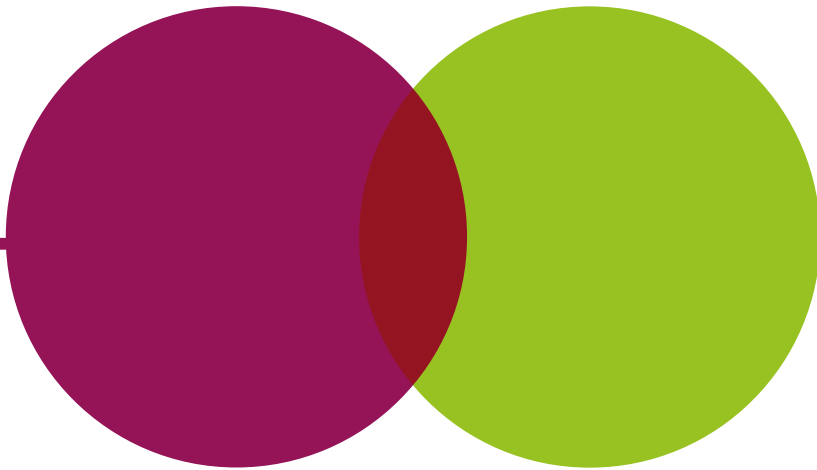




INSIGHT

Lessons learned: Monitoring and responding to companies in distress

Cross-government



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National Audit Office

Lessons learned: Monitoring and responding to companies in distress

Cross-government

Report by the Comptroller and Auditor General

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Commons in accordance with Section 9 of the Act

Gareth Davies
Comptroller and Auditor General
National Audit Office

20 October 2023

Lessons learned reports

Our lessons learned reports bring together what we know on important recurring issues to make it easier for others to understand and apply the lessons from our work.

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Introduction

Why have we produced this report and guide?

1 The UK government's position is that, in general, private sector companies should be allowed to fail as part of the efficient working of markets and the economy, and that direct government intervention in the private sector is a last resort. Where there are known risks of market inefficiency or potential harm to consumers, the government will generally seek a regulatory approach to monitor and manage those risks.¹ Insolvency may be the best outcome for a failing company, and does not necessitate the end of the company if a buyer is found. But in some circumstances a company failure could expose the government, taxpayers or service users to disproportionate levels of risk, and the government may decide that intervention is necessary.

2 In our audit work we have examined many examples of government interventions to support companies in distress across various sectors, including the unprecedented interventions in banks during the 2008 financial crisis (Appendix Two). These examples show that government interventions in distressed companies: involve complex decision-making at speed; require access at short notice to specialised skills that are not widely held across government; can be very costly in the short term; and may take a long time to exit.

¹ National Audit Office, *Good practice guidance: Principles of effective regulation*, May 2021.

3 In 2018, the Committee of Public Accounts expressed concern that a culture had developed in which a small number of large companies that were strategic suppliers to government believed they were too big to fail.² More recently, the Civil Service Board (which is responsible for the strategic leadership of the civil service including managing systemic risk) has identified the risk that market or supplier failure could have an impact on service delivery of public sector contracts or value for money. Several such risks feature in the 2023 National Risk Register.³

4 The COVID-19 pandemic saw a dramatically heightened and unusual level and type of state intervention to keep companies functioning. This was quickly followed by the war in Ukraine and energy crisis in which the government had to intervene to keep multiple companies' customers supplied with power. Data published for the first half of 2023 indicate that the UK had the highest quarterly number of company insolvencies since the financial crisis in 2009.⁴

5 When, in 2021, we examined the government's preparedness for COVID-19 we found variation in capacity, capability and maturity of risk management across government departments.⁵ Recent events have further underlined the need to strengthen national resilience – for example, we found that Ofgem did not do enough in the years that preceded the increase in wholesale prices in 2021 to ensure the energy supplier sector was resilient to external shocks.⁶ In December 2022, the government published the first UK Government Resilience Framework.⁷

2 Committee of Public Accounts, *Strategic Suppliers*, Fifty-Eighth Report of Session 2017–2019, HC 1031, July 2018.

3 Cabinet Office, *National Risk Register 2023*, August 2023 (viewed on 1 September 2023).

4 PwC, *PwC comments on Q2 2023 insolvency data*, July 2023 (viewed on 1 September 2023) ; The Insolvency Service, *Commentary - Company Insolvency Statistics April to June 2023*, July 2023 (viewed on 1 September 2023). Available at: [www.gov.uk/government/statistics/company-insolvency-statistics-april-to-june-2023/commentary-company-insolvency-statistics-april-to-june-2023#:~:text=Between%201%20April%20and%2030,company%20voluntary%20arrangements%20\(%20CVAs%20\)](http://www.gov.uk/government/statistics/company-insolvency-statistics-april-to-june-2023/commentary-company-insolvency-statistics-april-to-june-2023#:~:text=Between%201%20April%20and%2030,company%20voluntary%20arrangements%20(%20CVAs%20)).

5 Comptroller and Auditor General, *The government's preparedness for the COVID-19 pandemic: lessons for government on risk management*, Session 2021–22, HC 735, National Audit Office, November 2021.

6 Comptroller and Auditor General, *The energy supplier market*, Session 2022–23, HC 68, National Audit Office, June 2022.

7 Cabinet Office, *The UK Government Resilience Framework*, December 2022 policy paper (viewed on 1 September 2023). Available at: www.gov.uk/government/publications/the-uk-government-resilience-framework

When and why does government respond to companies in distress?

6 The government does not intend to look for signs of distress in every company, and it views intervention as a last resort. However, there are circumstances where it may decide to intervene: to support a company and prevent it from failing, to rescue it from insolvency, or to manage the situation so that it does not fail in a disorderly way.⁸ Among the possible scenarios, it may be that the company:

- provides public services directly to citizens (for example Southern Cross, which failed with 31,000 residents in its care homes);
- provides essential goods or services, the absence of which could cause harm to customers (for example Bulb energy, which was taken into a special administration regime costing the taxpayer an estimated £3.02 billion gross as of 31 January 2023, although the government expects to recover all the taxpayer funding);⁹
- supplies services to the government to enable it to function (for example, UKCloud Ltd which provided secure cloud data services to several government departments and went into liquidation in 2022); or
- is crucial to national security or to the country's self-sufficiency in certain goods (for example, CF Fertilisers, to which the government provided short term funding to avoid a gap in supply of CO₂ to the UK).

What is in our good practice guide and this report?

7 Alongside this report, we have produced a good practice guide which identifies 10 elements we would expect to see in the government's approach to market and company resilience and the risk of distress (summarised in **Figure 1** on pages 8 and 9).¹⁰ We drew on our past work and a programme of wider consultation to identify insights and practical lessons, from which government bodies can learn. Appendix One gives full details on the scope of this work and our methods.

⁸ We distinguish between financial failure and delivery failure. An organisation fails financially when it ceases to be a going concern. This paper does not specifically address failure to deliver services to minimum standards without failing financially, although the two may of course be closely linked. We also do not cover failure, financial or otherwise, of local authorities, hospital trusts or other local public service providers in the public sector. See also Appendix One.

⁹ A special administration regime is a modified insolvency regime that provides an administrator with special objectives, such as the continuity of critical services, that take priority over the court objectives in a normal administration.

¹⁰ National Audit Office, *Good practice guide: Monitoring and responding to companies in distress*, October 2023.

8 Under each of the 10 elements in our guide we set out: what we would expect to see; questions for officials and others to ask to support good practice; and examples to illustrate the lessons. It is not a how-to guide but is intended to help government with monitoring, preparedness and response to company distress situations and to support value for money. It complements, and provides signposts to, the key government guidance that officials should follow. We have worked closely with the relevant experts in government, including HM Treasury, the Cabinet Office, UK Government Investments, the Department for Business & Trade and the Insolvency Service.

9 This short report is intended to set the guide in the wider government context, including providing factual updates on the government's evolving approach to national resilience and risk management. It is not an evaluative report and does not have audit findings or a value-for-money conclusion. It covers:

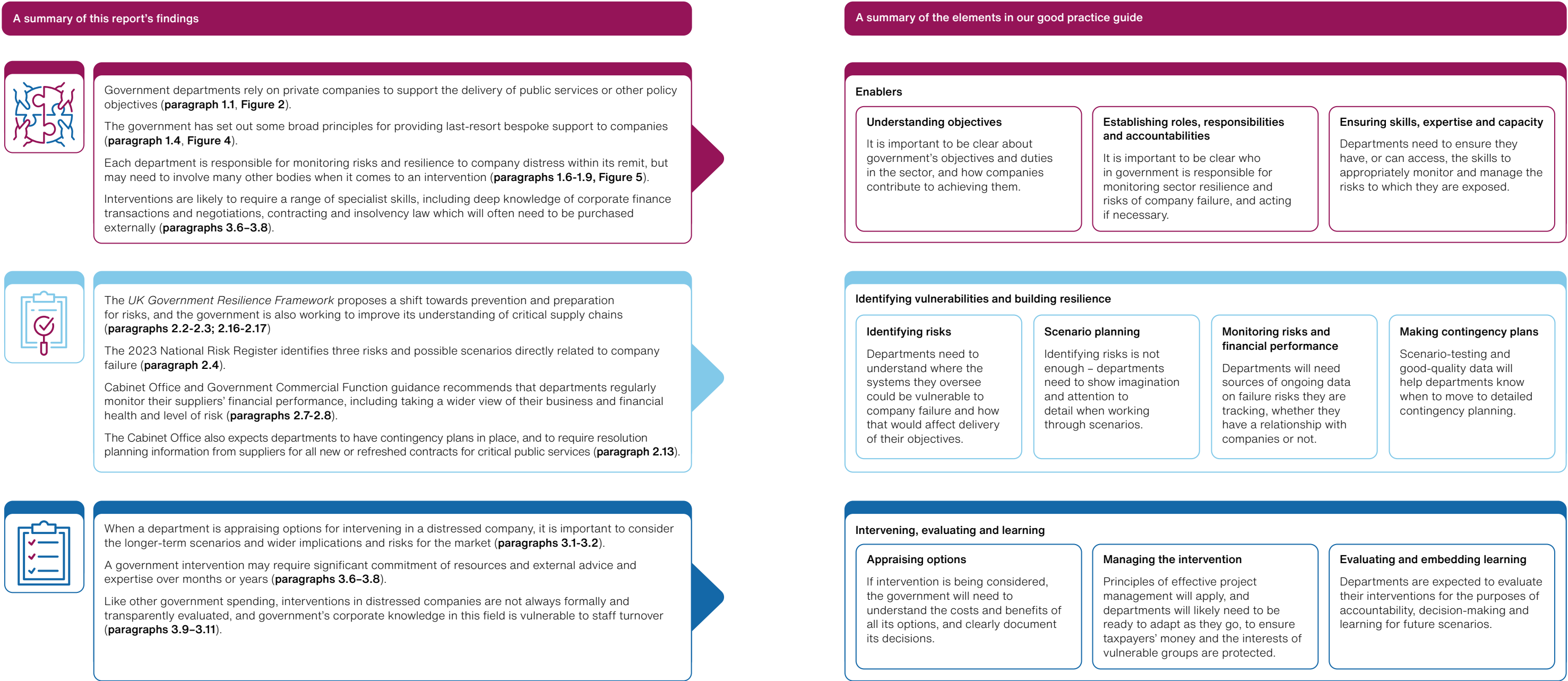
- Roles, responsibilities, and principles (Part One).
- Resilience, monitoring, and preparedness (Part Two).
- Handling complex interventions, access to specialist skills, and learning (Part Three).

Who should read this?

10 Officials in government departments and other bodies such as regulators will have interests, responsibilities and accountabilities regarding the resilience of key companies and the risks to taxpayers or citizens. We have designed the guide to help those officials understand the issues, find examples to learn from and ask the right questions. The guide should be useful for both senior and junior officials, as well as members of Audit and Risk Committees. We also aim to help members of Parliament consider what they should expect of government in future situations, and to support them in future scrutiny and accountability. The work will inform any future National Audit Office examinations in this area.

Figure 1
A summary of our 2023 lessons learned report and good practice guide

We identify 10 elements for government to consider when preparing for and responding to companies in distress



Part One

Roles, responsibilities and principles

Government's relationships with companies

1.1 All government departments rely in various ways on private companies to support the delivery of public services or other policy objectives (**Figure 2**).

Options for intervention in distressed companies

1.2 The UK economy is based on free-market principles: to maintain fair competition in the economy direct government intervention in the private sector is the exception rather than the rule. For example, in a well-functioning market, the failure of a company can be the consequence of innovation or come from effective competition, keenly priced contracts and robust contract management. In some cases, the exit of failing companies is offset by the entry of new companies, and users or customers can find alternative provision for themselves.

1.3 Where the government decides to intervene in a distressed company, there are a range of options available, not all of which involve spending public money (**Figure 3** on pages 12 and 13). The 2008 financial crisis saw one of the biggest-ever government interventions in companies. It resulted in government ownership of banks, which is still being unwound, and the creation of new resolution arrangements to protect against any similar situation in future. In other sectors the nature, scale and timing of options for government intervention in a company will vary widely, depending on the relationship with the company, the circumstances and the objectives the government wants to achieve or protect. In some cases, earlier intervention may help to prevent a company's failure and be less costly in the long term.

Figure 2**Government relationships with companies**

Government departments and their agencies have a range of relationships with companies, which warrant different oversight arrangements

Type of company or market and its relationship with government	Government or regulatory oversight	Examples
Companies in private markets that may be strategically important for achieving the government's policy objectives, or part of a critical supply chain for a sector.	Limited formal government oversight. However, departments are responsible for managing the relationship with strategically important companies in their sectors and understanding critical supply chains for their sectors.	- Steel companies. - Suppliers of critical chemicals such as carbon dioxide (CO₂).
Companies in private regulated markets that provide an essential or critical service with a high potential for harm in the event of company failure.	Since the late 1980s, the private sector has owned and run the majority of industries and utilities in the UK. Economic regulators such as Ofwat and Ofcom are in place for many consumer markets where there is a monopoly supplier. Regulation is also used in other sectors outside the government's direct oversight such as banks and transport, to ensure service providers or markets meet the needs of citizens or achieve the government's public policy objectives. Independent regulators set rules, standards and expected behaviours and enforce or influence compliance with these. This includes activities such as licensing, inspection, monitoring of compliance, and enforcement.	- Financial services companies. - Telecommunications companies. - Energy companies. - Postal services. - Water companies.
Companies in public service markets that provide publicly funded services available to all.	The government may appoint a quality regulator to oversee delivery of these services to an acceptable standard.	- Health and social care providers. - Education and training providers. - Social housing providers.
Companies that have a contract with government to supply products and services or to provide a taxpayer-funded service.	The government acts as a buyer of products and services and interacts with these markets through commissioning, contracting and procuring. Contracts are agreed and monitored through the collection of operational and financial information by contracting departments. For the largest cross-government suppliers ('strategic suppliers'), of which there are currently 39, government assigns a Crown Representative as their liaison with central government. In 2019, government introduced a new approach to monitoring and managing strategic suppliers through a Memorandum of Understanding (MOU) between the government and each of its strategic suppliers.	- Providers of services to government, such as IT services. - Contracted-out taxpayer-funded services such as waste collection.

Notes

- 1 This is not a complete analysis of all companies in markets, and some companies may fall into more than one type. Our focus is on the types of companies that are not owned by the government but are integral to the delivery of government objectives, public services or are of strategic importance to the wider economy or society. For example, not included here are companies government owns for policy reasons (such as the UK Infrastructure Bank). And there are joint ventures it owns that we would expect it to be monitoring as part of its shareholder duty (for example Urenco).
- 2 There are other independent organisations which are not companies involved in the delivery of services in public sector markets, such as universities. These are not covered in the scope of this report.

Source: National Audit Office analysis of previous National Audit Office reports, documents published by the government departments and interviews with their officials

Figure 3

Government intervention options when a company is in distress

Intervention options available to the government depend on the relationship it has with the company

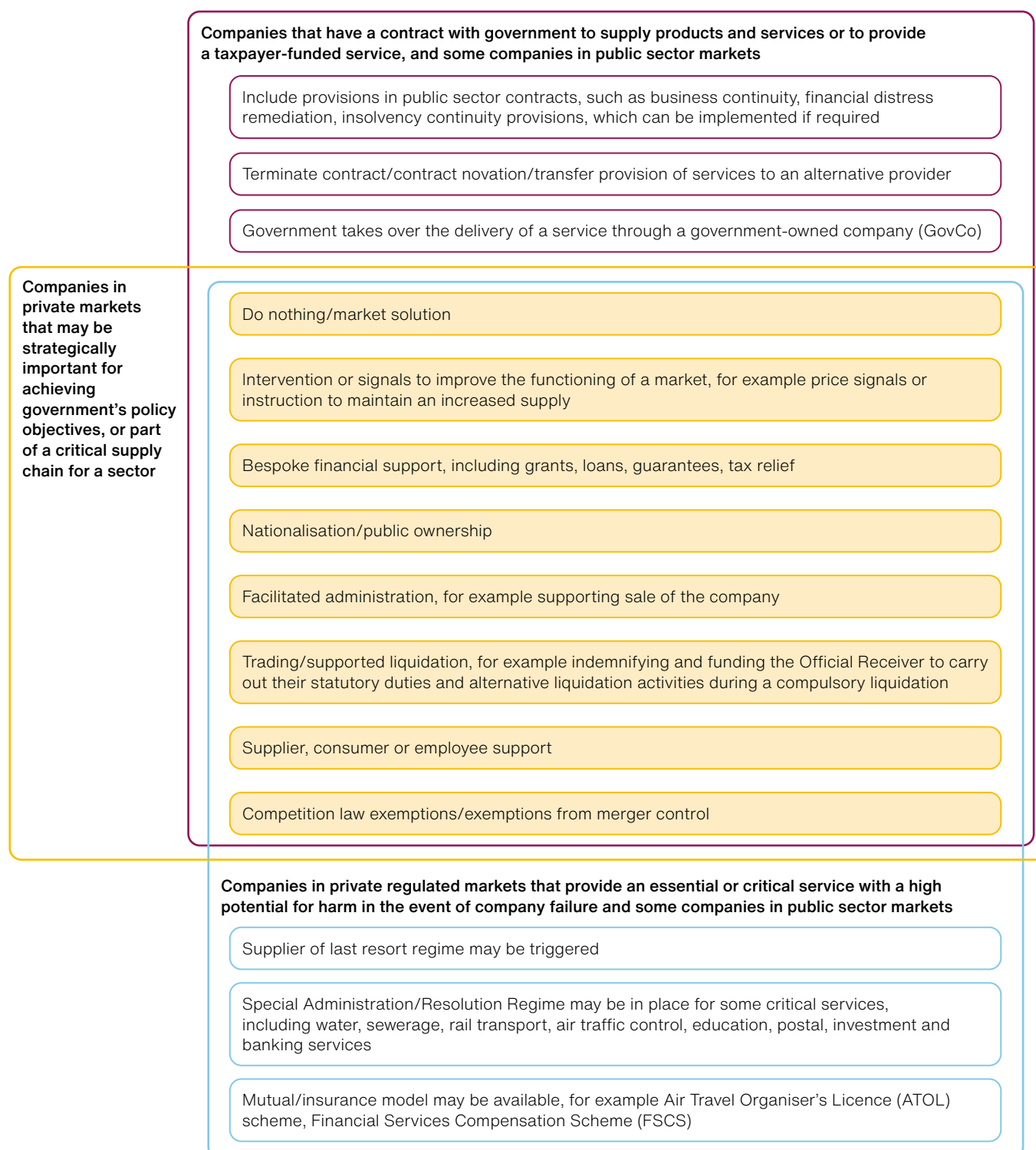


Figure 3 *continued*

Government intervention options when a company is in distress

Note

- 1 This figure sets out some of the options available to government when a company is in distress but is not an exhaustive list.

Source: National Audit Office analysis of previous National Audit Office reports, documents published by the government departments and interviews with their officials

1.4 The government has also set out some broad principles which it uses to underpin decisions on providing last-resort bespoke financial support to companies (**Figure 4** overleaf). As it stated in the 2020 *Plan for Jobs*, the government has “always considered providing support to strategically important companies that can reasonably be expected to have a long-term viable future and whose failure or distress could cause disproportionate harm to the UK economy or society”,¹¹ but it has noted that there is an “extremely high bar for putting taxpayers’ money at risk in this way”.¹²

1.5 Some other countries also have principles for providing support to individual companies. For example, the Government of the Netherlands has a framework for deciding on requests for support by individual companies and the Scottish Government has published a Business Investment Framework, which sets out the overarching principles, Accountable Officer tests and key considerations that should be taken into account when proposing to offer business support.

11 HM Treasury, *A Plan for Jobs 2020*, July 2020, policy paper, CP 261 (viewed on 1 September 2023).

12 HM Treasury, *Government agrees support package to UK steel company*, July 2020 (viewed on 1 September 2023).

Figure 4

Government's guiding principles for providing last-resort support to companies

In 2020 the government set out publicly when it will consider providing support to distressed companies

The government set out that it will consider providing last-resort business support to:

- companies that can reasonably be expected to have a long-term viable future;
- whose failure or distress could cause disproportionate harm to the UK economy or society; and
- which have exhausted all other options before being considered.

It also specified that:

- any support given is on terms that protect the taxpayer, with existing lenders and shareholders expected to contribute to, and share in, the financial burden; and
- companies receiving support need to agree to appropriate conditions, including those relating to tax, supplier payment terms, climate change and corporate governance.

Subsequently, HM Treasury has told us that it has added a further principle that:

- the company is facing time-limited difficulties due to exogenous disruption.
-

Source: National Audit Office analysis of HM Treasury *A Plan for Jobs 2020*, July 2020 and discussions with HM Treasury

Government roles and responsibilities in company distress situations

1.6 Departments are responsible for understanding and monitoring risks to their policy objectives and legal duties, and to the overall resilience of those parts of the UK economy that are within their remit. This includes risks caused by company distress and failure, whether those companies are strategically important businesses or key suppliers to government. Each department will need to decide what approach and level of resource is appropriate to devote to monitoring these risks, and how to work and share information with others, such as regulators.

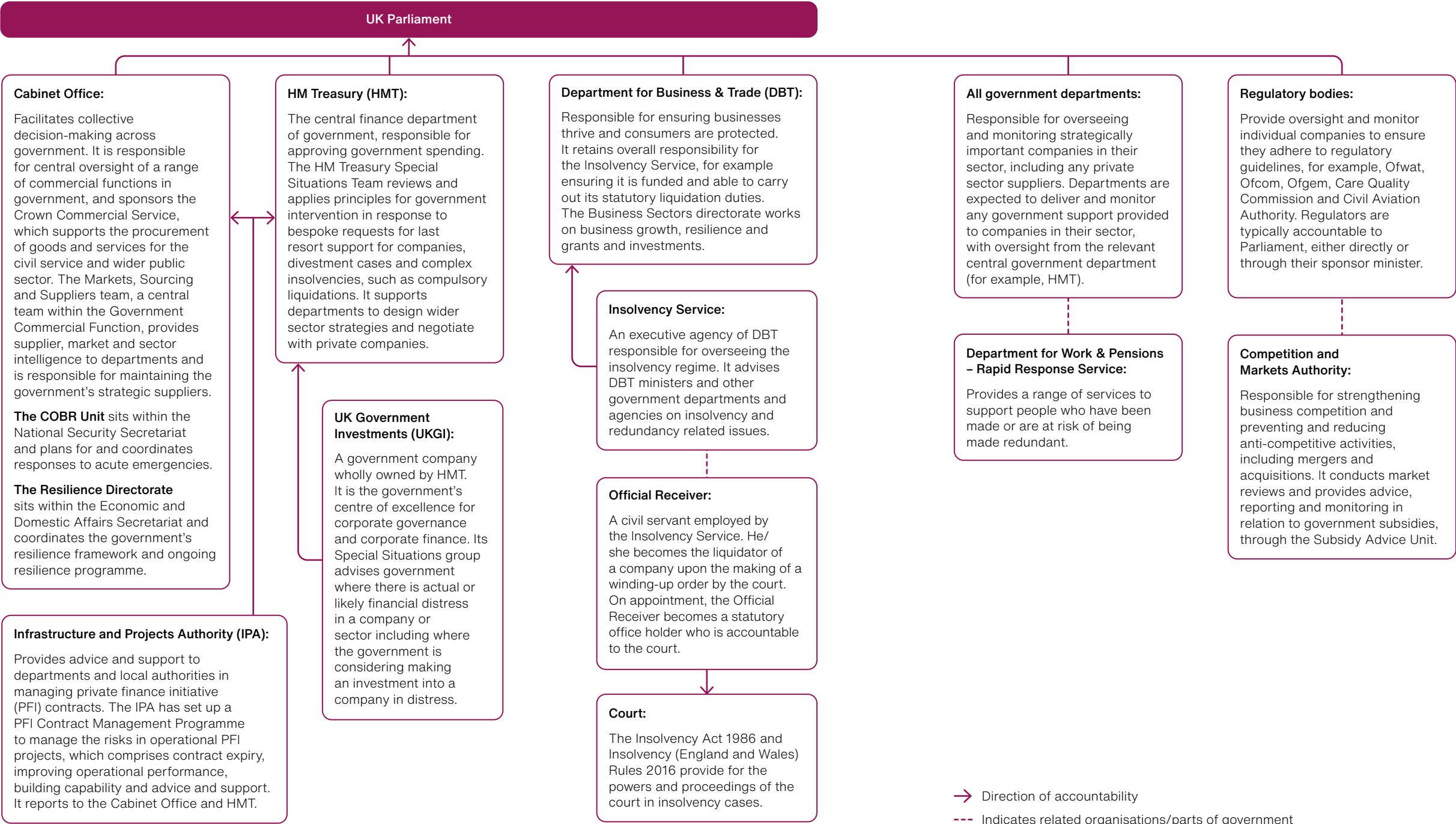
1.7 The relevant department is also responsible for delivering and monitoring any intervention or government support provided in a company distress scenario, and the department's accounting officer is accountable to Parliament for decision-making and value for money. Many other government bodies may also need to be involved in resolving the situation and managing its wider effects – for example, we found that at least 14 organisations from the public sector were involved in repatriating Thomas Cook customers and dealing with the insolvency and its impacts. HM Treasury will likely exercise close oversight of any spending commitments (**Figure 5** on pages 16 and 17).

1.8 Some of the examples set out in our guide show how companies and markets may cut across several departments' policy responsibilities or provide services to multiple departments. In examples such as Carillion, CF Fertilisers and UKCloud, this meant that no single department had a complete picture of the government's exposure to the company in advance of it becoming distressed. In Part Two we discuss the government's evolving approach to national resilience and cross-cutting risks and the expectations of departments as regards understanding and monitoring risks.

1.9 In an urgent distress situation where decisions about intervention are needed, it may also not be immediately clear which department is responsible. We have frequently observed that the more government bodies involved, the more complex it can be to oversee and manage delivery. Following agreement at the Civil Service Board, the Cabinet Office's Permanent Secretary wrote on 26 June 2023 to all departments to request a single point of responsibility in each department for coordinating a response to supply chain risks originating from procured services. The intention for a single point of responsibility is to improve understanding of cross-government exposure to supply chain risk, and to facilitate a coordinated response. In Part Three we discuss the management of interventions and the range of specialists that need to be involved within and outside government.

Figure 5
Roles of government bodies when monitoring and responding to company distress

Government departments, supported by HM Treasury, the Cabinet Office and a range of national bodies and regulators, are responsible for monitoring and responding to companies in distress for their sectors



Source: National Audit Office analysis of documents published by government departments and interviews with government officials

Part Two

Resilience, monitoring, and preparedness

The government's evolving approach to national resilience and risk

2.1 The recent effects of the COVID-19 pandemic, war in Ukraine and energy crisis have shown how company failure in key sectors can ripple across the economy and have serious consequences for the government, taxpayers and service users, especially those who are vulnerable. Our good practice guide sets out the importance of identifying and monitoring these risks, planning ahead for different scenarios, and putting in place detailed contingency plans where necessary.

2.2 In *The government's preparedness for the COVID-19 pandemic: lessons for government on risk management*, we highlighted the need for government to strengthen national resilience and its end-to-end risk management processes, including through collaboration with the private sector on risk identification and management.¹³ The government agreed and has set out a UK Government Resilience Framework, published in December 2022 which is “built around three fundamental principles: that we need a shared understanding of the risks we face; that we must focus on prevention and preparation; and that resilience requires a whole of society approach.”¹⁴

2.3 The government's new strategic approach to resilience proposes a shift away from dealing with the effects of emergencies towards a stronger focus on prevention and preparation for risks, overseen by the Cabinet Office's Resilience Directorate. For companies, too, there is an increasing awareness of the need to prepare and be resilient to shocks, rather than just reactive. As part of its ‘whole of society’ approach to resilience, the government aims to provide the private sector with better guidance on resilience to support contingency planning and risk management, by 2030.

¹³ Comptroller and Auditor General, *The Government's preparedness for the COVID-19 pandemic: lessons for government on risk management*, Session 2021-22, HC 735, National Audit Office, November 2021.

¹⁴ Cabinet Office, *The UK Government Resilience Framework*, December 2022, policy paper (viewed on 1 September 2023).

2.4 In August 2023 the government published the latest edition of the National Risk Register, which assesses the most serious risks facing the UK to help ensure the UK is prepared for a broad range of scenarios. Under “Accidents and systems failures”, it identified three risks directly related to company failure:

- Insolvency of supplier(s) of critical services to the public sector.
- Major adult social care provider failure.
- Insolvency affecting fuel supply.¹⁵

2.5 The Civil Service Board has identified the risk that “Market or supplier failure may impact service delivery on public sector contracts and value for money. This could be direct and/or indirect impact, which can be more difficult to fully understand in advance.” In response to this, the Government Internal Audit Agency is examining the framework of governance, risk management and control relating to supplier resilience across government and will report to the Civil Service Board in winter 2023-24.

Expectations of departments – monitoring the financial health of companies and markets

Suppliers to government

2.6 In 2021 we issued the latest edition of our good practice guidance on *Managing the commercial lifecycle* first published in 2008.¹⁶ It includes the expectation that government monitors and engages with its suppliers throughout the commercial lifecycle. This includes market monitoring to consider the overall financial resilience and sustainability of a sector.

2.7 The Cabinet Office’s Markets, Sourcing and Suppliers Team monitors the economic and financial standing of the government’s 39 strategic suppliers, with the expectation that information is shared with and received from the relevant contracting authorities.¹⁷ Since 2019, the government has been putting in place memoranda of understanding with each of its strategic suppliers, and all but one are now formally agreed. Under this approach, strategic suppliers agree to provide the government with the information it needs to monitor and manage risks across its supplier base. The team nevertheless stressed to us the importance to it of ‘human intelligence’ from suppliers, customers, industry or other government departments, as publicly available information tends to be backward-looking and cannot provide the most up to date picture of a company’s financial health.

¹⁵ Cabinet Office, *National Risk Register 2023*, August 2023.

¹⁶ National Audit Office, *Good practice guidance: Managing the commercial lifecycle*, July 2021.

¹⁷ Contracting authorities are public sector organisations with a contractual relationship with a supplier, such as a department or local authority.

2.8 For other government suppliers, the Government Commercial Function's *Corporate Financial Distress Guidance Note* recommends that departments themselves regularly monitor suppliers' financial performance.¹⁸ They should satisfy themselves the companies have sufficient financial strength to continue providing the goods or services. Departments are expected to take a wider view of a supplier's business and financial health and the level of risk, including awareness of the wider business context, performance metrics, trends over time and non-financial indicators. The government's *Sourcing Playbook*, most recently revised in June 2023, sets out guidance to support departments and contracting authorities to make sourcing decisions for the delivery of public services.¹⁹

Providers of public services

2.9 For several decades, successive governments have contracted out public services to private providers.²⁰ In addition to potential benefits, this brings supply chain risks for regulators, local authorities or departments to monitor and manage. In 2016 we first set out what we expect of government in managing service provider failure.²¹ This includes both prospective and retrospective monitoring, whereby departments track the past and projected financial performance of providers through their financial reports and accounts.

2.10 In 2011 when Southern Cross failed, we reported that the then Department of Health did not have existing arrangements for dealing with the failure of Southern Cross or any other potential failure of a provider of this size.²² Subsequently it gave the Care Quality Commission's Market Oversight Scheme responsibility for monitoring the financial sustainability of potentially 'difficult to replace' care providers. Nevertheless we found in March 2021 that significant numbers of large providers were not financially resilient in terms of liquidity and financial risk and there was insufficient visibility of providers' financial sustainability across the care market.²³

2.11 Ultimately the government is the fall-back owner of risks if provider companies fail. This 'reversionary risk' was illustrated in 2018 when the Carillion group of companies – which had around 420 contracts with the UK public sector, including services for hospitals, schools, the armed forces, prisons and transport – went into liquidation. Although the government did not provide support directly to the company, it had to ask – and fund – the Official Receiver as liquidator to manage a trading liquidation while contracts and services were transferred and bore the £150 million loss on liquidation.

18 Government Commercial Function, *Corporate Financial Distress Guidance Note*, June 2023 (viewed on 1 September 2023).

19 Cabinet Office, *The Sourcing Playbook*, June 2023 (viewed on 1 September 2023).

20 Comptroller and Auditor General, *The role of major contractors in the delivery of public services*, Session 2013-14, HC 810, National Audit Office, November 2013.

21 Comptroller and Auditor General, *Principles paper managing provider failure*, Session 2015-16, HC 89, National Audit Office, July 2015.

22 Comptroller and Auditor General, *Oversight of user choice and provider competition in care markets*, Session 2010-2012, HC 1458, National Audit Office, September 2011.

23 Comptroller and Auditor General, *The adult social care market in England*, Session 2019-2021, HC 1244, National Audit Office, March 2021.

Requirements for contingency planning

2.12 Several examples in our guide show that the government has not always had contingency plans in place ahead of company distress scenarios and has had to develop these quickly and reactively. Our good practice guide on *Managing uncertainty* highlights the importance of planning for uncertainty by developing contingency plans to prepare for plausible alternative scenarios.²⁴ Where the government has had contingency plans in place ahead of the distress event, these may not always extend beyond the one department or outside central government.

2.13 For new or updated government contracts, the 2023 Sourcing Playbook makes clear that all new or refreshed critical public service contracts should require suppliers to provide “resolution planning information”. This should enable the government to understand better the potential impact of a supplier’s failure, and to work with suppliers to limit the risk to critical public services. Departments are expected to have in place their own contingency plans for these contracts and test and update them regularly, not just when monitoring identifies a raised level of concern.

2.14 The Cabinet Office also expects departments to work jointly across government to manage risks that arise from a supplier being too dependent on the public sector as a customer. The Cabinet Office Markets, Sourcing and Suppliers team should be consulted whenever departments are planning to terminate a service contract with a public sector-dependent supplier worth £5 million per year or above. And for new contracts, departments should include a contract clause requiring the supplier to confirm annually whether it is dependent on the public sector.

Wider markets and critical supply chains

2.15 All markets are subject to shocks and changes that affect the ability or willingness of suppliers to meet demand, but some are more vulnerable than others to harmful supply disruption, which might mean the government needs to intervene.²⁵ For example, in 2019, following the 2018 UK carbon dioxide (CO₂) shortage, the Food and Drink Federation recommended a clearer focus in government on the significance of the UK’s CO₂ supply chain, but at the time no action was taken.²⁶ In 2021, the government had to provide urgent financial support to avoid a disruption to supply when the largest UK producer decided to halt production.

24 National Audit Office, *Managing uncertainty: Questions for decision-makers to ask in an uncertain environment*, August 2023.

25 Competition and Markets Authority, *Market Resilience: Discussion paper*, March 2023 (viewed on 1 September 2023).

26 Food and Drink Federation, *Falling flat: lessons from the 2018 UK CO₂ shortage*, 2019 (viewed on 1 September 2023).

2.16 The government is now working to improve its understanding of the supply chains for 13 critical national infrastructure sectors, including chemicals such as CO₂.²⁷ The government initiated some of this work to map its critical supply chains as part of its planning activities for a no-deal EU Exit. The Department for International Trade (now the Department for Business & Trade) has developed a Supply Chains Resilience Framework, which sets out five areas for public and private sector organisations to consider when looking to mitigate risks and vulnerabilities in their supply chains.²⁸

2.17 The Department for Business and Trade told us it has developed tools that increase supply chain visibility and enable departments to identify resilience risks. Departments are at different stages and have different approaches to understanding their sectors' supply chain dependencies and exposure. The Cabinet Office's Markets, Sourcing and Suppliers team told us it is in the early stages of exploring with departments what tools and methods they use to map their supply chains, and whether a similar approach could be taken for public service supply chains.

2.18 In regulated markets, effective regulation requires a proactive, forward-looking approach to identifying potential issues or new developments that may scale rapidly, and to have sufficient capacity and skills to identify and respond to problems and challenges in the regulated area.²⁹ We noted that:

- in May 2023 the chief executive of Ofgem told the Committee of Public Accounts, following the failures of energy suppliers and the special administration of Bulb, that his organisation had moved towards an approach of looking more systemically across the sector at resilience and had brought in new skills and leadership to do so;³⁰ and
- in March 2023, the Competition and Markets Authority (CMA) published a discussion paper on market resilience and an assessment framework for use in assessing market fragility which could lead to company failure, harmful supply problems and a need for intervention by the government.³¹ The CMA intends to use the framework as part of ongoing work to develop its horizon-scanning capabilities, to help identify fragile markets, and to assist government, where appropriate, with remedies for that fragility.

27 The 13 critical national infrastructure sectors are: Chemicals, Civil Nuclear, Communications, Defence, Emergency Services, Energy, Finance, Food, Government, Health, Space, Transport and Water.

28 Department for International Trade, *DIT Supply Chains Resilience Framework*, November 2022 (viewed on 1 September 2023).

29 National Audit Office, *Good practice guidance: Principles of effective regulation*, May 2021.

30 Committee of Public Accounts, *Oral evidence: Bulb Energy*, HC 1232, Thursday 25 May 2023.

31 See footnote 25.

Part Three

Handling complex interventions, access to specialist skills, and learning

Handling complex interventions and protecting taxpayers

3.1 If the possibility of company failure does become a critical risk requiring intervention, the responsible government department will need to understand the costs and benefits of all its options, including doing nothing, and will need to document its decisions clearly. Ensuring value for money requires careful consideration not just of the short-term objectives but of longer-term scenarios, including when and how the government may choose to extricate itself financially from the intervention. The government will also need to look at the wider implications and risks for the whole market.

3.2 ‘*Moral hazard*’ risk is where support for one company creates an incentive for other companies to take risks with the expectation that they will also be supported if they fail. If the government does decide to provide support, it also needs to consider the ‘*free rider problem*’ in which the company’s incumbent lenders or shareholders may benefit from government support for the company without having to contribute themselves. Our guide sets out questions for departments and others to consider when appraising options.

3.3 Ultimately, as in any activity involving government money, when intervening to support a distressed company, a department must adhere to the principles set out in *Managing Public Money* (**Figure 6** overleaf).³² It must also have regard to any relevant regulations and legal obligations, such as subsidy control requirements.

3.4 As well as its own duties, the department also needs to understand others’ statutory duties. For example, once a company enters insolvency an Official Receiver as Liquidator or Administrator has statutory duties that need to be taken into account, even though they may not align with a department’s preferences.

³² HM Treasury, *Managing Public Money*, May 2023 (viewed on 1st September 2023).

Figure 6
Definition of principles in *Managing Public Money* (2023)

The government must adhere to the principles of feasibility, propriety, regularity and value for money when intervening in a distressed company	
Feasibility	The proposal can be implemented accurately, sustainably, and to the intended timetable.
Propriety	The proposal meets the high standards of public conduct and relevant Parliamentary control procedures and expectations.
Regularity	The proposal has sufficient legal basis, Parliamentary authority, and Treasury authorisation; and is compatible with the agreed spending budgets.
Value for money	In comparison to alternative proposals or doing nothing, the proposal delivers value for the Exchequer as a whole.

Source: National Audit Office analysis of HM Treasury, *Managing Public Money*, May 2023

Accountability and governance for company interventions

3.5 Because of the unusual nature of government intervention in a private company, even where there may be little or no public money spent, a department will likely be required to carry out a formal Accounting Officer Assessment. HM Treasury approval will very likely be required too if the intervention is considered “novel or contentious”. If the accounting officer has serious concerns about value for money or the other accounting officer principles in Figure 6, he or she can flag the concern to Parliament by requesting a direction from the minister to proceed. This has happened in several cases, including: to request the continuation of a government indemnity to the Official Receiver as Liquidator to pursue a sale of British Steel;³³ to purchase the satellite company OneWeb from bankruptcy in the United States;³⁴ and to provide financial assistance to some of the sub-contracted providers operating within the Working Links community rehabilitation companies’ (CRCs) supply chain that faced financial losses as a result of the collapse of Working Links and its three CRCs.³⁵

33 Department for Business, Energy & Industrial Strategy, *British Steel: ministerial direction on continuation of Official Receiver’s indemnity*, April 2020 (viewed on 1st September 2023).
34 Department for Business, Energy & Industrial Strategy, *Ministerial direction for the purchase of OneWeb*, July 2020 (viewed on 1st September 2023).
35 Ministry of Justice, *Working Links: Ministerial direction*, May 2019 (viewed on 1st September 2023).

Specialist skills and resourcing

3.6 Even if a company has been gradually failing for a long period and has been monitored closely by the responsible department, at the end the department may need rapid decision-making by officials and ministers, based on imperfect information and a set of unattractive options. The department's policy and operational teams are responsible for leading this work, drawing on their understanding of the government's objectives and duties in the area. They will also need advice and support from people with specialist expertise in corporate finance transactions and negotiations, contracting and insolvency law. It is important that those responsible in a department understand which skills they require and how to fill any gaps quickly. We found that the relevant specialist skills are concentrated mainly at the centre of government in:

- HM Treasury Special Situations team.
- The UK Government Investments (UKGI) Special Situations group whose members have an average of 13 years of experience providing advice on government responses to financially stressed corporate situations.
- The Government Commercial Function's central team, based in the Cabinet Office, which provides specialist support to departments on complex transactions, markets and suppliers, commercial continuous improvements and commercial capability.
- The Department for Business & Trade's team under the Director General Business Sectors.
- The Insolvency Service for expertise in insolvency policy and experience in managing national interest liquidations.

In addition:

- The Department for Transport has its own corporate finance team which is experienced in managing the failure of rail franchises and airlines.
- The Ministry of Defence has, since 2020, increased its corporate finance capability by creating a joint unit with UKGI, in which officials from UKGI and the Ministry of Defence work together on corporate finance and corporate governance matters in the defence sector, including the acquisition of Sheffield Forgemasters.

3.7 When entering a significant intervention such as a special administration, the government will often need to purchase additional advice from legal and insolvency firms and there will also be costs associated with the court appointment of administrators and their advisers. As well as the cost of professional fees, this kind of commitment ties up departmental staff in handling a transaction. It is important to consider the potential scale of costs and elapsed time that may be required in different scenarios.

3.8 In the case of the Bulb administration these costs had reached £52.7 million when we reported in March 2023.³⁶ In this case, it took 13 months to complete the whole set of transactions because there was limited interest in the company from buyers, and the government is yet to achieve all of its objectives for the intervention.³⁷ A different kind of long-term commitment of resources is the Ministry of Defence's acquisition of Sheffield Forgemasters in 2021. The government intends to return the company to the private sector but there is currently no timescale for this.

Evaluation and learning

3.9 Evaluation of government interventions is important for learning what works and why, and to demonstrate accountability for the use of public money.³⁸ In 2021 we reported that while efforts had been made to improve evaluation of government spending, the use of evaluation continued to be variable and inconsistent across government.³⁹ We have not seen any indication that government interventions in distressed companies are any more likely than other government spending to be formally and transparently evaluated.

3.10 Our *Audit framework for evaluating government spending* highlights the importance of collating and sharing evaluation findings and lessons learned across government.⁴⁰ When it comes to handling high-speed, high-risk company distress situations, where the relevant experience and specialist expertise is in short supply in the civil service, wider sharing of learning becomes even more valuable. The Government Commercial Function delivers training for government officials on corporate financial distress, which draws out learning from past examples – since July 2021, 468 officials have attended it. Another challenge is the high turnover of civil servants. The government experts we consulted expressed concern that the government's corporate knowledge in this field was vulnerable to the loss of people with specialist skills who might move jobs or leave the civil service.

36 These costs included those funded through the Special Administration Regime's Administration Funding Agreement and those from the department's operational budget.

37 Comptroller and Auditor General, *Investigation into Bulb energy*, Session 2022-23, HC 1202, National Audit Office, March 2023.

38 HM Treasury, *Magenta Book: Central Government guidance on evaluation*, March 2020 (viewed on 1 September 2023).

39 Comptroller and Auditor General, *Evaluating government spending*, Session 2021-22, HC 860, National Audit Office, December 2021.

40 National Audit Office, *Evaluating government spending: an audit framework*, April 2022.

3.11 However, we have seen some examples of government learning from experience:

- In 2009 we were able to report that HM Treasury had applied lessons from its experience of the nationalisation of Northern Rock to the handling of Bradford & Bingley and other banks.⁴¹
- Following the collapse of Monarch Airlines in October 2017, when 85,000 passengers were repatriated by the Civil Aviation Authority (CAA) at cost to the taxpayer, the then Secretary of State for Transport commissioned a review of airline insolvency protections, which was published in 2019.⁴² There followed the collapse of several other airlines, including Thomas Cook and Flybe.⁴³ The Airline Insolvency Review recommended a new Flight Protection Scheme, reforms to the UK's airline insolvency regime and new powers for the CAA. It drew on lessons from international examples of how other countries have ensured continuity of service using the airline's existing infrastructure, including the United States Chapter 11 Bankruptcy Code and the orderly wind down of Air Berlin in Germany, in which the airline continued to operate in administration while the company was restructured. Although the government's December 2019 Queen's Speech included a proposal to legislate on airline insolvency, this has not yet happened. In July 2022 the government responded to a recommendation from the House of Commons Transport Committee to introduce an Airline Insolvency Bill, saying that it would introduce a Bill only if it felt that it was required and would be fit for today's aviation landscape.⁴⁴ It is currently working with CAA on the consultation for reform of the ATOL financial protection scheme.
- The Ministry of Justice told us it had learned an important lesson from the 2019 failure of Working Links about the need for better visibility of suppliers' financial stability. It told us it has created a dashboard to monitor operational and commercial metrics for key suppliers, as well as financial metrics, to get a stronger view on the forward-looking financial stability of a company.

41 Comptroller and Auditor General, *Maintaining financial stability across the United Kingdom's banking system*, Session 2009-10, HC 91; National Audit Office, December 2009; Comptroller and Auditor General, *The nationalisation of Northern Rock*, Session 2008-09, HC 298, National Audit Office, March 2009.

42 Department for Transport, *Airline Insolvency Review*, May 2019 (viewed on 1st September 2023).

43 In response to the collapse of Thomas Cook, the government repatriated 140,000 passengers including those that were non-ATOL protected. In the case of Flybe, the government decided not to organise repatriation flights as it believed there was sufficient capacity in the market for alternative travel options.

44 House of Commons Transport Committee, *UK aviation: reform for take-off*, April 2022 (viewed on 1 September 2023); *Government response*, July 2022 (viewed on 1st September 2023).

Appendix One

Our approach

Our scope

- 1** This report and the accompanying good practice guide are relevant to government interventions in companies that may be public service providers, strategic suppliers to government, or private sector trading companies that are strategically important such as banks, transport and utilities. They may be in regulated sectors or not.
- 2** We distinguish between financial failure and delivery failure. An organisation fails financially when it ceases to be a going concern. This paper does not address failure to deliver services to minimum standards without failing financially, which is a matter for regulators, inspectors and others. We also do not cover failure, financial or otherwise, of local authorities, hospital trusts, universities, colleges or other local public service providers in the public sector.
- 3** In discussing government interventions we do not include wider support schemes open to application from companies (for example, COVID-19 business loan schemes) although these may help to manage the risk of failure and may provide monitoring information.
- 4** This report includes company distress examples from our published work and other examples in the public domain. These are illustrative examples and not indicative of the overall performance of specific departments. This report does not set out all the actions government may have taken or changes implemented since the relevant National Audit Office reports were published.

Our evidence base

- 5** We conducted our fieldwork between April 2023 and July 2023. Our purpose with this work was to identify and illustrate the most important lessons that can be learned from drawing together government's experience of interactions with distressed companies. We drew on a variety of evidence sources.

Review of NAO reports

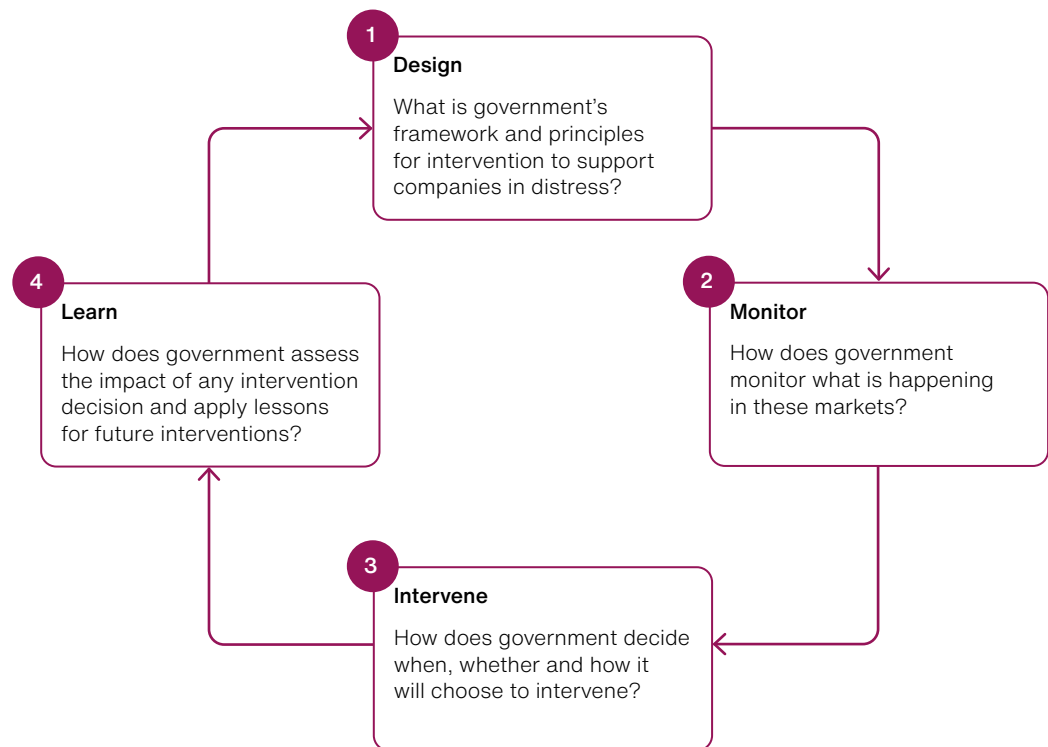
6 We used our knowledge management tools and colleagues' expertise to identify National Audit Office (NAO) reports which examined company distress scenarios and government's response or actions. We reviewed 28 NAO reports published between 2002 and 2023 (listed in Appendix Two) to identify findings related to government's preparedness for and response to company distress scenarios. Using these reports, we developed initial insights which we then tested with stakeholders through workshops and interviews.

7 We used a learning cycle (**Figure 7**) to structure our review of the reports, enabling us to identify an initial list of common themes about how government:

- monitors the risk of company failures and its preparedness to respond;
- applies the principles for government intervention and decides on whether and how to intervene; and
- evaluates and learns from interventions.

Figure 7

A learning cycle to summarise our expectations of government



Source: National Audit Office

8 We also reviewed other NAO good practice guides and lessons learned reports for practices and principles relevant to government's preparedness for and response to companies in distress, which are listed in Appendix One of our good practice guide.⁴⁵

Review of publicly available information

9 We supplemented this review with additional sources of information on the case study examples, such as Parliamentary reports (including Committee of Public Accounts hearings), Parliamentary questions and Treasury Minute responses.

10 We identified additional case studies in the public domain that the NAO had not reported on, which related to government's response to company distress scenarios. This included examples where government had decided not to intervene or was able to find other ways to support companies without the use of public money. We discussed these examples with government representatives through a roundtable discussion and interviews to understand what learning and best practice could be drawn from them.

Document review

11 To understand government's principles and processes for intervening in companies in distress, we reviewed a range of published and unpublished government guidance and documentation. This included the Cabinet Office's publicly available policies and guidance on sourcing decisions and corporate financial distress, as well as HM Treasury's principles and processes for last-resort business interventions and compulsory liquidations.

Roundtable discussion

12 We facilitated a cross-government roundtable discussion in June 2023 to challenge and refine our findings and test whether they were realistic and relevant. The roundtable involved eight representatives from the departments and bodies most involved in coordinating the government response to company distress scenarios, identified through initial conversations as: the Department for Business & Trade, HM Treasury, Cabinet Office/Government Commercial Function, the Department for Transport, UK Government Investments, and the Insolvency Service.

The roundtable discussed, challenged and added to our:

- detailed insights;
- 10 key elements of good practice, identified through our review of NAO reports; and
- selection of case studies and ways they illustrated the insights.

⁴⁵ National Audit Office, *Good practice guide: Monitoring and responding to companies in distress*, October 2023.

13 We hosted the two-hour roundtable in person at the NAO London office, taking extensive notes and using a recording and transcription service. The insights from the roundtable informed the remainder of our interviews and other fieldwork.

Interviews with other government departments, regulators and wider stakeholders

14 We interviewed other government departments and wider stakeholders to test our findings from the review of our past audits, hear their perspectives on the issues we had identified and discuss specific case studies. The interviews lasted one hour and we took detailed notes. The government bodies we spoke to, in addition to those listed above, included:

- Department for Energy, Security & Net Zero; Ministry of Justice; Department of Health & Social Care; Ministry of Defence; Department for Culture, Media & Sport; Department for Environment, Food & Rural Affairs; Department for Work & Pensions; NHS England; The Office of Gas and Electricity Markets (Ofgem); The Water Services Regulation Authority (Ofwat); the Office of Communications (Ofcom); Competition and Markets Authority (CMA); Care Quality Commission (CQC); Civil Aviation Authority (CAA); and Government Internal Audit Agency.

15 We also spoke to industry bodies, including:

- Make UK/UK Steel; the Chemical Industries Association; Energy UK; ABTA; and the British Chambers of Commerce.

Analytical approach

16 We organised the notes from the roundtable discussion and interviews in an Excel matrix, against the themes identified in our review of past NAO reports. We used this analysis to refine, test and supplement our findings and to identify and examine case examples to illustrate our findings.

International examples

17 We contacted 11 international Supreme Audit Institutions (SAIs) to understand their government's approach to company distress scenarios, and any examples of good practice that they were aware of. We received eight responses, allowing us to consider international comparisons as we developed our outputs.

Appendix Two

Selected company distress examples

1 We outline in **Figure 8** on pages 32 to 37 the examples we reviewed of company distress scenarios, some of which we refer to in this report and our good practice guide.⁴⁶ It is not an exhaustive list of all company distress scenarios that government may have considered or been involved in.

Figure 8
Company distress examples that we reviewed for this report and our good practice guide

We reviewed examples across a range of sectors going back to 2001, on some of which we had previously reported

Year of intervention	Company name	Sector	Main government interventions	Relevant reports by Comptroller and Auditor General	Links to reports
2001	Railtrack	Transport	Special Administration Regime (Railway Administration)	<i>Network Rail – Making a Fresh Start</i> , HC 532, May 2004	www.nao.org.uk/reports/network-rail-making-a-fresh-start/
2002	National Air Traffic Services	Transport	Bespoke financial support	<i>The Public Private Partnership for National Air Traffic Services Ltd</i> , HC 1096, July 2002	www.nao.org.uk/reports/the-public-private-partnership-for-national-air-traffic-services-ltd/
2002	British Energy	Energy and utilities	Bespoke financial support	<i>Risk Management: The Nuclear Liabilities of British Energy plc</i> , HC 264, February 2004 <i>The Restructuring of British Energy</i> , HC 943, March 2006 <i>The sale of the Government’s interest in British Energy</i> , HC 215, January 2010	www.nao.org.uk/reports/risk-management-the-nuclear-liabilities-of-british-energy-plc/ www.nao.org.uk/reports/the-restructuring-of-british-energy/ www.nao.org.uk/reports/the-sale-of-the-governments-interest-in-british-energy/
2005	MG Rover	Steel, manufacturing and construction	Bespoke financial support Supplier, consumer or employee support	<i>The closure of MG Rover</i> , HC 961, March 2006	www.nao.org.uk/reports/the-closure-of-mg-rover/
2007	Metronet and Tube Lines Ltd	Transport	Nationalisation/public ownership	<i>The failure of Metronet</i> , HC 512, June 2009	www.nao.org.uk/reports/the-department-for-transport-the-failure-of-metronet/
2008	Northern Rock	Banking and finance	Nationalisation/public ownership	<i>The nationalisation of Northern Rock</i> , HC 298, March 2009 <i>The creation and sale of Northern Rock plc</i> , HC 20, May 2012 <i>The £13 billion sale of former Northern Rock assets</i> , HC 513, July 2016	www.nao.org.uk/reports/hm-treasury-the-nationalisation-of-northern-rock/ www.nao.org.uk/reports/the-creation-and-sale-of-northern-rock-plc/ www.nao.org.uk/reports/the-13-billion-sale-of-former-northern-rock-assets/
2008	Lloyds Banking Group	Banking and finance	Nationalisation/public ownership	<i>The first sale of shares in Lloyds Banking Group</i> , HC 883, December 2013 <i>The return of Lloyds Banking Group to private ownership</i> , HC 1127, June 2018	https://www.nao.org.uk/reports/first-sale-of-shares-in-lloyds-banking-group/ www.nao.org.uk/reports/the-return-of-lloyds-banking-group-to-private-ownership/
2008	Royal Bank of Scotland	Banking and finance	Nationalisation/public ownership	<i>The first sale of shares in Royal Bank of Scotland</i> , HC 244, July 2017	www.nao.org.uk/reports/the-first-sale-of-shares-in-royal-bank-of-scotland/
2008	HBOS	Banking and finance	Bespoke financial support	<i>Maintaining financial stability across the United Kingdom’s banking system</i> , HC 91, December 2009	www.nao.org.uk/reports/maintaining-financial-stability-across-the-united-kingdoms-banking-system/

46 National Audit Office, *Good practice guide: Monitoring and responding to companies in distress*, October 2023.

Figure 8 *continued*
Company distress examples that we reviewed for this report and our good practice guide

Year of intervention	Company name	Sector	Main government interventions	Relevant reports by Comptroller and Auditor General	Links to reports
2008	Bradford & Bingley Plc	Banking and finance	Nationalisation/public ownership	<i>Maintaining financial stability across the United Kingdom’s banking system</i> , HC 91, December 2009	www.nao.org.uk/reports/maintaining-financial-stability-across-the-united-kingdoms-banking-system/
2009	National Express East Coast (InterCity East Coast rail franchise)	Transport	Terminate contract/contract novation/transfer provision of services to an alternative provider Government takes over the delivery of a service through a government-owned company	<i>The Intercity East Coast Passenger Rail Franchise</i> , HC 824, March 2011	www.nao.org.uk/reports/the-intercity-east-coast-passenger-rail-franchise/
2011	Southern Cross	Health and social care	Terminate contract/contract novation/transfer provision of services to an alternative provider	<i>The Care Quality Commission: Regulating the quality and safety of health and adult social care</i> , HC 1665, December 2011 <i>Oversight of user choice and provider competition in care markets</i> , HC 1458, September 2011 <i>The adult social care market in England</i> , HC 1244, March 2021	www.nao.org.uk/reports/the-care-quality-commission-regulating-the-quality-and-safety-of-health-and-adult-social-care/ www.nao.org.uk/reports/oversight-of-user-choice-and-provider-competition-in-care-markets/ www.nao.org.uk/reports/adult-social-care-markets/
2015	Kids Company	Charity	Bespoke financial support	<i>Investigation: the government’s funding of Kids Company</i> , HC 556, October 2015	www.nao.org.uk/reports/investigation-the-governments-funding-of-kids-company/
2015	Sahaviriya Steel Industries UK Limited	Steel, manufacturing and construction	Trading/supported liquidation Supplier, consumer or employee support		
2016	Broken Rainbow	Charity	Terminate contract/contract novation/transfer provision of services to an alternative provider	<i>Report on the funding and governance of Broken Rainbow</i> , HC 1060, April 2017	www.nao.org.uk/reports/report-on-the-funding-and-governance-of-broken-rainbow/
2017	Monarch	Transport	Mutual/insurance model Supplier, consumer or employee support		
2018	Carillion	Steel, manufacturing and construction Other	Trading/supported liquidation Terminate contract/contract novation/transfer provision of services to an alternative provider	<i>Investigation into the government’s handling of the collapse of Carillion</i> , HC 1002, June 2018 <i>Investigation into the rescue of Carillion’s PFI hospital contracts</i> , HC 23, January 2020	www.nao.org.uk/reports/investigation-into-the-governments-handling-of-the-collapse-of-carillion/ www.nao.org.uk/reports/investigation-into-the-rescue-of-carillions-pfi-hospital-contracts/
2018	Interserve	Other	Do nothing/market solution		
2018	Allied Health Care	Health and social care	Intervention or signals to improve the functioning of a market		
2019	Thomas Cook	Transport	Mutual/insurance model Supplier, consumer or employee support Trading/supported liquidation	<i>Investigation into government’s response to the collapse of Thomas Cook</i> , HC 103, March 2020	www.nao.org.uk/reports/investigation-into-governments-response-to-the-collapse-of-thomas-cook/
2019	London Capital & Finance	Banking and finance	Mutual/insurance model Supplier, consumer or employee support		
2019	Working Links and other Community Rehabilitation Companies	Other	Terminate contract/contract novation/transfer provision of services to an alternative provider Government takes over the delivery of a service through a government-owned company	<i>Transforming Rehabilitation: Progress review</i> , HC 1986, March 2019	www.nao.org.uk/reports/transforming-rehabilitation-progress-review/
2019	British Steel	Steel, manufacturing and construction	Bespoke financial support Trading/supported liquidation		

Figure 8 *continued*
Company distress examples that we reviewed for this report and our good practice guide

Year of intervention	Company name	Sector	Main government interventions	Relevant reports by Comptroller and Auditor General	Links to reports
2020	Flybe	Transport	Do nothing/market solution ¹		
2020	OneWeb	Digital, technology and communication	Nationalisation/public ownership		
2020	Liberty Steel	Steel, manufacturing and construction	Bespoke financial support ²	<i>Investigation into the British Business Bank’s accreditation of Greensill Capital</i> , HC 301, July 2021	www.nao.org.uk/reports/investigation-into-the-british-business-banks-accreditation-of-greensill-capital/
2020	Celsa Steel	Steel, manufacturing and construction	Bespoke financial support		
2020	Virgin Atlantic	Transport	Do nothing/market solution		
2021	Bulb Energy	Energy and utilities	Special Administration Regime	<i>Investigation into Bulb Energy</i> , HC 1202, March 2023	www.nao.org.uk/reports/investigation-into-bulb-energy/
2021	Baglan group of companies	Energy and utilities	Trading/supported liquidation		
2021	CF Fertilisers	Chemicals	Bespoke financial support Intervention or signals to improve the functioning of a market Competition law exemptions/exemptions from merger control		
2021	Sheffield Forgemasters International	Steel, manufacturing and construction	Nationalisation/public ownership		
2021	Energy suppliers	Energy and utilities	Supplier of last resort regime	<i>The energy supplier market</i> , HC 68, June 2022	www.nao.org.uk/reports/the-energy-supplier-market/
2022	UKCloud	Digital, technology and communication	Trading/supported liquidation		
2022	Gazprom	Energy and utilities	Do nothing/market solution		
2023	Britishvolt	Steel, manufacturing and construction	Do nothing/market solution		
2023	Silicon Valley Bank UK	Banking and finance	Resolution regime		
2023	Tata Steel	Steel, manufacturing and construction	Bespoke financial support Supplier, consumer or employee support		

Notes

- 1 The government was notified about the financial difficulties of Flybe in January 2020. In the same month, the government announced that it would carry out a regional connectivity review and a review of Air Passenger Duty to look at how regional connectivity can best be supported, alongside net zero principles. Flybe also separately issued a statement in which they noted that they had agreed a standard Time to Pay arrangement with HM Revenue & Customs.
- 2 The then Department for Business, Energy & Industrial Strategy told us it and HM Treasury jointly considered Liberty Steel’s request for direct government support, which they viewed as a last resort, requiring a strong strategic case. The Department clarified to Liberty Steel that it might be eligible for support under the broader COVID-19 business support schemes.
- 3 The shaded rows in the table indicate the examples that have been referred to in the lessons learned report or good practice guide.

Source: National Audit Office analysis of previous National Audit Office reports, documents published by the government departments and interviews with their officials

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