>

Mr Rhys Williams admitted that “there are no hard levers from the Cabinet Office into departments.”<sup>103</sup> The adoption of best practice by departments is, therefore, essentially voluntary.

97. The projects that come in front of this Committee often involve Departments trying a new approach or solution. For example, our recent inquiry into Offender-monitoring tags found that the Ministry of Justice’s decision to adopt a novel approach to a simple re-procurement resulted in delays, difficulties for supply chain, and £7.7 million in losses.<sup>104</sup> Believing the procurement of tags uncontroversial, the Ministry of Justice did not seek appropriate advance external challenge.

98. Similarly, better challenge could have improved the procurement for running of Community Rehabilitation Companies. The contracting-out of community rehabilitation to private companies has proved a lose-lose, with 14 of 21 Community Rehabilitation Companies still predicting losses, and work volumes far below what was predicted.<sup>105</sup> At the time of the NAO’s Report the taxpayer had had to pay out an additional £342 million to keep the companies operating.<sup>106</sup>

99. We do not wish to discourage innovation, but where Departments consider deviating from standard procurement contracts they need to engage with the Cabinet Office and provide appropriate evidence before adopting an alternative procurement or contract model.

100. We acknowledge the work of the Public Administration and Constitutional Affairs (PACAC) Committee and their report on public sector outsourcing and contracting.<sup>107</sup> *We concur with their recommendation that the Cabinet Office establish a contracting centre of excellence that can collect best practice and learning and disseminate it across the wider public sector including the NHS and local government.*

**101. The Government needs to develop more robust challenge and scrutiny of contracts before they are let. We recognise there is progress here, but there are still too many contracts which do not collapse but still deliver poor services to the user.**

**102. The Cabinet Office lacks sufficient leverage with other Departments. Departments continue to act in separate silos, failing to share information or adopt the appropriate multidisciplinary teams that combine frontline knowledge, commercial skills and project management.**

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102 Q 356

103 Q 681

104 Committee of Public Accounts, Fifteenth Report of session 2017–19, [Offender-monitoring tags](#), HC 458

105 Committee of Public Accounts, Twenty-seventh Report of Session 2017–19, [Government Contracts for Community Rehabilitation Companies](#), HC 897

106 Report by the Comptroller and Auditor General, [Investigation into changes to Community Rehabilitation Company contracts](#), Session 2017–19, HC 676

107 Public Administration and Constitutional Affairs Committee, Seventh Report of Session 2017–19, [After Carillion: Public sector outsourcing and contracting](#), HC 748, para 36

103. **Recommendation:** *Cabinet Office should ensure Departments adhere to Cabinet Office guidance and are required to respond to Cabinet Office challenge for large procurements. Where Departments want to deviate from Cabinet Office guidance, they should write to Cabinet Office ahead of opening a tender, setting out their justifications for that deviation.*

## 4 Crown Representatives and Risk Assessments

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104. In 2010 the Cabinet Office introduced reforms in a bid to regain control of Government spending and exert downward pressure on procurement costs in central government, local authorities and the wider public sector.<sup>108</sup> The largest Government suppliers, the Strategic Suppliers, were assigned a Crown Representative. The Crown Representatives are members of the Commercial Relationships Board (CRB) which reviews the list of Strategic Suppliers and oversees relationship management and performance monitoring in line with the Strategic Supplier Risk Management Policy. The CRB is chaired by the Chief Procurement Officer.<sup>109</sup>

105. The Crown Representative produces analyses of suppliers' risks based on performance against contracts and a Suppliers' financial health, which are reported to the Cabinet Office Commercial Representatives Board. The Board will then assign a risk rating of Black, Red, Amber or Green to each supplier as set out in in the Strategic Supplier Risk Management policy. The risk assessment documents are mainly subjective and draw on publicly-available sources; we have found little confidential information in these internal, protected documents designed to encapsulate the condition of suppliers.<sup>110</sup>

106. The Cabinet Office defended the RAG rating system as a good measure of performance. They told us that the high risk Black rating was rarely used, and that Carillion had not been placed in that category because if that status had become public it "would precipitate exactly what we were trying to avoid".<sup>111</sup>

**107. The Government's RAG rating system is not working, either as a carrot, or as a stick. The RAG rating system is a management tool that provides civil servants with a shorthand assessment of a supplier's performance. A decline in a company's RAG status appears to have no material impact, other than to trigger closer scrutiny from the Cabinet Office as set out in the Strategic Supplier Risk Management Policy.**

**108. We do not accept Cabinet Office's rationale for failing to give Carillion a High-Risk rating. Given the caution with which Government treats risk assessments we believe it is highly improbable that a High Risk rating would become public. The Cabinet Office's decision not to do this undermines its own Strategic Supplier Risk Management policy.**

**109. Recommendation: We recommend that the Cabinet Office review the Strategic Supplier Management Policy and its application. If RAG ratings are to be of use they need to be applied consistently and based on objective assessment. The Cabinet Office should consider whether it is appropriate that a supplier can appeal against a rating.**

110. We considered the Minister's view that the risk assessments were "acutely commercially sensitive", and that publication could have "very serious consequences for jobs, people

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108 Qq 9–10

109 Cabinet Office, [Strategic Supplier Risk Management Policy](#), November 2012

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

111 Q 783–5; Documents released to the Committee demonstrate that only one supplier has been rated as High Risk since the introduction of the system, whilst others have been recommended for this rating.

working for some of those companies and investors in those companies”.<sup>112</sup> The Cabinet Office was also concerned that publishing the documents would deter suppliers from voluntarily providing information to Government.<sup>113</sup> We found, as can be seen from the published Carillion risk assessments, that most of the information was already in the public domain either formally or as well-informed supposition in the relevant trade press.

**We consider that the Cabinet Office overstated the potential impact of publishing the past risk assessments relating to the Government’s remaining Strategic Suppliers. However, we accept that some material risk of damage exists and particularly to smaller supply chain businesses and their employees, and have therefore decided not to publish the documents in full at this time.**

111. The Crown Representatives meet regularly with their company’s senior management and monitor publicly available information. The Strategic Suppliers have welcomed the introduction of the Crown Representative system, although some were concerned about their representative having sufficient time and resources.<sup>114</sup> Most Crown Representatives are now recruited from the private sector and spend around two years in the post.<sup>115</sup> The Cabinet Office accepted that individuals were unlikely to dedicate themselves full-time to the role.<sup>116</sup> We have previously raised concerns about high turnover in senior posts weakening institutional knowledge.<sup>117</sup> In the case of Crown Representatives, short tenure and high turnover undermines the main purpose of the role—building and maintaining relationships. By consulting the companies in advance of a RAG change allows to them object and if this is overruled by Government they risk judicial review. This effectively stymies the whole system.

**112. Recommendation: *The Crown Representative system is at risk of under-resource and high staff turnover. The Cabinet Office should consider how to make the role sufficiently attractive to attract and keep individuals of an appropriate calibre.***

**113. The circle of civil servants working closely with Strategic Suppliers is small. It is important that in the cut and thrust of commercial discussions, undertaken on behalf of taxpayers, Crown Representatives do not get too close to suppliers. Without effective oversight of these relationships there is a risk that Strategic Suppliers become secretive ‘sub departments’ of Whitehall.**

**114. Recommendation: *The Government should consider appointing an independent commissioner to provide independent assurance that suppliers are being held to the same standards across government.***

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112 [Oral evidence taken before the Liaison Committee on 7 February 2018](#), HC (2017–19) 770 Q 29

113 [Oral evidence taken before the Liaison Committee on 7 February 2018](#), HC (2017–19) 770, Q 29

114 Qq 222, 551–2, 593; CGI ([SSU0002](#)), para 2; Motorola ([SSU0004](#)); Sodexo ([SSU0005](#)), p. 1; Accenture ([SSU0006](#)); SEC Group ([SSU0012](#)), para 3.2

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

116 Q 715

117 See Committee of Public Accounts, Second Special Report of Session 2017–19, [Third Annual Report of the Chair of the Committee of Public Accounts](#), HC 1399

## 5 The Collapse of Carillion

115. On 15 January 2018, the facilities management and construction company, Carillion, declared insolvency and the Official Receiver started to liquidate its assets and contracts. The unprecedented collapse of a British public limited company sparked several investigations from select committees and outside regulators and bodies, not least because at the time of its collapse the company employed 18,200 directly in the UK; provided services to the public sector through around 470 contracts and joint ventures; and owed around £2 billion to subcontractors and suppliers.

116. The NAO published its investigation into the collapse of Carillion on 7 June. That Report examined the company's relationship with Government and the crucial contingency planning and managed liquidation of the company. The Liaison Committee took evidence from the Comptroller and Auditor General (C&AG), the Minister for the Cabinet Office and officials on 7 February 2018.<sup>118</sup> The Public Administration and Constitutional Affairs Committee (PACAC) reported into lessons learned from the collapse of Carillion for Cabinet Office, publishing their report on 9 July 2018.<sup>119</sup> The joint inquiry into Carillion by the Business, Enterprise and Industrial Strategy and Work and Pensions select committees reported on 16 May 2018.<sup>120</sup> That Joint Report provides a detailed description and analysis of Carillion's decline and eventual failure.<sup>121</sup>

117. The Cabinet Office was surprised by the scale of the company's July 2017 profit warning and decided not to escalate Carillion to High Risk after the further profit warning in November 2017.<sup>122</sup> In early January 2018, Carillion asked the government for £223 million and additional support with its financial restructuring. The Cabinet Office decided not to support Carillion, leading to the company's collapse in January.<sup>123</sup>

**118. The Joint Report from the Business, Enterprise and Industrial Strategy and Work and Pensions select committees sets out the key facts about Carillion's business approach, corporate governance and financial performance and reporting. The Committees' conclusions and recommendations are a damning litany of incompetence and self-delusion at the top of the company. Several aspects of the company's, and its advisers', activities continue to be investigated by outside regulators, including The Pensions Regulator and the Financial Reporting Council.**

**119. The net loss to Government of carrying out the liquidation is currently estimated at £148m, but the final sum is uncertain. The wider costs to former Carillion workers, pensioners, investors, the supply chain, and other creditors remain unclear. Carillion's**

118 [Oral evidence taken before the Liaison Committee on 7 February 2018](#), HC (2017–19) 770

119 Public Administration and Constitutional Affairs Committee, Seventh Report of session 2017–19, [After Carillion: Public sector outsourcing and contracting](#), HC 748

120 Business, Energy and Industrial Strategy and Work and Pensions Committees, Second Joint report of Session 2017–19, being the Tenth Report of the Business, Energy and Industrial Strategy Committee of Session 2017–19 and Twelfth Report of the Work and Pensions Committee of Session 2017–19, [Carillion](#), HC 679

121 Business, Energy and Industrial Strategy and Work and Pensions Committees, Second Joint report of Session 2017–19, being the Tenth Report of the Business, Energy and Industrial Strategy Committee of Session 2017–19 and Twelfth Report of the Work and Pensions Committee of Session 2017–19, [Carillion](#), HC 679

122 Report by the Comptroller and Auditor General, [Investigation into the government's handling of the collapse of Carillion](#), Session 2017–19, HC 1002; [Oral evidence taken before the Liaison Committee on 7 February 2018](#), HC (2017–19) 770, Q 35

123 Report by the Comptroller and Auditor General, [Investigation into the government's handling of the collapse of Carillion](#), Session 2017–19, HC 1002

shareholders and lenders bore the brunt of much of financial penalty for the company's failure. Many of Carillion's subcontractors and suppliers took a very large penalty as Carillion had accrued significant credit through late payments which, even if the contract had been taken over, were unlikely to be paid.

### Role of the Cabinet Office when things go wrong

120. The Cabinet Office consider that most contracts, particularly those for run-of-the-mill services, perform satisfactorily, while around 20 percent or more of complex or innovative contracts fail or run into serious difficulties.<sup>124</sup> In July 2017, the Cabinet Office began contingency planning in the event of Carillion failing, but was hampered by the lack of a complete list of Carillion's government contracts. The Cabinet Office was still seeking information from across the public sector when the company entered liquidation. When Carillion collapsed, Carillion staff generally continued to provide public services uninterrupted, despite a lack of management information.<sup>125</sup>

121. Rupert Soames suggested that all suppliers to Government should maintain 'Living Wills'—contingency measures produced and maintained by a supplier in the event of corporate failure.<sup>126</sup> The information in the Living Will would enable Government to transfer delivery of the contract to another supplier, or take it back in-house.<sup>127</sup> The Cabinet Office has announced that it will adopt the approach.<sup>128</sup> **We welcome the Government's intention to introduce a requirement for suppliers to produce 'Living Will' contingency documents.**

122. **Recommendation: *In response to this report, we expect the Government to provide more detail about how the policy will be implemented; what the documents would contain; and how their contents would be scrutinised, assured and kept up to date.***

123. **Recommendation: *More complex contracts are more likely to go wrong. We would expect the Cabinet Office to consider the burden of creating and maintaining the living wills and balancing that burden with the complexity of the project and the risk and impact of contract failure.***

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124 Qq 731–7

125 [Oral evidence taken before the Liaison Committee on 7 February 2018](#), HC (2017–19) 770, Q 35

126 Serco, [Lecture Rupert Soames to Business Services Association 18 June 2018](#), accessed 12 July 2018

127 Serco, [Lecture Rupert Soames to Business Services Association 18 June 2018](#), accessed 12 July 2018

128 Cabinet Office, [Chancellor of the Duchy of Lancaster speech to Reform](#), 25 June 2018, accessed 12 July 2018

## Formal minutes

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**Wednesday 18 July 2018**

Members present:

Meg Hillier, in the Chair

Bim Afolami

Gillian Keegan

Sir Geoffrey Clifton-Brown

Anne Marie Morris

Caroline Flint

Bridget Phillipson

Draft Report (*Strategic Suppliers*), proposed by the Chair, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 123 read and agreed to.

Summary agreed to.

*Resolved*, That the Report be the Fifty-eighth of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Wednesday 5 September at 2:00pm]

## Witnesses

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The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

### Tuesday 5 June 2018

*Question number*

**John Collington**, Sector Managing Director, Public Sector, Alexander Mann Solutions

[Q1–83](#)

**Baroness Ruby McGregor-Smith CBE**

[Q84–148](#)

### Monday 11 June 2018

**Peter Neden**, Chief Executive Officer, Care and Justice Services and Public Sector, G4S, and **Debbie White**, CEO, Interserve

[Q149–349](#)

### Wednesday 13 June 2018

**Rupert Soames**, Group Chief Executive Officer, Serco, **Philip Chalmers**, Senior Vice President, Public Sector and Health, Atos and **Sean Haley**, Regional Chair, UK and Ireland, Sodexo

[Q350–572](#)

### Monday 18 June 2018

**Jonathan Lewis**, Chief Executive, Capita plc, and **Stephen Sharp**, Executive Officer, Capita Government Services

[Q573–673](#)

### Wednesday 20 June 2018

**John Manzoni**, Permanent Secretary, Cabinet Office, **Gareth Rhys Williams**, Government Chief Commercial Officer, Cabinet Office, and **Coleen Andrews**, Director, Markets and Suppliers, Cabinet Office

[Q674–840](#)

## Published written evidence

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The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

SSU numbers are generated by the evidence processing system and so may not be complete.

- 1 Accenture ([SSU0006](#))
- 2 Atos ([SSU0013](#))
- 3 Atos ([SSU0019](#))
- 4 British Institute of Facilities Management ([SSU0015](#))
- 5 Capita ([SSU0017](#))
- 6 CGI ([SSU0002](#))
- 7 Federation of Small Businesses ([SSU0016](#))
- 8 G4S ([SSU0008](#))
- 9 Interserve ([SSU0003](#))
- 10 Interserve ([SSU0020](#))
- 11 Lockheed Martin UK ([SSU0014](#))
- 12 Microsoft ([SSU0011](#))
- 13 Motorola Solutions ([SSU0004](#))
- 14 Mr David Walker and Mr John Tizard ([SSU0009](#))
- 15 Mr Trevor Black ([SSU0001](#))
- 16 Oracle ([SSU0021](#))
- 17 Serco ([SSU0007](#))
- 18 Sodexo ([SSU0005](#))
- 19 Sodexo ([SSU0018](#))
- 20 Specialist Engineering Contractors' (SEC) Group ([SSU0012](#))
- 21 Vodafone ([SSU0010](#))

## Published correspondence

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The following correspondence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

- 1 [Chair to Cabinet Office Minister regarding Strategic Suppliers inquiry](#)

## List of Reports from the Committee during the current session

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All publications from the Committee are available on the [publications page](#) of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

### Session 2017–19

First Report	Tackling online VAT fraud and error	HC 312 (Cm 9549)
Second Report	Brexit and the future of Customs	HC 401 (Cm 9565)
Third Report	Hinkley Point C	HC 393 (Cm 9565)
Fourth Report	Clinical correspondence handling at NHS Shared Business Services	HC 396 (Cm 9575)
Fifth Report	Managing the costs of clinical negligence in hospital trusts	HC 397 (Cm 9575)
Sixth Report	The growing threat of online fraud	HC 399 (Cm 9575)
Seventh Report	Brexit and the UK border	HC 558 (Cm 9575)
Eighth Report	Mental health in prisons	HC 400 (Cm 9575) (Cm 9596)
Ninth Report	Sheffield to Rotherham tram-trains	HC 453 (Cm 9575)
Tenth Report	High Speed 2 Annual Report and Accounts	HC 454 (Cm 9575)
Eleventh Report	Homeless households	HC 462 (Cm 9575) (Cm 9618)
Twelfth Report	HMRC's Performance in 2016–17	HC 456 (Cm 9596)
Thirteenth Report	NHS continuing healthcare funding	HC 455 (Cm 9596)
Fourteenth Report	Delivering Carrier Strike	HC 394 (Cm 9596)
Fifteenth Report	Offender-monitoring tags	HC 458 (Cm 9596)
Sixteenth Report	Government borrowing and the Whole of Government Accounts	HC 463 (Cm 9596)
Seventeenth Report	Retaining and developing the teaching workforce	HC 460 (Cm 9596)

Eighteenth Report	Exiting the European Union	HC 467 (Cm 9596)
Nineteenth Report	Excess Votes 2016–17	HC 806 (Cm 9596)
Twentieth Report	Update on the Thameslink Programme	HC 466 (Cm 9618)
Twenty-First Report	The Nuclear Decommissioning Authority's Magnox	HC 461 (Cm 9618)
Twenty-Second Report	The monitoring, inspection and funding of Learndirect Ltd.	HC 875 (Cm 9618)
Twenty-Third Report	Alternative Higher Education Providers	HC 736 (Cm 9618)
Twenty-Fourth Report	Care Quality Commission: regulating health and social care	HC 468 (Cm 9618)
Twenty-Fifth Report	The sale of the Green Investment Bank	HC 468 (Cm 9618)
Twenty-Sixth Report	Governance and departmental oversight of the Greater Cambridge Greater Peterborough Local Enterprise Partnership	HC 896 (Cm 9618)
Twenty-Seventh Report	Government contracts for Community Rehabilitation Companies	HC 897 (Cm 9618)
Twenty-Eighth Report	Ministry of Defence: Acquisition and support of defence equipment	HC 724 (Cm 9618)
Twenty-Ninth Report	Sustainability and transformation in the NHS	HC 793 (Cm 9618)
Thirtieth Report	Academy schools' finances	HC 760 (Cm 9618)
Thirty-First Report	The future of the National Lottery	HC 898 (Cm 9643)
Thirty-Second Report	Cyber-attack on the NHS	HC 787 (Cm 9643)
Thirty-Third Report	Research and Development funding across government	HC 668 (Cm 9643)
Thirty-Fourth Report	Exiting the European Union: The Department for Business, Energy and Industrial Strategy	HC 687 (Cm 9643)
Thirty-Fifth Report	Rail franchising in the UK	HC 689 (Cm 9643)
Thirty-Sixth Report	Reducing modern slavery	HC 886 (Cm 9643)
Thirty-Seventh Report	Exiting the European Union: The Department for Environment, Food & Rural Affairs and the Department for International Trade	HC 699 (Cm 9643)
Thirty-Eighth Report	The adult social care workforce in England	HC 690
Thirty-Ninth Report	The Defence Equipment Plan 2017–2027	HC 880

Fortieth Report	Renewable Heat Incentive in Great Britain	HC 696
Forty-First Report	Government risk assessments relating to Carillion	HC 1045
Forty-Second Report	Modernising the Disclosure and Barring Service	HC 695
Forty-Third Report	Clinical correspondence handling in the NHS	HC 929
Forty-Fourth Report	Reducing emergency admissions	HC 795
Forty-Fifth Report	The higher education market	HC 693
Forty-Sixth Report	Private Finance Initiatives	HC 894
Forty-Seventh Report	Delivering STEM skills for the economy	HC 691
Forty-Eighth Report	Exiting the EU: The financial settlement	HC 973
Forty-Ninth Report	Progress in tackling online VAT fraud	HC 1304
Fiftieth Report	Financial sustainability of local authorities	HC 970
Fifty-First Report	BBC commercial activities	HC 670
Fifty-Second Report	Converting schools to academies	HC 697
Fifty-Third Report	Ministry of Defence's contract with Annington Property Limited	HC 974
Fifty-Fourth Report	Visit to Washington DC	HC 1404
Fifty-Fifth Report	Employment and Support Allowance	HC 975
Fifty-Sixth Report	Transforming courts and tribunals	HC 976
Fifty-Seventh Report	Supporting Primary Care Services: NHS England's contract with Capita	HC 698
First Special Report	Chair of the Public Accounts Committee's Second Annual Report	HC 347
Second Special Report	Third Annual Report of the Chair of the Committee of Public Accounts	HC 1399