

Division(s):

## **PERFORMANCE SCRUTINY COMMITTEE – 15 MARCH 2018**

### **THE COUNCIL'S RESPONSE TO THE LIQUIDATION OF CARILLION**

#### **Report by the Director: Property, Assets and Investment**

##### **Introduction**

1. Carillion was Oxfordshire County Council's strategic property maintenance, investment and facilities partner. On 15 January 2018, it was announced that companies in the Carillion group structure would begin to go into liquidation. This triggered an immediate business continuity response by the Council, to guarantee continuity of delivery of key services and to ensure that schools and other functions could continue to operate.
2. Following a negotiation with representatives of the Official Receivers, it was agreed that a previously agreed termination of the contract would be brought forward to be effective from 1 February 2018. All elements of the service are now being managed directly by the Council.
3. The Performance Scrutiny Committee have requested a report on measures taken by the Council in response to the liquidation of Carillion and future plans for the service.
4. The Performance Scrutiny Committee is RECOMMENDED to note the contents of this report, and request an update on the implementation of new arrangements in autumn, 2018.

##### **Carillion Liquidation and Contract Termination**

5. The Carillion Property and Facilities contract commenced on 1 July 2012, for an initial 10-year term. It covered a wide range of property related services including capital construction, strategic asset management, transactional estate work, energy, facilities management including cleaning and catering at schools and other sites, repairs and maintenance of all buildings and health and safety in relation to staff and buildings.
6. Performance, commercial and strategic issues relating to the contract have previously been reported to the Performance Scrutiny Committee.
7. In March and then June 2017, the Council terminated certain services under the contract. In December 2017, a mutual agreement was concluded with Carillion and the Council to, amongst other things, terminate the remaining contract arrangements in phases, with the final phase due to complete by July 2018.

8. In early January 2018, it became apparent that Carillion was likely to enter liquidation. An official announcement was made on 15 January with Carillion LSG entering formal liquidation on 25 January. From 15 January, an immediate business continuity response was put in place, to guarantee continuity of delivery of key services and to ensure that schools and other council functions could continue to operate. This included putting in place plans to supply meals to schools in the event that the Carillion catering operation had failed at or after the point of liquidation. To stabilise the supply chain, OCC wrote to suppliers guaranteeing that ultimately, the council would ensure that legitimate bills would be paid. Staff were also assured that they would be paid in all circumstances. The Council's business continuity response covered the corporate estate and all maintained schools – including those who had separate contractual arrangements with Carillion outside of the Council's main contract. A business continuity offer was extended to academy schools with Carillion contracts, fulfilling the Council's wider duty to residents. No further payments were made to Carillion after 15 January pending negotiation of a final settlement with the Official Receiver.
9. Urgent negotiations were entered into with 'special managers', appointed by the Official Receiver. Based on a risk assessment of remaining in a contract that was at that point ultimately managed by the receivers, it was agreed to bring forward the termination date of the main contract to 31 January 2018, with all elements of the service being managed directly by OCC from 1 February. In addition, through further negotiation, OCC secured termination from the individual contracts held by some maintained schools and academies, reducing the risk to individual schools.
10. All County Councillors were invited to attend a Cabinet briefing on these issues held on 23 January.
11. An urgent programme of activity was delivered to complete legal termination of the contract and mobilise an operational service to replace Carillion from 1 February. This initial programme is now complete, with 261 staff having transferred and services operating at a basic level. The new service is being provided to all schools previously served through the main Carillion contract arrangement and the majority of other maintained schools who had separate direct contracts with Carillion. Services are being provided on an 'as-is' basis and schools should not experience any change in arrangements. Critically, the supply chain has remained in place through the contract termination and staff were retained. Data and detail on processes was not in all cases available to the Council. However, new service management has recovered and where necessary rebuilt the essential information needed to operate services.
12. As a consequence of these measures, business continuity was maintained through the transfer and no significant issues have been reported.
13. Staff were transferred on TUPE equivalent terms and are now directly employed by OCC. All staff were communicated to, as far as was possible in the circumstances, ahead of the transfer date. Subsequently, all staff are now in direct communication with OCC and final positions are being established.

14. A small number of maintained schools and all academies have made their own arrangements for services and where relevant, have transferred staff directly to their employment or to their new contractors.
15. A programme of stabilisation is now underway to complete the process of transferring staff and mobilising a fully fit for purpose property operations service.
16. In parallel, over the next six months, a new operating model and business plan for the service will be developed and end-users and stakeholders – including school management and unions – will be engaged as appropriate. Development of the operating model will require a full assessment of the current financial and commercial position, the impact of the contract termination and future modelling of capital and revenue budgets.
17. Construction operations at schools have been suspended pending OCC taking on full responsibility for works. An assessment of works in progress and outstanding is underway.

## **RECOMMENDATION**

18. **The Performance Scrutiny Committee is RECOMMENDED to note the contents of this report, and request an update on the implementation of new arrangements in autumn, 2018.**

Alexandra Bailey, Director: Property, Assets and Investment

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