



#plymcabinet



**Democratic and Member Support**

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## Cabinet - Supplementary

Tuesday 13 February 2018  
4.00 pm  
Council House, Plymouth

**Members:**

Councillor Bowyer, Chair

Councillor Nicholson, Vice Chair

Councillors Mrs Beer, Mrs Bowyer, Darcy, Downie, Jordan, Michael Leaves, Ricketts and Riley.

Please refer to the supplementary information under agenda item 5.

**Tracey Lee**

Chief Executive

## **Cabinet**

### **5. Chair's Urgent Business**

**(Pages 1 - 2)**

To receive reports on business which, in the opinion of the Chair, should be brought forward for urgent consideration.

**CARILLION**

## Impact of the Collapse of Carillion

**Introduction**

In the wake of the recent collapse of Carillion, a review has been undertaken as to the potential impact of that on Plymouth. Furthermore, in light of that collapse, soundings have been taken as to the potential impact of a similar collapse of any other company which operates in the same environment as Carillion where the public sector have outsourced significant packages of work to the private sector.

The following provides an overview of the findings.

**Carillion – Background and Impact:**

Carillion has been around for a long time. It was created in 1999 when Tarmac, which has a heritage stretching back over a hundred years, decided to split off its construction business into a new entity. The company at one point was valued at over £2Bn and became one of the UK government's leading outsourcing partners. The company employs 43,000 worldwide with just over 19,000 in the UK.

However, all this changed in 2017. Major markets for the organisation such as the Middle East, started to slow down, some contracts did not pan out as planned and there were reports of accounting errors. This meant that in July 2017 Carillion was forced to issue a profits warning which knocked 60% off its share price. However, they continued to receive projects from the public and private sector.

Across 2017 more than £126M was spent by English Councils on Carillion, with more than £36m spent between July-October 2017; during which time Carillion issued two profit warnings in the space of two months.

Construction, repair and maintenance works accounted for around 13% of local government spend with Carillion across April 2014 and October 2017 and highways made up 8.7%.

In terms of Plymouth, the city council has no direct contracts with Carillion. We have contracts with Balfour Beatty through the FVLR and Charles Cross. It should be noted that Balfour Beatty has exposure to contracts with Carillion in other parts of the country in the order of £40M. However, we have nothing to indicate that this will have an impact on them.

**Potential impacts across the wider Public Sector in the Plymouth area:**

Soundings have been taken with a number of the major public bodies across the city to gauge the potential impact of the Carillion collapse. Also, consideration has been given as to whether contracts with other similar organisations exist that should they go the way of Carillion, would be a concern to the city.

In relation to the Naval Base, Babcock have used them in the past in support of infrastructure / strategic projects; But have nothing with them at this point in time.

Carillion do provide services to the wider MOD estate (this does not include the Naval Base – which uses Interserve, Falcon and Babcock) locally and more widely (e.g. Stonehouse Barracks, Bickleigh). They provide FM services (for armed forces housing, cleaning, FM building maintenance etc.) They provide those services on a JV basis of which there are two. One with Amey and the other with Aramec. In discussion with the DIO and MOD, they both stated that in the event of Carillion disappearing, one of the JV partners will step in and ensure continuation of contracts. This has been further tested with specific questions on particular aspects of the Naval Estate. The official line from the MoD re: the collapse of Carillion is as follows: ‘This announcement has no direct impact on defence or the services provided to the Armed Forces and their families. Housing will continue to be serviced, catering facilities provided and buildings and offices cleaned.’

Carillion also oversee the maintenance of Princetown prison. They have a base in Exeter. It is also believed that Carillion were sub-contractors on the connecting Devon and Cornwall scheme; receiving the work from Gigaclear.

Derriford Hospital has confirmed that they have no contracts with Carillion, but maintain a watching brief re: potential supply chain impacts. They have a contract with Serco for soft FM services.. If Serco were ever to suffer the same consequence as Carillion; the NHS would look to step in. In terms of the Serco contract, they are currently evaluating options as how to re-new that contract.

### **Private Sector:**

The University of Plymouth has confirmed that it has no contracts with Carillion or similar type organisations.

In relation to the private sector; the Devon Chamber of Commerce have surveyed their Members to see how companies across the Chamber may have been affected. Thus far, they have had very little response; but will continue to monitor the situation.

### **Conclusion**

Whilst the collapse of Carillion will have had significant impact across a number of sectors and its collapse will have been a difficult time for their employees, it appears that the direct and indirect impacts within Plymouth appear to be very limited. The situation will continue to be monitored in conjunction with public and private sector partners.