

Contractors see public sector contracts vanish as first government cuts are announced

Contractors will be dismayed to learn that the public sector projects cancelled or suspended in today's announcement by the Chief Secretary to the Treasury, Danny Alexander, have put swift end to many future contract opportunities.

IT, construction and engineering contractors will be hardest hit, with defence, transport and building projects being either cancelled outright or postponed until the money can be found to pay for them. According to the Treasury announcement: "Projects have been cancelled where they were not affordable, did not represent good value for money, or where they did not reflect the Government's priorities."

Commitments to the various projects were made by the former Labour administration earlier this year, and they have come under the spotlight as part of the new government's review of all spending decisions taken since 1st January 2010.

Courts, roads and hospitals - cut or delayed

A total of 217 projects worth £34bn were re-submitted to the Chief Secretary for re-approval, and the Treasury says that:

- o 12 programmes will not go ahead that would have cost nearly £2 billion over their lifetime
- o 12 programmes will be suspended that would have cost £8.5 billion over their lifetime.

Included in the list of projects cancelled is a new hospital planned for the North East (£450m), meaning that lucrative contracts for contractors across most sectors will now not happen.

Other major construction and transport infrastructure programmes, including a new court complex in Birmingham, transport links in Kent and East Anglia, and building programmes in Leeds and Sheffield have all been shelved.

Rescue helicopters and Trident on 'the list'; will schools be next?

Many IT and engineering contractors will lose out due to the delays to a £4.6bn programme to replace and maintain search and rescue helicopters for the Ministry of Defence, as well as to preparatory work for the replacement of the Trident nuclear defence system. Ominously for construction and engineering contractors, the Building Schools for the Future programme is next for reassessment.

Is this the first broadside of a fusillade of cuts that threaten contractor livelihoods? The emergency budget next week is expected to reveal the full extent of public sector spending cuts, which will be covered in-depth by ContractorCalculator.

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Treasury announcement

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