



Government
Commercial
Function

RESOLUTION PLANNING

GUIDANCE NOTE

MAY 2021

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1. Context

1.1 Introduction

Resolution Planning

1.1.1 This Guidance Note follows on from publication of the [Sourcing Playbook](#) and Construction Playbook. It explains how Contracting Authorities can reduce the risks of interruption to UK public services arising from Supplier Insolvency by requiring the supplier to provide Resolution Planning Information.

1.1.2 The Guidance Note sets out:

- what Resolution Planning Information is;
- why Resolution Planning Information is helpful;
- when Corporate Resolution Planning Information (“**CRP Information**”) is required and from whom;
- who is responsible for obtaining, holding and assuring CRP Information;
- what Contracting Authorities should be doing;
- what to focus on when assuring Resolution Planning Information;
- confidentiality and usage restrictions surrounding CRP Information; and
- other ways to protect against or mitigate the impact of Supplier Insolvency.

1.1.3 The Guidance Note applies to services and public works contracts.

Termination

1.1.4 This Guidance Note also sets out how Contracting Authorities should liaise centrally before terminating contracts with Public Sector Dependent Suppliers. The purpose is to reduce the risk that termination of one contract could undermine the supplier’s solvency and adversely affect its ability to provide services under another UK public sector contract.

1.2 Support

1.2.1 If you have any questions or issues, please contact the Cabinet Office’s Markets and Suppliers Team on resolution.planning@cabinetoffice.gov.uk.

1.3 Scope

1.3.1 This Guidance Note is relevant to Central Government Departments, their Executive Agencies and Non-Departmental Public Bodies (“**Relevant Authorities**”). It is also likely to be of interest to other Contracting Authorities within the wider public sector.

1.4 Applicability

Resolution planning guidance

1.4.1 Guidance on resolution planning is applicable to new procurements by Relevant Authorities of:

- Critical Service Contracts;
- other outsourced service contracts with an estimated value exceeding £10m per year¹; and
- Critical Construction Contracts.

(together “**In-Scope Contracts**”).

1.4.2 New In-Scope Contracts should include provisions requiring the supplier to provide:

- a) CRP Information; and
- b) an Insolvency Continuity plan.

1.4.3 A decision tree on when to include an obligation to provide CRP Information in a new contract is set out at Annex II.

Termination guidance

1.4.4 Guidance on termination is applicable to the termination of any contract with a value exceeding £5m per year² with a Public Sector Dependent Supplier.

1.5 Contractual provisions

1.5.1 Model contractual provisions dealing with Resolution Planning during the life of a contract are set out in the Cabinet Office’s [Model Services Contract](#). For Public works³, the drafting set out in the Model Services Contract will be amended to align with the most commonly used model form public works contracts and will be published as a set of standard terms and conditions. Generally, the provisions for services and public works contracts are the same. Where there are differences, they have been highlighted in this Guidance Note.

¹ Based on advertised contract value averaged over the life of the contract (including possible extensions). Although a supplier will only trigger the obligation to provide CRP Information in respect of non-critical service contracts when it becomes a Public Sector Dependent Supplier, the relevant provisions should be included from contract commencement to avoid the need for subsequent renegotiation.

² Based on the invoiced value (excluding VAT) of the contract in the most recent financial year, extrapolated as appropriate for contracts entered into during the year.

³ Public works is all building, civil engineering, construction or infrastructure, including refurbishments and retrofit. The construction of equipment, excluding goods, is in scope.

1.6 Glossary

1.6.1 The following terms are used throughout this document:

Contract Tiering Tool	The Contract Tiering Tool, which is available to all public sector bodies, measures criticality using various measures including the potential impact of service failure, the speed and ease of switching suppliers and the contract value. The tool categorises contracts into “gold” (most critical), “silver” and “bronze” (least critical).
Corporate Change Event	A major change to the supplier’s group which could affect delivery of the services such as a major acquisition or disposal or similar event. A full definition is set out in the Model Services Contract and, upon publication, the standard clauses of model form public works contracts.
Critical Service Contract	An outsourced service contract categorised using the Cabinet Office Contract Tiering Tool as a “Gold” contract or which a Contracting Authority otherwise chooses (after consulting Cabinet Office Markets & Suppliers Team) to designate as a critical service contract.
Critical Construction Contract	A public works contract categorised as critical by a contracting authority (after consulting Cabinet Office Markets & Suppliers Team). The Cabinet Office Contract Tiering Tool “Gold” contract tier can be used as a guide to support contracting authorities in determining criticality.
CNI or Critical National Infrastructure	Those critical elements of infrastructure (namely assets, facilities, systems, networks or processes and the essential workers that operate and facilitate them), the loss or compromise of which could result in: <ul style="list-style-type: none"> • major detrimental impact on the availability, integrity or delivery of essential services (including those services whose integrity, if compromised, could result in significant loss of life or casualties) taking into account significant economic or social impacts; and/or • significant impact on national security, national defence or the functioning of the state.
Corporate Resolution Planning Information <i>or</i> CRP Information	The three elements of Resolution Planning Information are set out in Section 2.1 and Appendix I below relating to the supplier and its group being: <ul style="list-style-type: none"> • Exposure information (contracts list) • Corporate resolvability assessment (Structural Review). • Financial information and commentary.
Financial Distress Event	An indicator of possible financial distress defined in a contract which, if it arises, gives the Contracting Authority the right to require the supplier to put forward a remediation plan and could ultimately lead to the Contracting Authority terminating the contract.

<p>Model Services Contract</p>	<p>The Cabinet Office’s Model Services Contract (“MSC”) forms a set of model terms and conditions for major services contracts that is published for use by government departments and many other public sector organisations.</p>
<p>Public Sector Dependent Supplier</p>	<p>A supplier with an annual revenue in excess of £50 million of which over 50% is derived from the UK public sector, or a supplier that is a member of a group of companies with an annual revenue in excess of £50 million of which over 50% is derived from the UK public sector.</p>
<p>Resolution Planning Information</p>	<p>The information set out in Section 2.1.</p>
<p>Strategic Supplier</p>	<p>One of the suppliers to Government listed as Strategic Suppliers.</p>
<p>Supplier Insolvency</p>	<p>The insolvency of a supplier or a key member of its group.</p>

2. Resolution Planning Guidance

2.1 What is Resolution Planning Information?

2.1.1 Resolution Planning Information covers both information prepared by a supplier and information prepared by a Contracting Authority:

	Element	Comments
Corporate Resolution Planning Information (Corporate level)	<p>(1) Exposure: Critical contracts list</p> <p>Identifying Government's exposure is the first step of the Corporate Resolution Planning analysis. For a Strategic Supplier, submission of the list of all:</p> <ul style="list-style-type: none"> a) critical contracts is required, with their respective criticality classification, and b) Critical National Infrastructure (CNI) contracts. <p>Criticality classification is intended to be as per the Contract Tiering Tool definitions, Gold, Silver and Bronze. Gold and Silver contracts should be included in the contract list submitted for the CRP assessment.</p>	<ul style="list-style-type: none"> • Strategic Suppliers submit contract information through the Quarterly Returns, which are used to assess exposure under the CRP framework. • Non-strategic suppliers will submit the contract list in accordance with the template provided.
	<p>(2) Resolvability: Corporate Resolution Planning Structural Review</p> <p>The information requested aims at understanding the resolvability and interconnectedness between the contracting entities and the rest of the Group. In particular it should help understand:</p> <ul style="list-style-type: none"> • the supplier's importance to its group; • the extent to which the supplier depends on other members of its group in order to deliver its service, operationally; their legal and financial interconnectedness. How could they be kept running if Parent was insolvent. • how the supplier and those entities might be affected by an insolvency of the parent company of the group / other key group member(s) 	<ul style="list-style-type: none"> • To be prepared by the supplier within 60 days of the contract becoming effective. • Updated annually or in the event of a major corporate change or financial distress. • Held and assured by the Cabinet Office Markets and Suppliers Team (working with Contracting Authorities in the case of non-strategic suppliers).
	<p>(3) Financial Information</p> <p>Up to date key financial information at Group level, contracting operating entities and shared services entities' level. This information aims to reinforce our understanding of the financial interconnectedness of the group as well as our knowledge of the performance of the supplier as a standalone entity.</p>	<ul style="list-style-type: none"> • To be submitted within 40 days from annual results publication of the Group or relevant entity as discussed with the Cabinet Office Markets and Suppliers Team.

<p><i>Service Resolution Planning Information (Contract Level)</i></p>	<p>(4) Insolvency continuity plan for the particular services</p> <p>A service continuity plan available for use in the event of Supplier Insolvency. This should focus on the pragmatic aspects of how to maintain immediate and short-term continuity of services when major dependencies may be interrupted.</p>	<ul style="list-style-type: none"> ● In accordance with Model Service Contract Schedule 8.6 part D (and, upon publication, the standard clauses of model form public works contracts) the i) insolvency continuity plan and ii) exit plan should be prepared by the supplier respectively within 40 days and 3 months of the contract becoming effective. ● Updated annually or in the event of financial distress. ● These are contract level plans which relate to the individual services being delivered. ● Assured by the Contracting Authority and confirmation of existence of these plans to be sent to the Cabinet Office Markets and Suppliers Resolution Planning Team.
	<p>(5) Exit plan and exit information for the particular services</p> <p>An emergency exit plan and an obligation on the supplier to provide the exit information necessary to enable an emergency re-procurement and/or, if appropriate, a transfer of the assets used in the contract either in-house or to a new supplier.</p>	
	<p>(6) Internal contingency plan for the particular services</p> <p>The Authority’s internal plan setting out how it would expect to maintain service continuity in the event of Supplier Insolvency. Contingency Planning Guidelines are made available by Departments. Plans cover aspects such as:</p> <ul style="list-style-type: none"> ● the financial characteristics of the contract and risk of termination in an insolvency situation; ● how to maintain delivery of the services in such circumstances; ● alternative suppliers and their likely appetite; ● whether responsibility for delivery should be transferred to a new supplier or brought in-house and how to achieve this at short notice; ● internal governance arrangements; and ● for public works, reasonable measures so that the site’s works and its equipment / materials are adequately protected if the supplier becomes insolvent. This should include appropriate insurance and security arrangements. 	<ul style="list-style-type: none"> ● Prepared by the Contracting Authority for all Critical Service Contracts and Critical Construction Contracts and, where appropriate⁴, In-Scope contracts with Public Sector Dependent Suppliers. ● Contract level plan: Relates to the individual services being delivered.

⁴ For example, where there are concerns over the financial health of a Public Sector Dependent Supplier.

2.1.2 Many suppliers are already required under their existing service contracts to provide service continuity plans⁵, exit plans and exit information. Similarly, it is already best practice for a Contracting Authority to prepare internal contingency plans against the risk of Supplier Insolvency for its most critical service contracts. The requirement for a supplier to provide Corporate Resolution Planning Information was introduced later in February 2019 and expected to be incorporated in new procurements (including those not adopting the MSC) if in scope.

2.2 Why is Resolution Planning Information helpful?

2.2.1 If a supplier becomes insolvent, the services it provides are at risk of interruption. For example, the supplier may be wound up or an incoming insolvency officer may terminate a supplier's contracts for the provision of services at short notice. This might be because he / she considers the supplier has insufficient funding (cash and credit facilities) to maintain the contracts or believes that maintaining them would damage creditors' interests.

2.2.2 An interruption in service may be unacceptable to the Contracting Authority. For example, it may adversely affect the provision of critical services or infrastructure, cause a Contracting Authority to breach its statutory duties or create serious risk to public safety or national security.

2.2.3 Access to Resolution Planning Information improves the Government's readiness to handle insolvency, help assure continuity of public services, public works and CNI; and the orderly transfer of responsibility for their provision as soon as practicable. It should allow Government to:

- understand better the potential impact on public services, public works and CNI of Supplier Insolvency and the key risks to continued service provision;
- work with suppliers and/or insolvency practitioners to develop appropriate mitigations to help ensure short-term continuity of public services, public works and CNI; and
- develop plans for the accelerated transfer of responsibility for the delivery of public services, public works and CNI either in-house or to a new supplier to ensure longer term continuity.

2.2.4 A contingency plan will not lead to the avoidance of insolvency or insolvency costs but it will help reduce both insolvency costs and the risk or duration and extent of service interruption.

⁵ *Previously known as Business Continuity and Disaster Recovery Plans. The Model Services Contract (MSC) now makes it clearer that these extend to the insolvency of the supplier or a key member of its group. Please see Schedule 8.6 of the MSC or, upon publication, the standard clauses of model form public works contracts.*

2.2.5 One of the main reasons suppliers become insolvent is lack of access to funding. Unless the supplier can obtain additional funding from elsewhere, some services (generally those which are loss-making and cash-consumptive) are likely to be at risk in the event of insolvency, even where the Contracting Authority has access to Resolution Planning Information. In these circumstances, Contracting Authorities will need to consider on a case-by-case basis how best to maintain service continuity, liaising with Cabinet Office Markets and Suppliers Team⁶ and other Authorities with contracts with that supplier.

2.3 When is CRP Information required and from whom?

2.3.1 The obligation to provide CRP Information will fall on:

- Suppliers to Government of new Critical Service Contracts;
- All Public Sector Dependent Suppliers of new service contracts with an estimated value exceeding £10m per year where requested; and
- Suppliers to Government of Critical Construction Contracts.

2.3.2 Suppliers in scope will be required to provide CRP Information after a contract becomes effective. Suppliers of non-critical service contracts will only be required to provide CRP Information if a supplier becomes a Public Sector Dependent Supplier⁷ and Cabinet Office Markets & Suppliers Team working with the Contracting Authority request the information.

2.3.3 The obligation is subject to an exemption. Suppliers which have, or whose parent companies have, strong credit ratings⁸ will be exempt from the requirement to provide CRP Information while they retain such ratings unless a Financial Distress Event arises.

2.3.4 Suppliers may incur obligations to provide CRP Information under multiple contracts. In order to avoid duplication, assurance of a supplier's CRP Information by Cabinet Office Markets and Suppliers Team⁹ should be treated as satisfying any further obligation on that supplier (meaning that specific legal entity, or subsidiary) to produce CRP Information within the following 12 months in the absence of financial distress or major corporate change.

2.3.5 CRP Information should be updated annually or when a supplier triggers a Financial Distress Event or undergoes a Corporate Change Event.

⁶ *Where the supplier delivers services to multiple Authorities or its insolvency may have wider implications for government, the Cabinet Office Markets & Suppliers Team should be informed as a centre-led approach may be more appropriate to coordinate the government's strategy and overall response. Any case involving a Strategic Supplier is likely to be coordinated by Markets and Suppliers Team. See [Central Government Guidance on Financial Distress](#).*

⁷ *The Model Services Contract includes a requirement on the supplier to certify annually whether or not it is a Public Sector Dependent Supplier.*

⁸ *Aa3 or higher from Moodys or AA- or higher from Standard and Poors or AA- of higher from Fitch.*

⁹ *Appropriate modifications will be made in a future version of the Model Services Contract, which currently envisages CRP Information for non-strategic suppliers being held and assured by individual Contracting Authorities rather than by the Cabinet Office Markets and Suppliers Team.*

2.4 Who is responsible for obtaining, holding and assuring CRP Information?

Strategic Suppliers

- 2.4.1 Where the supplier is a Strategic Supplier (or a member of a Strategic Supplier's group), Cabinet Office Markets and Suppliers Team is responsible for obtaining, holding and assuring the supplier's CRP Information.
- 2.4.2 CRP Information is confidential and is held by Cabinet Office Markets and Suppliers Team, limited to a small group of individuals within Cabinet Office, Ministers and any of their financial and legal advisers, subject always to any right or obligation on the Cabinet Office Markets & Suppliers Team to disclose the information (for example, to parliament, parliamentary committees and regulators). Other Contracting Authorities should simply be advised whether that supplier's CRP Information has been successfully received and assured.
- 2.4.3 Where a Financial Distress Event arises under any of a supplier group's UK public sector contracts, access to a supplier's CRP Information is extended to selected individuals within relevant Departments, and their financial and legal advisers, on a need-to-know basis;

Non-strategic suppliers

- 2.4.4 Cabinet Office Markets and Suppliers Team is also responsible for holding and assuring CRP Information for non-strategic suppliers working closely with individual Contracting Authorities.¹⁰
- 2.4.5 Cabinet Office Markets and Suppliers Team should ensure that the assurance process for each supplier includes:
- key individuals at Relevant Authorities managing framework agreements with that supplier where any call off contracts have been designated Critical Service Contracts or Critical Construction Contracts; and
 - key individuals from Relevant Authorities with other Critical Service Contracts or Critical Construction Contracts with that supplier.

Other Resolution Planning Information

- 2.4.6 Service Resolution Planning Information relating to individual services (such as insolvency continuity plans, exit plans and exit information) should continue to be provided to and assured by individual Contracting Authorities and its availability notified to Cabinet Office Markets and Suppliers Team who will hold this information centrally.

¹⁰ *Appropriate modifications will be made in a future version of the Model Services Contract, which currently envisages CRP Information for non-strategic suppliers being held and assured by individual Contracting Authorities rather than by the Cabinet Office Markets and Suppliers Team.*

2.5 What should Contracting Authorities be doing?

When commencing a procurement

- 2.5.1 When procuring outsourced services a Contracting Authority should determine:
- the estimated annual value of the proposed contract; and
 - using the [Contract Tiering Tool](#), whether the procurement is for a Critical Service Contract or Critical Construction Contract (i.e. a ‘Gold’ contract or a contract the Authority otherwise chooses, after consulting Cabinet Office Markets and Suppliers Team, to designate as a Critical Service Contract or Critical Construction Contract).
- 2.5.2 Where the proposed contract is not a call off under a framework and either has an estimated value exceeding £10m per year or is a Critical Service Contract or Critical Construction Contract, the Contracting Authority should include:
- a statement by the Authority as to whether the contract is Critical;
 - a requirement for the supplier¹¹ to provide:
 - CRP Information, if concluded to be appropriate;
 - an insolvency continuity plan and exit information; and
 - to certify annually whether or not it is a Public Sector Dependent Supplier.
- 2.5.3 Standard wording is set out in the Model Services Contract and, upon publication, the boilersplates of model form public works contracts.
- 2.5.4 Where the proposed contract is a call off under a framework, the Contracting Authority should check whether the framework already requires the provision of CRP Information. If it does not, the Authority should discuss with the framework manager¹² and Cabinet Office Markets and Suppliers Team whether to include in the framework a requirement to provide such information. This will depend on various factors including the legal position, the need to achieve value for money and the possibility that the supplier group may already have (or may in future incur) an obligation to provide CRP Information anyhow under other public sector contracts.
- 2.5.5 A decision tree is set out at Annex II showing what Contracting Authorities should be doing when commencing a procurement and when they should be including an obligation to provide CRP Information in a new contract.

¹¹ *Although a supplier will only trigger the obligation to provide CRP information in relation to non-critical contracts when it becomes a Public Sector Dependent Supplier, the relevant provisions should be included from contract commencement to avoid the need for subsequent renegotiation.*

¹² *The Contracting Authority responsible for procuring and managing the framework.*

During the life of a new In-Scope Contract

2.5.6 A Contracting Authority should only need to consider CRP Information’s assurance where it has categorised a contract as a Critical Service Contract, a Critical Construction Contract or the supplier has notified the Authority that it is a Public Sector Dependent Supplier.

2.5.7 The assurance requirement may arise on contract award, on an annual update or as a result of a Financial Distress event or Corporate Change Event.

2.5.8 Where a supplier is a Strategic Supplier (or a member of a Strategic Supplier’s group), the Contracting Authority should liaise with the Cabinet Office Markets and Suppliers Team:

- to confirm whether that team has received and successfully assured CRP Information for that supplier; and
- if the Contracting Authority becomes aware that the supplier has triggered a Financial Distress Event or undergone a Corporate Change Event.

2.5.9 There a supplier is not a Strategic Supplier (or a member of a Strategic Supplier’s Group):

- the Contracting Authority should liaise with the Cabinet Office Markets and Suppliers Team to obtain and assure the supplier’s CRP Information if in scope;
- CRP Information should be assured and held by the Markets and Suppliers Team. Access should be limited to key individuals within Cabinet Office and the Contracting Authority unless a Financial Distress Event arises under any of the supplier group’s UK public sector contracts, subject always to any right or obligation on the Cabinet Office Markets & Suppliers Team to disclose the information (for example, to parliament, parliamentary committees and regulators);
- the Contracting Authority should inform the Markets and Suppliers Team if:
 - it becomes aware that the supplier has triggered a Financial Distress Event or undergone a Corporate Change Event; or
 - the supplier notifies the Authority that it is a Public Sector Dependent Supplier.

The Authority should then discuss with the Markets and Suppliers Team whether or not to seek and assure CRP Information based on factors such as the volume of services provided, their criticality, interruptibility and replaceability.

2.5.10 In the case of a call off from a framework, the framework manager (rather than the call off customer) should consider ongoing CRP Information assurance requirements and, where necessary, liaise and work with the Cabinet Office Markets and Suppliers Team; references in Paragraphs 2.5.7 and 2.5.8 above to the Contracting Authority should be read as references to the framework manager.

- 2.5.11 Where a supplier's CRP Information has already been assured by the Cabinet Office Markets and Suppliers Team, that assurance should be treated as satisfying any further obligation on that supplier to produce CRP Information arising within the following 12 months in the absence of financial distress or major corporate change, provided that the supplier's contracting legal entity is covered by the assurance.
- 2.5.12 By contrast to CRP Information which relates to the supplier's group, Service resolution planning Information (such as insolvency continuity plans and exit plans) relates to the individual services provided by that supplier and should continue to be assured by the individual Contracting Authorities receiving the services who should notify the Markets and Suppliers Team of such information being in place.
- 2.5.13 Contracting Authorities should also maintain internal contingency plans for each of their Critical Service Contracts and Critical Construction Contracts (and, where appropriate, for non-critical service contracts with Public Sector Dependent Suppliers) covering risks arising from Supplier Insolvency. The plans should be updated at least annually, as the Contracting Authority's perception of individual suppliers' financial risk rises or if a supplier experiences financial distress or major corporate change. See [Contingency Plan template](#).
- 2.5.14 Contracting Authorities should also monitor the financial health of suppliers of Critical Service Contracts and Critical Construction Contracts on an ongoing basis, liaising with Cabinet Office Markets and Suppliers Team in the case of Strategic Suppliers. Guidance on how to do this is set out in [Assessing and Monitoring the Financial and Economic Standing of Suppliers](#). Where Contracting Authorities have concerns over the financial health of their suppliers, further guidance is available in [Guidance on Corporate Financial Distress](#).
- 2.5.15 It is important that Suppliers provide Resolution Planning Information as soon as is reasonably practicable and in any event no later than the timescales set out in the contract, before they get into financial distress, as Supplier Insolvency and the risk of service interruption can arise at short notice. In addition, when a supplier gets into financial distress its focus will inevitably be on its survival plan (for example raising additional finance) rather than on contingency planning for its possible failure.
- 2.5.16 A description of what you should focus on when assuring Resolution Planning Information is set out in Section 2.6 '*What areas should you focus on when assuring Resolution Planning Information?*'

Framework agreements

- 2.5.17 Where a new framework is being procured for outsourced services and either (i) the expected value of the framework exceeds £10m per year for services contracts or (ii) future call off contracts are expected to include Critical Service Contracts or Critical Construction Contracts, the framework manager should include provisions in the framework agreement requiring each supplier to provide CRP Information and an insolvency continuity plan and to certify annually whether it is a Public Sector Dependent Supplier. Each call off contract should then include a statement as to whether or not it is a Critical Service Contract or Critical Construction Contract.

- 2.5.18 A supplier should normally only trigger the obligation to provide CRP Information under a framework:
- if one of its call off contracts is a Critical Service Contract or Critical Construction Contract; or
 - at the discretion of the framework manager and Cabinet Office Markets and Suppliers Team, where the supplier has at least one call off contract in force.

PFI / Special Purpose Vehicles and similar situations

- 2.5.19 New contracts with special purpose vehicles, off balance sheet vehicles and similar entities should be treated in a similar way. The contract should also include a statement by the Authority whether or not the contract is a Critical Service Contract or Critical Construction Contract. Where a contract is a Critical Service Contract, a Critical Construction Contract or is a services contract with an estimated value exceeding £10m per year, the contract should include obligations on the supplier to provide CRP Information and an insolvency continuity plan and to certify annually whether it is a Public Sector Dependent Supplier.
- 2.5.20 Where the entity is not a member of a group, CRP Information will be limited to that entity.
- 2.5.21 Where the entity has sub-contracted substantial responsibility for delivery of the services to a sub-contractor, it should provide an insolvency continuity plan (and, if appropriate, an exit plan and exit information) for that sub-contractor and explain how it plans to maintain delivery of the services in the event of an insolvency of that sub-contractor or a key member of the sub-contractor's group.
- 2.5.22 Without detracting from the entity's responsibility to show that it has appropriate plans to maintain service continuity in the event of an insolvency of the sub-contractor or a key member of its group, contract managers should note that government may sometimes have access to additional information / assurance on the sub-contractor from alternative sources, for example where the sub-contractor itself has a Critical Service Contract or Critical Construction Contract with government or is a Public Sector Dependent Supplier.

Existing or re-categorised contracts

- 2.5.23 Contracting Authorities should consider whether or not to amend existing Critical Service Contracts or Critical Construction Contracts (or contracts which have been re-categorised as critical) to include obligations on the supplier to provide CRP Information and if doing so, seek legal advice. Note that some suppliers may already have (or may in future incur) obligations to provide such information anyway under other public sector contracts. In the case of Strategic Suppliers, Cabinet Office Markets and Suppliers Team will normally already have access to such information.

2.5.24 Most existing critical service contracts should already contain an obligation on the supplier to provide service continuity plans¹³ and exit plans (see Section 2.1 ‘*What is Resolution Planning Information?*’); however, these should be checked to ensure they are robust and deal adequately with the consequences of Supplier Insolvency.

2.6 What should you focus on when assuring Resolution Planning Information?

2.6.1 When assuring Resolution Planning Information provided by suppliers, you should cross-check it against the audited accounts to ensure it is complete and up to date. You should also check that, together with your discussions with the supplier, it provides you with the requisite understanding.

2.6.2 Where a supplier has a significant dependence on a key sub-contractor to deliver the services, you should require the supplier to set out its plans to mitigate the impact of an insolvency of that key sub-contractor (or a key member of its group) on service continuity. Unless the supplier can show that the sub-contractor’s services are interruptible or unlikely to be affected or that it can find a replacement supplier at short notice or assume delivery of the services itself in such circumstances, it may need to seek more information from the sub-contractor (for example an insolvency continuity plan, exit plan etc).

2.6.3 Contracting Authorities should consider spot-testing particular aspects of the Resolution Planning Information for their most critical contracts or where they have concerns over the financial health of a supplier. Possible spot-tests include:

- Cross-checking a sample of the contracts listed by the supplier against similar records held by Government. The Cabinet Office Markets and Suppliers Team can assist with this;
- Asking the supplier to perform a dry run of its insolvency continuity plan to test its ability to mitigate interruptions to the availability of key dependencies which might be affected by Supplier Insolvency;
- Testing the supplier’s ability to respond to a request for emergency exit information within the time limit laid down in the contract; and
- Checking how the Contracting Authority would respond to a notification of Supplier Insolvency affecting a Critical Service Contract or Critical Construction Contract at short notice.

¹³ *Previously known as Business Continuity and Disaster Recovery Plans*

2.6.4 Note that Government is not encouraging the adoption of particular business models or seeking to change suppliers' business models; different suppliers will have different models each of which will have its own particular merits and drawbacks in different circumstances. Changes may also have significant cost implications for suppliers and affect their appetite to bid for public works and services contracts. For example, in some circumstances mingling private and public business may improve the supplier's overall resilience and reduce the risk to continuity of public works and services; in other circumstances it may expose public works and services to greater risk. It is more important to understand the supply chain and dependencies on which continued provision is subject.

2.7 Confidentiality and usage restrictions surrounding CRP Information

2.7.1 The standard resolution planning provisions in the Model Services Contract (and upon publication the standard clauses of model public works contracts) permit a supplier, with the agreement of the Contracting Authority (or, as appropriate, the Cabinet Office Markets and Suppliers Team), to retain particularly commercially sensitive items of CRP Information unless or until a Financial Distress Event arises. This should not prevent the Contracting Authority (or, as appropriate, the Cabinet Office Markets and Suppliers Team) from regularly reviewing and discussing the information with the supplier in order to be satisfied that it is complete before permitting it to be retained by the supplier. The supplier should only be permitted to retain particularly commercially sensitive individual items of information; blanket retentions of information should not be permitted.

2.7.2 Much of a supplier's CRP Information is or may be commercially sensitive; proper safeguards must be taken to ensure its confidentiality and limit access to it. Unless a Financial Distress Event arises, CRP information should be retained by the Cabinet Office Markets and Suppliers Team and access to it limited to a small group of individuals within Cabinet Office (and, in the case of non-strategic suppliers, Contracting Authorities with critical contracts or frameworks with that supplier), Ministers and financial and legal advisers or other relevant Departments on a need to know basis, subject always to any right or obligation on the Cabinet Office Markets & Suppliers Team to disclose the information (for example, to parliament, parliamentary committees and regulators). Markets and Suppliers will maintain a list of individuals outside Cabinet Office having access to the CRP information. In the absence of a Financial Distress Event it should normally be sufficient to know that the CRP Information is available and has been assured.

2.7.3 CRP Information must only be used for the purpose for which it is being provided, i.e. to assist in maintaining continuity of public works and services in the event of Supplier Insolvency. It must not be used in general contract negotiations over the quality or price of works or services.

2.7.4 CRP information is not to be used as part of the procurement process or requested to be submitted as an element of bids. Additionally, CRP information is not used to assess the financial standing of suppliers.

2.8 Are there other ways in which Relevant Authorities can protect against or mitigate the impact of supplier insolvency?

Assessing the protection required

- 2.8.1 As part of pre-procurement planning, Relevant Authorities should consider the criticality of the services to be procured. This should lead to an assessment of the degree of protection required, subject to normal value for money considerations, against supply chain risk and the risk of service interruption arising from Supplier Insolvency.
- 2.8.2 Standard protections in the Model Services Contract and model form public works contracts include the incorporation of step-in clauses, the identification and approval of key sub-contractors and the inclusion of assignment and novation provisions.
- 2.8.3 Contracting Authorities should consider whether and to what extent to specify any additional protections (such as the use of ring-fenced entities, guarantees and performance bonds, escrow accounts or retentions) and/or whether to evaluate the supply chain risk as part of the procurement. Note that different bidders may have different business models and present different levels of supply chain risk in different situations.
- 2.8.4 For public works, Contracting Authorities should include the appropriate clauses for the relevant model form contract they are using to cover the required risk mitigations.

Use of ring-fenced supplier entities

- 2.8.5 Insolvency occurs by legal entity rather than by group or individual contract. The award of a contract to a supplier's ring-fenced (or partially ring-fenced) subsidiary can therefore be used to insulate a Contracting Authority to some extent from adverse events elsewhere in a supplier's business. However, complete ring-fencing can be difficult to achieve and needs to be carefully constructed; many subsidiaries have significant dependencies on other members of their groups. Potential dependencies include:
- **Delivery:** Some of the services may be delivered by or depend on employees of and assets owned by other members of the group;
 - **Group shared services:** The subsidiary may depend on central group services such as payroll, IT, call-centres and professional services;
 - **Finance:** The subsidiary may depend on finance provided by other members of the group or be part of group borrowing arrangements under which it has given cross-guarantee, security or other contingent financial support in favour of other members of the group or their lenders;
 - **Management:** The subsidiary may share key members of management with other members of the group; and
 - **Board independence:** The board of the subsidiary would normally be appointed by its parent company. If the remainder of the supplier's group was in financial distress, would the board agree to provide

resources from the subsidiary to support it?

- 2.8.6 Although complete ring-fencing is difficult to achieve, partial ring-fencing can provide some protection. It can, however, add significant cost to a bid and limit bidders' appetite. Contracting Authorities should consult Cabinet Office Markets and Suppliers Team and consider the possible benefits and costs of requiring the use of a ring-fenced subsidiary against the criticality and interruptibility of the services being procured and the perceived risk of Supplier Insolvency before proceeding.

Use of guarantees and bonds

- 2.8.7 Guarantees and bonds can be either performance or financial in nature or a combination of both. They only crystallise when a supplier has failed to perform or to pay a sum of money due to the Contracting Authority. As such, they provide a remedy once a supplier has failed to deliver the works or service, or make a payment, rather than pro-actively supporting performance of the contract.
- 2.8.8 Bonds are typically provided by independent third parties (banks and insurance companies) and provide financial compensation in the event of supplier failure. They are generally used in construction contracts for which an active private market exists but are generally not appropriate for service contracts. They can also add significant cost. The availability and cost is not only affected by the type of bond (performance / conditional / on-demand) but also by the wider economic conditions at the time of application.
- 2.8.9 Guarantees may be provided either by another member of the supplier's group (usually a parent company) or an independent third party. Guarantees from group members are typically of limited use in the event of the insolvency of the supplier's parent company. Guarantees from independent third parties should be unaffected by the insolvency of the supplier's parent company but may be more expensive.
- 2.8.10 Further guidance on guarantees and bonds is available in [Assessing and Monitoring the Economic and Financial Standing of Suppliers](#).

Use of escrow accounts

- 2.8.11 Escrow accounts and project bank accounts are often used in construction projects. They are most relevant where funding is provided in advance of delivery to enable the supplier or contractor to purchase items or pay third parties. They effectively prevent the supplier from taking ownership of the funds itself without permission from the customer.

Use of Project Bank Accounts

- 2.8.12 Project bank accounts are ring-fenced bank accounts whose purpose is to act as a channel for payment to the supply chain and to help protect the supply chain from the insolvency of the main supplier. Further information on Project Bank Accounts can be found on [GOV.UK](#)

3. Termination

3.1 Need for liaison prior to contract termination

- 3.1.1 The unexpected termination of a contract by one Contracting Authority with a Public Sector Dependent Supplier could affect that supplier's solvency and ability to deliver under another public sector contract. Whilst Contracting Authorities should take care not to waive their contractual remedies and should follow due process for any termination (to ensure the termination is valid), any Authority proposing to terminate a contract with a value of more than £5m per year with a Public Sector Dependent Supplier should liaise with the Cabinet Office Markets & Suppliers Team (contactable at marketsandsuppliers@cabinetoffice.gov.uk) before serving notice of termination.
- 3.1.2 As suppliers enter into new In-Scope Contracts, they will be required to certify annually whether or not they are Public Sector Dependent Suppliers. If no certification is available, the issue may be determined by requesting the supplier group's annual UK public sector revenue from the Cabinet Office Markets & Suppliers Team and comparing this with the supplier group's most recent consolidated revenue in the published accounts for the supplier's ultimate parent company.

Annex I – Corporate Resolution Planning Information

Note: Corporate Resolution Planning Information aims at providing a clear understanding of those entities holding UK public sector / Critical National Infrastructure (CNI) contracts, how they fit into the Supplier Group, their dependence on other entities within the Supplier Group, the nature of the works or services they provide and the key intra-group and other dependencies to which continued service would be subject in the event of an insolvency of the ultimate Parent Undertaking or another key member of the Supplier Group.

Templates are provided for use by Suppliers. In cases of doubt, Suppliers should discuss the requirements with the Contracting Authority and/or with the Cabinet Office Markets and Suppliers Team.

PART 1 – Group Structure Information and Resolution Commentary

Section	Requirement	Notes
(1) Group Structure Chart (E1) and Appendices	<p>A simplified Group Structure Chart for the Supplier Group showing key entities, segmented where possible into operating divisions / key business lines, should be provided. Information should be presented in the form of the Template provided at E1 modified as necessary to the individual supplier's structure.</p> <p>Key entities include:</p> <ul style="list-style-type: none"> • Trading entities holding UK public sector / CNI contracts for goods, services or works provision; • Major employing entities of staff working on public contracts or shared services and participants in defined benefit pension schemes; • Entities with material assets or generating material EBITDA; • Entities with external borrowings and / or credit facilities; • Entities which have guaranteed external borrowings and / or credit facilities; • Entities which have guaranteed UK public sector and / or CNI contracts; • Entities providing shared / support services to other group entities; • Any other entities providing important internal services to support the delivery of UK public sector / CNI contracts; • Parent Undertakings (direct and indirect) of the above entities; • Any other entities that are important in providing an overall understanding of the Supplier Group and its services to the UK public sector / CNI; and 	<p>(i) UK public sector / CNI contracts: These cover:</p> <ul style="list-style-type: none"> • direct agreements with UK public sector authorities for the provision of goods, services or works; • private sector sub-contracts supporting contracts with UK public sector authorities (where the supplier is a key sub-contractor); and • contracts supporting Critical National Infrastructure (whether publicly or privately owned). <p>(ii) Ring-fenced groups: Where the entities holding UK public sector / CNI contracts are completely 'ring fenced' with no material financial, trading, management or other dependencies on the remainder of the Supplier Group, information should be restricted to the ring fenced entities together with a confirmation as to the absence of any dependencies on the remainder of the Supplier Group.</p>

Section	Requirement	Notes
<p>(1) Group Structure Chart (E1) and Appendices</p> <p>(continued)</p>	<ul style="list-style-type: none"> Any related Joint Venture entities (JVs), Special Purpose Vehicles (SPVs) or Private Finance Initiative (PFI) entities engaged in the delivery of UK public sector / CNI Contracts. <p>The summary Group Structure Chart should be annotated with details for each key entity of:</p> <ul style="list-style-type: none"> Its nature (i.e. public sector contracting entity, borrower, guarantor, support service provider, etc); Its jurisdiction, registered number and percentage ownership and other major shareholders (where <100%); Key financials (revenue, EBITDA, operating profit, net assets) and number of employees; For contracting key entities split of business between (i) UK public sector / CNI contracts and (ii) other business External and internal cash and borrowings (with maturities); Guarantees, debentures, pledges or other security provided; Pension fund surpluses / deficits for defined benefit schemes (both balance sheet & most recent tri-ennial figures); and Any major third party dependencies (such as JV partners, key sub-contractors, service providers and trading partners). 	<p><i>(iii) Partially ring-fenced sub-groups: Where the entities holding UK public sector/ CNI contracts form part of a distinct independent sub-group with only a limited dependence (eg an intra-group loan) on the remainder of the Supplier Group, Contracting Authorities should consider whether to permit disclosure to be restricted to the distinct sub-group provided that full details of the dependence of that sub-group on the remainder of the Supplier Group are provided. Authorities should normally discuss such situations with Cabinet Office Markets & Suppliers Team.</i></p> <p><i>(iv) Complex groups: Where the Supplier Group's structure is large and complex, trading entities without UK public sector / CNI contracts may be redacted or simplified.</i></p> <p><i>(v) Financial information: Financial information should be based on the most recent audited accounts (or interim accounts where available) updated for any material changes. The period covered by the information or date at which it speaks should be stated. Other information should be current.</i></p> <p><i>The basis of preparation of the information (consolidated or single entity / audited or unaudited) should be indicated. Financial information should be presented on a consolidated basis where available.</i></p>
<p>(2) Contract Summary</p>	<p>Strategic Suppliers will provide contract information through the Quarterly Return. For all other suppliers, a summary of all UK public sector / CNI contracts by operating division / key business line together with the following information for each division / business line should be provided, as per the attached template:</p> <ul style="list-style-type: none"> Total number and annual value of UK public sector / CNI contracts analysed by government department / other public sector entity; and Total number and annual value of critical (gold) UK public sector / CNI contracts by government department / other public sector entity (where known). 	<p><i>(vi) Criticality: Criticality should be based on the departmental or other public sector body categorisation of the relevant contracts where this is known to the Supplier, in accordance with the Tiering Tool. Should the Supplier not have this information, the Supplier should provide a classification of their contracts by criticality based on their judgement of impact of an interruption of service and discuss with the Cabinet Office.</i></p>

Section	Requirement	Notes
<p>(3) Resolution commentary (E3)</p>	<p>A commentary should be provided from an “insolvency” perspective setting out:</p> <ul style="list-style-type: none"> • Key facts about the Supplier Group pertinent to the impact of an insolvency of its ultimate Parent Undertaking on Supplier Group entities holding UK public sector / CNI contracts; • The possible resolution options and likely outcomes for those entities in such a scenario; and • The resulting likely impact on the delivery of services by those entities under their UK public sector / CNI contracts including any key dependencies and potential mitigations. 	<p>(vii) Template: Information should be presented in the form of the Template provided at E3 modified as necessary to individual circumstances.</p> <p>(viii) Ring-fenced groups: Where the Supplier is part of a ring-fenced group, the ultimate Parent Undertaking should be taken to be the Parent Undertaking within that ring-fenced group and commentary should be based on an insolvency of that entity.</p> <p>(ix) Partially ring-fenced groups: In the case of a partially ring-fenced sub-group, the requirement should be agreed with the Contracting Authority / Cabinet Office Markets and Suppliers Team. Commentary would normally cover an insolvency of each of (a) the ultimate Parent Undertaking of the Supplier Group (or the entity within the Supplier Group on which the sub-group is partially dependent) and (b) the Parent Undertaking within the sub- group</p>
<p>(4) UK public sector / CNI Contract Information</p>	<p>A summary of the critical contracts should be provided as per template E2. List of all live UK public sector / Critical National Infrastructure contracts for goods, service or works provision held by members of the Supplier’s group with the following information should be included in the Quarterly Return or in the Contract Template.</p> <p>UK public sector / CNI contracts cover:</p> <ul style="list-style-type: none"> • direct agreements with UK public sector authorities for the provision of goods, services or works; • private sector sub-contracts supporting contracts with UK public sector authorities (where the supplier is a key sub-contractor); and • contracts supporting Critical National Infrastructure (whether publicly or privately owned). 	<p>(x) Bundling: Certain contracts may be bundled:</p> <ul style="list-style-type: none"> • Small contracts: All contracts below £0.5m annual value where the end recipient of the service, goods or works is the same public body may be bundled and shown as one item save for any critical contracts (where known to the Supplier) or CNI contracts which should be shown individually; • Call offs: All contracts delivered under call off arrangements where the services, goods or works delivered are to the same or substantially the same specifications to a number of similar public bodies may be bundled and shown as one item save for any critical contracts (where known to the Supplier) or CNI contracts.

Template: Group Structure Information and Contract Summary



E2

Division A					Division B					Division C					Division D									
UK public sector / CNI contracts:					UK public sector / CNI contracts:					UK public sector / CNI contracts:					UK public sector / CNI contracts:									
		Total		Critical				Total		Critical				Total		Critical				Total		Critical		
By HMG Dept:	No.	Annual value	No	Annual value	By HMG Dept:	No.	Annual value	No	Annual value	By HMG Dept:	No.	Annual value	No	Annual value	By HMG Dept:	No.	Annual value	No	Annual value	By HMG Dept:	No.	Annual value	No	Annual value
Education	[x]	£[x]m	[x]	£[x]m	Education	[x]	£[x]m	[x]	£[x]m	Education	[x]	£[x]m	[x]	£[x]m	Education	[x]	£[x]m	[x]	£[x]m	Education	[x]	£[x]m	[x]	£[x]m
Health	[x]	£[x]m	[x]	£[x]m	Health	[x]	£[x]m	[x]	£[x]m	Health	[x]	£[x]m	[x]	£[x]m	Health	[x]	£[x]m	[x]	£[x]m	Health	[x]	£[x]m	[x]	£[x]m
Transport	[x]	£[x]m	[x]	£[x]m	Transport	[x]	£[x]m	[x]	£[x]m	Transport	[x]	£[x]m	[x]	£[x]m	Transport	[x]	£[x]m	[x]	£[x]m	Transport	[x]	£[x]m	[x]	£[x]m
Justice	[x]	£[x]m	[x]	£[x]m	Justice	[x]	£[x]m	[x]	£[x]m	Justice	[x]	£[x]m	[x]	£[x]m	Justice	[x]	£[x]m	[x]	£[x]m	Justice	[x]	£[x]m	[x]	£[x]m
Totals	[x]	£[x]m	[x]	£[x]m	Totals	[x]	£[x]m	[x]	£[x]m	Totals	[x]	£[x]m	[x]	£[x]m	Totals	[x]	£[x]m	[x]	£[x]m	Totals	[x]	£[x]m	[x]	£[x]m

Template: [Supplier name] Resolution Commentary

Key Facts

E3

	Description
Group Structure	<ul style="list-style-type: none"> • Summary comment on the Supplier Group structure – i.e. holding company, UK entity structure, degree of complexity. • Summary comment on UK public sector / CNI contracting entities – are UK public sector / CNI contracts spread across a large number or confined to a small number of key entities? What is the mix of public / private sector business in the major UK public sector / CNI contracting entities? • Summary comment on whether the business operations are run along or across entity lines (eg by divisions which do not align to entities).
Funding and Debt	<ul style="list-style-type: none"> • Summary comment on implications of an insolvency on the funding and capital structure of the group and contracting entities; any impact on pension liability and payments; and guarantees or contingent liabilities that should be brought to our attention
Intra-group arrangements	<ul style="list-style-type: none"> • Summary comment on reliance on intragroup entities for shared services and employees.
Other key facts	<ul style="list-style-type: none"> • Is there anything else which is company specific not mentioned above that could impact resolution strategy? • Are there any other key dependencies which could affect continuity of services in an insolvency scenario involving one or more members of the group?

• *Note: This page aims to set out on one page all of the core strands of the factual output from the resolution planning work. It should succinctly set out the key facts, focusing on material matters and high level comments pertinent to what an insolvency of the ultimate Parent Undertaking or other key Supplier Group member may trigger across the entities which hold UK public sector / CNI contracts. This box can be deleted once the summary is complete.*

Template: [Supplier name] Resolution Commentary

Resolution outcomes and impact

E3

	Description
Possible resolution options	<ul style="list-style-type: none"> Assume there was a significant shock that severely impacted liquidity and solvency. What would the likely scenario(s) be for the current group/debt structure, intra group linkages, key financial stakeholders and ultimately the impact on the key entities which hold material UK public sector / CNI contracts. Comment briefly on the main strategies open to the Group to avoid insolvency in this scenario – e.g. <ul style="list-style-type: none"> Sale or closure of part of the business Sale of the group Equity raise Consensual financial restructuring - debt extension, debt for equity swap, etc Financial restructuring through an administration pre-pack of the ultimate Parent Undertaking. If these were not capable of being achieved, what would be the likely implications of an insolvency of key members of the group or the ultimate Parent Undertaking? Is that likely to lead to other entities in the Supplier Group going into insolvency? Could that include entities providing UK public sector / CNI contracts or entities critical to the delivery of such contracts? Potential key drivers include: (1) the impact of customer terminations following insolvency; (2) the impact on liquidity from threatened terminations (eg from sub contractors and suppliers requesting payment upfront or immediate payment of any arrears); and (3) potential actions from other stakeholders impacting solvency (e.g. cash deposits being taken under cash pooling arrangements, defaults under lenders cutting access to further liquidity, etc.) Suppliers should consider the more likely scenarios for those entities which hold material UK public sector / CNI contracts. The box below sets out some suggested scenarios which may or may not be applicable in the respective Supplier's circumstances.
Possible insolvency scenarios	<ol style="list-style-type: none"> Entities in a group which hold a mix of private and public sector contracts: Likely scenario may be Administration of the entities Entities in a group which only hold public sector contracts which are capable of being run "business as usual": Likely scenario may be to keep outside of insolvency and for the entity to be sold, with the support of the public sector but would also require the business to be viable/profitable JV's/SPV's with other parties: Likely to be able to ring fence and keep outside of an insolvency process
Impact on public sector services	<ol style="list-style-type: none"> Summarise the impact on public sector services – critical service areas, key dependencies, potential mitigations, etc

Note: This page aims to highlight the possible insolvency options based on the facts pertaining to the supplier and the potential impact on public services. This is high level and will make various assumptions. It may be beneficial to consider discussing with the Relevant Authority (the Contracting Authority or Cabinet Office Markets and Suppliers team) prior to completion. This box can be deleted once the summary is complete.

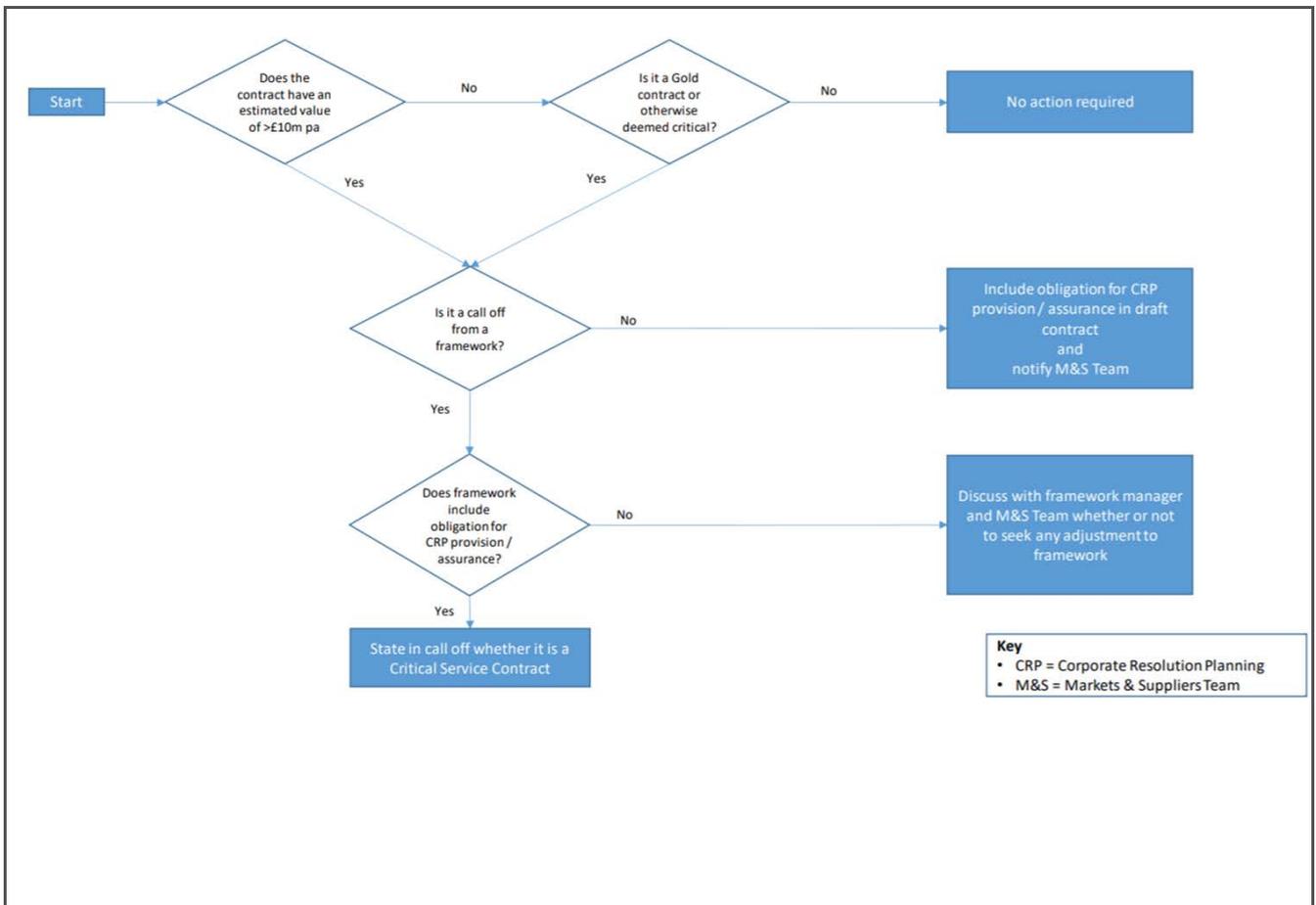
Template: UK Public sector / CNI contract summary

Note: This page should be used as an illustrative guide as to some of the information to be provided. A complete excel template will be provided during the assurance process.

E4

Contract (Note 1, Note 2)	Supplier Entity	UK public sector or other Client	Contract type (& ref. in Contracts Finder)	Services performed	Contract criticality classification	Annual value £m	Total value £m	Contract financials (costs, profit, cash)	Start date Termination date Break point	Guarantors	Key sub-contractors	Reliance on group shared services or other intra-group trading	Any other major dependencies
Abc School	C Ltd	Abc Council	Prime contractor [CFref.]	Soft FM	Gold	1	10	Profitable Cash positive	S: 01/09/14 T: 31/08/24 B: 31/08/20	A Plcguarantee	n/a	HR, payroll, finance and IT support from H Ltd	
Xyz Hospital	K Ltd	NHS Trust	PFI [CFref.]	Soft FM	Silver	6	30	Loss making	S: 01/01/14 T: 31/12/19 B: n/a	A Plcguarantee	X Ltd Y Ltd Z Ltd	No reliance on shared services	

Annex II - Decision tree - When to include an obligation to provide CRP Information





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