

Statement to Parliament: Proposed Swansea Bay tidal lagoon

Mr Speaker,

I would like to make a statement about the proposed Swansea Bay tidal lagoon.

Britain's energy policy towards electricity generation is based on meeting 3 needs:

- ensuring that we can count on secure and dependable supplies of electricity at all times
- minimising the cost of supplies to consumers and taxpayers; and
- meeting our greenhouse gas emission reduction obligations

To these 3 requirements we have added, through our Industrial Strategy, a further ambition:

- to secure long-term economic benefit, in terms of jobs and prosperity, from decisions we make

Our policy has been successful. Britain has one of the most secure and reliable electricity supply sectors in the world. Last winter, one of the coldest in recent years, the margin of capacity in our electricity generating system was over 10%; around twice what it was in 2016 to 2017.

We have the strongest record in the G7 in reducing our greenhouse gas emissions. Between 1990 and 2016, the UK reduced its emissions by over 40%.

We have massively increased our deployment of renewable generation. Renewable electricity now makes up almost 30% of our generation, our renewable capacity has quadrupled since 2010, and the auction prices of offshore have fallen from £114 per MWh to £57.50 per MWh within 2 years.

Coal – the most polluting fuel – contributed less to generation in Britain last year than in any since the Industrial Revolution.

This has been achieved while the UK has maintained a position in the overall cost to households of electricity well below the average for major European countries.

But the cost of electricity is nevertheless a significant one for households and for businesses, and the policy related-costs have been growing. We have made a clear commitment to bear down on costs.

It is in this context that the government has assessed whether it should commit consumer or taxpayer funds to the programme of 6 tidal lagoons proposed by Tidal Lagoon Power Limited, the first being the proposed project at Swansea.

We believe in renewable energy and we believe in the benefits of innovation.

The conclusion of this analysis – which has been shared with the Welsh Government – is that the project and proposed programme of lagoons do not meet the requirements for value for money, and so it would not be appropriate to lead the company to believe that public funds can be justified.

The proposal for the Swansea tidal lagoon would cost £1.3 billion to build. If successful to its maximum ambition, it would provide around 0.15% of the electricity we use each year.

The same power generated by the lagoon, over 60 years, for £1.3 billion, would cost around £400 million for offshore wind even at today's prices, which have fallen rapidly, and we expect to be cheaper still in future.

At £1.3 billion, the capital cost per unit of electricity generated each year would be 3 times that of the Hinkley Point C nuclear power station.

If a full programme of 6 lagoons were constructed, the Hendry Review found that the cost would be more than £50 billion, and be 2 and a half times the cost of Hinkley to generate a similar output of electricity.

Enough offshore wind to provide the same generation as a programme of lagoons is estimated to cost at least £31.5 billion less to build.

Taking all the costs together, I have been advised by analysts that, by 2050, the proposal that has been made – which would generate around 30 TWh per year of electricity – could cost up to £20 billion more to produce compared to generating that same electricity through a mix of offshore wind and nuclear, once financing, operating, and system costs have been taken into account.

That could cost the average British household consumer up to an additional £700 between 2031 and 2050, or the equivalent of £15,000 for every household in Wales.

However, in recognition of the potential local economic benefits that might result from a lagoon in Swansea, I asked officials to go back and consider what additional benefit could be ascribed to a number of other factors, including a beneficial impact on the local economy.

For £1.3 billion a Swansea lagoon would support, according to the Hendry Review, only 28 jobs directly associated with operating and maintaining the lagoon in the long term.

Officials were also asked to make an assessment of the potential for valuable innovation and cost reductions for later lagoons that might come from embarking on a programme of construction.

Independent advice concluded that the civil engineering used in Swansea Bay offers limited scope for innovation and capital cost reduction – estimated at 5% – in the construction of subsequent facilities.

I asked for an assessment of the export potential of embarking on a programme

of implementing the technology, but the Hendry Review concluded that it would take a “leap of faith to believe that the UK would be the main industrial beneficiary” of any such programme.

In terms of energy reliability, the generation of electricity would be variable rather than constant with a load factor of 19% compared to around 50% for offshore wind and 90% for nuclear.

The inescapable conclusion of an extensive analysis is that however novel and appealing the proposal that has been made is, even with these factors taken into account, the costs that would be incurred by consumers and taxpayers would be so much higher than alternative sources of low carbon power, that it would be irresponsible to enter into a contract with the provider.

Securing our energy needs into the future has to be done seriously and, when much cheaper alternatives exist, no individual project, and no particular technology, can proceed at any price. That is true for all technologies.

The fact that this proposal has not demonstrated that it could be value for money does not mean that its potential is not recognised.

My department is also in receipt of proposals from other promoters of tidal energy schemes which are said to have lower costs than the Swansea proposal, although these are an earlier stage of development.

Any proposals must be able credibly to demonstrate value for money for consumers and public funds.

I am sure that many people in the House and beyond would wish that we were in a position today to say yes to the Swansea proposals.

I have appreciated the contribution of Charles Hendry, whose constructive report led to this further analysis being made, and to the engagement of the Secretary of State for Wales and members of the Welsh Assembly, including the First Minister and the Leader of the Welsh Conservatives, Andrew RT Davies.

But all of us have a requirement to be responsible stewards of taxpayers’ and consumers’ money and to act at all times in their interests. It is in discharging that responsibility rigorously that I make this statement today, and I commend it to the House.

[Read the value for money assessment.](#)

Statement to Parliament: Proposed

Swansea Bay tidal lagoon

Mr Speaker,

I would like to make a statement about the proposed Swansea Bay tidal lagoon.

Britain's energy policy towards electricity generation is based on meeting 3 needs:

- ensuring that we can count on secure and dependable supplies of electricity at all times
- minimising the cost of supplies to consumers and taxpayers; and
- meeting our greenhouse gas emission reduction obligations

To these 3 requirements we have added, through our Industrial Strategy, a further ambition:

- to secure long-term economic benefit, in terms of jobs and prosperity, from decisions we make

Our policy has been successful. Britain has one of the most secure and reliable electricity supply sectors in the world. Last winter, one of the coldest in recent years, the margin of capacity in our electricity generating system was over 10%; around twice what it was in 2016 to 2017.

We have the strongest record in the G7 in reducing our greenhouse gas emissions. Between 1990 and 2016, the UK reduced its emissions by over 40%.

We have massively increased our deployment of renewable generation. Renewable electricity now makes up almost 30% of our generation, our renewable capacity has quadrupled since 2010, and the auction prices of offshore have fallen from £114 per MWh to £57.50 per MWh within 2 years.

Coal – the most polluting fuel – contributed less to generation in Britain last year than in any since the Industrial Revolution.

This has been achieved while the UK has maintained a position in the overall cost to households of electricity well below the average for major European countries.

But the cost of electricity is nevertheless a significant one for households and for businesses, and the policy related-costs have been growing. We have made a clear commitment to bear down on costs.

It is in this context that the government has assessed whether it should commit consumer or taxpayer funds to the programme of 6 tidal lagoons proposed by Tidal Lagoon Power Limited, the first being the proposed project at Swansea.

We believe in renewable energy and we believe in the benefits of innovation.

The conclusion of this analysis – which has been shared with the Welsh Government – is that the project and proposed programme of lagoons do not meet the requirements for value for money, and so it would not be appropriate to lead the company to believe that public funds can be justified.

The proposal for the Swansea tidal lagoon would cost £1.3 billion to build. If successful to its maximum ambition, it would provide around 0.15% of the electricity we use each year.

The same power generated by the lagoon, over 60 years, for £1.3 billion, would cost around £400 million for offshore wind even at today's prices, which have fallen rapidly, and we expect to be cheaper still in future.

At £1.3 billion, the capital cost per unit of electricity generated each year would be 3 times that of the Hinkley Point C nuclear power station.

If a full programme of 6 lagoons were constructed, the Hendry Review found that the cost would be more than £50 billion, and be 2 and a half times the cost of Hinkley to generate a similar output of electricity.

Enough offshore wind to provide the same generation as a programme of lagoons is estimated to cost at least £31.5 billion less to build.

Taking all the costs together, I have been advised by analysts that, by 2050, the proposal that has been made – which would generate around 30 TWh per year of electricity – could cost up to £20 billion more to produce compared to generating that same electricity through a mix of offshore wind and nuclear, once financing, operating, and system costs have been taken into account.

That could cost the average British household consumer up to an additional £700 between 2031 and 2050, or the equivalent of £15,000 for every household in Wales.

However, in recognition of the potential local economic benefits that might result from a lagoon in Swansea, I asked officials to go back and consider what additional benefit could be ascribed to a number of other factors, including a beneficial impact on the local economy.

For £1.3 billion a Swansea lagoon would support, according to the Hendry Review, only 28 jobs directly associated with operating and maintaining the lagoon in the long term.

Officials were also asked to make an assessment of the potential for valuable innovation and cost reductions for later lagoons that might come from embarking on a programme of construction.

Independent advice concluded that the civil engineering used in Swansea Bay offers limited scope for innovation and capital cost reduction – estimated at 5% – in the construction of subsequent facilities.

I asked for an assessment of the export potential of embarking on a programme of implementing the technology, but the Hendry Review concluded that it would take a “leap of faith to believe that the UK would be the main industrial

beneficiary" of any such programme.

In terms of energy reliability, the generation of electricity would be variable rather than constant with a load factor of 19% compared to around 50% for offshore wind and 90% for nuclear.

The inescapable conclusion of an extensive analysis is that however novel and appealing the proposal that has been made is, even with these factors taken into account, the costs that would be incurred by consumers and taxpayers would be so much higher than alternative sources of low carbon power, that it would be irresponsible to enter into a contract with the provider.

Securing our energy needs into the future has to be done seriously and, when much cheaper alternatives exist, no individual project, and no particular technology, can proceed at any price. That is true for all technologies.

The fact that this proposal has not demonstrated that it could be value for money does not mean that its potential is not recognised.

My department is also in receipt of proposals from other promoters of tidal energy schemes which are said to have lower costs than the Swansea proposal, although these are an earlier stage of development.

Any proposals must be able credibly to demonstrate value for money for consumers and public funds.

I am sure that many people in the House and beyond would wish that we were in a position today to say yes to the Swansea proposals.

I have appreciated the contribution of Charles Hendry, whose constructive report led to this further analysis being made, and to the engagement of the Secretary of State for Wales and members of the Welsh Assembly, including the First Minister and the Leader of the Welsh Conservatives, Andrew RT Davies.

But all of us have a requirement to be responsible stewards of taxpayers' and consumers' money and to act at all times in their interests. It is in discharging that responsibility rigorously that I make this statement today, and I commend it to the House.

Press release: Foreign Secretary flies into Kabul to support signs of progress in Afghanistan

Foreign Secretary Boris Johnson flew into Kabul today, 25 June, to show support for recent positive developments in Afghanistan. On the back of the

ceasefires over Eid, which saw Government and Taliban forces talking rather than fighting in cities across the country, the Foreign Secretary held talks in Kabul with Afghanistan's President, Chief Executive, and Deputy Foreign Minister.

The Foreign Secretary underlined that Britain was fully committed to helping build a stable, peaceful, and prosperous Afghanistan. He welcomed the National Unity Government's determination to achieve a peaceful political settlement to the conflict with the Taliban, including through holding timely and credible Parliamentary and Presidential elections.

He also highlighted the UK's strong support for girls' education in Afghanistan by meeting Afghan girls who are getting access to sports education through UK funding.

The Foreign Secretary also met General Nicholson, the Commander of Resolute Support, NATO's training and assistance mission in Afghanistan, and had a chance to talk to – and ride in an armoured vehicle with – some of the Welsh Guards helping to mentor the Afghan National Security and Defence Forces.

The Foreign Secretary said:

At this important moment when Afghan-led efforts towards peace and a political settlement have gained considerable impetus, I was proud and inspired to be in Kabul to see how the UK is working in support of the Afghan Government to achieve this goal.

In my meetings with President Ghani and Chief Executive Abdullah, I welcomed their historic offer of unconditional talks earlier this year, and their determined recent efforts towards a political process with the Taliban.

I urge all countries with influence in Afghanistan, especially in the neighbourhood, to use it constructively at this crucial moment.

My visit comes just as the UK is considering the request from the US and NATO to give additional assistance to Resolute Support. I was hugely impressed by the work done by British troops as a part of this NATO mission and I believe there is still a lot the UK could contribute to this vital operation. The Government will be taking a decision very soon.

I was also delighted to meet a talented group of Afghan girls to see how excited they were about their prospects, thanks to British funding and the Afghan Government's determination to do more in this area. A good education for them will help Afghanistan's development and is a big part of the UK's commitment towards a brighter future for Afghanistan. I am proud that UK Aid has helped 300,000 marginalised Afghan girls into education and trained over 10,000 teachers over the last six years.

During his visit the Foreign Secretary met President Dr Ashraf Ghani, Chief Executive Dr Abdullah Abdullah, and Deputy Foreign Minister Hekmat Karzai.

This is the Foreign Secretary's second visit to Afghanistan, where the UK is currently investing more than £750m in development assistance to support the Afghan people.

Notes to editors

- The UK is contributing £750m in development spend between 2016 and 2020. UK Aid is helping improve access to education, services and justice for the Afghan people, offering humanitarian assistance to the most vulnerable and supporting good governance and anti-corruption efforts.
- The UK has also committed £70m per year until 2020 in non-military support to help sustain the Afghan National Security and Defence Forces. Over 650 UK troops are currently serving in Afghanistan in non-combat roles as part of NATO's Resolute Support Mission to help train, assist and advise the Afghan Security Forces

Further information

[News story: New Marine Management Organisation Board members announced](#)

The Government has appointed three new members to the Board of the Marine Management Organisation.

Belinda Howell and Rob Wilson have been appointed for three years commencing on 1 May 2018. William Roberts has also been appointed for three years and his appointment will commence on 1 August 2018.

Board members provide non-executive leadership challenge and support to the executive through regular Board meetings, committees and groups.

The Marine Management Organisation (MMO) is an Executive Non-Departmental Public Body (NDPB) established in April 2010 and given powers under the Marine and Coastal Access Act 2009. The MMO has a wide range of responsibilities, which include implementing plan-led marine management, licensing marine works and managing UK fishing fleet capacity and UK fisheries quotas.

All appointments to the Marine Management Organisation are made on merit and political activity plays no part in the selection process. The appointments

comply with the Code of Practice of the Commissioner for Public Appointments.

There is a requirement for appointees' political activity (if significant) to be declared. The following political activity in the past five years has been declared:

Rob Wilson has declared that he held ministerial office for the Conservative party.

Marine Management Organisation Board members receive remuneration of £11,804 per annum based on a time commitment of 3 days per month.

Biographical details:

Belinda Howell is Managing Director of Decarbonize Ltd. She is a Vice President to the Round Table for Responsible Soy Association and sits on the Board of Governors at the Roundtable on Sustainable Palm Oil Association. Belinda was formerly an Independent Sustainability Panel Member for Lafarge Tarmac and Scottish Power; and Chief Executive Officer to Greenstone Carbon Management.

William Roberts is currently a Consulting Director working with companies such as AECOM and BCG. William also chairs the Energy and Natural Resources Group for the Institute of Chartered Accountants. Until 2010, William was the Chief Financial Officer at the Nuclear Decommissioning Authority where he reshaped investment decision making for the UK's £3bn per annum, nuclear clean-up programme.

Rob Wilson is the current Chair of The Community Bank and was previously Chair of an IT company. Until June 2017, Rob was a Minister at the Department for Culture, Media and Sport and prior to this was a Minister for Cabinet Office. During his time at the Cabinet Office, Rob was responsible for reforming the charity fundraising and the National Citizen Service as well as implementing the Prime Minister's 'Big Society' agenda.

[Speech: Chancellor of the Duchy of Lancaster speech to Reform](#)

Introduction

Thank you very much for that very kind introduction. It is a pleasure to be back here at Reform this morning. As Andrew said, it's about six months since I was last here, in December last year in my previous role as Justice Secretary.

I said then how frightening it is that Andrew and I have known each other for

so many years. You can illustrate that by the lack of hair on our heads since we first encountered one another.

But my locks have become even more grey and sparse, but Andrew maintains an envious youthful sheen – symptomatic of Reform's continuing relevance to the public services debate in this country.

What I realised when I was Lord Chancellor and Justice Secretary was that you can have both good and bad in both the private and the public sectors. And that's something that almost every constituency MP experiences in handling their case work week by week.

And public service reform is something that should be at the forefront of everything government does in each department.

So for the ongoing work that you do in this space, Andrew, all of us in this room are grateful.

Rebuilding trust

Just over a month after I last spoke here, an event took place in all of us in this room are very familiar. Just a couple of hours into my new role as Minister for the Cabinet Office, the department was faced with one of the biggest challenges that it has probably ever confronted.

The bankrupt-sy and liquidation of Carillion serves as an important symbol of what I want to talk about today.

And that is the need for trust in relationships.

Trust not just between government and the private sector, which provides some of our most essential public services.

But trust between both government and the private sector and the people of this country.

They are the ones who benefit if we do our jobs well – and they are the ones who lose out if that level of trust between us is damaged.

Our response to Carillion

When Carillion went into liquidation in January, it represented a huge risk to some of our core public services.

But the government's response, grounded in good contingency planning, ensured that the delivery of public services continued smoothly, with disruption kept to a minimum.

The hospitals were cleaned; the school meals were cooked and served; and the railways continued to be built and repaired.

I want to put on record very clearly my thanks, both to the civil servants

and contracted workers who rose to that challenge in very difficult circumstances.

It was also right that we did not bail out Carillion for its own losses – and right not to reward failure.

It's always deeply regrettable when any company fails. Whether that's an outsourcing company or company doing business only in the private sector, we have to acknowledge the distress the event causes to employees, families, pensioners, and suppliers alike.

But when a private sector company fails, it is that company's directors, shareholders, lenders who should bear the brunt of the losses. And taxpayers should not bail out a private sector company for private sector failings.

The benefits of outsourcing

Carillion's liquidation has been used by some however to question the entire case for outsourcing the delivery of public services to the private sector.

As the Prime Minister outlined on the steps of Downing Street nearly two years ago, this government is driven by a single mission: to build a fairer society which works for everyone – no matter where you come from or where you were born.

And that means a society where people from all parts of our country can access the best public services, and for those services to run efficiently and smoothly for them and their families.

Whether that service is managed and provided directly by the public sector, by private companies or by voluntary organisations, what matters is that the service works for the people who use it in their everyday needs. While at the same time providing value for money for the taxpayer.

And whether it is running our hospitals; operating call centres; building our railways; or supporting our Armed Forces – the private sector has a vital role to play in delivering public services, something which this government will never cease to champion.

Indeed, successive governments have chosen to utilise the skills of the private sector since the 1980s, to the extent that the public sector now procures nearly £200 billion a year from private companies to provide public services.

It is worth noting too that the UK does not, despite what some might say, outsource disproportionately more than other countries.

The UK actually spends less on outsourcing than other European countries such as Germany, Sweden and the Netherlands.

In the Netherlands for example, 60 per cent of public organisations outsource IT services and public authorities are looking to outsource traffic

management systems to keep Dutch roads flowing.

And in Sweden, a country with some of the highest educational standards in the world, half of higher schools are free schools and privately owned.

And it is also worth noting that outsourcing is standard practice within the private sector itself.

When I worked for British Petroleum and Rio Tinto back in the 1980s, things like production of the company's internal magazine and IT and a lot of computing arrangements were all done in-house.

But now, in those as in so many other private sector companies, huge amounts of work are outsourced to other specialist contractors.

Carillion itself had 67 per cent of its business with the private sector, compared to 33 per cent with the public sector.

The benefits of outsourcing are clear – and need to be restated.

First, outsourcing delivers economies of scale that mean services can be provided more efficiently, at lower cost and at better value for the taxpayer.

For example, pensions administration for nearly two million teachers have been outsourced since the 1990s – with administrative costs less than half of that of administration of other comparable schemes.

And research commissioned by the previous government has shown that outsourcing delivers savings of some twenty to thirty per cent, compared with bringing services in-house.

Second, open and fair competition within free markets encourages creativity and innovation, meaning fresh perspectives can be applied to existing policy challenges.

For instance, firms such as Babcock are transforming the training model for the Royal Engineers in the armed forces, through modern training methods and improved first time pass rates.

And when we renewed our contracts for court interpreters last year, we turned to a new supplier that offered interpretation over video links, saving people – the users of the service – and court staff both time and travel costs.

It is only through lively, innovative and dynamic markets that high-quality, effective services are created – and often through markets within markets, and sectors within sectors too.

Third, the private sector brings a range of specialist skills, world-class expertise and deeper knowledge to bear on what can be complex issues.

Different government projects require different skill sets – be it IT or construction; health assessments or prison management. Those skill sets only

made possible through the mechanism of choice within a free, competitive market.

For instance, we are exploring how automation can help us reduce the costs of clerical processes, by using skills previously used on behalf of banks and insurance companies.

So while government has considerable resources at its disposal, it cannot do everything by itself. It needs the dynamism and innovation that only a healthy, diverse marketplace of suppliers can provide.

The dangers of nationalisation

There are some however, who believe that government should and must do it all – the state is the answer to everything.

These critics of outsourcing are swift to use events like the collapse of Carillion to declare that no public service should ever harness the skills of hard-working businesses up and down this country to provide IT services or help run our hospitals.

Not only that, those same critics would actively set about bringing virtually every single existing private sector contract – no matter how successful – back under state control.

It would amount to the biggest wave of re-nationalisation since the dark days of the 1970s, when even the Gleneagles Hotel in Scotland was in state hands until 1981! And such things as Thomas Cook travel agency and the pubs in Carlisle were part of the public sector.

There would be no care for how members of the public would be instantly disrupted overnight and no consideration for the spiralling costs that consumers and businesses would face across the United Kingdom.

And no thought whatsoever how it would be paid for. A cautious estimate puts it at some £176 billion – the equivalent of 10 percent of our national debt, or over £6,000 per household.

All this they would do not in the name of better quality services but of a philosophical aversion to anything that could be better done by businesses.

Pursuing instead an ideological obsession with everything instead being controlled top-down by the state.

I've had a few years in politics and my view is that ordinary working people are pragmatists – and that makes in government people who should be pragmatists as well.

Focused purely on how we keep the roads the public use in good condition; how we run schools to deliver the best results for children and their parents; and how we look after patients and staff in hospitals.

But if we do accept the fundamental role that markets play in our society

then it is our responsibility to ensure that those markets work for people, and act in their best interests.

Nationhood and community means having ties that bring us closer together – citizen, business and government.

And at best our public services do that: they are vital local and national institutions that bring people together.

Institutions like our great National Health Service.

But the rise of technology and a shifting economy are fundamentally changing how our society functions – and is putting that trust and that unity between us at risk.

That is why it is the duty on all of us to build that fairer society – which has trust at its core.

Carillion's legacy

If we are to do so, we must start by acknowledging Carillion's liquidation has crystallized issues which have, at times, informed that breakdown of trust.

For too long, governments have been suspicious of the right of companies to make a fair return on their investment.

For too long, businesses have not trusted the government to look beyond pure cost, or to apportion blame fairly when things go wrong.

And the result is that, for too long, the public has understandably begun to question whether private sector involvement in public services is working for them.

And therefore I see it as the duty of both government and industry alike to restore, repair and rebuild that trust between us.

So that we make outsourcing work in a twenty-first century world and we put values at the heart of our public services and so ensure they have the confidence of the people whom we all serve.

Since 2010 we have made great progress in doing so, increasing transparency and bringing suppliers closer to government.

But there is always more we can do. And that is why this morning I am setting out new ways in which public services are contracted and delivered.

Ways which will ensure that the outsourcing market is better strengthened, diversified, challenged and protected as a result.

Strengthening the market

Let me start with a few words about how we might strengthen that market.

Our starting point is to recognise that we need to get outsourcing right from the start.

There are several things we can do to make that process itself easier for both government and supplier, and so make the market fundamentally stronger.

First, recent events have made clear that government must have proper contingency plans to allow a supplier to fail, while ensuring public services are still delivered. We will now require all key suppliers to develop what are known as 'living wills', which will enable contingency plans to be rapidly put into place, while ensuring services are still delivered.

Second, it is important that we maximise the number of alternative suppliers and encourage new providers, in the event that a supplier does fail. We will therefore take the lead by requiring government departments to follow for the first time a 'playbook' of guidelines, rules and principles that will encourage new entrants to the market and build mixed markets of suppliers.

Third, we need to make sure that suppliers can be held to account by the public for their performance. Starting with our most important contracts, we will increase transparency by requiring a number of key performance indicators to be published – such as response rates, on-time delivery and customer feedback – so that taxpayers can monitor outcomes, and track how their money is being spent. I think this is in the interest of government and suppliers alike. And we will look to make further transparency initiatives in the coming months.

And fourth, it is clear that in order to outsource effectively, the government needs the necessary skills and expertise to do so. We will therefore ensure that all 30,000 contract managers across the Civil Service can receive the high quality training they need to undertake the proper management of contracts and suppliers.

Diversifying the market

While these measures will improve how the contracting process is carried out, we must also recognise the need for a more diverse marketplace itself.

It is clear that competition for contracts has often favoured large supplies, with too narrow a focus on value for money.

But we want to see public services delivered with values at their heart, where the wider social benefits matter and are recognised.

And that means government doing more to create and nurture vibrant, healthy, innovative, competitive and diverse marketplaces of suppliers.

A marketplace that includes and encourages small businesses, mutuals,

charities, co-operatives and social enterprises.

And therefore harnesses the finest talent from across the public, private and voluntary sectors.

We have already set out a range of measures to remove barriers to small businesses, such as excluding suppliers from government procurements if they cannot demonstrate fair payment practices.

And we are backing the technological firms and disruptors of tomorrow through our recently announced £20 million GovTech fund.

But we want to see more organisations like PossAbilities in Rochdale, a social enterprise which is supporting people with learning disabilities and young people leaving care. Or Chiltern Rangers in Wycombe, which is dedicated to protecting the natural environment and enhancing local communities.

That is why I can announce today that we will extend the requirement of the Social Value Act in central government to ensure that all major procurements explicitly evaluate social value, where appropriate, rather than just consider it.

We will also require all departments in central government to regularly report on the social impact of new procurements, and we will train all 4,000 of the government's commercial buyers how to take account of social value and procure successfully from social enterprises.

By doing so, we will ensure that contracts are awarded on the basis of more than only value for money – important though that is – but a company's values too, so that their actions in society are rightly recognised and rewarded.

Challenging the market

And as well as a more diversified market, we also believe that all companies should better reflect the society which they serve.

If we are to build a fairer society, in which the public has greater trust in businesses not only to make a profit, but also to play a responsible role in society, then we must use the power of the public sector to lead the way.

Last year, with the help of industry, we published a Supplier Code of Conduct to make clear the standards and behaviours that are expected of our suppliers when they work with government.

But I can announce today that we will now develop proposals for the government's biggest suppliers to publish data and provide action plans for how they plan to address key social issues and disparities.

Such as ethnic minority representation in their workforce, the gender pay gap throughout the company and what they are doing to tackle the scourge of modern slavery.

I have commissioned a review of these priority areas, and I will announce the

outcomes later this year.

By requiring firms to publish this data, we will shine a light on some of the burning injustices that the Prime Minister has identified, and force suppliers to explain how they will address them – while bearing in mind as we implement this policy the need to prevent additional unnecessary burdens for businesses.

Protecting the market

And as government, it is our responsibility to ensure also that our suppliers have the tools they need to protect themselves in a world of fast-changing threats.

Recent cyber incidents have shown that many suppliers are not taking the appropriate measures to protect themselves from possible attack.

We saw, for example, in the WannaCry attack that hit parts of the National Health Service in both England and Scotland last year, we saw the fact that the most low-level mistake, putting a disk into an old computer or a stick that had been contaminated could actually lead to a whole network becoming affected by harmful malware.

The government recently issued a new cyber security standard so that we and our suppliers better understand cyber security risks in government supply chains.

We will now apply this new cyber security standard to our strategic suppliers to assess if they meet the standard, and we will write this cyber security standard into new contracts and enforce full compliance with it.

We will also pilot the introduction of the cyber security equivalent of a 'credit check' on suppliers, allowing easy risk assessments of suppliers.

And we will accelerate expansion of the world-leading Active Cyber Defence programme, to better protect our critical national infrastructure, including such services as hospitals and our schools.

The role of industry

Taken together, these measures will ensure that the market is strengthened, diversified, challenged and protected – and that values are placed at the heart of our public services.

By doing so, we will go some way to restoring trust between government, industry and the public – and build an outsourcing model that has the confidence of the people it is there to serve.

We we can't in government do this alone.

We need the industry to come with us on this journey too.

We need them to put right failings where they have occurred; demonstrate their ability to respond to changing circumstances; and show their capacity for innovation and creativity as well.

For if we are to deliver better and stronger public services with values at their core then, yes, we need to put in place the right conditions for those services to be delivered but at the same time, we need quality of service for the user to be the number one priority.

If we are to ensure that taxpayers receive good value for money then, yes, we need to make sure the conditions are there for suppliers to make a decent rate of return.

But we also need firms to invest in their workforces and retrain their people, so public services can be even more efficient.

And if we are to restore public confidence in outsourcing as something that benefits most people then, yes, we must ensure that government contracts fairly and wisely.

And also we need our suppliers to demonstrate themselves the highest standards, behaviours and values that society – our customers expect – of them.

Conclusion

So by working together, government and industry in partnership, I am confident we can both rebuild that trust not just between ourselves, but between us and the public as well.

And in doing so, build a more 'responsible capitalism' that works for everyone, and is true to the changing society our children and grandchildren find themselves born into.

For the fall of Carillion reminds us that it is real people with jobs; livelihoods; families who suffer when things go wrong.

I hope that the issues that I have set out today mark the beginning of a process and a journey which, together, mean we continue to enjoy high quality public services, delivered by a diverse range of suppliers working in strong, competitive, vibrant markets but also with values at their heart.

Thank you very much.